BACKGROUND PAPER:
SUSTAINABLE HUMAN SETTLEMENTS
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Disclaimer
The background papers are written by officials in the Presidency and other government departments using inputs from literature reviews, commissioned research, government reviews and reports and roundtable discussions with a range of stakeholders. The views reflected in the background papers do not represent those of the Presidency, but rather reflect authors’ views on sector developments.
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<tr>
<td>AsgiSA</td>
<td>Accelerated and Shared Growth Initiative for South Africa</td>
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<td>BNG</td>
<td>Breaking New Ground</td>
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<td>DFA</td>
<td>Development Facilitation Act</td>
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<td>DRDLR</td>
<td>Rural Development and Land Reform</td>
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<td>FLISP</td>
<td>Financed Linked Individual Subsidy Programme</td>
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<td>GEAR</td>
<td>Growth, Employment and Redistribution</td>
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<td>HEF</td>
<td>Housing Equity Fund</td>
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<td>IDP</td>
<td>Integrated Development Plan</td>
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<td>IRDP</td>
<td>Integrated Residential Development Programme</td>
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<td>HIDF</td>
<td>Housing Institutions Development Fund</td>
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<td>MIF</td>
<td>Mortgage Indemnity Fund</td>
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<td>MTSF</td>
<td>Medium-term Strategic Framework</td>
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<td>NDP</td>
<td>National Development Plan</td>
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<td>NDPG</td>
<td>Neighbourhood Development Partnership Grant</td>
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<td>NGO</td>
<td>Non-governmental organisation</td>
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<td>NHBRC</td>
<td>National Home Builders’ Registration Council</td>
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<td>National Housing Forum</td>
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<td>National Housing Finance Corporation</td>
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<td>Niche Market Lenders</td>
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<td>NURCHA</td>
<td>National Urban Reconstruction and Housing Agency</td>
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<td>NUSP</td>
<td>National Upgrading Support Programme</td>
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<td>PFMA</td>
<td>Public Finance Management Act</td>
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<td>PIE Act</td>
<td>Prevention of Illegal Eviction and Unlawful Occupation Act</td>
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<td>RDP</td>
<td>Reconstruction and Development Programme</td>
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<td>Rural Housing Loan Fund</td>
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<td>SPLUMA</td>
<td>Spatial Planning and Land Use Management Act</td>
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<td>UISP</td>
<td>Upgrading of informal Settlements Programme</td>
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<td>UNFAH</td>
<td>Unblocking Finance for Affordable Housing in South Africa</td>
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Executive summary

Introduction
Housing and human settlements sit at the confluence of a variety of axes, they are both a physical product comprising shelter and accommodation as well as a profound symbol of home, belonging, citizenship and the material manifestation of hard won socio-economic rights (Kellet and Moore, 2003). Furthermore, where and how housing is situated tells the story of how different sectors, particularly the poorest, are regarded by the state and the rest of society.

The following document provides a review of the housing and human settlement sector over the last 20 years through the lens of four key programmes:

- The performance of the housing programme (primarily the project linked individual subsidy) The growing importance of the rental market and responses
- The impact of rapid urbanisation, the growth of Informal settlements growth and the responses
- The performance of the affordable/private housing market, the performance of the DFI’s, Banks and Private Developers.

The review was compiled through a review of the relevant literature and reports as well as significant inputs from the various housing departments and institutions, all of whom were integral in the finalisation of the review.

The story of housing and human settlements
The overarching story of the housing and human settlement sector demonstrate significant changes and evolution in how housing is understood, approached and responded to and corresponds with a consistent maturation of the democratic processes of the country. In essence there are four main narratives of change and evolution, including: the lamination of the meaning of housing and human settlements over time: the transition from simplicity to complexity; the urban as the locus of implementation; and the relationship between housing, human-settlements, claim-making and the citizenship. These themes are summarised below and made clearer through the rest of the review.

When looking at the beginning of the state’s response to the housing backlog, it had three key subsidies and a focus on ownership and a starter home. Over the intervening twenty years the state has moved to finer and finer instruments so that there are now 17 different subsidies that can be used responding to a range of housing tenure and typologies needs in a variety of urban and rural locations. Institutionally the sector has constructed increasing numbers of organisations whilst simultaneously widening the mandate of the national department with oversight, as the Department of Housing has become the Department of Human Settlements.
As part of the evolution, the meaning of housing has evolved over time, such that there has been a consistent lamination of what housing can do in South Africa. Thus the policy has gone from being concerned with notions of redress and redistribution in its first phase, to a situation in which housing has been seen as a key element in building up assets for the poor. In addition, one of its original elements of the housing sector, that of housing as a right, has come to the fore as a key symbol of the social contract. Of late through the Outcomes-based approach and the capabilities thinking of the NPC there is also the sense that housing and human settlements now have the additional role of building the capabilities of individuals and communities. In parallel the housing sector has moved its locus of attention and focus to the urban. This is both in response to increasingly urban population (Census, 2011) that is characterising the country, especially the move to large primary cities, and recognition of how best resources can be managed and delivery expedited. The story of housing and human settlements is an increasingly urban story, which recognises the links and the range of migration and livelihoods strategies that exist between the two, as well as the increasing urbanisation of poverty and the continuing need to restructure urban space.

In addition the current housing and human settlements has become a key site of entitlements and claim-making by citizens and residents on the state. Within a context of political and social disenfranchisement housing has come to represent not just a physical asset but a powerful political-social symbolic manifestation of what it means to be a citizen in South Africa, how to move from a half-life to a state-recognised individual.

The achievements made as a society since 1994

- Over the last 18.8 years about 2.68 million completed houses/units and just over 830 000 serviced sites were delivered. Effectively approximately 12.5 million individuals have been aided by the state and provided with better quality accommodation and some form of an asset.
- Thus far the Social Housing Programme has delivered an estimated 30,000 well located and well managed new housing opportunities for many low and moderate income households. Furthermore there is a significant pipeline of rental housing projects and the SHRA estimates that in total 164 474 rental units comprised on 95 420 social housing units, 6533 units from 12 institutional subsidy projects and 128 CRU projects with an estimated 65 521 units which will be built over the short-medium term.
- The Department and the Presidency in 2012 detailed project plans for 1 800 informal settlements; seven metropolitan councils had overall upgrading strategies in place, with 6 to be assisted with detailed settlement level plans.
- The state through institutions has made significant inroads into the gap market and the NHFC has been a key player in the sector and has helped to set-up, mentor and grow 54 financial intermediaries.
The contribution of these intermediaries has been significant: the Trust for Urban Housing Finance (TUHF), beginning with R 10 million, has raised a total of R 1.3 billion in debt capital and in the financial year 2012/2013 it has already disbursed just over R 204 million. Through the debt capital raised, TUHF has provided financing to 171 entrepreneurs empowering 34 women and refurbishing just over 18 000 units. AFHCO currently has an affordable housing portfolio of about R1.5 billion with some 7 000 affordable housing units altogether.

Furthermore, the FSC Council reported that after the first five year phase of the FSC ending 31 December 2008, the banks had exceeded the target of R 42 billion.

State subsidised housing has proven to be both a social and economic asset, through which beneficiaries have been able to generate sustainable incomes and ensure better quality of life and health.

Housing production has also had a significant contribution to the SA’s GNP and studies indicate that for every R1 spent during CAPEX a return of R3.7 was experienced from production and R4.5 from GNP and that for every R1 million expenditure on housing, approximately 11 jobs were created during CAPEX and approximately 5 jobs during OPEX.

The SA housing programme, when benchmarked against, similar contexts and countries has performed well with a clearly-targeted pro-poor subsidy and more recently a set of set of integrated land, housing and planning instruments, which from international experience indicate that at the policy level SA is well set to ensure well-located good quality housing and human settlements.

Overcoming challenges - doing things differently in the future

Spatial concerns: Apartheid geographies and overcoming the market: South Africa’s land market, has effectively excluded many of the country’s poorest citizens, due to high land and property costs and the inability of many poor people to access affordable credit. As a consequence many poorer people have ended up living in situations of informality and accessing land illegally or extra-legally. Furthermore, the high cost of land and the inability of the state to challenge the market fully have meant that many of the state’s interventions exist on the peripheries of cities.

Fragmentation: vertical/horizontal: although there is significant policy in place and many programmatic responses, much of it breaks down at the level of implementation and there are concerns about the institutional capacity to actually put in place what is proscribed by the legislation. Part of which can be explained by the disjuncture between policy development and the contextual realities in which it has to be implemented and the institutional instability and the loss of institutional memory and capacity.
Decreasing benefit for cost: During the first 3 years of the Outcome 8 period, 2009/10 to 2011/12, R42.1 billion or 98.9 per cent of the total R42.6 billion IH/HSDG allocation has been spent. This is an additional R7.5 billion more than BNG and R14.6 billion more than the WP Period, but delivered 500 000 less combined delivery of units and sites serviced compared to the BNG Period and a 900 000 less compared to the WP Period. Thus there is decreasing production of units for increasing costs, which raises questions of administrative efficiency, leakage and rising costs of land and materials.

Better leverage of the private sector: Overall the state has not fully leveraged the private sector in a range of different areas and programmes, i.e. Inclusionary Housing Policy; the inability to get the banks to lower the market. In the affordable housing sector; insufficient housing construction in the lower end of the market and “cherry-picking” of beneficiaries in the mixed-income projects.

Service costs and affordability: A further issues is that of services costs. Electricity and water tariffs have increased exponentially and to the point that in Johannesburg’s lower income rental sector the ratio of service charges to rental could be 1:1. This has meant that despite enormous efforts in the sector to ensure a lower down market reach, some forms of rental accommodation are once again becoming unaffordable for very low income earners.

Challenges of participation and development: Generally, metros and the larger municipalities perform well on the roll-out of basic services – however, they need to pay more attention to participative planning and empowerment. There is clear tension between the need for more delivery and for it to happen faster and the overarching concern, expressed through many of the Constitutional Court decisions, to ensure more participation and greater attention to procedural justice.

Recommendations and Way Forward
Given what has been discussed and the existing trajectory there is a clear need to reconsider some aspects of the sector, these include:

- Re-look at subsidy regime and consider more flexible instruments which would be able to more easily address spatial concerns
- Hook planning and human settlements more closely – some progress has already been made through the NDP and SPLUMB but there could be stronger and clearer links, especially around transportation and connections between work and places of residence.
- Consideration of declining rates base but increasing housing backlog, there needs to be some thought as to how the cities are going to fund their increasing mandates and sustain them.
- There needs to be better leveraging of the private sector to ensure that: the benefits of transit-oriented development and other forms of state investment are
extracted; mixed-income models are established and are able to go lower market and there is better response of financial institutions into the lower end of the market.

- Rental is increasingly important and there is a need for more information, focus and attention, especially on concerns of inner city and backyard rental. Thus the rental Housing Strategy needs to be expedited.

- Consideration on state capability is needed, mostly at the local level as there is a concerted move towards supporting bottom up delivery mechanisms thus urban centres need to be able to collect rates and distribute them in a manner that benefit the poor.
Review

1. Introduction and background

Housing and human settlements sit at the confluence of a variety of axes: they are a physical product comprising shelter and accommodation as well as a profound symbol of home, belonging, citizenship and the physical manifestation of hard-won socio-economic rights (Kellett & Moore, 2003). Furthermore, where and how housing is situated influences how different sectors, particularly the poorest, are regarded by the state and the rest of society. The story of housing and human settlements over the past 20 years is reviewed here through the lens of four key programmes and three predominant themes.

The housing and human settlement sectors demonstrate significant changes and evolution in how housing is understood, approached and responded to, and corresponds with a consistent maturing of the democratic processes of the country. In essence, there are four main narratives of change and evolution: the lamination of the meaning of housing and human settlements over time, the transition from simplicity to complexity, the urban space as the locus of implementation, and the relationship between housing, human settlements, claim-making and citizenry.

When examining the beginning of the state’s response to the housing backlog, it had three key subsidies, with a focus on ownership and the starter home. Over the intervening 20 years, the state has moved to more finely tuned instruments so that there are now 17 different subsidies that are able to respond to the widest possible range of housing tenure and typology needs in disparate urban and rural locations. The sector has also established increasing numbers of institutions and special-purpose vehicles, while simultaneously broadening the mandate of the national oversight department from a narrowly focused “housing” one to a much more expansive and meaningful “human settlements” one.

The meaning of housing has evolved over the past two decades. Thus, the policy has gone from an initial phase of being concerned with notions of redress and redistribution to a consequent phase where housing has come to be seen as a key element in building up assets for the poor. In addition, one of the original elements of the housing sector, that of housing as a right, has come to the fore as a key symbol of the social contract. Brought about by the outcomes-based approach and the capabilities thinking of the National Planning Commission, the current paradigm includes the sense that housing and human settlements have the additional role of building the capabilities of individuals and communities.

In parallel, the housing sector has moved its locus of attention to the urban space. This is both in response to an increasing urban population (Statistics South Africa, 2012) that characterises the country, especially the move to the large primary cities,
and the recognition of how resources can best be managed and delivery expedited. There is a range of new instruments, such as the Urban Settlements Development Grant (USDG), National Treasury’s Neighbourhood Development Partnership Grant (NDPG), and the accreditation process, which has placed the responsibility of aspects of housing and human settlements in the hands of municipalities, particularly the large metropolitan municipalities (Department of Human Settlements, 2011). This move is encouraged and supported by the National Development Plan (National Planning Commission, 2011), which recognises the links and the range of migration and livelihood strategies that exist between housing and human settlements, as well as the increasing urbanisation of poverty and the continuing need to restructure the urban space.

In addition, the current housing and human settlements arrangement has become a key site of entitlements and claim-making on the state by citizens and residents. This is effectively happening in two distinct but not unrelated ways: through litigation; and, through public protest. Described by Holston (2008) as insurgent citizenship, these actions reflect a consistent lack of satisfaction with current service provisioning as well as the infiltration of the rights-based discourse to the “grassroots”, whereby citizens and residents are utilising litigation and protest as a way of enforcing their rights. Von Holdt, et al, (2011) also observe: “…many of those who participate in the violence are unemployed, live in poverty, and see no prospect of a change in these circumstances. Theirs, they feel, is a half-life, as they are unable to participate as full citizens in the economy and society.” It is within these contexts that housing comes to represent not just a physical asset, but a powerful socio-political symbolic manifestation of what it means to be a citizen in South Africa, and how to move from a half-life to a state-recognised individual.

The human settlements sector is consistently complex and urbanising and the policy and programmatic environment is responding to this. However, implementation has been less swift and as a consequence, citizens are finding ways to make claims on the state. Census 2011 data (Statistics South Africa, 2012) also indicates that there have been some significant demographic changes over the last decade to which the state has responded. These include the fact that the number of households is growing as household size drops. So, while there has been a net increase of about 10 million people, the number of households increased from 9 million in 1996 to 15 million households, with an average size of 3.4 people, in 2011. Furthermore, although there have been increases in income this is not sufficient for households to be able to house themselves. The average African-headed household is earning only R 5 051 a month whereas the average White-headed household is earning R 30 427 a month. This suggests that there is still a clear discrepancy and vast inequality between the average African and White households in South Africa. African women, who earn almost half of what Black men are earning, have the least hope of increasing their incomes as they constitute the least educated category of South Africa’s population.
At metro level the changes in population are largely reflective of the accompanying provincial statistics. The three Gauteng metros and Cape Town have the highest growth rates. Johannesburg’s population increased by over 1.2 million people between 2001 and 2011, while Tshwane’s population increased by over 800 000 over the same period. Between 1995 and 2002, the overall demand for housing, especially in urban areas, is estimated to have increased by 90 percent (Lall et al., 2007). There has also been significant population growth in the secondary cities, along the mining belt and in response to the construction of new energy and heavy industry plants, particularly in Mpumalanga and the North-West Province.

Key to this review is the number of households living in situations of informality, which is clearly a vital indicator of the housing backlog. Between 1996 and 2011, the percentage of households living in formal dwellings has increased by 12.5 percent. Yet, the proportion of people living in informal dwellings has decreased disproportionately by only 2.6 percent. Census 2011 (Statistics South Africa, 2012) shows that almost two million people live in informal dwellings, an increase from 2001, when the figure was slightly more than 1.8 million. The Eastern Cape has the lowest proportion of people living in formal dwellings (63.2 percent), while 28.2 percent live in traditional dwellings and 7.7 percent live in informal dwellings. The demographic trajectory signals that the majority of people, especially African women, will still not be able to engage in the existing property and land market and house themselves, and that the locations of demand will be in the large cities and secondary cities in which mining, energy generation and heavy manufacturing are taking place.

This review seeks to reflect on what has changed over the past 20 years, how it has affected human settlements, and the challenges that have been experienced. It also attempts to chart the way ahead. It is both an evaluative and a descriptive document: highlighting the origin of much of the housing policy and how policy has evolved over the past 20 years, while evaluating what the housing and human settlement sector has achieved over the past 20 years.

2. The journey since 1994
The position of current housing policy shows that there has been a consistent process of lamination, as new policies, programmes and their associated instruments have been cumulatively layered on top of each other to create the current complex and highly sophisticated housing policy and practice environment.

2.1 In the beginning: 1992-1996
The origin of South Africa’s first housing policy was driven by three main processes: the socio-political consensus-building of the National Housing Forum (NHF) from 1992 to 1994, the rights commitment embodied in the new Constitution, and the
economic strategy of the Reconstruction and Development Programme (RDP). These provided the basis for the first democratic intervention in the housing market in South Africa.

The NHF was constituted of a multi-party, non-governmental negotiating forum comprising business, political, development and civic organisations. According to Tissington (2011), “the aim of the NHF was to formulate a consensus around a new non-racial housing policy and two fierce debates characterised the process: first, whether housing should be provided by the state or the market; and second, whether the standard should be a completed four-room house or a “progressive” (incremental) house”. There were further debates around the precise nature of the roles of the state and the private sector and whether there should be a focus on “breadth”, i.e. the largest possible number of people receiving basic housing assistance from the state, or “depth”, i.e. the smallest number of people receiving qualitative housing assistance (Huchzermeyer, 2001).

Simultaneous to these debates unfolding was the development of South Africa’s new Constitution and within it (in section 26), an understanding of the importance of housing and tenure rights. There was a recursive relationship between the constitutional design process and the work of the NHF. In effect, the Constitution was the legal apparatus by which the state had set out systematically and deliberately to dismantle apartheid social relations and create a democratic society based on the principles of equity, non-racialism and non-sexism. Part of this was an understanding of the role that property and land ownership played in constructing rights-bearing citizens.

The development of the new Constitution and its relation to housing and security of tenure was affirmed by the 1994 Botshabelo Housing Accord, which secured formal support from a broad range of key stakeholders for the new housing policy and strategy. The decision of the accord was that government would provide the framework for housing provision and facilitate delivery, while the private sector would apply for subsidies on behalf of communities, identify and service land and construct structures where possible.

The RDP was the state’s economic mechanism to drive labour-driven development in which it saw “growth through redistribution”. According to Visser (2004), the RDP envisioned, as a first priority, “beginning to meet the basic needs of people: jobs, land, housing, water, electricity, telecommunications, transport, a clean and healthy environment, nutrition, healthcare and social welfare”. It further identified the following key objectives: building the economy, democratising the state and society, developing human resources and nation-building. From 1994 to 1996, the RDP became the paradigm within which all development policies were discussed and ostensibly, became the guiding document of the Government of National Unity (Visser, 2004).
In parallel, and as a response to the existing housing backlog, the new government saw private sector credit as a major contributor to the potential success of the housing sector. The banks showed little willingness to engage in this sector at the time, and argued that it was not because of racial discrimination that they were not lending, but due to the attendant political, social and security risks involved. It was these factors that the banks thought the state should manage. As a consequence, a memorandum of understanding was signed and a few institutions were established to share the risk. The first of these institutions were Servcon and Thubelisha Homes. In 1995, three more entities were set up to facilitate the return of the banks to the low- and medium-income housing markets. The National Home Builders’ Registration Council (NHBRC) was mandated to protect housing consumers through a home warranty scheme. The Mortgage Indemnity Fund (MIF) was established as a temporary guarantee scheme to indemnify the financial institutions against default by certain classes of borrowers. The National Urban Reconstruction and Housing Agency (NURCHA) was set up to provide guarantees to banks and other housing lenders, as well as for developers and contractors to cover the costs of development prior to subsidies being paid. The following year, the National Housing Finance Corporation (NHFC) was established as the key institution to provide housing finance to four subsidiaries: Niche Market Lenders (NML) (to provide large-scale, on-balance-sheet debt funding to intermediaries such as mutual banks, development corporations, non-governmental organisations (NGOs) and micro-lenders), the Housing Equity Fund (HEF) (to provide technical assistance and start-up capital to new and pilot ventures in the home-lending sector), the Housing Institutions Development Fund (HIDF) (to provide developmental capital at below market rates to viable, start-up social housing institutions), and the Rural Housing Loan Fund (RHLF) (to enable low- and medium-income households in rural areas to maximise their housing choices and improve their living conditions).

By 1996, the state had set up some of the key machinery for state housing provision and had a clear approach and subsidy regime in place: the beginnings of a housing finance sector. During this period, the ownership model had become embedded in the state psyche. Later, this would prove difficult to change when other demands became apparent.

2.2 Building the foundation: 1997-1999
The period 1997–1999 saw the transition of the state from the RDP to the Growth, Employment and Redistribution (GEAR) programme, together with the introduction of three key pieces of legislation: the Prevention of Illegal Evictions and Unlawful Occupation Act (PIE Act), which was concerned with evictions and security of tenure, the Housing Act, which focused on the methods of housing subsidy and ownership provision, and the Rental Housing Act, which sought to regulate all aspects of the rental sector.
GEAR was a macro-economic policy that elaborated on some of the notions encapsulated in the RDP, such as strategies for tax incentives, small business development, innovative programmes and skills development. It was also focused on the stabilisation of the economy under difficult circumstances. It set out what became known as “targets” for growth and employment.

The National Housing Act was intended to do the following:

…provide for the facilitation of a sustainable housing development process; for this purpose to lay down general principles applicable to housing development in all spheres of government, to define the functions of national, provincial and local governments in respect of housing development and to provide for the establishment of a South African Housing Development Board, the continued existence of provincial boards under the name of provincial housing development boards and the financing of national housing programmes; to repeal certain laws; and to provide for matters connected therewith.

Republic of South Africa, 1997

Following the promulgation of the Housing Act, the Minister of Housing introduced Ministerial National Norms and Standards for Permanent Residential Buildings. This increased the subsidy to accommodate the new changes. It was also in part a response to the numerous complaints about the poor quality of the units.

The PIE Act was promulgated in 1998 as a response to arbitrary evictions, which characterised much of the apartheid state’s approach to land, and to section 26 of the new Constitution, which stipulated that “no one may be evicted from their home, or have their home demolished, without an order of court made after considering all the relevant circumstances. No legislation may permit arbitrary evictions”. The PIE Act set out the procedure to be followed when evictions take place. The act was lauded for the recognition of land owners’ rights in that they had the right to deal with people who were occupying their land unlawfully (Pienaar & Muller, 1999).

Another important piece of legislation was the Rental Housing Act, which was intended to articulate the responsibility of the state to regulate the rental sector. However, this act also heralded the beginning of a move away from purely focusing on individual subsidies and ownership to alternative forms of tenure.

2.3 A complex environment: 2000-2004

The beginning of the new millennium saw a constantly complex environment in terms of the number of housing programmes and policies, and their sophistication, as well as the environment to which housing had to respond. There were two early indications of things to come. The first was the key constitutional court case of Irene
Grootboom, which obliged the Department of Housing to introduce an Emergency Housing Programme. The second was the development and finalisation of the Housing Code, which had been mandated in the Housing Act, but had taken some time to develop. The code clearly set out the underlying policy principles, guidelines, and norms and standards that had to be applied to the national housing programmes. The code also called for “creating partnerships between the various spheres of government, the private sector and communities. This, in a unique fashion, created links and harnessed their creative synergies to accelerate low-cost housing development in the country for the benefit of the poor” (Department of Housing, 2000).

Cumulatively, NHFC disbursements had, by then, exceeded the R1 billion mark. The NHFC undertook probably the most intensive (and extensive) housing finance research project by any housing entity in recent times. The Unblocking Finance for Affordable Housing in South Africa (UNFAH) programme sought to create an understanding of the nature and scope of problems that impeded the housing finance process, identify any blockages in the housing finance delivery process, and bring to light issues that should be verified scientifically by conducting periodic end-user surveys. UNFAH findings pointed to the need for the NHFC to alter the way in which it did business if it desired maximum impact. Thus, in 2001, the NHFC was restructured. The existing operational units were coalesced into three new product streams: home ownership, alternative tenure and incremental housing.

The following year saw a major policy shift with the enactment of the Housing Amendment Act of 2001, which required the state to transform its national housing programmes to comply with the procurement requirements of the Constitution and the Public Finance Management Act (PFMA). The most important change was that from 1 April 2002, the role of developer could only be fulfilled by an organ of the state on land that belonged to that organ of the state. In addition, all interfaces with the suppliers of housing goods and services had to comply with a fair, open and just procurement process. This policy change also introduced a new subsidy dispensation in terms of which the actual cost of the subsidised house and serviced stand were determined and were annually adjusted to cater for the eroding effects of inflation.

Further changes in the housing title were informed by evidence that beneficiaries of subsidised houses were selling their properties informally. This led to an amendment being made to the Housing Act in 2001, restricting sales within a period of eight years from the date on which the property was acquired. As a result, a savings requirement was introduced in 2002, whereby subsidy beneficiaries earning more than R1 500 per month were required to contribute an amount of R2 479 towards the purchase price of the property. This was to construct an NHBRC-approved, minimum standard house, as well as to engender a sense of ownership in beneficiaries. The main impact of this provision seems to have been the slowdown of
housing delivery, because provinces preferred project-based subsidies that did not require the management of savings or beneficiaries beyond the title deed process.

In addition to the procurement dispensation, the application of the Housing Consumers Protection Measures Act on the housing subsidy took effect in 2002. This meant that all subsidy-financed projects and contractors had to be registered with the NHBRC. The Ministerial National Norms and Standards were also adjusted to align with the minimum standards imposed by the NHBRC.

This period saw a response to the call for creating partnerships and leveraging the participation of the private sector in the human settlements sector. The introduction of the Home Loan and Mortgage Disclosure Act in 2000 and the Community Reinvestment Bill in 2002 motivated banks to originate R53.1 billion in housing finance loans through the Financial Services Charter between 2004 and 2008, benefitting 985 000 families. A further R42.9 billion in housing finance loans has been originated by banks since 2009, providing finance for an additional 1.054 million beneficiaries. While this did not necessarily build new stock, it increased the value of existing stock.

The year 2004 saw the most important policy intervention since the Housing White Paper: the Comprehensive Plan for Housing Delivery: Breaking New Ground (BNG). This was a response to a wider set of factors, including the Medium-term Strategic Framework (MTSF), which was intended to direct thinking for 2004–2009. The MTSF had a clear set of priorities, which included the decision to intervene decisively to promote the involvement of the marginalised in economic activity, including sustainable livelihoods (The Presidency, 2008). By the beginning of this period, approximately R32.4 billion had been spent on housing delivery since 1994/95. This included constructing 1.8 million new houses and transferring 549 597 units of old housing stock to poor households.

BNG was also a response to the most recent census findings, which showed that the housing backlog was still increasing and that the housing delivery rate had dipped. Furthermore, there were a number of criticisms of the previous delivery model. Thus, there was a call for the national housing programmes to be used more effectively in transforming vexed apartheid settlement patterns. BNG began to view housing through the much more expansive sustainable human settlements lens, whereby interventions were intended to go beyond just building houses for the lower-income segments, and include the affordable housing sector. The programme outlined the following, among other things:

- Speeding up the delivery of housing as a key strategy for leveraging economic growth and creating jobs.
- Reducing poverty and improving the quality of life for the poor by making sure that they could use their residential property as a financial asset.
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- Improving the functioning of the entire residential property market to reduce the duality between the booming in the first economy and the stagnancy in the second economy.
- Using new residential development as an instrument for spatial restructuring and integrating human settlements.

Flowing from BNG, the housing subsidy regime also saw changes. There was a consolidation of the subsidy bands (based on income). All qualifying beneficiaries (households earning less than R3 500) were now eligible for the same subsidy benefits. The programme was extended to households in the R3 501 to R7 000 monthly income bracket. The finance-linked subsidy was intended to target households that had traditionally been left out of government-subsidised housing, and had struggled to obtain loan finance for affordable housing. Moreover, the following new national housing programmes were introduced:

- The Upgrading of Informal Settlements Programme (UISP): This programme provided for a community development approach, prioritising in situ upgrading as opposed to relocations, and provided serviced stands to all the inhabitants of informal settlements.
- The Programme for the Provision of Social and Economic Amenities: This programme provided grant funding to municipalities for the provision of certain basic social and economic amenities in new developments and existing areas where such facilities were not available.
- The programme to assist municipalities to develop the housing chapters of their Integrated Development Plans (IDPs).
- The conversion of the project-linked procurement compliance dispensation programme: This programme was converted into a phased development process programme. It was later replaced by the Integrated Residential Development Programme (IRDP), which targeted urban developments in well-located areas where the development catered for the entire range of housing needs and other land uses.

There was a new emphasis on the quality of the housing product – the entire human settlement and not just housing – and a re-emphasis on rental accommodation and the upgrading of informal settlements. Although the latter had been in place in certain provinces – especially KwaZulu-Natal – before the new dispensation, it now took on a more central role. BNG put in place an approach to the “progressive eradication” of informal settlements through the integration of informal settlements into the broader urban fabric to overcome spatial, social and economic exclusion. BNG furthermore introduced a new informal settlement upgrading instrument to support the focused eradication of informal settlements, used a phased in situ upgrading approach to informal settlements (in line with international best practice regarding the relocation of households where development was not possible or
and introduced a range of tenure options and housing typologies into the upgrading process.

It also called for the introduction of a fast-tracked land release and service intervention mechanism to forestall the establishment of informal settlements. A comprehensive mobilisation and communication strategy would be developed to clarify the intentions of the policy and raise awareness on the implications of the policy. Another key aspect of BNG was the emphasis on municipal accreditation, an aspect that would come to pass in the following years.

BNG linked itself to a deeper set of social and economic processes and began to make explicit the linkages between income generation and housing, and to address the fact that the previous housing waiting lists—especially the area-based interventions such as relocation—were not supportive of low-income household strategies. Thus BNG was both informed by and aimed to address the issue of sustainable livelihoods.

This period further saw the Development Facilitation Act (DFA) challenged in court by the City of Johannesburg. The DFA historically had an important role to play in enabling land development in the initial stages of the national housing programmes, when local government was in transition. However, with time, it increasingly came into conflict with local government’s mandate to do municipal planning and became part of the numerous laws needed for land development. In response to this judgment, the national Department of Rural Development and Land Reform (DRDRL) initiated the drafting of the Spatial Planning and Land Use Management Act (SPLUMA).

The period 2000–2004 was instrumental in changing the face of the housing sector as it moved away from pure housing provisioning to a demand-driven period that sought to respond with the establishment of human settlements that satisfied a range of needs, including sustainability, concerns with livelihoods and the quality of the larger built environment.

### 2.4 Planning and rental, better alignment and focus: 2005-2008

In the next phase, the national economic policy focus changed as the state put the Accelerated and Shared Growth Initiative for South Africa (AsgiSA) in place in 2005. This policy confirmed the return to a discourse on the importance and centrality of the role of the state. This followed the new focus of the ANC’s reinterpretation of what constituted a “developmental state”, which it also used to inform its 2004 election manifesto. The ANC’s notion of the developmental state was dedicated to the idea of a “people’s contract”. This recognised the fact that, even in alliance with business, the state would not be able to achieve its economic objectives, such as halving unemployment and poverty by the year 2014, without working closely with citizens and communities. A closer reading of the ANC’s 2004 manifesto shows that
the concept of a “people’s contract” was also intended to inject a democratic component into the emerging South African developmental state. However, unlike the heyday of GEAR, with growth receiving an exclusive focus, the state promised, through the “people’s contract”, “to pay greater attention to tackling unemployment and poverty, without undermining its continued focus on achieving about 6 percent annual economic growth” (Edigheji, 2006).

The ANC repeatedly committed itself to the goal of a developmental state, both in its political and policy documents, and understood the term to mean, inter alia, direct investment by the private sector in underprivileged areas, accelerating economic growth and addressing skewed patterns of ownership and production, all of which with a strong emphasis on democratic governance (Edigheji, 2010). On the housing front, it meant that the state continued to see itself as a deliverer of housing units. This resulted in increased subsidies and a new budget for informal settlements.

During 2006, the then Department of Housing developed a comprehensive variation manual for the adjustment of the subsidy amounts to cater for the additional cost of precautionary measures required by extraordinary development conditions found throughout the country. This manual was supported by maps that indicated all the geotechnically problematic areas and an automatic calculator to aid the decision-making process. Some enabling facilities were also created. National Treasury established the Neighbourhood Development Programme Unit to administer the Neighbourhood Development Partnership Grant (NDPG), the goals of which were to support neighbourhood development projects that provided community infrastructure. It also sought to create the platform for private sector development. Available to municipalities on application, the grant represented an enabling tool to create more viable communities and leverage private sector investment.

The period also saw greater alignment between human settlements and planning. Prior to 2006, housing did not form part of the IDP. Besides developing the Housing Chapter of the IDP in 2006, the resource book Sustainable human settlements planning was launched in 2008.

The individual subsidy faced a significant dip in delivery during this period. National Treasury was of the opinion that this was due to a constellation of intersecting factors, including poor coordination between spheres of government, which led to delays in project initiation, approval, implementation and completion. The significant cost escalation in construction materials and bulk infrastructure coincided with the adjustment of the ministerial national norms and standards to a 40 m2 house. Although the subsidy amount was also adjusted to enable the financing of the enhanced product, it still required more materials at a higher cost than the previous units.
Finally, 2008 saw the worst international recession and financial crisis since the beginning of the great depression in 1929, and with it, the resulting decline in growth in the South African and international economies. This period prompted practitioners and experts in the sector to initiate debates on existing opportunities in a falling housing market. They raised the following fundamental questions and concerns regarding the lower end of the housing market:

- Was the BNG property viewed as an asset for wealth creation and how would state investment support this?
- Was there a need to track asset growth, where BNG properties had been resold or used as collateral? What were the trends in terms of sales in execution?
- What was the impact of state investment on property values in neighbouring communities?

These debates resulted in the following observations:

- To some extent, government-subsidised housing was beginning to function as an asset (although this was taking place mainly through informal transactions).
- There was substantial opportunity for growth in the sector if challenges of affordability could be addressed, as well as an opportunity for the further stimulation of the resale market. The implications of resale in this market had provided opportunities for the “gap market”, thereby providing previous owners of these properties with some opportunity for property “ladder climbing”.
- Backlogs in the registration of title deeds remained a fundamental challenge, as they undermined the success of the state’s asset programme. This contributed to informal sales and undermining the integrity of the entire deeds registry system.

Furthermore, there were questions on the poor’s access to urban land markets, and the need for identifying appropriate levers to influence property markets in favour of the poor (e.g. introducing innovative instruments and implementation tools in municipal rates policies).

From 1994 to 2004, the dominant view was that the delivery of rental housing as a means to access the resources of cities was slow and took place on an ad hoc basis (National Association of Social Housing Organisations). However, that changed through a few important interventions. The promulgation of the Social Housing Act in 2005 paved the regulatory environment for social housing institutions, restructuring zones and their allied subsidy regimes. The European Union-assisted Support Programme for Social Housing was implemented between 2000 and 2007. This helped to develop expertise and some of the necessary policies, procedures and systems that were important to the business of social housing. By then, the institutional subsidy was proving to be too random and inadequate to sustain social
housing provisioning. The National Rental Housing Strategy, which was introduced in 2008, envisaged the delivery of 100 000 rental units by 2011/12.

Notions of the developmental state and the social contract informed many of the activities during the 2005–2009 period, which then manifested in a renewed focus on attempting to satisfy a range of housing demands and provide for a wider array of tenure options and better-quality housing across the country. It was also during this time that more focus was being placed on the importance of partnerships between social housing institutions and municipalities as an institutional requirement for the development of a strong social rental programme.

2.5 A widening mandate: 2009 to present

Since 2009, the sector had changed significantly with an extended mandate for the Department of Housing, accreditation in action and a highly diversified National Housing Code. The revised National Housing Code contained the BNG-compliant national housing programmes, which were described as the “building blocks in the provision of sustainable human settlements”. Furthermore, the national Department of Human Settlements replaced the Department of Housing, and had a wider mandate and responsibilities. Against this backdrop, the Minister of Human Settlements, in a presentation to a Special Presidential Coordinating Committee on 18 May 2010, identified the need to ensure an appropriate funding model for human settlements. The Urban Settlements Development Grant (USDG) was therefore introduced in the 2011/12 national budget. This was designed to be a direct grant from the national Department of Human Settlements to metropolitan municipalities for the purpose of supplementing their capital investment programmes to improve the performance of the built environment.

The macro-planning environment also demonstrated significant changes as the state relooked the manner in which it developed targets and assigned responsibilities. The latest targets that have been set revolve around the 12 outcomes for development that Cabinet accepted in January 2010. These form part of the national MTSF for the period 2010–2014. Outcome 8 is “sustainable human settlements and improved quality of household life”. This outcome was described in more detail in the performance agreement signed by the President and Minister of Human Settlements in April 2010. The Minister has to ensure that the following outputs are produced to achieve Outcome 8:

- Output 1: Upgrading 400 000 households within informal settlements
- Output 2: Improving access to basic services
- Output 3: Facilitating the provision of 600 000 accommodation units within the gap market for people earning between R 3 500 and R 12 800
- Output 4: Mobilising 6 250 ha of well-located public land for low-income and affordable housing with increased densities
The state acknowledged that past experience showed that while it had improved access to services and expenditure (inputs), these have not been converted into positive outcomes. There has also been a lack of data-driven and evidence-based strategies and activities between the input and output stages as well as a lack of strong institutional design and good management. The Minister’s Delivery Agreement for Outcome 8 sought to bring together the key partners who needed to work together to deliver on outputs, and link these outputs to outcomes.

Although good progress has been made in the delivery of housing for poor households over the past 20 years, the country is still far from breaking down dysfunctional and inequitable settlement patterns. At the core is a long-term vision of transforming the functioning of human settlements and the workings of the space economy to observe meaningful and measurable progress in creating more functionally integrated, balanced and vibrant urban settlements (equitable and efficient spaces with citizens living in close proximity to work and having access to social facilities and the necessary infrastructure).

Based on experiences gained through the implementation of the 1994 Housing White Paper, it became clear to the state that there was a need to integrate the existing policy frameworks and concomitant programmes with the significant policy shift from the provision of housing only to the establishment of sustainable human settlements. This was given effect by the BNG Plan.

Furthermore, in 2009 the erstwhile Department of Housing was re-named the Department of Human Settlements. The new mandate of the department is not different from the ideals of the BNG Plan. Rather, the new focus is on driving implementation on the medium and long term. In the re-configured arrangement, the Minister and Department of Human Settlements are responsible for leading the delivery of sustainable human settlements, and due to the complex nature and interdependencies of the sector, it is expected that there will be close collaboration with other ministers and departments with relevant line functions.

During this period the paradigm was no longer one of shelter and quantity only, but it was also about integrated human settlements and the quality of investments. Investment decisions were now expected to focus more on the size and workmanship of the housing product, settlement design, alternative technology, etc, as well as choice (e.g. tenure, type and location).

Institutionally and programmatically, the following shifts took place:

- A new subsidy programme, the Financed Linked Individual Subsidy Programme (FLISP), has been introduced for the gap market to ensure a more integrated property market. In 2012, subsequent to some difficulties in the provincial
administration of the subsidy, the Department of Human Settlements appointed the NHFC to implement and promote the programme;

- The Social Housing Regulatory Authority was established in 2011 mainly to facilitate the provision of affordable inner-city rental housing stock as part of a broader urban renewal and inner-city regeneration thrust. To date, the Social Housing Programme has delivered about 50 000 well-located and well-managed new housing units to low- and moderate-income households, thereby offering affordable accommodation to more than 300 000 people. Coupled with this, increased property values of developed social housing units and of the surrounding properties have given new vigour to property markets;

- The assessment of the UISP in 2009 indicated that there were significant blockages in the upgrading of informal settlements despite the wide array of policies and programmes in place. As a consequence, the National Upgrading Support Programme (NUSP) came into being to provide assistance to municipalities to promote and ensure that informal settlement upgrading took place.

- The shift towards local government playing a more progressive role in the delivery of sustainable human settlements, gave way to the on-going municipal accreditation process of metros and large cities to full accreditation.

The last few years have seen an intensification of human settlement activities on all significant fronts and the continued expansion of the housing mandate to human settlements, as well as a clearer focus on municipalities as the key agents of delivery. The trajectory seems to be towards increased complexity, more significant policy responses and recognition that practice and implementation particularly at the local level require greater support if these are to meet the medium-term goals that have been agreed to.

2.6 Where South Africa is now and how it compares to other countries
A key question is how South Africa compares to other countries in order to gain a sense of where South Africa stands internationally as benchmarked against other countries’ human settlement programmes.

Chile: Capital subsidy programme: better or worse?
Chile had the first, and best-known, example of a capital subsidy scheme for housing. It was introduced in 1978, and was subsequently widely replicated by other countries (Smit, 2006:1). The Chilean system of capital subsidy is a relatively sophisticated one of targeted subsidies that looks at more than just income levels. The state has developed the Ficha-CAS questionnaire, in which households are awarded points based on living conditions and income. Local authority officials administer the questionnaire in the home and it is used as the basis for all social support programmes (state pensions, family allowances, housing subsidies, access to free healthcare and school feeding programmes). Although the questionnaire is a
more finely tuned instrument, it places significant emphasis on savings and, as a result, only 27 percent of beneficiaries came from the lowest income quintile during 1994–1996 (Nieto, 2000, cited in Gilbert, 2004).

The Chilean capital system is a more finely tuned instrument than the South African individual subsidy, despite South Africa’s attempt to move towards a demand-centred approach. However, there is no question that South Africa has been far more successful in accessing and delivering to the lowest end of the market. Furthermore, despite the capital subsidy refinement, Chile still suffers from issues of accessing the land market, the peripheral location of lower-income settlements and social fragmentation. Chile also has the additional problem of a very dominant construction sector that is able to dictate policy, which is an aspect that South Africa has not had to contend with.

**Singapore: Handling density and integrated development**

Singapore has been hailed as having one of the most successful public housing policies in the world, with the vast majority of residents (over 90 percent) owning their own units, despite shortages of land and a very high population density (5 000 people/km²). Housing is the mandate of the Housing and Development Board, which is not only a provider of low-cost housing, but has a wide-ranging mandate: it manages its estates and provides commercial and industrial premises, as well as recreational, religious and social facilities in its housing estates. The Housing and Development Board also undertakes other projects, like land reclamation. A typical new town built by the Housing and Development Board is planned to cater to all needs. Transportation is coordinated with the Public Works Department, bus companies and the Singapore Mass Rapid Transit.

The South African state has only recently taken on the mantle of human settlements with a larger function than just housing provisioning. Singapore’s Housing and Development Board, which has a similar mandate, has been in operation since the 1960s, with supportive land access legislation in place since the 1920s. The comparison indicates that South Africa is on the appropriate trajectory with a department that has a wider set of powers and functions, and greater alignment with issues of connectivity and transport. Furthermore, Singapore’s specific ideological position has allowed for significant intervention in the housing market through the building and creation of human settlements for all its citizens. It has demonstrated that, over time and as situations stabilise, less intervention is necessary. The potential lesson for South Africa is that, although it is on the right path, there should be serious consideration of market intervention to ensure more integrated development.

**The Netherlands: Social housing entrepreneurs**

The Netherlands has one of the most successful social rental housing programmes in the world, and the sector accounts for 37 percent of all Dutch housing stock.
Social rental has, however, gone through significant changes over time from a situation in which the central government granted subsidies and loans to housing associations for the construction of social rented housing. Finance was supplemented by the municipalities during the 1980s when, due to an insufficient supply of housing and a national debt crisis, the state cut back on social housing subsidies. By the 1990s, the state withdrew even further from the social housing sector. Housing associations were made almost completely independent from the government for the first time. A guarantee structure was created, independent of the national government, with the intention of giving new financiers confidence in the financial situation of social housing institutions. The guarantee structure was made up of three levels: the Central Housing Fund (a solidarity fund), the Social Housing Guarantee Fund (a voluntary fund) and the government, both central and local.

Today in the Netherlands, housing associations have the reputation of being social entrepreneurs, as opposed to being mere extensions of the government. The fact that these associations have to finance their own investments now, which naturally entails a lot of risk, encourages them to behave as entrepreneurs to a large extent (Aref, 2005). Social housing in South Africa has been heavily influenced by the Dutch model and received significant technical and financial assistance from the Dutch government. As such, many of the building blocks to create a viable social housing sector are now in place. Although scale has not been achieved and social housing is still a relatively small sector, the country has the “right” attitude, as social housing institutions are highly entrepreneurial and well regulated.

**Malaysia: A close parallel**

Malaysia has had to face many of the same concerns as South Africa: a set of segregated communities with large inequities, both spatial and economic, increased urbanisation and the creation of informal settlements, and a private sector construction industry that has demonstrated some hesitance in getting involved in the lower-income sector. Furthermore, Malaysia has a legislative mandate to house the poorer elements of the population. The Malaysian government has attempted to intervene in the housing sector, but has had significant difficulty in meeting the housing backlog. In 2005, the total housing need was estimated at 550 700 units, but only 57 percent had been reached. The most common problem of the public sector was the delay in processing and approving applications for land development, together with the conversion, subdivision and issuance of titles. South Africa, by comparison, certainly has a far more sophisticated subsidy regime, and has been able to produce a far higher number of good-quality units than its Malaysian counterparts.

### 3. Reflection on achievements

Since 1994, the democratic government has delivered approximately 3.7 million subsidised housing opportunities to the very poor, giving homes to approximately 12.5 million people (close to a quarter of the population). Some 65 percent of all
subsidies allocated have been to woman-headed households, engendering housing in South Africa like in no other country. A home is an asset that offers an entry point to social, commercial and work opportunities, thus offering a sense of being a full citizen. South Africa has now reached a point at which blacks outnumber whites for home purchases in suburban areas for the first time. This is an indication of progress in terms of the racial integration of the country’s cities and towns, as well as in terms of the growth of the black middle class.

Progressive public investment in housing for the very poor has facilitated a wave of investment in housing by beneficiaries, other households and the private and not-for-profit sectors, dramatically improving the quality of the human settlements in which South Africans live. Together, government and the private sector have delivered 5677 614 formal houses, increasing the number of people living in formal housing from 64 percent in 1996 to 77.7 percent in 2011. This represents a growth of 50 percent for the period (Department of Performance Monitoring and Evaluation, 2013). The formal housing market has increased 13-fold from R321 billion in 1994 to reach a collective value of about R4.036 trillion by 2014.

Housing policies over the past 20 years have developed in three interrelated ways:

- The singular focus on housing to meet shelter and ownership deficits has broadened to consider housing from a more sustainable human settlement approach.
- The narrow, simplistic one-size-fits-all public housing focus (the prototype RDP house) has become more flexible and pragmatic, and thus more capable of engaging with the complexity of integrating settlements. Some 17 new subsidy programmes have been instituted, allowing citizens to actively engage with a range of different programmes to improve their living conditions. These programmes include subsidies to upgrade informal settlements, subsidies for people who want to build for themselves (including through the Peoples Housing Process Programme), subsidies for improving the integration of settlements, subsidies for rural housing and support for rental and social housing.
- This diverse way of providing housing opportunities has offered new ways in which people can negotiate their housing needs, thus reinforcing the social contract in the Constitution regarding rights to housing. This has given households more choices in building wealth through housing assets and lifting themselves out of poverty.

As illustrated in the box below, achievements in housing since 1994 have been significant. The estimated value of the state-subsidised housing market is about R300 billion. This represents a threefold increase in the value of investments by the state since 1994, as a result of increasing property values. It also represents a sizeable asset value enhancement for about 3.7 million households in the subsidy
category and a growth in the gap or affordable market of some 13 times its value since 1994.

### Key housing achievements

- Over the past 20 years, about 2.8 million completed houses and units, and just over 876,774 serviced sites, have been delivered, allowing approximately 12.5 million people access to accommodation and a fixed asset.
- About 56 percent of all subsidies were allocated to woman-headed households.
- The post-1994 Government Housing programme constitutes about 24 percent of the total formal housing stock in the country, and was recognised by the United Nations Human Settlements Programme (UN-Habitat) with an award in 2003.
- About 353,666 rental units of the previous government were transferred into the ownership of tenants.
- There have been three major iconic restitution projects of communities that were forcibly removed from the inner city, District Six, Cato Manor and Lady Selbourne, have been reintegrated with new housing into the metropolitan centres.
- Since 1994, the national Department of Human Settlements has spent R125 billion (at 2010 prices) on housing and human settlement development, while R16 billion has been spent by other government agencies on other infrastructure projects for redeveloping human settlements.
- The capital investment by the state has created 1.29 million direct, indirect and induced person-year jobs, and the operational investment has created a further 10,800 jobs.
- The growth of the average price of houses in the market, including for the affordable or gap market, has been fivefold over the past 20 years.
- More than 10,739 communities in 968 towns and cities across the country have benefitted from the national housing programmes. This indicates the extent of the interface between communities and government, and each of the 3.7 million households.

The introduction of the Home Loan and Mortgage Disclosure Act in 2000 and the Community Reinvestment Bill in 2002 motivated banks to originate R53.1 billion in housing finance loans through the Financial Services Charter between 2004 and 2008, benefiting 985,000 families. A further R42.9 billion in housing finance loans has been originated by banks since 2009, providing finance to an additional 1.054 million beneficiaries. While this did not necessarily build new stock, it increased the value of existing stock.
The transformation of Soweto

There were mass removals of Africans from Johannesburg to Soweto between 1955 and 1958. Its high levels of socio-economic deprivation, dusty gravel and unlit streets became famed as the student battleground for justice and freedom in 1976 and the 1985 State of Emergency. Since 1994, the City of Johannesburg has invested substantial resources into developing Soweto and reintegrating it into the city:

- All 314 km of gravel roads were tarred, and all other roads in the 27 townships that make up Greater Soweto were resurfaced, kerbed, pedestrianised, linked to a new cycleway, provided with street lights and integrated into a comprehensive storm water management system by 2005.
- All outstanding water, electricity and sanitation service connections to thousands of houses built but previously excluded by apartheid policies were completed over the last 20 years.
- The Greening of Soweto Project saw more than 200 000 new trees planted. Nelson Mandela planted the 90 990th tree on his 90th birthday in 2008. During the project, six new eco-parks were also built. This greening project has received two separate gold awards, one in 2008 and another in 2010, at the United Nations Liveable Community Awards.
- More than 100 000 houses have been built or refurbished in Soweto over the last 20 years.
- The Rea Vaya Rapid Bus Transport System provides a loop through Soweto, linking it to the Johannesburg CBD, with some 34 stops.
- A tourism spine has been developed, reflecting the local community’s struggles against apartheid. The spine links the Vilikazi Street Precinct, which highlights the house museums of Soweto’s two Nobel Peace Prize winners, Nelson Mandela and Bishop Desmond Tutu, the Hector Pietersen Memorial and Museum, the 12 km-long 16 June route, and the Regina Mundi Parish Church (gathering point for protest meetings and refuge from the apartheid brutalities), and loops back to Kliptown as the founding locality of the Freedom Charter. As a tourist attraction, this spine has already attracted over one million tourists.
- Retail space has grown almost fourfold from less than 60 000 m2 to 220 000 m2 over the past 20 years. Five new major shopping malls with major retail anchor tenants have been established.
- Soweto’s residential property market is now booming, with the highest average prices in the affordable housing market segment countrywide.

The Social Housing Programme has delivered about 50 000 well-located and well-managed new housing units to low- and moderate-income households, incentivising
growth in the surrounding neighbourhood. Some social housing units tend to have up to four families move through them over a 10-year period, offering a wider set of accommodation options in well-located areas, potentially having provided well-located, affordable accommodation to more than 300 000 people.

Although there was a rapid growth in the number of informal settlements in the first ten years after 1994, the number has remained stable over the last ten years, accommodating some 1.2 million shacks. Increasingly, more households are finding rental accommodation in backyard shacks (713 000) in historical townships and in the government-subsidised developments of the past 20 years. This demonstrates the benefits of the subsidy programme in extending affordable and secure accommodation to extended families.

State finance institutions have made significant inroads into the affordable or gap market (the gap in the market that exists below the position where the private financial market tends to operate, and just above the point where the subsidy programme can deliver), appointing some 54 financial intermediaries. Just one such agency, the Trust for Urban Housing Finance (a National Housing Finance Corporation subsidiary), has provided financing to 171 entrepreneurs or small-scale landlords, including 34 women, refurbishing just over 18 000 affordable rental units in well-located inner-city locations. A new subsidy, the FLISP, has been introduced for the gap market to address housing delivery challenges in this market, thereby ensuring a more integrated property market.

South Africa’s land and housing market has effectively excluded the country’s poorest citizens due to high land and property costs, and the inability of many poor people to access affordable credit. This means that many of the state’s urban settlement interventions and other affordable housing projects remain on the peripheries of cities. While great strides have been made in re-crafting policy towards getting better functioning, more integrated human settlements, government needs to further increase its efforts to work with other stakeholders to overcome existing spatial patterns that continue to divide society. This includes incentivising the private sector to service more of those lower down in the market in better-located areas.

Improving human settlements will require a review of the subsidy regime, with greater consideration of how the subsidy instruments could be designed to achieve better-located settlements and fairness in access to the housing market for poorer people. The current inequitable distribution of the unprecedented growth in the value of properties in the last 20 years, coupled with the inherited distortions of the market and limits on affordability of credit, reduces the opportunities for the poor to increase their wealth through transacting in the property market.
Planning, housing, human settlement development and public transport need to be better integrated to ensure greater urban efficiency and vibrancy. This, in turn, will result in improved property markets, more investment in housing and improved municipal revenue. Finally, state capability needs to be increased to support the co-development of housing and settlement-making between citizens, community organisations, cooperatives, the private construction sector and banks.

4. Summary and recommendations

Enormous strides have been made in housing and human settlement delivery. The sector has been key to restructuring cities, ownership profiles and the financing sector. Furthermore, the sector has been instrumental in improving the quality of life of millions of South Africans. It has also demonstrated that it is fundamentally able to reshape cities and citizen-state relations. The sector has proven itself responsive and capable at the policy and programmatic level, and is clearly able to engage with complexity, but has some institutional drawbacks around the capacity for implementation. A distinction should also be made between the sector’s success at housing delivery and its as-yet unproven ability to achieve sustainable human settlements. Many initiatives have only recently been launched, and there remains much more to do, especially in terms of the creation of human settlements and the pursuit of this mandate, as opposed to housing. Furthermore, over time, the meaning of housing has changed and there has been consistent lamination of the connotations and function of housing and human settlements. However, there should be some caution about the ability of human settlements to become the silver bullet for all socio-economic issues in South Africa.

This 20-year review of the human settlements sector is an in-depth analysis of the sector’s performance over a period of time and forms the basis for the human settlement themes for the current and planned national evaluation plans. It also opens the space for the planned Human Settlements Green Paper process, which allows a more fundamental revisiting of the principles of housing production.

Given what has been discussed and the existing trajectory, there is a clear need to reconsider some aspects of the sector. These include the following:

- Review the subsidy regime and consider more flexible instruments, which would be able to more easily address spatial concerns (increase the declining numerical performance, while shifting towards a more qualitative integrated human settlements approach).
- Tie planning and human settlements development more closely. Some progress has already been made through the NDP and SPLUMA, but there could be stronger and clearer links, especially around transportation and connections between work and places of residence in order to structure property value growth. The acknowledgement from sector practitioners is that, while planning
consists of technical processes, it should not be denuded of its underlying transformative potential. Thus, the timing of SPLUMA is crucial, as it coincides with the NDP, which, among other things, addresses issues of spatial justice and spatial equality for vulnerable communities. For example, there is great potential for planning to interface with other initiatives, such as the Presidential Infrastructure Bill, which is aimed at facilitating development in key areas. Through SPLUMA, spatial planning should support the fact that infrastructure must not only extend to areas where resources are located, but it must also correlate with the areas of greatest need and poverty; thus the potential of unlocking development to have a “catalytic” impact on certain areas (Urban LandMark Round-table on Law Reform in Planning, August 2012).

- Considering the declining rates base but increasing housing backlog, some thought needs to be given to how cities are going to fund their increasing mandates and sustain them.
- Better leveraging of the private sector is needed to ensure that the benefits of transit-oriented development and other forms of state investment are extracted, that mixed-income models are established and able to go to the lower market, and that financial institutions respond better at the lower end of the market.
- Rental housing has increasingly become an important component of supply-side and demand-side solutions to housing delivery; therefore there is a need for more information, focus and attention, especially on concerns of inner-city and backyard rental. The Rental Housing Strategy needs to be expedited, also taking into consideration the concepts of restructuring zones for targeting investments in areas where previously disadvantaged people had no access to residential opportunities, thus contributing to the important restructuring of apartheid cities.
- Robust responses and interventions are needed for the increasing delays and backlogs in issuing title deeds to beneficiaries of housing projects funded by the capital subsidy.
- Consideration of state capability is needed, mostly at the local level, as there is a concerted move towards supporting bottom-up delivery mechanisms. Urban centres thus need to be able to collect rates and distribute them in a manner that benefits the poor.
- The state’s capability to conceptualise and structure more integrated development is needed to support co-production modes of housing delivery and settlement making.
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