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Phase One: General Research

Annexure C: Scoping Analysis

For Discussion

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1. Introduction

FinMark Trust, together with other Funders including the Micro Finance Regulatory Council, the Ford Foundation and South African National Treasury has commissioned research into the working of township residential property markets. The purpose of this study is to:

- ✍ Understand the current dynamics of township residential property markets in South Africa including the components that contribute towards their functionality and or dysfunctionality, and to frame this understanding in a conceptual model that might be analyzed in policy terms.
- ✍ Inform policy and strategy directions which would result in the better workings of housing markets in township areas, which have previously lacked appropriate and effective access.
- ✍ Inform policy and strategy directions on how to maximize the asset creation potential of the state's housing subsidy.

The work is being undertaken in four phases as follows:

- ✍ Phase 1: General research: This phase focuses on understanding secondary residential property markets and their interaction with primary markets, as well as the legal and economic dynamics that relate to them. The research will be undertaken both generally and specifically in respect of townships and comprises a:
 - ✍ Literature review
 - ✍ Scooping of the residential property market and sub-sectors
 - ✍ Macro trend analysis
 - ✍ Review of legislation.

This research will be used to formulate a conceptual model of residential township property secondary markets, as well as the key dimensions of a working secondary market.

- ✍ Phase 2: Detailed research: This phase focuses on obtaining a detailed understanding of how Township residential property markets currently operate, with an emphasis on the secondary market. This research will comprise a field survey of 18 sites spread nationally and across selected sub-markets. This research will be used to obtain an understanding of key trends in respect of Township residential property markets.
- ✍ Phase 3: Formulation of conclusions and policy implications: This phase comprises summarizing the findings of the general and detailed research and formulating conclusions, as well as implications in respect of future policy.

- ✍ Phase 4: Launch and engagement of findings: This phase comprises the distribution of the research undertaken and the findings thereof to relevant stakeholders and decision makers through workshops, publications and general publicity.

This report forms part of phase 1 and comprises the scoping of the residential property market and sub-sectors.

2. Conceptual Approach

The Township residential property market¹ in 'African areas' emerged in the early 1900's as South Africa was colonized and towns developed. An overview of the history of housing for the African population in South Africa is detailed in Appendix 1.

The separation of residential areas for Africans from the rest of the town is noted as early as 1914 and was formally legislated in 1923 with the promulgation of the Native [Urban Areas] Act. In the urban areas this was further reinforced through the Group Areas Act of 1950 which provided stricter implementation of the policy of segregated residential areas.

From the early 1900's African Township Property Markets have been characterized by:

- ✍ Changing laws pertaining to rights to land, with rights being given and taken away at different times over the last 100 years.
- ✍ Poor social infrastructure and service delivery as a result of the fact that up until 1980 townships for Africans were seen as temporary areas.
- ✍ Poor and limited housing delivery, often at inappropriately high standards which resulted in housing shortages and overcrowding
- ✍ The emergence of informal settlements and legislative and regulatory resistance to the development of such settlements.
- ✍ Relocations whereby people were moved from one area to another often without any compensation.

All of these factors have resulted in creating a particular housing market with unique characteristics. In order to scope this market it has been divided into a number of sub-markets which can be classified in terms of the type of housing that occurs within that sub-market. While these sub-markets all occur within the broad framework of African townships and were subjected to the broad political and legislative framework that framed these areas, they each have their own unique history and regulatory framework that makes it necessary to understand and analyze each as a separate case.

Four categories of sub-markets have been classified as follows:

- ✍ Old township housing stock
- ✍ Private sector stock
- ✍ RDP stock

¹ This section focus on the Residential Property Market for African areas as defined by the Group Areas act only.

This report comprises a scoping of each of these sub-markets setting out:

- ✍ Definition
- ✍ History
- ✍ Regulatory and governance framework
- ✍ Delivery and current status
- ✍ Aspects of the housing market

3. Scoping of Sub-Markets

3.1. Old Township Stock

3.1.1. Definition

Old Township housing stock comprises a formal housing unit including freestanding houses, row and semi-detached houses and flats. The stock was provided by Government [national, provincial or local] so as to provide rental housing to Africans. The most common form of house provided in respect of African Townships was a four-roomed house typically known as a 51/6 or 51/9 [provided with an internal toilet].

The stock is provided as rental tenure whereby a person or household is allowed to live in the unit, on the basis of a lease agreement where they agree to pay a monthly rental to the relevant sphere of government. Efforts to sell off these units to current tenants has been ongoing since the 1990's and is currently occurring.

3.1.2. History

Old Township housing stock was initially developed between 1948 and 1960 [see Annexure A] as part of a substantial housing programme after the war to address housing shortages. The type of housing provided varied but the most common form developed in African areas during this period was a four roomed prototype called a 51/6.

Delivery of this form of housing reduced between 1960 and 1973 and increased again between 1973 and 1993. During this period the 51/6 continued to be provided but an improved house the 51/9 with interior doors and bathroom was introduced.

The housing was provided initially on an unsubsidized basis whereby Local Governments were required to recoup the cost of developing the housing through rentals and in later years [from the 1990's] on a subsidized basis. Rentals were increased over the period but high arrears were noted almost from inception. During the 1980's the non payment of rentals were part of the protest and civil unrest of the period.

There is no real suggestion that informal activity arises from a reluctance to act within the formal market (Rutch Howard, for example, suggests that the informal market is not hostile to the formal market, and Morange suggests that the backyard residents want to be compliant). Indeed, which ever way one looks at it, informal does not mean cost-less and is the default option, rather than the option of choice. Since some groups earn rents from squatters and informal dwellers, there may well be resistance to formalisation in some quarters. Berner (2001) points out that middlemen and rent collectors of the informal system are likely to disrupt mechanisms which exclude them in order to protect their rents.

3.1.3. Regulatory and governance framework

Township housing stock was delivered and managed by a sphere of government usually provincial or local.

This accommodation was funded initially through unsubsidized loans from National Government but in later years through subsidized loans provided by the National Housing Fund [see Annexure A]. The National Housing Fund no longer provides these loans and current loans have been written off, under specified conditions. Ongoing operational costs are funded through operational budgets. The consumption of water and electricity is charged for on a metered or flat rate basis.

The stock is usually managed by a dedicated department at the relevant sphere of government. In most cases the following applies:

- ✘ The stock is old and in poor condition. In many cases since the late nineties, due to budget constraints, the maintenance of the stock has been restricted to emergency work only, resulting in the general deterioration of the stock.
- ✘ Costs to administer, repair and maintain the stock are high.
- ✘ Administrative records of tenants are generally inaccurate and out of date
- ✘ Credit control mechanisms are poor and there are high arrears.
- ✘ Rentals are not market related.
- ✘ There are high levels of unlawful occupation.

In most cases operational costs far exceed rentals thereby resulting in large operating deficits on portfolios. In some cases where good management has occurred such stock is covering its operating costs and even generating a surplus.

The main pieces of legislation that pertains to the council owned housing stock are the Rental Housing Act, 50 of 1999 (the National Act) and the Residential Landlord and Tenant Act, 3 of 1997 (the Gauteng Act). The National Act sets out provisions that must pertain to leases, which is essentially very similar to the provisions in the regulations that apply in Gauteng. The Gauteng Act, goes further than the national Act in requiring that all leases in the province to be in writing and must balance the interests of landlords and tenants. The aim is to create fairness in lease agreements and ensure that both parties are aware of their respective rights and obligations.

Due to the difficulties in collecting rentals and maintaining the stock a programme to transfer the houses to their occupants commenced in the late 1980's through the Sale and Transfer of housing stock programme. This campaign was only relatively successful and not all of the housing stock was transferred. The reasons for the lack of success were:

- ✘ Some units could not be transferred because of problems relating to the need to sub-divide the units.
- ✘ Many tenants did not want to pay more than the rent charged
- ✘ One of the conditions was that rental arrears must be paid in full requiring the need for top up finance which was not available
- ✘ A small percentage of tenants did not want the responsibility of maintaining their houses.
- ✘ No time limits were applied and no disincentives applied for not taking transfer.
- ✘ Pensioners and unemployed were automatically disqualified or disadvantaged because of their inability to pay

✍ Many renters did not meet criteria for top up finance.

The Discount Benefit Scheme undertaken in the 1990's continued this policy of transferring ownership to the occupant. This programme was part of the Government of National Unity's Housing Subsidy Programme. The scheme applies only to state financed property which was first occupied before the 1 July 1993 and to units or stands contracted for by the 30 June 1993, if allocated to individuals by the 15 March 1994. Tenants of such stock received a maximum discount of up to R7 500 on the historic cost of the property. While family tenure is available, most forms of transfer are in the form of freehold title.

In many cases the discount equals the selling price of the property, which is then transferred for free to the tenant. If there is an outstanding balance, the tenant has to finance it from his or her own resources, by means of either a cash contribution or a home loan.

3.1.4. Delivery and current status

It is estimated that approximately 878 000 units of this type of stock was delivered. In terms of the discount benefit scheme in 20022, a total of 378 128 units (government houses) have been transferred to individuals. It is estimated that a further 500 000 still need to be transferred.

Delivery of this form of housing stock has ceased although the stock continues to be managed by Local Governments where it has not been transferred. Programmes to transfer the stock are underway in some areas.

3.1.5. Aspects of the housing market

The old township housing market is particularly thin – indicating few buyers and seller. While there may be a number of contributing factors, it is thought that the major constraints here may be unemployment, poverty and absence of alternative accommodation opportunities.

The HLGC maintains that in the early 1990s there was some activity in this market segment as a consequence of the Discount Benefit Scheme and the activity of institutions like the Perm, which actively encouraged the building of an extra two rooms and a garage as extensions to the old Township stock. This activity died down in the light of the uncertainty generated by the payment boycotts and the pending election in 1994.

It is difficult to ascertain the extent to which renovation of old township stock has taken place post the democratic elections, although it is probably fair to say that the number of units has not increased.

In many cases the current owners have probably been in the accommodation for a few decades and it may offer the only form of regular income through rental of rooms, backyard shacks or some business activity. Unless these owners are presented with new opportunities, they are unlikely to vacate and sell the property.

² This needs to be updated

Legal constraints may also play a role as not all owners have legal title deeds

In addition, the social capital of the house may outweigh the economic value and even where owners do vacate the property, other family members may occupy it as the township house may still represent a valuable foothold in securing economic opportunity. It is postulated that the most mobile family members, the educated and employed may leave the township house to move to greener pastures, but that the house will not necessarily come onto the market.

3.2. Private Stock

3.2.1. Definition

Private sector stock comprises non-subsidised formal housing developed by the private sector. This category can be further sub-divided into middle income and upper income housing sub-sectors on the hypothesis that the dynamics in respect of the secondary market in these two sub-sectors differs significantly.

The type of housing typically comprises a formal freestanding housing unit developed by a private sector developer who sells the unit to a buyer on some form of long term leasehold [99 years] or freehold title.

3.2.2. History

Private Sector delivery of housing in African townships commenced in the first half of 1980 after the promulgation of 99-year leasehold legislation which for the first time gave Africans an opportunity to access mortgage bonds. The housing was provided by a range of for and not for profit developers who developed a range of middle to upper income housing for sale to African purchasers.

During the early 1980's this form of housing was generally funded through a mortgage bond provided by a financial institution. Then in the mid 1980's borrowers began to default on loan repayments. The reasons for this were:

- ✍ The inability of borrowers to afford increased loan repayments as a result of rapidly rising interest rates
- ✍ The defiance campaign which urged urban Africans to stop paying rentals and rates. Repayments were seen to fall within this category.
- ✍ A lack of understanding by borrowers of their responsibilities.
- ✍ Lack of control over the housing stock developed which was often of poor quality

Financial institutions found it extremely difficult to enforce sanctions against borrowers due to the extent of defaults and an inability to apply normal legal procedures in townships, both as a result of a reluctant police force and the extent of civil disobedience in these areas.

As a result of the extensive non-payment of loans and the inability to apply sanctions, financial institutions began to 'red line' African townships and refused to grant new bond applications.

In order to address this problem the Home Loan Guarantee Company was established to provide assurance to financial institutions against default. This

however did not prove to be sufficient and in 1994 when the new Government of National Unity was formed a range of initiatives were undertaken to address the problem and stabilize the housing environment. The initiatives aimed at addressing the following issues:

- ✍ Creating a stable and effective public environment
- ✍ Lowering perceived risk in the low income sector of the housing market, by ensuring that contracts were upheld and applied and all parties understood and fulfilled their roles and responsibilities
- ✍ Ensuring good quality housing
- ✍ Increasing access to finance

The approach undertaken by Government was to promote partnerships and build trust within the housing sector, between beneficiaries and service providers. To achieve this two fundamental agreements were signed between Government and the Association of Mortgage Lenders [now called the Banking Council]. The first of these agreements was the Record of Understanding which was later replaced by second agreement called the New Deal. Each of these is detailed below.

- ✍ The Record of Understanding: Government signed the Record of Understanding [ROU] in October 1994 with the Association of Mortgage Lenders. Its purpose was firstly to increase the availability of credit and secondly to undertake a range of risk alleviation interventions.

The risk alleviation interventions comprised the Masakhane Campaign, the Mortgage Indemnity Fund, Servcon Housing Solutions and the National Home Builders Registration Council. These interventions are briefly summarized below.

- ✍ The Masakhane Campaign: This was a Government driven campaign, initiated by the Departments of Housing and Constitutional Development and the former office responsible for the RDP. While this was a campaign initiated by National Government it was undertaken at all levels of Government.

The campaign sought to change public perceptions and attitudes regarding the rights and responsibilities of individuals, communities and local government. Specifically it aimed at encouraging individuals to pay their rates, service and mortgage or rental payments, contribute towards their community and feel a sense of community pride.

- ✍ The Mortgage Indemnity Fund: The Mortgage Indemnity Fund [MIF] was a wholly Government-owned company established as a short term intervention [for a three year period] in June 1995. Its purpose was to encourage mortgage lenders to resume lending at scale in the affordable housing market in a sustainable manner, in neglected areas in the country.

Its main focus was to provide retail lenders with indemnity insurance for a limited period against loss in certain areas, if they were unable to repossess properties due to a breakdown in the due process of law. In order to achieve this the MIF assessed and provided cover to accredited financial Institutions, assessed prioritised areas and

provided accreditation for these areas and resolved problems in areas that were unable to be accredited.

The MIF was closed in May 1998 in terms of its original agreed mandate. During its period of operations it was able to generate R13 billion in new loans. In addition it played an essential bridging role between government, financiers and communities attempting to lay the foundation of a healthy and sustainable future relationship.

- ✍ Servcon Housing Solutions: Servcon Housing Solutions is a private company established in June 1995 in terms of the ROU. Government and the Banking Council each own a 50% share of the Company.

Servcon's mandate is to assist households who have defaulted on their loans, to resume payment, in a way that is mutually satisfactory to the household and the financial Institution. It does this through a Payment Normalization Programme which offers a number of options to lenders.

Servcon was initially given a three-year mandate. However this was revised when the New Deal was signed until the year 2006. During this period Servcon was required to deal with approximately 57 000 loans.

- ✍ National Home Builders Registration Council: The National Home Builders Registration Council [NHBRC] was established in June 1995 as a Section 21 Company. Its purpose was to ensure good quality standards for the home building industry and protect housing consumers from the practices of unscrupulous builders for the housing sector between R20 000 and R250 000.

The NHBRC commenced as a self regulatory body but became a statutory body in terms of the Housing Consumer Protection Measures Act, no 95 of 1998. The Act which came into effect on the 1 June 1999 increased the powers and mandate of the NHBRC to regulate the activities of all practitioners who are involved in the business of home building, regardless of the cost of the house.

In terms of the Act all new homes for which mortgage finance is sought must be built by NHBRC registered builders excluding owner builders. Registered homebuilders are obliged to comply with good building practices as defined by the NHBRC Technical Requirements published in a Home Building Manual produced by the NHBRC.

- ✍ The New Deal: Due to a range of complex structural and contextual circumstances highlighted by the closure of the MIF in May 1998 the ROU was reformulated and in April 1998 the New Deal was signed. This provided a framework for greater co-operation and sharing between Government and the Banks, in the absence of the MIF. The key elements of the New Deal are as follows:

- ✍ All properties in possession and non-performing loans covered by MIF and not resolved by May 1998 were placed under a new portfolio to be managed by Servcon until resolved, for a period of 8 years [until 2006].
- ✍ MIF cover on this portfolio and other loans covered under the ROU was terminated, with no recourse under any circumstances.
- ✍ A Policy Committee under the Chairmanship of the Minister of Justice and Chair of the Banking Council was established, to review progress relating to the effectiveness of the legal process to address default on mortgage loans.

In addition to the above a number of initiatives were undertaken to increase the level of investment into the low-income housing sector. These initiatives aimed at encouraging lending to the low income sector at scale by managing and cushioning commercial risk and sharing it between a range of players including the individual, the private sector and Government. The strategy focused on two areas:

- ✍ Financial and development guarantees supported with Government funds, managed on the open market to indemnify banks from loss of investment.
- ✍ Mechanisms to mobilize credit provision on a risk-sharing basis, so that financial Institutions will develop experience in terms of lending in the low income sector and will continue to do so on their own without state intervention in the long term.

A significant contribution made by the Record of Understanding and New Deal towards mobilizing housing credit was the development of Code of Conduct implemented among mortgage lenders by the Banking council. This Code sets out the roles and responsibilities of each party in the financial lending process so as to ensure that business is conducted in an appropriate and fair manner.

The strategy to mobilize housing credit was spearheaded by two Institutions namely the National Housing Finance Corporation and the National Urban Reconstruction and Housing Agency [Nurcha]. Details on these Institutions is outlined below.

- ✍ The National Housing Finance Corporation: The National Housing Finance Corporation [NHFC] is a public company set up in April 1996, wholly owned by Government and operating under specific exemptions from the Banks and Insurance Acts. The NHFC's role is to increase the number and type of Institutions that provide housing credit to low income earners, both in urban and rural areas and to ensure that such organizations are sustainable in the long term. In addition to encourage innovation in terms of the products they offer. The NHFC leverages funds outside of Government sources to support its activities.
- ✍ The National Urban Reconstruction and Housing Agency: The National Urban Reconstruction and Housing Agency [Nurcha] was established in May 1995 as a Presidential Lead Project under the RDP. It was mandated to address the housing backlogs and inequities of the past. Operating as a non-profit Section 21 Company it aimed to facilitate low cost housing development, focusing on the needs of families earning less than R1500 per month. Nurcha is funded by a range of donors including the South African Government.

Despite a change of Government and the extensive range of initiatives undertaken the private sector housing market has not normalized. There continues to be high levels of default and an inability for financial institutions to apply sanctions. In late 2002 around 18 000 Servcon and 15 000 non Servcon properties remain unresolved.

The overwhelming cause of default is economic hardship caused by rising unemployment. Up to 30% of evicted defaulters move back into their properties.

As a result of this the large formal financial institutions continue to remain reluctant to provide end user finance and such finance remains inaccessible to the African township market. A range of smaller institutions have emerged that offer new and innovative financial products that are not secured by a mortgage bond but use other forms of security like the withdrawal benefit from a pension or provident fund, guarantees and insurances.

3.2.3. Regulatory and governance framework

This stock is developed under one of a number of categories of legislation as follows:

- ✍ Provincial Township Establishment Ordinances: These Ordinances set out the procedures to be applied in undertaking township establishment.
- ✍ Less Formal Township Establishment Act: This Act sets out township establishment procedures particularly for lower income residential areas in local authority areas where certain land use or building regulation may not apply.
- ✍ The Development Facilitation Act: This Act provides national, unitary legislation for townships establishment and early registration, geared specifically at speeding up low income housing development.
- ✍ Apartheid legislation such as the Black Communities Development Act, 1984 or the applicable legislation in the particular home land or National State.
- ✍ Other Issues having relevance are :
 - ✍ Engineering Standards determined under the relevant Township Establishment Legislation : There are various guidelines which set out engineering standards for land servicing and housing that determined the level of services
 - ✍ Structural Quality of housing : Requirements are set out in the regulations made under the Housing Consumer Protection Measures Act, 95 of 1998. This only applies to houses constructed after the coming into being of the NHBRC.
 - ✍ Depending on where the property is situated and whether the application of building regulations were suspended building regulations may or may not apply

3.2.4. Delivery and current status

The extent of housing delivery by the private sector is not known. During the early 1980's when delivery was at its height based on figures for the Servcon portfolio over 57 000 housing units were delivered.

This form of housing stock continues to be developed but the extent of this is limited.

3.2.5. Aspects of the housing market

The private housing market has only existed since 1980, which means that it has existed for barely a single generation. The activity in this market segment is constrained by the lack of generally stable economic conditions of the households in the townships, lack of affordability and the absence of suitable financial products.

Survival strategies dictate that the households' resources cannot be committed to only one place and for this reason there is a reluctance to accumulate a single assets such as a house in the township. (Rural and other urban bases may need to be maintained). The growth in the prices of houses and building costs, as well as land has outstripped the growth in wages. This suggests that for many, ownership of a private sector house may be beyond their reach.

The relative paucity of financial institutions and products developed to encourage this segment of the market to accumulate wealth and finance a house also contributes to the relatively lack of activity in this market segment. Indications are that since the elections, banks have offered a declining number of higher value loans, in many cases secured by pensions rather than the property itself.

3.3. RDP Stock

3.3.1. Definition

RDP stock comprises housing stock built as part of the national housing subsidy programme since 1994. The stock comprises either:

- ✍ A formal freestanding housing unit developed either by a private sector developer or Local Authority who provides the house to a beneficiary on an ownership basis. The house is funded either entirely or partially through a grant provided by government. In the case of the house being partially funded the beneficiary is required to provide the outstanding amount in cash or to raise a loan to cover the amount.
- ✍ A flat, cluster or freestanding housing unit developed by an institution for rental. The unit is funded either entirely or partially through a grant provided by government resulting in the unit being provided at a reduced rate. Funding for the unit is via the rental institution.
- ✍ A site with funding provided for the dwelling which is built either by the owner or a builder appointed by the owner through a peoples housing process. The site and dwelling are funded through a grant provided by government.

3.3.2. Definition

A fundamental component of the housing strategy introduced by the National Government of Unity in 1994 was the provision of subsidy assistance to households who are unable to satisfy their housing needs independently.

As the Government was not able to provide a sufficient subsidy to cover the costs of providing a formal complete house to every South African family in need the subsidy policy was based on the principle of **width** rather than **depth** where a large number of families got a lesser subsidy, rather than a smaller number of families getting a

larger subsidy. The Housing Act defines the access to such housing on a progressive basis, indicating that the subsidy house should be seen as a 'starter' house.

The **South African Housing Fund** was established and receives an allocation from the national budget annually. Each **Provincial Government** then receives an allocation from this fund and decides how the funds will be allocated.

The Housing Subsidy Scheme replaced all previous Government subsidy programmes. The scheme provides a subsidy to households earning less than R3 500 so as to assist them to acquire secure tenure. A range of subsidy mechanisms are provided namely the Individual Subsidy, the Project Linked Subsidy, the Consolidation Subsidy, the Institutional Subsidy, the Relocation Assistance Subsidy and Rural Subsidies. The subsidy mechanisms can be accessed directly or through the People's Housing Process. Not all of these subsidy mechanisms were implemented simultaneously.

The Housing Subsidy Scheme was implemented initially with a strong emphasis on free standing houses developed for ownership by the private sector using the Project Linked Subsidy mechanism. This form of housing delivery reached its height during 1997 to 1999. However a number of problems emerged as follows:

- ✍ Poor quality of housing stock delivered.
- ✍ Urban form resulting from the housing developments undertaken. Such developments are felt to be poorly located, badly integrated in terms of economic opportunities and social services and create concentrations of poverty.
- ✍ Failure of housing delivered to contribute significantly to poverty alleviation, in that the secondary market for such housing has not developed.
- ✍ Impact on local authority viability in that many households allocated housing units are unable to pay local authority rates and taxes.
- ✍ Extent to which the housing delivered has reached the households for which it was targeted and who are without housing and land. Indications are that in the main the houses have not been delivered to these households, but rather to gatekeeping communities proximate to new housing developments
- ✍ Location of the houses. Indications are that the houses have been developed in small and medium sized towns, rather in large towns and Metropolitan areas where the real need occurs.

In response to these problems since 1999 a number of new policy trends have emerged:

- ✍ Improved quality of housing stock: In order to address the problem of the poor quality of housing stock delivered, the Government has in the last two years placed a strong emphasis on improving the quality of housing stock delivered and a series of policy shifts have occurred to address this issue:
 - ✍ In 2002 the Government extended the mandate of the National Home Builders Registration Council [NHBRC] to include all houses into its warranty, including those built with a subsidy alone.
 - ✍ The minimum requirements of subsidized housing increased and became more rigid. This factor together with inflation made it increasingly difficult for developers to deliver subsidized housing for

the subsidy amount allocated and realize acceptable profit margins. Consequently private sector developers began to withdraw from the sector in a drop in quantity of housing stock delivered.

- ✎ To respond to this problem the DOH increased the subsidy by more than 25% in April 2002. This was felt to be too little, too late and was not attractive enough to draw the large developers back into the sector. The Department has increased the subsidy further early in 2003 and has taken a decision to increase the subsidy annually from now on, to accommodate inflation. The DOH is also investigating lifting the income limit of the highest subsidy amount from R1 500 to R1794.50.

- ✎ **Increased Local Government role in delivery:** Partly in response to the need to improve the quality of housing stock delivered and the withdrawal of developers from the subsidized housing sector, there has been over the last two years a greater push towards Local Government accepting the role as the delivery arm for Government in respect of housing.

Increasingly Local and Metropolitan Governments are fulfilling this role allocating resources and capacity to the delivery of housing. This brings with it a whole range of problems as this is an 'unfunded' mandate and Local Governments have limited capacity in this regard.

- ✎ **Integration and sustainability of housing :** In response to the problem that housing developments are poorly located, badly integrated in terms of economic opportunities and social services and create concentrations of poverty, in 2002 Mthembu-Mahanyele the Housing Minister talked of a shift from the provision purely of shelter to building habitable and sustainable settlements and communities. This resulted in the following :

- ✎ **Move away from project linked RDP houses for ownership:** The Government over the last two years has shown a clear move away from the delivery of the traditional detached 'RDP' house for ownership. In her budget speech for 2003 the Minister of Housing identified the following areas of focus; urban regeneration, social housing and incremental housing.

- ✎ **Urban Renewal:** The Urban Renewal Strategy was established in 1999 as the means through which the South African Government is implementing its objectives of sustainable development and poverty alleviation. The programme involves investing in the economic and social infrastructure, human resource development, enterprise development and local government capacity in designated urban nodes.

- ✎ **Social housing:** Social housing is acknowledged as a recognized tenure option. Due to experiences over the past two years there is a better understanding of the applicability of this form of tenure and the challenges that need to be addressed. There is a general recognition that this form of tenure is for moderate income households or those

earning above R2 500. In addition that it has a significant role to play in addressing inner city revitalization.

- ✍ A new programme the Medium Density Housing Development Programme is being developed to establish and run adequate sustainable social housing institutions that will develop and manage medium density housing development projects. This comprises the establishment of a sector regulating structure and a dedicated funding regime required to finance the establishment and initial running cost of suitably equipped social housing institutions.
- ✍ The Social Housing Bill is also being drafted to support medium density housing and will be tabled in parliament this year. The Bill provides for a regulatory body which will be responsible for accrediting social housing institutions and ensuring the good governance and sustainability of such institutions.
- ✍ **People's housing process:** There is a re-emphasis on the People's Housing Process which allows beneficiaries to contribute to procuring or building their own homes. This programme which is focused on the lowest income households is accommodated in the housing subsidy scheme as a specific subsidy mechanism, but has not been a dominant delivery approach until recently.
- ✍ **Contribution by the individual or households:** Due to the problem that beneficiaries of subsidies did not value the asset that they had been provided by the Government [often selling it for less than it was worth] and the increasing realization by Government that it cannot address the housing problem alone, individual responsibility for and participation in the housing process had become a fundamental requirement.

In 2002 two separate policy shifts were introduced simultaneously, suggesting that the era of blanket entitlement was over. These were the:

- ✍ **People's housing process:** Introduced in late 2001 [see above]
- ✍ **Saving contribution:** In 2002 it was announced that households that did not wish to help build their homes would be required to add R2 479 to the subsidy allocation prior to accessing their housing opportunity.

While the saving contribution is a recent policy shift initial pilot applications have indicated that it is not successful and that poor households are extremely reluctant to participate. This is further slowing down delivery as projects cannot proceed until a sufficient number of households have saved the specified amount.

- ✍ **Emerging contractors:** In part as a response to the withdrawal of the large developers from the sector and the economic development aims of Government to alleviate poverty, the Minister of Housing, Brigitte Mabandla in her Budget Speech to the National Assembly [2003], indicated that the Government is using the housing strategy to strengthen SMME's within the industry through the application of the Preferential Procurement Policy Framework Act. This Act sets out a mechanism for the awarding of preferential points to service providers from

previously disadvantaged communities. The use of this Act is onerous and is resulting in long and extended procurement procedures.

3.3.3. Regulatory and governance framework

The Housing Subsidy Scheme is administered by Provincial Governments on behalf of National Government. Provincial Governments receive a subsidy allocation on an annual basis and approve subsidy applications in respect of this allocation.

All of the approved subsidy mechanisms are accessed in terms of set rules and procedures which are set out in the Housing Code.

The Housing Act, 1997 [Act No 107 of 1997] has particular relevance as the subsidy scheme is a programme of the Act. More importantly in section 10A it contains a provision prohibiting for a period of 8 years the sale of a property having had the benefit of a government housing subsidy unless the property is first offered to the relevant Provincial Government.

3.3.4. Delivery and current status

Table 1 below details the number of houses completed or under construction per financial year and province as provided by the National Department of Housing. These figures are obtained from the Housing Subsidy System. This System is a national database whereby Provincial Governments record the projects which have been approved by them and against which they are drawing down funds from Treasury. The figures therefore represent projects initiated. No figures are currently available as to the number of projects completed and units delivered.

Table 1 : Houses completed or under construction

Province	1994/ 1997	1997/ 1998	1998/ 1999	1999/ 2000	2000/ 2001	2001/ 2002	2002/ 2003	1/4 to 30/6 2003	Total
Eastern Cape	6 511	32 223	24 659	20 345	34 021	10 816	58 662	7 449	194 686
Free State	13 042	18 001	17 391	7 177	16 088	7 005	9 155	3 371	91 230
Gauteng	56 239	70 924	58 170	45 384	38 547	46 723	24 344	15 225	355 556
Kwazulu Natal	17 553	78 468	53 105	28 997	28 547	14 379	24 485	11 008	256 542
Limpopo	11 108	15 743	22 899	12 401	20 996	16 667	14 953	2 722	117 489
Mpumalanga	19 884	10 873	16 838	4 808	16 457	14 584	21 649	14 919	120 012
Northern Cape	6 666	4 768	2 387	2 600	4 148	2 588	6 056	2 923	32 136
North West	21 287	20 977	18 367	12 944	14 109	13 885	23 784	6 201	131 554
Western Cape	25 321	43 834	34 575	26 916	17 730	16 634	20 500	4 795	190 305
Total	177 611	295 811	248 391	161 643	190 643	143 281	203 588	68 613	1 489 510

On the basis of the above table the following is evident:

- ✍ Approximately 1,5 million houses have been initiated through the National Subsidy Programme since inception to the end of June 2003.
- ✍ The number of projects initiated peaked in the 1997/1998 and 1998/1999 financial years. Since then there has been a steady decrease reaching a low in the 2001/2002 financial year. However the number of project initiated increased significantly [42%] in the 2002/2003 financial year. The 2003 Intergovernmental Fiscal Review indicates that the reason for this increase is mainly due to rollovers from the previous financial year.
- ✍ The greatest number of projects initiated occurred in the Gauteng and KwaZulu – Natal Provinces.

The 2003 Intergovernmental Fiscal Review provides a breakdown of the type of subsidies provided. This is detailed in Table 2 below which indicates that most subsidies [98%] provided to end December 2002 are project linked, individual or consolidation which provide ownership of a stand to beneficiaries.

Table 2 : Subsidies approved per category of subsidy : 1994 to December 2002

Subsidy type	Number
Project linked	1 550 632
Individual	123 298
Consolidation	68 254
Institutional	24 196
Relocation	3 608
Total	1 770 088

While the above figures show significant and increasing delivery of low income housing through the National Housing Subsidy scheme there are indications that in fact delivery is not as significant as is shown and is in fact decreasing'. The reason for this is that the figures above reflect projects initiated and not completed. It is believed that many of the projects have not commenced. Some of the factors that would indicate this are as follows:

- ✍ The 2003 Intergovernmental Fiscal Review indicates that spending on housing is expected to slow down. The reason given is the slow rate of subsidy approval which is expected to result in slower spending over the next three years.

The roll over of funds which indicates the extent of under expenditure is expected to be 25% in the 2002/03 financial year, which is a significant increase from the previous financial year which was 12%. The reason given for this is the R240 million of unspent funds from the Job Summit Rental Housing Programme.

The Review indicates that the variation between subsidies approved and projected spending is that transfers are made to provinces and municipalities, which in turn are slow to implement the programme.

✍ The Annual Review of the Gauteng Province Department of Housing for 2002/2003 reports that the largest portion of the Department's total budget is constituted by the Housing Fund – Conditional Grant which has experienced under spending the extent of which is as follows:

✍ The Incremental Housing Programme [Mayibuye and Essential Services Projects] has under performed by 59% in terms of the houses and stands delivered.

✍ The Social Housing Programme has under performed by 61%

The reasons for under achievement in respect of delivery are given to be:

✍ The new procurement policy

✍ Lack of end user finance

✍ Cost increases which undermines the viability of old projects

3.3.5. Aspects of the housing market

Legally, for the first eight years, an RDP house may only be sold if it is first offered to the relevant Provincial Government. While this provision of the Housing Act may not have prevented the informal sale of houses, it may well have inhibited development of the formal secondary housing market.

Other aspects, which undermine the development of a secondary market in this segment, include the perceived value of a 'free' house, the poor economic circumstance of the owners and the absence of alternatives.

The perceived value of the house depends crucially on the location of the RDP housing development. Since it is a world-wide phenomenon that state subsidized housing tends to be poorly located, it is likely that in at least some of these RDP developments, the location is inappropriately far from the urban centre that represents economic opportunities. For this reason, while the RDP house may be accepted and occupied by at least some family members, others may continue to live in the informal settlements that may be closer to town. For some of these owners, the RDP house may hence be an asset that can be sold in the case of economic need, for amounts far lower than an objective assessment of the structure and provision suggests. It is postulated here that the perceived value of such houses is less than the value of the subsidy.

While the initial rollout of RDP houses ensured a substantial increase in supply of new units, these have not necessarily created a buoyant secondary market. The legal impediment may be part of this, but it is also likely that new owners, are aware that they only qualify for a subsidy once and even where the stock is poorly located or of poor quality, it may represent far better accommodation than they had access to before. Given that many of the recipients have low incomes (a prerequisite of the subsidy) such households are unlikely to sell such property unless in dire economic straights.

The possibility of the use of the housing subsidy to fund incremental housing activity on site and serviced areas is likely to encourage better quality of homes that better meet the requirements of households, although the location of such site and service areas remains a moot point.

3.4. Informal Stock

3.4.1. Definition

Informal stock comprises informal dwellings erected by the occupants using non conventional building materials. This sub-market can be further sub-divided into:

- ✍ Informal settlements where the structures have been erected on the land without permission of the owner. Use rights may be provided by a self proclaimed landlord who may require rental payments. Services are generally rudimentary.
- ✍ Site and service schemes where the structures have been erected on the land with permission of the owner (normally Government) and may include a transfer of title to the occupant of the shack either initially or over time.

3.4.2. History

Informal settlements first emerged between 1929 and 1948 when there was a large and rapid influx of population into the urban areas due partly to growing pressure and poverty in rural areas and the labour needs of the expanding industrial and commercial sectors stimulated by the war. During this period housing development in black townships stopped completely resulting in overcrowding and land invasions. Government's response during this period was to provide temporary shelters and provide elementary services. In addition site and service schemes were introduced.

From 1948 onwards the undertaking of site and service schemes has continued and formed part of Governments housing policies to a greater or lesser extent.

However between 1948 and 1960 the response to illegal informal settlements hardened and the prevention of Illegal Squatting Act of 1951 was promulgated that provided penalties for the unlawful occupation of land or buildings and for the removal of persons concerned.

Between 1975 and 1977 again due to housing shortages informal settlements grew substantially. Once more the response of Government was harsh and strong arm tactics were used in an attempt to remove and control these settlements. Two Amendments to the Prevention of Illegal Squatting Act of 1951 gave increased powers to enforce these policies. Penalties were increased and it was also provided that the authorities had no obligation to furnish alternative accommodation for people removed.

Between 1980 and 1994 informal settlements again grew substantially. This time as a result of the removal of influx control legislation. As a result of studies undertaken by organizations like the Urban Foundation projects emerged which focused on upgrading such settlements rather than removing them.

Since 1994 there has been a continued expansion of informal settlements in African townships. While legislation towards such settlements has become less harsh [see below] up until very recently there was no formal policy by government with respect to these settlements.

Government is now recognizing the need for informal settlement upgrading. While no national policy has yet been formulated the fact that this issue was mentioned in the Minister of Housing's Budget speech [2003] is promising. In addition at the Provincial and Local spheres of Government the upgrading of informal settlements is being undertaken on an adhoc basis.

3.4.3. Regulatory and governance framework

The most important laws that relate to informal settlements are the Trespass Act 6 of 1959 and the Prevention of Illegal Eviction from and Unlawful Occupation of Land Act, 19 of 1988 (Unlawful Occupation Act). These Acts give Councils the basic legal mechanisms to deal with the management of land invasions and informal settlements.

Table 3 : Summarizes the key elements of the Trespass Act and Prevention of Illegal Eviction from and Unlawful Occupation of Land Act

Issue	Provisions
Trespass Act	
Offence to illegally trespass	Any person who enters a building or land without the owners permission is guilty of an offence.
Fine or jail	On conviction such a person can be liable for a fine of up to R2 000 or a jail sentence of up to 2 years, or both.
Eviction on conviction	On finding a person guilty of trespassing, the court may order summary ejection of the person.
Prevention of Illegal Eviction from and Unlawful Occupation of Land Act	
Illegal receipt of payment for land	No person may directly or indirectly receive or solicit payment in any form for arranging, organizing or permitting a person to occupy land without the consent of the owner.
Eviction of unlawful occupiers from land by owner or person in charge	The owner or person in charge of a portion of land may evict any unlawful occupiers of that land as long as proper notice is given to the unlawful occupants and a court order is obtained. The eviction must occur within the first six months of the land being occupied, otherwise the court must consider alternative land being made available for the relocation of the unlawful occupants.
Urgent eviction proceedings	Urgent evictions can be applied for if the owner or person in charge can show that there is a danger of injury or damage to a person or property or if a person will suffer hardships as a result of the land being occupied.

Eviction of unlawful occupiers by organs of state	A municipality can itself institute eviction action on land in its area of jurisdiction even if it does not own the land as long as 14 days notice is given to the owner or person in charge and a court order is secured.
Mediation	The Act provides for mediation in certain instances

There is a grey area as to whether the eviction procedures set out in the Unlawful Occupation of Land Act [which is more onerous than the Trespass Act] overrides the Trespass Act.

The implications of this Act for municipalities is that it creates the conditions for municipalities to play a role in managing unlawful occupation of land. However, the circumstances set out in the Act must be followed. So no person may be evicted, other than on the basis of a court order.

When a municipality institutes an action on its own land against unlawful occupiers, and the unlawful occupiers have occupied the land for less than six months, the conditions are less onerous in respect of evicting the occupiers than if they have lived there for more than six months. In the latter situation, the court will consider if alternative land has been made available.

3.4.4. Delivery and current status

There are no institutions developing and/or managing stock in this sub-market. The stock delivered is developed and managed generally by individual households.

Due to the fact that this sector is currently informal and unregulated there are no statistics other than that provided in terms of the analysis of national statistics.

There are no restrictions in terms of size or quality of stock provided and generally the quality of accommodation provided is poor and problematic in terms of service provision and safety standards.

3.4.5. Aspects of the housing market

The informal housing market can perhaps be accommodation built on invaded land and accommodation built in backyards of township homes. According to Crankshaw et al (2000), the latter is relatively unique to countries that have had relentless policy against the land invasion.

The extent to which individuals may be upgrading their accommodation through incremental housing loans in such informal areas is of interest. Increasingly there is the acknowledgement that transfer of tenure rights to the owners of informal shacks may encourage upgrading of housing. In addition, it is widely acknowledged that this extension of legal rights offers a cheaper alternative to governments than provision of alternative accommodation. However, it is also suggested that where people believe they have tenure rights they will invest in their accommodation.

The development of informal areas appears to depend on their economic diversity. Where the shack dwellers have little access to economic opportunity, they are unlikely to spend precious resources on upgrading what may be a temporary shelter. However, where there is a ground swell of economic dynamism within such a settlement, occupiers may be pressured to upgrade or leave.

4. Appendix 1: An overview of the history of black housing in South Africa³

4.1. *The Colonial Phase and creation of the Union of South Africa, Pre 1922*

Social and political context: This phase comprised the settlement of land first in the Cape and then in the remainder of South Africa. The Boer War was fought between the Boers and the British. In 1910 following the defeat of the Boers by the British a political union was achieved whereby the Union of South Africa was formed. The principle guarantees of the Act of Union were for the white population. A pass system to control the movement of blacks into the white areas existed in all the provinces at the time of the Union. In 1913 the Native Land Act set out a policy for the segregation of towns. It defined certain scheduled areas outside of which blacks could not purchase land and also made provision for the setting apart of further land for black acquisition in the future.

Housing regulation and delivery: Prior to 1910 very little occurred in respect of housing in urban areas for blacks. For 15 years before the Boer War and for almost the same length of time afterwards, white society was too preoccupied with its own problems to pay constructive attention to this matter.

Of the black housing that was constructed it was of very poor quality. The Tuberculosis Commission of 1914 found the following in this regard:

- ✍ Housing for blacks is usually located on the outskirts of the town, usually on a site that is ill chosen within a flood plain, close to the refuse dump, on ground that is not fit for development etc.
- ✍ Rarely was there any attempt to systematically lay out the area, resulting in irregular sites, no proper streets and no attempt made in respect of surface drainage.
- ✍ Generally no services are provided.
- ✍ The dwellings are of poor condition
- ✍ Tenancy is rental on a monthly basis
- ✍ The Municipality collected extensive revenue from these areas making a considerable profit.

In 1918 an influenza epidemic struck South Africa taking a toll of 500 000 lives among non-whites and as a result of this a Housing Committee was established in 1919. In 1920 the Housing Act [No 35 of 1920] was introduced under the terms of which a Central Housing Board of the Department of Health was established. This body was to control the housing departments of local authorities and was viewed initially as a purely administrative organization, which would supervise the lending of

³ This section is based on:

1. Learning the hard way: lessons from The Urban Foundation Experience, 1976 – 1994, David Robbins, 1997
2. National Housing Code, March 2000
3. A mandate to build, Kecia Rust and Sue Rubenstein, Raven Press, Johannesburg, 1996
4. A history of black housing in South Africa, Pauline Morris South Africa Foundation, 1981

government funds for the building of housing for blacks. No subsidies were contemplated, Local Authorities could borrow money from the fund to construct housing. Limited housing was developed as a result of this Act for example:

- ✍ In Johannesburg 1 207 houses were built
- ✍ In Cape Town 5 000 houses were built

4.2. 1923 – 1929: The Native (Urban Areas) Act of 1923

Social and political context: After the years of neglect the Union government turned its attention towards the formulation of a uniform policy for its black population. The Department of Native Affairs drew up a Draft Bill, the Native Registration and Protection Bill of 1923 which was introduced simultaneously with the Native [Urban Areas] Bill of 1923. The key provisions of these Bills were:

- ✍ Local Authorities were empowered to set aside land for blacks in separate areas known as locations and to house blacks employed in the town or require their employers to provide housing for them.
- ✍ Whites were prevented from owning or occupying premises in locations.
- ✍ Local Authorities were required to keep separate Native Revenue Accounts into which revenues contributed by black residents should be paid.
- ✍ Provision was made for the establishment of advisory boards to represent black opinion.
- ✍ Local Authorities were required to establish machinery for the registration of service contracts for the control of black influx and the removal of surplus blacks from the urban area.
- ✍ The Act called for the establishment of three forms of accommodation – hostels, locations and native villages.

A Select Committee Commission investigated these laws. This Committee:

- ✍ Rejected the principle of freehold tenure for blacks in urban areas
- ✍ Reinforced the control of black movement into towns requiring registration of service contracts, reporting on arrival in an urban areas etc.

At the SA Native National Congress meetings held in 1923 blacks reacted with great disappointment and resentment and strongly opposed the findings of the Committee. Nevertheless the Bills were promulgated.

The Acts were amended in 1930 and 1937 making it increasingly difficult for blacks to enter the towns and settle with their families.

Housing regulation and delivery. As a result of these Acts Local Authorities assumed greater responsibility for providing housing for their black population but the extent of housing delivered was limited and fell far short of need. The inertia by Local Authorities was largely due to the fact that blacks were seen as a temporary phenomenon in white areas and they were therefore reluctant to accept responsibility and commit financial resources to the provision of permanent urban settlements.

Some examples of activity are as follows:

- ✍ In Johannesburg a Department of Native Affairs was established in 1927. Extensions were made to Klipspruit, Western Native Township and Eastern Native Township. By 1930 a total of 2 625 houses had been built. In 1930 Orlando East was development with 3000 dwellings constructed.
- ✍ In Durban, Lamont and Baumanville were constructed. Cato Manor emerged where Indian landowners rented sites to blacks.
- ✍ In Bloemfontein, a subsidy scheme was initiated where Blacks were provided with loans to purchase materials where they could build their own houses and pay the loans by installments added to the site rent.

4.3. 1929 – 1948: Industrial development, urbanization and war

Social and political context : During 1938 and 1948 there was a large and rapid influx of population into the urban areas due partly to growing pressure and poverty in rural areas and the labour needs of the expanding industrial and commercial sectors which were stimulated by the war. Although it had not previously been strictly enforced, influx control of blacks into urban areas was officially relaxed during this period.

As the war was ending in 1945 the Natives Urban Areas Act was consolidated under the Natives Urban Areas Consolidation Act. This Act was to form the base legislation for blacks in white areas for the next 50 years.

Housing regulation and delivery. In 1934 a scheme was introduced to provide sub economic loans to local authorities for non-white housing if they could show that it would result in slum clearance. This resulted in some housing development being undertaken by the Local Authorities.

The construction of new housing declined and then stopped completely during 1943 and 1944. Initially people moving into the urban areas took up residence as tenants in existing areas. For example the black population of Johannesburg increased from 229 122 in 1936 to 370 972 in 1946. In Cato Manor in Durban where blacks rented sites from Indian landlords the population increased from 2 500 people in 1936 to more than 17 000 people in 1943.

During this period as more and more people moved into the existing urban areas acute overcrowding occurred and eventually land invasions. In March 1944 for example a group mainly from Orlando East, Newclare and Kliptown set up hessian and corrugated iron shelters on a municipality owned site adjoining Orlando East. By April the numbers had increased to between 6 000 and 8 000 and at its height there were about 20 000 people in the camp. In response the City Council put up rows of temporary breeze block shelters to accommodate squatters. This area become know as Shantytown. In 1946 two other land invasion occurred. One person J Mpanza assumed control of the settlements and squatters had to pay fees. The Johannesburg Municipality provided elementary water and sanitation services.

In response to the health hazard and lawlessness that existed in these camps and pressure from the black community the council instituted a system of temporary controlled squatting. This was a site and service scheme with a site and pit latrines provided and existing squatters were moved into these schemes.

In 1944 the Housing Act was amended and a new financial basis for the granting of housing loans was introduced. The Housing [Emergency Powers] Act of 1945 gave the Minister of Welfare and Demobilization the power to expropriate land, buy materials at cost plus 10% and limit contractors profits to 6%.

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4.5. 1948 to 1960: The Nationalist Government and separate development

Social and political context : In 1948 the National Party came into power. Its election manifesto was based on the following principles:

- ✍ Intensified segregation of the races
- ✍ Effective control of movement into the urban areas
- ✍ Introduction of policies aimed at reducing the financial burden of blacks in the white areas on the state and local authorities

Key legislation was introduced to support these principles including:

- ✍ **The Group Areas Act of 1950**: This Act provided stricter implementation of the policy of segregated residential areas than that allowed for in the 1923 Native [Urban Areas] Act. In addition the Act allowed for compulsory removal of residents in existing areas. It imposed control throughout South Africa over interracial property transactions and changes of occupation and provided for the delineation of specific groups areas for the various races.
- ✍ **Influx control**: Influx control legislation was strengthened through an amendment to the 1923 Native Urban Areas Act.

Housing regulation and delivery : Housing provision for the next 10 years focused on reinforcing the election principles of the National Party and continued to see blacks as temporary workers in white urban areas. Long term policies were aimed at the eventual return of all blacks to their respective homelands. Shorter term aims were to remove black freehold rights in white areas, segregate the races, control movement and reduce the economic burden of blacks on the state and local authorities.

A Bantu Housing Board was established under the terms of the Housing Act of 1957 to deal with the housing of Blacks. The Boards functions were similar to the National Housing Commission which was responsible for aspects relating to White, Colored and Indian housing. The functions of the Board were to consider applications by Local Authorities for loans for the acquisition of land, the provision, administration and maintenance of housing schemes, and the formulation of policies for the granting of these loans. A National Housing Fund was established to provide funding to the Bantu Housing Board and the National Housing Commission.

The trends in terms of housing provision for black housing during this period were:

- ✍ There was a substantial reduction of sub-economic housing loans and strict income limits for the payment of sub-economic loans.
- ✍ It was made compulsory that employers contribute to housing their black employees.

- ✍ A substantial housing programme took place comprising site and service schemes and the mass construction of standard housing units. A number of hostels were also built. Some indication of the extent of this delivery is as follows:
 - ✍ In Johannesburg, 33000 sites were delivered through a site and service scheme, 40 700 mass construction houses were built as well as many schools, administration blocks, clinics and beer halls. Hostels providing 5233 beds were providing in areas like Dube, Nancefiled and Jabulani Hostels
 - ✍ In Durban Kwa Mashu was developed with 5115 houses erected and hostels providing 1576 beds.
 - ✍ In Cape Town the focus was on housing for Colored rather than Blacks. The Minister of Native Affairs announced in 1954 that no further family houses for blacks were to be built at Langa. Instead cottage hostels for migrant male workers would be erected. 454 of these were built. At Nyanga 210 family houses, 456 terraced houses and 350 dual occupancy houses as well as 1472 hostels bed were built.
 - ✍ In Pretoria Vlakfontein later renamed Mamelodi was established
- ✍ In order to stimulate the undertaking of site and service schemes the government advocated the principle of home ownership through providing 30 year leasehold on stands. There was the introduction of opportunities for black owner builders.
- ✍ Due to the fact that housing was provided on an unsubsidized basis, rental arrears on the units provided was high.
- ✍ It was advocated that one large location per town should be established that is an adequate distance from the white town and should be separated by a buffer.
- ✍ A policy was introduced that housing should be allocated according to ethnic groups.
- ✍ The prevention of Illegal Squatting Act of 1951 was promulgated that provided penalties for the unlawful occupation of land or buildings and for the removal of persons concerned.
- ✍ The Department of Native Affairs kept a close watch on local authorities and other bodies to see that their policies relating to urban blacks was being implemented. In mid 1958 a watch dog committee was appointed for Johannesburg.

Before 1947 the standards and design of black housing varied considerably. Early in 1947 a conference was held and in 1949 an interim report was published that set out minimum standards for black and colored housing. The four roomed, 51/6 prototype was developed and was the most typical house constructed in all black townships during this period.

Large scale resettlement of Blacks, Colored and Indians under the terms of the Group Areas Act commenced during this period. Removals took place from areas including:

- ✍ Cato Manor: Approximately 18 000 persons were relocated from Cato Manor to Kwa Mashu. Only those families who had permits to be in Durban were rehoused and it appeared that some 30 000 to 40 000 persons disappeared during the resettlement programmed.
- ✍ Johannesburg: A total of 22 500 families and 6 500 singles were moved from Sophiatown, to Meadowlands and Diepkloof.

4.6. 1960 to 1975: Sharpeville, increased segregation and tighter influx control

Social and political context : Between 1960 and 1975 influx control tightened even further, homeland development was undertaken and there was further restriction of movement into white areas. Political tensions began to increase and in 1959 after Sharpeville the ANC and PAC were banned. On March 30 a State of Emergency was declared and many black leaders arrested. Further legislation relating to influx control and the employment of blacks in white urban areas was introduced including :

- ✍ The Bantu Amendment Act of 1963 tightened up the Bantu Urban Areas Consolidation Act of 1945. Control was extended to all urban areas and further tightened the rights of blacks to reside in urban areas.
- ✍ In September 1967 the Department of Bantu Administration and Development [formerly the department of Native Affairs] distributed an official circular that black women were not to be placed on waiting lists for family housing.
- ✍ A circular of 1963 made a detailed policy statement restricting black urban traders.
- ✍ New labour regulations in 1968 required blacks to return to their homeland every year.
- ✍ Revised regulations, gazetted in June 1968 provided that housing permits could only be allocated to qualified males over the age of 21 who were employed.

Housing regulation and delivery : A number of new policies relating to housing were introduced during this phase:

- ✍ An emphasis on the development of homeland townships
- ✍ Restrictions on the provision of family housing in the white areas
- ✍ The withdrawal of home ownership rights
- ✍ No compensation to improvements to property in white areas.

Increasing powers were assumed by the central government over the control of the affairs of blacks in urban areas. Under the terms of the Bantu Administration Act of 1971, 22 administration boards were created throughout the Republic to take over the administrative functions of black areas from local authorities. During this period the government continued to insist that the financing of black housing should be on an economic basis. There was a reduction of housing loans for black housing in white urban areas, resulting in reduced housing development. There was increased expenditure on homeland housing.

4.7. 1975 to 1977: Leasehold rights, widespread rioting and housing shortages

Social and political context : Between 1975 and 1977 some of the strict policies introduced during the previous phase were reassessed and adjusted as it became increasingly clear that urban blacks would permanently remain in the larger urban centers. The most significant reversal was the re-introduction of leasehold rights for blacks in these areas.

In January 1976 a General Minute of the Department of Bantu Administration and Development was circulated giving details of a home ownership scheme for blacks. Blacks would still not be granted freehold title, but if they qualified to remain in an area would again be able to buy houses situated on land belonging to the Administration Boards on the basis of a 30 year lease. Certain areas like the Western Cape were excluded from this. Despite these concessions it was stressed that the higher political aspirations of urban blacks should be exercised in the homelands and that their rights in urban areas were secondary to those of Whites.

Widespread rioting occurred in most urban areas sparked off by the riots in Soweto on the 16 June 1976. An investigation into the cause of the riots identified housing as a major grievance in urban areas.

Governments reaction to the riots was widespread raids and arrests. In the following 18 months large numbers of people were detained, and in October 1977 most black consciousness movements were banned and community leaders detained. The private sector responded through the submission of a memorandum to the Prime Minister in July 1976 which advocated the need for a stable urban black middle class and called for among other things greater expenditure on housing and urban amenities. At a business conference in November 1976 the Urban Foundation was established to improve the quality of life of urban communities.

Housing regulation and delivery : The effects of reduced housing development in the preceding period manifested itself through critical housing shortages. The Administration Boards came under severe criticism but nevertheless assumed increasing control over the affairs of blacks in urban areas. Their powers to regulate were increased and they were given the power to suspend Local Authority resolutions.

The Administration Boards experienced financial difficulties and certain measures were introduced to supplement their resources. In 1975 the Bantu Laws Amendment Act provided that the funds received by district labour bureaus which were previously paid into a Consolidated Revenue Fund should be transferred to the board concerned. It was also provided that the boards, with the approval of the Minister, be allowed to obtain overdrafts from commercial banks. Monthly levies payable by employers of black workers to the Administration Boards were increased. Most Administration Boards introduced site rental increases during this period.

In November 1977 the government announced that it would spend an additional R250 million on housing for Colored, Indians and Blacks of which half would be on black housing. Half of this allocation would be spend in the homelands and half in white urban areas. Despite these commitments only a limited amount of the funds committed was provided to the Administration Board who continued to experience liquidity problems.

The Boards also were hamstrung by red tape and were unable to operate efficiently and spontaneously in response to local needs. Blacks were not represented on the Boards.

Some of the policies and trends in relation to housing delivery were as follows:

- ✍ It was recognized that better quality housing was required for higher income black families. The cost limit for the 51/6 was increased and an improved house the 51/9 with interior doors and bathroom was introduced.
- ✍ The decision not to provide sub-economic loans for black housing was reaffirmed.
- ✍ Provision of housing increased some indication of the extent of this is as follows :
 - ✍ Approximately 22000 dwellings were erected in white areas between 1973-1977. As at December 1977 there was a total of 467 965 family dwelling units in white urban areas of which 25% was owned by individuals or employers of black workers, 22% was erected and owned by local authorities and 53% was erected with funds of the Department of Community Development.
 - ✍ Approximately 19 000 houses had been erected between 1973 and 1977 in the homeland areas. By the end of 1977 a total of 131 508 houses had been provided.
- ✍ Informal settlements on the urban fringe grew substantially during the period due to the shortage of housing. The authorities introduced harsh legislation and applied strong arm tactics in an attempt to remove and control these settlement. Two amendments to the Prevention of Illegal Squatting Act of 1951 gave increased powers to enforce these policies. Penalties were increased and it was also provided that the authorities had no obligation to furnish alternative accommodation for people removed.

4.8. 1977 to 1980: Legislative and policy changes and protests over rent increases

Social and political context: Legislative and policy changes were introduced which represented the acceptance of the permanence of the urban black and a recognition that their rights needed to be extended, greater consultation was necessary and living conditions needed to be improved. The legislative changes included the following:

- ✍ The Community Councils Act No 125 of 1977: This Act empowered the Minister to establish a community council after consultation with the relevant administration board and Urban Bantu Council. The Councils did confer greater opportunities for local representation but had low credibility.
- ✍ 99 year leasehold legislation: In April 1978 a 99 year leasehold scheme was introduced. The Urban Foundation together with the Association of Building Societies played a major role in securing the new leaseholds. The scheme made private sector finance available to blacks giving them access to building society loans and enabled employers to assist blacks to acquire their own homes.

- ✍ Citizenship of independent homelands subjects: Under the terms of the Bantu Laws Amendment Act No 12 of 1978 an amendment was introduced whereby citizenship was substituted for birth as the criterion for determining whether or not a black had rights to enter, remain or work in an urban area.
- ✍ New township regulation : In May 1979 new regulation governing the conditions of residence in townships eliminated the arbitrary powers which township superintendents had to evict tenants.
- ✍ Proposed Community Development Programme : In 1980 the Minister of Cooperation and Development announced the launching of a community development programme aimed at improving the social and economic conditions of blacks throughout the country. The aim of the programme was to encourage black communities to take charge of their own community development.

Housing regulation and delivery. The Housing Amendment Act No 109 of 1979 was promulgated. Under the terms of this Act the Bantu Housing Board was abolished and all applications for loans for blacks [as for other race groups] would be dealt with by the Department of Community Development through the National Housing Commission. Housing loans for blacks would be provided at the same rates and according to the same standards as those for other race groups.

For the 1978/79 financial year the government voted R15 million for black housing out of a total housing vote of R207 million. This represented a substantial increase over previous years. In 1976/77 the SA Development Trust spend R33 million on housing in the home lands. In the same year homeland governments spent a total of R60,7 million on housing and the private sector approximately R6,8 million. At the end of 1980 the government raised an overseas loan of R150 million for the development of black areas.

Most Administration Boards continued to experience financial problems and in 1979 the number of administration boards was reduced from 22 to 14.

Housing delivery by the state continued and there was a relaxation in standards applied allowing self held schemes to be undertaken.

There was a recognition that the public sector was not able to provide sufficient housing for blacks and a call for a greater private sector contribution was made. As a result of this private sector delivery of housing for blacks commenced. This was slow to commence but took the form of :

- ✍ Private sector grants and investment in housing : Private sector investment and development of housing commenced mainly through housing schemes undertaken by the Urban Foundation. In addition a number of large companies such as Ford and General Motors directly contributed to the funding of black housing.
- ✍ Private sector acting as township developer or building contractor: The private sector commenced undertaking township development and building largely as a result of loan finance made available through the 99 year leasehold legislation. However this was slow during this period largely due to problems in applying the new legislation and rising building costs.

- ✍ Employer contribution to housing: Increasingly employers commenced to help their black employees to access housing through direct loans to employees, loans and grants to undertake housing schemes and interest subsidies.

In most urban areas substantial increases in site rentals were introduced. The new increases led to protest and many civic and residents association urged tenants not to pay the increases. In September 1980 it was announced that a system of differentiated rentals would be introduced and that rent deductions could be applied for by those households unable to afford the present rates.

The controversy that arose over the governments decision to demolish unauthorized settlements stimulated research into the structure and functions of these settlements.

4.9. 1980 to 1994: Private sector development and increased political strife

Social and political context: Political strife in the country continued, as well as governments suppression of political aspirations. Both violent and non violent means of protest were used. The 1980's were characterized by bond, rental and service payment boycotts initiated by the civic movement and communities, aimed at undermining the status quo. As a result of the protests and civic unrest, which made the country ungovernable towards the latter half of this period a significant change occurred in political approach and the government started to pursue an agenda focused on giving blacks the right to vote and establishing a Government of National Unity. This was realized in 1994 with national elections where the ANC was elected. This period was an extremely difficult one in South Africa's history especially in the late 1980's which saw extensive violence in black urban areas as power struggles between emerging political parties and aspirations emerged. Significant legislation in respect of housing during the period was the removal of influx control.

Housing regulation and delivery: During the first half of the 1980's the delivery of housing by the private sector aimed at black middle income families grew steadily. Then in mid decade interest rates rose rapidly and the industry fell on hard times. In particular people started to default on bond repayments. The reasons for this was that the repayments became unaffordable, but also the defiance campaign which urged blacks to stop paying rentals and rates in urban areas. The finance houses responded by refusing bond applications from the townships. Using grants and funds from major corporations the Home Loan Guarantee Company was established to provide assurance against default.

Self help housing emerged as a form of housing delivery. Introduced by the Urban Foundation. This approach shifted attention away from mass provision of housing by the state to interventions through such ideas as owner builders and starter and incremental housing. Self help housing schemes spread rapidly throughout the country.

With the removal of influx control informal settlements grew uncontrollable. As a result of the studies undertaken and work by the Urban Foundation projects emerged which focused on upgrading such settlements rather than removing them. Research showed that the upgrading of such settlements released large amounts of private investment. In addition site and service schemes were undertaken.

During this period Government sought to rid itself of the extensive housing stock which it was renting, due to difficulties to collect rentals and maintain the stock. The Sale and Transfer of housing scheme was initiated whereby Government sought to transfer the stock to the current occupant. This campaign was only relatively successful with only a limited number of occupants taking up the offer .

In 1992 the National Housing Forum was launched. This forum was a multi-party non governmental negotiating body comprising 19 members from business, the community government and development organizations. At these negotiations a number of intricate legal and institutional interventions were researched and developed. The Government of National Unity formed in 1994 made use of these negotiations and investigations when it formulated South Africa's National Housing Policy.

In October 1994 a National Housing Accord was signed by a range of stakeholders representing the homeless, government, communities and civil society, the financial sector, emerging contractors, the established construction industry, building material suppliers, employers, developers and the international community. This accord set down the beginning of the common vision that forms the essence of South Africa's National Housing Policy. Most importantly it comprised an agreement that all of these stakeholders would work together to achieve the vision encapsulated in the Accord.

The National Housing Accord was soon followed by the Housing White Paper which was promulgated in December 1994. This White Paper sets out the framework for the National Housing Policy. All policy, programmes and guidelines which followed fell within the framework set out in this White Paper.

4.10. 1994 to 2004: New democratic South Africa

Social and political context: The elections of 1994 heralded a new era in South Africa where equity and the rights of all citizens were recognized. The new Government of National Unity however faced serious challenges in all spheres of society as a result of the policies and political turbulence of the pre-democratic era. In respect of housing key challenges faced were:

- ✍ A severe housing shortage
- ✍ Lack of affordability
- ✍ A fragmented housing policy and administrative system
- ✍ Lack of capacity
- ✍ Non payment of housing loans and service payment boycotts
- ✍ Lack of end user finance
- ✍ Insufficient land
- ✍ Inappropriate standards
- ✍ Different requirements between Provinces.

The promulgation of the Housing Act, No 107 of 1997 [the Housing Act] legislated and extended the provisions set out in the Housing White Paper. The Act aligned National Housing Policy with the Constitution of South Africa and clarified the roles and responsibilities of the three spheres of Government namely National, Provincial

and Municipal. In addition the Act set down administrative procedures for National Housing Policy.

Housing regulation and delivery. Housing policy in South Africa was designed to promote rate and scale of delivery. It comprised a range of programmes and initiatives focused on:

- ✍ Providing subsidy assistance particularly for low-income households that focuses on providing ownership as the dominant form of tenure. The National Subsidy Scheme provided a range of housing grants to low income households with a focus on providing those with the lowest incomes.
- ✍ Creating a stable and effective public environment.
- ✍ Rationalising institutional capacity and investment in a manner that reinforces a partnership between the public and private sectors
- ✍ Mobilising housing credit.
- ✍ Encouraging self building by households.
- ✍ Facilitating the speedy release and servicing of land

In the last ten years this housing policy has been extremely successful. South Africa has demonstrated remarkable capability both in terms of delivering housing units and making and redefining housing policy. Significant achievements during this period include:

- ✍ The delivery of approximately 1,4 million new units of housing [RDP housing].
- ✍ The creation of significant public sector administrative capacity.
- ✍ The promotion of a wide and competent base of material suppliers, builders and developers.
- ✍ The establishment of a new institutional base for housing which includes public sector, private sector and non-governmental organizations.
- ✍ The revision and development of new housing legislation and regulations that are comprehensive, streamlined, transparent and equitable for all South Africans.
- ✍ The provision of subsidy assistance to households that are unable to satisfy their housing needs independently through a single national subsidy programme.

Despite these impressive efforts, housing still remains a major challenge, with millions of South Africans still inadequately housed. In addition many stakeholders including Government are concerned about some aspects of performance of the housing policy. The key areas of concern include the:

- ✍ Poor quality of housing stock delivered.
- ✍ Low levels of private sector investment or involvement in the development and financing of housing stock.
- ✍ Urban form resulting from the housing developments undertaken. Such developments are felt to be poorly located, badly integrated in terms of economic opportunities and social services and create concentrations of poverty.
- ✍ Failure of housing delivered to contribute significantly to poverty alleviation, in that the secondary market for such housing has not developed.

- ✍ Impact on local authority viability in that many households allocated housing units are unable to pay local authority rates and taxes.
- ✍ Extent to which the housing delivered has reached the households for which it was targeted and who are without housing and land. Indications are that in the main the houses have not been delivered to these households, but rather to gatekeeping communities proximate to new housing developments
- ✍ Poor location of houses delivered. Indications are that the houses have been developed in small and medium sized towns, rather in large towns and Metropolitan areas where the real need occurs.

In recent years the above concerns has resulted in shifts in Government's approach. Key trends in this regard include:

- ✍ **Review of ownership as the central form of housing tenure:** Government is increasingly exploring different forms of tenure for housing and different forms of group and rental tenure are being considered and encouraged.
- ✍ **Centralised state delivery:** Government policy is shifting away from a partnership approach where the private sector develops housing, to one in which Government itself develops housing.
- ✍ **Urban renewal:** Government has initiated an urban renewal programme which seeks to upgrade specific areas on a comprehensive basis.
- ✍ **Contribution by the individual/household:** Increasingly Government is recognising that individuals and households should be encouraged to contribute towards housing. Accordingly a saving schemes linked to accessing the subsidy programme is being investigated.

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