

HOUSING SUBSIDY ASSETS

Exploring the Performance of
Government Subsidised Housing in
South Africa

A research initiative sponsored by the FinMark Trust, Urban LandMark, the National Department of Human Settlements, Western Cape Department of Human Settlements, the South African Cities Network, and the FB Heron Foundation



Timeline Analysis

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Other reports published as part of this research project are:

- Report on a Qualitative Analysis in Three Communities, May 2011
- Macro Analysis, A Data Led Analysis of the Performance of Subsidised Housing as a Financial Asset, August 2011
- Overall Analysis, August 2011

These reports can be accessed from the FinMark Trust website (www.finmarktrust.org.za)

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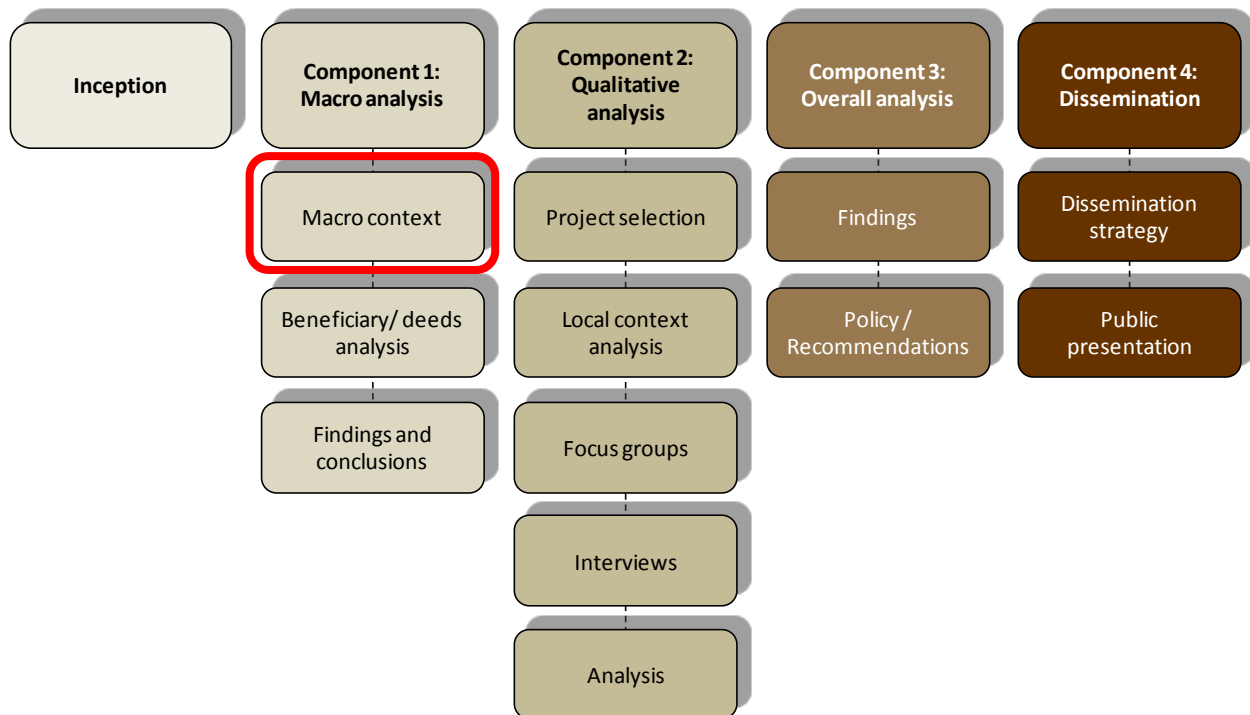
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1. INTRODUCTION

FinMark Trust (FinMark) has appointed Shisaka to undertake research into the extent to which the housing subsidy programme has translated into a housing asset benefit for beneficiary households. FinMark seeks to understand what this means in real terms for the households concerned and the communities in which they live. In addition to identify whether there are stumbling blocks that prevent or limit the performance of these assets. The objectives of the study are to:

- Track the performance of the government subsidised housing asset as demonstrated through formally registered transactions, and to consider the impact this has had on subsidy beneficiaries.
- Test this analysis against the impressions of current occupants, and to understand the other ways in which housing performs as an asset for its residents.
- Understand the role of other factors (finance, municipal investment, job creation, social capital, community development, and so on) in enhancing this performance.
- Develop policy recommendations (national, provincial and local) to overcome identified barriers and improve the potential for housing asset performance.
- Communicate this experience widely.

The proposed methodology to undertake the work comprises five components as set out in the diagram below.



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The macro analysis includes:

- Macro context: This comprises an analysis of the macro context for the period under review, which will be 1994 to mid 2010. A timeline approach will be adopted for the analysis.
- Beneficiary / deeds analysis: This comprises an analysis of ID numbers provided by the Department of Human Settlements, together with data from the Deeds Registry.
- Findings and conclusions: This comprises findings and conclusions from the analyses undertaken above.

This report sets out the macro context time line analysis and includes:

- Time line history of the delivery of subsidised housing in South Africa since 1994
- Time period analysis
- Delivery statistics
- Proposed time line

2. TIME LINE HISTORY OF THE DELIVERY OF SUBSIDISED HOUSING IN SOUTH AFRICA SINCE 1994¹

DATE	POLICY CONTEXT
1992-1994	<p>The National Housing Forum formulates South Africa’s new housing policy²</p> <ul style="list-style-type: none"> • The National Housing Forum was a multi-party non-governmental negotiating body comprising 19 members from business, the community, Government and development organisations. • At these negotiations a number of intricate legal and institutional interventions were researched and developed. • The Forum debated the basis by which housing should be delivered to the poor in South Africa particularly with respect to the role of the state versus the market driving housing delivery. The final recommendation was that government should provide the framework for housing provision and facilitate delivery, while the private sector should apply for subsidies on behalf of communities, identify and service land, and construct structures where possible. With respect to what housing would be delivered, it was agreed that a once-off capital subsidy scheme should be adopted to benefit households with an income of less than R 3500 per month. The subsidy was linked to individual ownership (as opposed to rental), and households effectively “bought” a housing option with their subsidy. The aim of the new dispensation was to deliver housing opportunities and options to as many previously dispossessed South Africans as quickly as possible. The dilemma highlighted at the National Housing Forum had been between “targeting as many as possible with some form of basic housing provision versus targeting a lucky few with a complete housing package.” This trade-off was known as the “breadth versus depth” debate. • The Government of National Unity in 1994 made use of these negotiations and investigations when it formulated South Africa’s National Housing Policy.
1994	<p>The Reconstruction and Development Programme (RDP) is adopted</p> <ul style="list-style-type: none"> • This was an integrated socio-economic policy framework to reconstruct South Africa after Apartheid. • The RDP set a goal of 300,000 houses to be built a year with a minimum of one million low-cost houses to be constructed within five years. The term ‘RDP Houses’ comes from this document. • The RDP was the first document to endorse the principle that all South Africans have a right to housing as stated ‘<i>all South Africans have a right to a secure place in which to live in peace and dignity. Housing is a human right. One of the RDP’s first priorities is to provide for the homeless</i>’.

¹ This time line is based predominantly on *Investigation into the perceived impact of market distortions ostensibly created within the residential housing market as a result of government subsidies*, Kecia Rust with support from Illana Melzer and Ria Moothilal, 30 June 2008, unless otherwise noted

² *A Resource Guide to Housing in South Africa 1994-2010, Legislation, Policy, Programmes and Practice*, Socio Economic Rights Institute of South Africa, Kate Tissington, February 2011

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DATE	POLICY CONTEXT
March 1994	<p>The “RDP subsidy” as it became popularly known, replaced all previous government subsidy programmes</p> <ul style="list-style-type: none"> ● The housing subsidy programme is introduced in response to an urban housing backlog which at the time was estimated to be 1.5 million units, plus 720,000 serviced sites requiring upgrading and approximately 450,000 people living in hostels. ● Beneficiaries with a household income of less than R 3500 per month, who had not owned fixed, residential property previously, and who satisfied a range of other criteria, were invited to apply for the subsidy. ● Six mechanisms were available: project linked, individual, consolidation, institutional, relocation assistance and the peoples’ housing process. ● Among the variety of mechanisms available, project linked and individual were the most popular. <ul style="list-style-type: none"> – The project linked subsidy mechanism involved the approval of a housing project proposed by a developer and then the allocation of beneficiaries from a waiting list to that project. In this way, large-scale developments could be promoted and the supply crisis could be overcome. – The individual subsidy mechanism involved the identification of affordable housing for purchase by a subsidy-eligible individual, and then the access of that subsidy in the payment process. In some cases, it was also supply driven: a developer would develop a number of properties either together or on separate plots and then manage the sale of these to individual housing subsidy beneficiaries. ● The subsidy amount comprised R 5000 – R 12 500 available as a once off grant provided in the form of a housing unit provided on an ownership basis. Three subsidy bands were defined each receiving a different amount: R 0 – R 1500 (R 12 500); R 1501 – R 2500 (R 9500) and R 2501 – R 3500 (R 5000). ● The focus was on delivery and a target of one million subsidised houses to be delivered in the first five years was set. It was intended that a delivery rate of 300,000 units would be achieved in the first three years. ● The mechanism for delivery was via private sector developers – this was an original principle of the subsidy, to stimulate supply side in meeting the needs of the vast low income market.
October 1994	<p>National Housing Accord signed³</p> <ul style="list-style-type: none"> ● In October 1994 a National Housing Accord was signed by an extensive 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 this vision.

³ History of the Department of Human Settlements, <http://www.dhs.gov.za/Content/The%20Department/History.htm>

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December 1994	<p>The Housing White Paper promulgated</p> <ul style="list-style-type: none"> The White Paper set out the framework for the National Housing Policy.
December 1994	<p>An additional subsidy band is introduced (R 0 – R 800)</p> <ul style="list-style-type: none"> With the release of the Housing White Paper, the bottom band was split in two (R 0- R 800 and R 801 – R 1500) and the value of the lowest band was raised to R 15 000.
August 1995	<p>National Home Builders Registration Council (Pty) Ltd established</p> <ul style="list-style-type: none"> The National Home Builders Registration council is established as a section 21 non-profit making company. Its main objective was to promote the common interests of persons occupied in the business or profession of home building, through the regulation of the home building industry. The Council became a statutory body through the Housing Consumer Protection Measures Act, 1998 (Act No. 95 of 1998). The Council’s mandate was revised to protect the interest of housing
1996	<p>The Constitution of the Republic of South Africa is finalised</p> <ul style="list-style-type: none"> Section 26 states that everyone has the right to have “access to adequate housing”. It is the government’s duty to take reasonable legislative and other measures, within its available resources, to achieve the progressive realization of this right. Provincial legislatures and local government share responsibility with the national government for delivery of adequate housing.
1997	<p>The Housing Act (Act no 107 of 1997) replaces all previous housing legislation</p> <ul style="list-style-type: none"> The Act sets out the general principles for housing delivery in South Africa, the functions of the different spheres of Government and the South African Housing fund. The Housing Act aligns National Housing Policy with the Constitution of South Africa and clarifies the roles and responsibilities of the three spheres of Government namely National, Provincial and Municipal. In addition the Housing Act lays down administrative procedures for the development of National Housing Policy.
April 1998	<p>Change in the subsidy amount</p> <ul style="list-style-type: none"> The subsidy amount of R 12 500 provided to the R 801 – R 1500 income category is increased to R 15 000. This means that this amount is now provided for all incomes below R 1500.

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April 1999	<p>Introduction of the minimum norms and standards</p> <ul style="list-style-type: none"> ● In response to complaints by beneficiaries about the size and quality of the houses delivered and builders about the quantum of the subsidy being insufficient to build to the standard expected, the national minimum norms and standards for servicing and top structure were introduced. ● The national minimum norms and standards were designed to ensure that government's investment in a subsidized housing product gave value for money. The standards defined the maximum expenditure permissible on land and services (originally 50%) and the size of the top structure. ● Land and servicing expenditure was limited to R 7500, or just under 50% of the full subsidy at the time (in 2002, R 9400 of the total R 20 300 subsidy was permitted to be spent on land and services). Within this R 7500, developers were required to meet minimum servicing standards: <ul style="list-style-type: none"> – Water: A single standpipe per erf (metered) – Sanitation: A VIP toilet per erf – Roads: Access to each erf with graded or gravel paved road – Storm water: Lined open channels – Street lighting: High mast security lighting for residential purposes where this is feasible and practicable, on condition that such street lighting is not funded from the CMIP9 initiative or funding available from other resources. <p>A standard for land (other than a motivation for good location) was not defined at the national level; however at provincial level standards of between 250m² – 300m² were recommended and in some cases explicitly specified.</p> <p>The top structure was then to be funded with the remaining balance of the subsidy.</p> <ul style="list-style-type: none"> ● For the first time, a size specification (30m²) was introduced, with exceptions allowed for situation of sandy soil and excessive slopes (27m²) and medium dolomite (24m²).
1999	<p>Increase in the quantum of the subsidy</p> <ul style="list-style-type: none"> ● A minor increase of R 1000 to the lowest subsidy band (households earning R 0 – R 1500 per month) and R 500 to R 1501 – R 2500.
March 2000	<p>Introduction of the National Housing Code</p> <ul style="list-style-type: none"> ● The National Housing Code compiled all housing policy adjustments since the December 1994 Housing White Paper in one large document, together with the Housing Subsidy Implementation Manual.
2000 / 2001	<p>Subsidy quantum increased</p> <ul style="list-style-type: none"> ● Housing MINMEC agreed that the subsidy quantum should be increased annually in line with CPIX so that the purchasing power of the subsidy would not decrease with inflation.

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February 2001	<p>Use of the individual subsidy delivery mechanism ceases</p> <ul style="list-style-type: none"> In the early years of the subsidy, the individual mechanism was a popular tool. While not as grand in scale as the project-linked subsidy mechanism, it did contribute significantly to the delivery of subsidies. Over time, however, the use of the individual subsidy declined from its peak of 39,386 subsidies delivered in 1996 to a low of 3111 subsidies delivered in 2001, to the point where the incidence of individual subsidies stopped being measured altogether. It is not clear why this occurred but corruption (see next point) and the need for scale delivery are thought to be some of the reasons.
	<p>Conveyancers no longer used to pay out individual, non-credit linked subsidies</p> <ul style="list-style-type: none"> After widespread accusations of corruption and mismanagement, the mechanism which involved conveyancers paying out non-credit-linked individual subsidies on behalf of government, was curtailed. This shifted the delivery emphasis to projects. While this was specifically to promote an increase in scale delivery, it had a significant impact on how individuals accessed housing opportunities.
April 2001	<p>Measure introduced to enable persons owning unsubsidised residential properties to access housing subsidies</p> <ul style="list-style-type: none"> This measure was implemented to address housing quality issues experienced by existing residential owners. If the housing they owned did not comply with the minimum norms and standards, they could apply for a consolidation subsidy to bring their home to the standard. This effectively cemented the minimum norms and standards as the quality threshold under which all sub-standard housing would be considered part of the backlog and not part of existing housing stock.
February 2002	<p>Introduction of the sales restriction :</p> <ul style="list-style-type: none"> The sales restriction was made to protect the value of the housing asset by preventing speculation and downward raiding. It was introduced in terms of the Housing Amendment Act, Act 4 of 2001, and became applicable on 01 February 2002. Section 10A of the Act, inserted by section 7 of Act 4 of 2001, relates to restrictions on the voluntary sale of subsidised housing. Essentially it says that subsidy beneficiaries may not “sell or otherwise alienate” their subsidised dwelling or site within a period of eight years from the date on which the property was acquired. If a subsidy beneficiary needs to move within this period, they are entitled to ‘return’ the house to the state and join another waiting list in their new area of residence. When the subsidised house is ‘returned’ to the state, the provincial housing department becomes the registered owner of that property, and this is reflected on the title deed by the Registrar of deeds. The subsidy beneficiary is not paid for the returned unit – irrespective of the price that house might realise on the market – however they are entitled (if they are still eligible) to join the waiting list again for another subsidized property. Section 10B of the Act, also inserted by section 7 of Act 4 of 2001, relates to restrictions on the involuntary sale of subsidised housing. Similar to Section 10A, this section does however allow for a price to be paid by the MEC to the family or creditors of the subsidy beneficiary if the beneficiary has died or gone bankrupt. The price may not be more than the subsidy amount. However, the MEC is entitled to exempt certain cases from the legislation. Everything must be marked by the Registrar on the Title Deed.

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April 2002	<p>Increase in the quantum of the subsidy</p> <ul style="list-style-type: none"> • As a result of Cabinet agreement that the subsidy should be increased to align with inflation, the subsidy amount was raised to R 20 300 for the bottom band (R 0 – R 1500); R 12 700 for the middle band (R 1501 – R 2500) and R 7000 for households in the highest income earning band (R 2501 – R 3500). • The introduction for the SCCC reflected an acknowledgement that in certain areas, higher construction costs undermined the capacity of developers to meet a minimum standard expected.
April 2002	<p>R 2479 savings requirement</p> <ul style="list-style-type: none"> • Subsidy beneficiaries earning more than R 1500 per month are required to contribute an amount of R 2479 towards the purchase price of the property. • The R 2479 was the amount that the housing subsidy at the time was short in order to construct an NHBRC approved, minimum standards house. In order for the NHBRC Warranty to apply to subsidy-financed houses, the standards of construction had to be improved and it was estimated that this would cost an additional R 2479. Thus it was agreed that subsidy beneficiaries should be requested to make this contribution. In its policy documents, the Department of Housing was very clear about this linkage. • In addition, however, it was felt that the savings requirement would engender a sense of “ownership” of the RDP asset among subsidy beneficiaries, encouraging them to maintain their homes and protecting them from selling their houses at below market value. • The policy was expected to work as follows: <ul style="list-style-type: none"> – When applying for a housing subsidy, applicants would officially declare their commitment to make the required contribution. – Applicants would be required to pay the lump sum amount of R 2479 to the Provincial Housing Department or the municipality concerned upon hearing that their application for a housing subsidy had been approved. In project linked subsidy projects, the beneficiary was allowed 45 days from date of approval to pay the financial contribution. The policy specified that the contribution must be paid before construction work on the installation of services commenced. – If a beneficiary failed to comply with these terms, their conditional approval would be cancelled, their name would be removed from the Housing Subsidy System Database, and they would have to re-apply for a housing subsidy in the future. – Once the R 2479 contribution had been received, construction was allowed to proceed. • However, it soon became evident that these strict payment deadlines would disrupt the housing delivery programme and ultimately stall the delivery of subsidized houses. Policy documents describing this problem suggest that “this has, to some extent, been attributed to the fact that most beneficiaries of the housing subsidy do not have R 2479 at hand to pay upfront, and that most of these beneficiaries would require a substantial amount of time to save the required amount.” Hence the policy was revised in April 2003 (see below)

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April 2002	<p>Revision of the progress payment system to include 14 sub-milestones</p> <ul style="list-style-type: none"> • Significant delays occur in respect of the development process relating to land identification, the establishment of townships, registration of title deeds and as a result the holding costs and payment of developers. This intervention was designed to streamline payments and reduce administrative delays and therefore holding costs for developers.
	<p>National Home Builders Registration Council mandate extended to include houses built with a subsidy</p> <ul style="list-style-type: none"> • The mandate of the National Home Builders' Registration Council (NHBRC) expanded to include all houses, including those built with a subsidy, into its warranty. As part of this move, all builders of government-subsidised houses had to be accredited builders in terms of the NHBRC.
01 April 2003	<p>Increase in the quantum of the subsidy, including a variation for people with visual disabilities</p> <ul style="list-style-type: none"> • The subsidy amount was raised to R 23 100 for the bottom band (R 0 – R 1500); R 14 200 for the middle band (R 1501 – R 2500) and R 7800 for households in the highest income earning band (R 2501 – R 3500). • The broadening of the disability variation to include people with visual disabilities.
	<p>Change to the basis by which the saving requirement is applied</p> <ul style="list-style-type: none"> • Due to difficulties in applying the R 2479 saving requirement the policy was revised in to (a) support the process of savings towards the R 2479 target; and (b) allow for the contribution to be paid at any stage of the housing delivery process, as long as it was before the title to the stand was transferred into the name of the beneficiary. • The revised policy, known as the interim strategy, was backdated to include all projects approved between 01 April 2002 and 31 March 2003.
2003	<p>Procurement-compliant regime⁴</p> <ul style="list-style-type: none"> • The new 'procurement compliant' subsidy regime requires an expanded role for local government in the development process. • In addition there is a shift in the 'regime of production' from a developer-driven to a people and institution – driven mode of delivery is intended to incorporate a greater number of smaller scale entities and individuals into the development process.
April 2004	<p>Revision to the progress payment system to allow for payment for completed top structure before the registration of the transfer</p> <ul style="list-style-type: none"> • This amendment responded to the reality that transfer processes were being delayed due to no fault of the developer. • Therefore, in order not to undermine a developers' access to payment, it was resolved that payment for the completion of a top structure could precede transfer, which often was much after occupation.

⁴ *Getting South Africans under shelter: An overview of the South African housing sector*, David Gardner, August 2003

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	<p>Increase in the quantum of the subsidy</p> <ul style="list-style-type: none"> • An increase aligned to inflation. The subsidy amount was raised to R 25 800 for the bottom band (R 0 – R 1500); R 15 700 for the middle band (R 1501 – R 2500) and R 8600 for households in the highest income earning band (R 2501 – R 3500).
September 2004	<p>Introduction of Breaking New Ground</p> <ul style="list-style-type: none"> • The comprehensive plan for the development of sustainable human settlements, popularly known as “Breaking New Ground” saw a dramatic shift towards a more comprehensive approach to housing delivery by defining such housing within the context of sustainable human settlements. • BNG defines four primary ends: <ul style="list-style-type: none"> – Sustainable human settlements: “well-managed entities in which economic growth and social development are in balance with the carrying capacity of the natural systems on which they depend for their existence and result in sustainable development, wealth creation, poverty alleviation and equity.” – Integration: The shift from “housing units”, to “sustainable human settlements” in BNG largely captures the integration end. Spatial restructuring is also critical and sustainable human settlements are seen to support spatial restructuring: “... utilising housing as an instrument for the development of sustainable human settlements, in support of spatial restructuring”. There is also an institutional dimension as integration is both intra-governmental (within a sphere of government) and inter-governmental, requiring integrated planning and coordinated investment. – Housing assets: “ensuring property can be accessed by all as an asset for wealth creation and empowerment” and “supporting the functioning of the entire residential property market to reduce duality...” – Upgraded informal settlements: progressive eradication of informal settlements and urban inclusion: “informal settlements must urgently be integrated into the broader urban fabric to overcome spatial, social and economic exclusion.” • The housing product provided has evolved significantly since the introduction of the subsidy. The house now generally comprises: <ul style="list-style-type: none"> – 40m² house with two bedrooms, toilet with own washbasin, kitchen with washbasin, – Wooden front door, roof tiles and fascia boards. – 250m² property, paved roads, underground electrical connection. • BNG completes the process of moving from developer driven delivery to municipal delivery. The previous housing programme granted private developers a leading role in the delivery of housing within a supply-driven framework. The new housing plan shifts away from a supply-driven framework towards a more demand-driven process. The plan accordingly places a substantially increased emphasis on the role of the State in determining the location and nature of housing as part of a plan to link the demand for and supply of housing. This approach envisaged that municipalities would assume a greater responsibility for housing programmes in their areas of jurisdiction.

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November 2004	<p>Informal settlement upgrading⁵</p> <ul style="list-style-type: none"> • BNG recognises that the existing housing programme will not secure the upgrading of informal settlements. It therefore articulates the need to shift the official policy response to informal settlements from one of “conflict or neglect”, to one of “integration and co-operation, leading to the stabilization and integration of these areas into the broader urban fabric.” • The policy amendment introduces a new informal settlement upgrading funding mechanism, which would support upgrading on an area-wide basis, maintain fragile community networks, minimise disruption and enhance community participation through a phased process. Chapter 13 of the National Housing Code, the Upgrading of Informal Settlements Programme was developed in line with these principles in 2004. Initially this policy intention is interpreted more in respect of eradication of informal settlements than in upgrading them. • The first informal settlement upgrading projects commence.
April 2005	<p>Collapsing of the subsidy bands, extension of income categories and amendment of the qualification criteria. Subsidy can no longer be used for land costs Adjustment of the quantum of the subsidy amount</p> <ul style="list-style-type: none"> • These three amendments together had a significant impact on the quantum of the subsidy, especially for households in the higher income bands who saw their entitlement increase by upwards of 200%. • The subsidy amount was raised to R 31 929 plus land for the bottom band (R 0 – R 1500) and R 29 450 plus land for the middle and upper bands (R 1501 – R 3500).
April 2005	<p>Repeal of the Developer Driven Individual Subsidy mechanism</p> <ul style="list-style-type: none"> • DDIS projects involved the allocation of individual subsidies for houses built by a developer not in a project, but individually across a series of separate stands. This scheme was repealed in terms of a policy amendment that individual subsidies may only be used for the purchase of existing houses in the resale market. • The DDIS programme allowed for small developers who were unable to amass a large piece of land for a large scale project, to collect individual stands into a sort of project – this is no longer possible.
	<p>Implementation guidelines for the Progress Payment System to allow for payment in any sequence</p> <ul style="list-style-type: none"> • This amendment to the progress payment system was designed to streamline payment so that developers don’t bear undue risk in participating in the housing subsidy programme.
	<p>Amendments to the R 2479 beneficiary contribution policy</p> <ul style="list-style-type: none"> • Households earning less than R 1500 are exempted from paying the R 2479 (backdated to 01 April 2002). Monies paid back to households in this category. • Municipalities entitled to collect R 2479 from beneficiaries if they satisfy certain requirements and comply with relevant legislation.

⁵ A Resource Guide to Housing in South Africa 1994-2010, Legislation, Policy, Programmes and Practice, Socio Economic Rights Institute of South Africa, Kate Tissington, February 2011

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	<p>Municipalities who haven't the capacity to administer this requirement cannot act as developers and implement housing projects on behalf of the Provincial Department of Housing.</p> <ul style="list-style-type: none"> The interim strategy of May 2003 becomes permanent: beneficiaries can make their R 2479 capital contribution at anytime during the course of planning, layout, design and service provision of the project, but before transfer of the stand, occupation and construction of the houses.
June 2005	<p>Adjustment of the policy and guidelines for the Individual Housing Subsidy Programme</p> <ul style="list-style-type: none"> The new individual housing subsidy programme has been designed with an explicit focus on the resale market. Both credit-linked and non-credit linked options are available, and provinces are responsible for developing appropriate mechanisms for the payout of this instrument.
August 2005	<p>Application of the NHBRC warranty scheme to the housing subsidy scheme financed houses</p> <ul style="list-style-type: none"> The inclusion of subsidized houses in the NHBRC warranty programme has added an additional cost to the subsidized product as developers need to pay for their unit to be registered.
October 2005	<p>Finance-linked individual subsidy programme (FLISP) implemented</p> <ul style="list-style-type: none"> Developed to coincide with finance being made available by lenders in terms of the financial sector charter, this programme extends subsidy eligibility in terms of this particular instrument to households earning R 3500 – R 7000 per month. The instrument is designed to provide support to households in their deposit obligations for mortgage finance, thereby also reducing the capital amount being borrowed and the interest charges associated therewith. The subsidy is provided on a sliding scale between R 3369 to R 23 584
November 2005	<p>Implementation guidelines for the Unblocking of Housing Projects Affected by Inflation and other related factors</p> <ul style="list-style-type: none"> Individual and project-linked subsidies for top structures for households earning up to R 1500 are raised to R 31 929. Households earning between R 1501 and R 3500 must pay R 2479 and receive R 29 450, making the total amount for the top structure the same. Municipal engineering services and land must be funded from other government resources.
April 2006	<p>Adjustment of the quantum of the subsidy amount</p> <ul style="list-style-type: none"> Individual and project-linked subsidies for top structures for households earning up to R 1500 are raised to R 36 528 plus land. Households earning between R 1501 and R 3500 must pay R 2479 and receive R 34 049 plus land, making the total amount for the top structure the same. Municipal engineering services and land must be funded from other government resources.

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April 2007	<p>Adjustment of the quantum of the subsidy amount</p> <ul style="list-style-type: none"> Individual and project-linked subsidies for top structures for households earning up to R 1500 are raised to R 38 984 plus land and services. Households earning between R 1501 and R 3500 must pay R 2479 and receive R 36 505 plus land and services, making the total amount for the top structure the same. Municipal engineering services and land must be funded from other government resources.
2008	<p>National Upgrading Support Programme (NUSP) commences</p> <ul style="list-style-type: none"> The National Upgrading Support Programme (NUSP) is a joint project of the National Department of Housing (NDOH) and the Cities Alliance. Work on the NUSP began in 2008, following the establishment of a partnership between the NDHS and Cities Alliance in 2006. The process involved an assessment of 16 pilot projects on informal settlement upgrading, established after Breaking New Ground in 2004. The NUSP Technical Team reviewed these projects and made recommendations for an improved approach to upgrading, including the establishment of the support programme, production of suitable resources to guide practitioners, a capacity building programme and creation of an active community of practice. These proposals were approved by the NDHS in 2009 and subsequently have been incorporated in the national and provincial Delivery Agreements (see below). These include the roll-out of the NUSP to 49 municipalities nationally, with priority for support given to those municipalities engaged in implementing projects towards the Delivery Agreement targets.
April 2008	<p>Adjustment of the quantum of the subsidy amount</p> <ul style="list-style-type: none"> An increase aligned to inflation. Individual and project-linked subsidies for top structures for households earning up to R 1500 are raised to R 43 506 plus land and services. Households earning between R 1501 and R 3500 must pay R 2479 and receive R 41 027 plus land and services, making the total amount for the top structure the same. Municipal engineering services and land must be funded from other government resources. The FLISP subsidy amount is increased to a sliding scale between R 4102 and R 28 090.
April 2008	<p>National minimum norms and standards amended</p> <ul style="list-style-type: none"> The amended norms and standards broaden the specifications for the top structure quite considerably as now the full subsidy amount is dedicated to this component; land and servicing being the responsibility of the municipality.
September 2008	<p>Housing Development Agency Act promulgated</p> <ul style="list-style-type: none"> The Housing Development Agency (HDA) was established to facilitate and expedite the development of large scale integrated, sustainable human settlements with the entire required socio-economic infrastructure.

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DATE	POLICY CONTEXT
	<ul style="list-style-type: none"> The HDA's role is to ensure the availability of land for development, facilitate the effective structuring of projects and oversee their implementation through, ensure appropriate government funding flows and subsidies for developments in respect of land and building acquisition, planning and proclamation process, bulk and internal infrastructure development and social infrastructure development and promote an appropriate policy and regulatory framework.
February 2009	<p>Revised Housing Code published⁶</p> <ul style="list-style-type: none"> The revised National Housing Code sets the underlying policy principles, guidelines and norms and standards which apply to government's various housing assistance programmes, some which have been newly introduced and others updated. The code indicates a significant shift in government policy away from municipal driven subsidy projects providing RDP houses to informal settlement upgrading, subsidies to encourage the development of the secondary market and the provision of subsidies within integrated areas. The three significant subsidies are: <ul style="list-style-type: none"> The Upgrading of Informal Settlements Programme which recognizes informal settlement upgrading as one of the most important programmes of government. The UISP only finances the creation of serviced stands, and beneficiaries must apply for housing construction/ownership assistance through other housing programmes e.g. Individual Subsidy Programme, Consolidation Subsidy, ePHP, Social Housing Programme, CRU. Funding under the UISP is linked to the number of persons who qualify for assistance i.e. it is individual-based as opposed to area-based. The subsidy quantum for the UISP in 2009/2010 is broken down into funding for the three phases, and is provided from provincial government's annual allocation from the IHSD grant administered by the DHS. The Individual Housing Subsidy Programme provides access to state assistance where qualifying households wish to acquire an existing house or a vacant serviced residential stand, linked to a small-medium construction contract through an approved home loan i.e. properties that are available in the normal secondary housing market or those that have been developed as part of projects not financed through one of the National Housing Programmes. There is also an option that does not include mortgage finance. The Programme is only available to those acquiring residential properties in registered individual ownership. The Programme encourages the growth of the secondary residential property market, an objective of BNG. The Integrated Residential Development Programme (IRDP) provides for phased area-wide planning and development of integrated housing projects in situations where a) a project is undertaken in an area where unoccupied vacant land is developed; or b) a project is undertaken in an existing township where an undeveloped parcel of land is utilised for development purposes. It does away with the requirement found in other policy programmes to identify subsidised housing beneficiaries up front and provides for both subsidised, as well as finance-linked, housing i.e. catering for households earning between R 3500 and R 7000 a month. It also provides for social and rental housing, commercial, institutional and other land uses to be developed. In the IRDP a municipality assumes the role of the developer (where they lack financial, technical and managerial capacity, a provincial department can take on this role), undertaking all planning and project activities.

⁶ A Resource Guide to Housing in South Africa 1994-2010, Legislation, Policy, Programmes and Practice, Socio Economic Rights Institute of South Africa, Kate Tissington, February 2011

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DATE	POLICY CONTEXT
	<p>As developers they appoint professionals (who design and establish the township, design and monitor the installation of services, and design the houses) and contractors (who construct the services and housing) to assist with the housing development process. Municipalities apply for funding from the MEC who approves project applications, reserves and distributes funds, as well as assesses and adjudicates various aspects of the project process. Plans for projects undertaken within the scope of the IRDP must be based on approved housing chapters of IDPSs. Beneficiaries are those who qualify in terms of the NHSS (for residential stands) as well as those who are able to obtain non-residential stands in the development.</p>
2010	<p>Outcome 8 commits the National Department of Human Settlements to upgrade 400 000 households living in informal settlements on well located land over the next four years⁷</p> <ul style="list-style-type: none"> • Outcome 8 consolidates the policy shift contained in the revised Housing Code to a focus on informal settlement upgrading and supporting the market to develop affordable housing. Outcome 8 has four outputs: <ul style="list-style-type: none"> – Output 1: Accelerated Delivery of Housing Opportunities – Output 2: Access to basic services – Output 3: Efficient Utilisation of Land for Human Settlements Development – Output 4: Improved property market • The key focus of the first output is to upgrade the 2 700 informal settlements in South Africa. This is envisaged to be undertaken through the National Upgrading Support Programme (NUSP) which been launched in order to facilitate and support the fast-tracking of informal settlement upgrading in South African municipalities. This programme will make use of the Upgrading of Informal Settlements Programme (UISP) as set out in the Housing Code (above). Other subsidy programmes, including the Integrated Residential Development Programme (IRDP) and social and rental interventions, may also be applied in an integrated fashion at individual project level. • The NUSP was established in collaboration with the international Cities Alliance, and 16 priority projects were studied with a view to identifying best practices in informal settlement upgrading. According to the report, it is envisaged that the learning achieved under the NUSP will lend further substance to policy refinement and the development of a new and improved implementation strategy at project level. • The initiative also aims to provide critical support to housing projects in their early stages. A team of national and international experts support the programme by providing it with advice and guidance, and the aim is to develop a “community of practice.” According to the NUSP, it will develop a “detailed roll-out strategy and programme for informal settlement upgrading for the country as a whole” which, given the decentralised nature of systems of governance in South Africa, will be as much a “mobilisation exercise as a technical one.

⁷ Outcome 8, 2011, Office of the Presidency

HOUSING SUBSIDY ASSETS
TIMELINE ANALYSIS

3. ECONOMIC PERIOD ANALYSIS

Set out below is a brief analysis of key economic data for the timeline as well as a description of key economic events and the overall performance of the South African economy in the years under review.

While this data is presented here, it should be noted that there appears to be **no correlation** between key economic indicators / overall economic performance and the performance of the subsidized / RDP housing market. In short, the data show that RDP housing delivery is dependent on policy and government financial allocation rather than any movement in say interest rate or construction costs. Indirectly one could argue that the amount of money available for subsidies is linked to tax collection which is itself dependent on overall economic performance.

The tables and graph below indicate the key economic indicators for the period under analysis for which data were available.

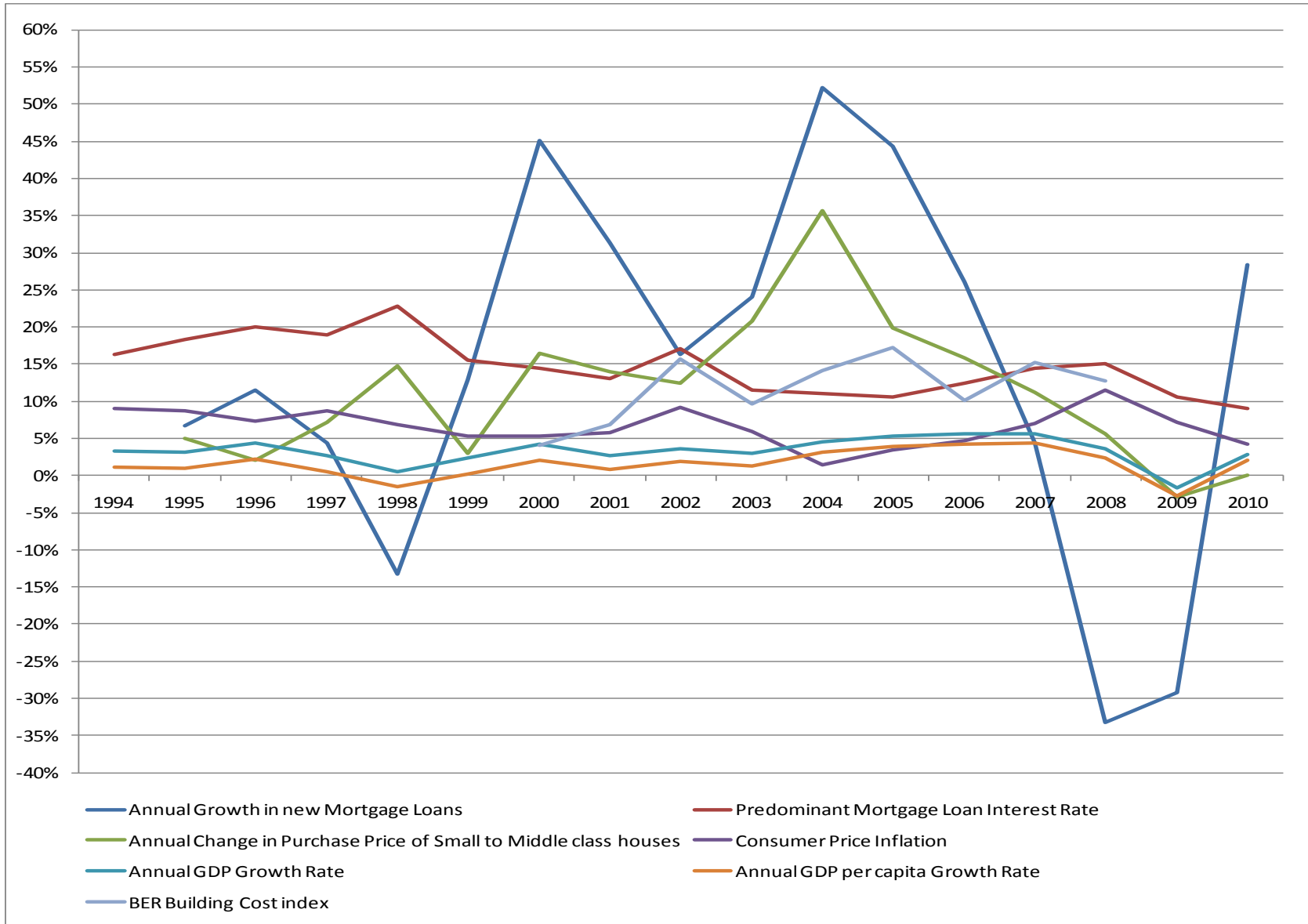
Table 1: Key Economic Indicators

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Annual Growth in new Mortgage Loans		7%	11%	4%	-13%	13%	45%	31%	16%	24%	52%	44%	26%	4%	-33%	-29%	28%
Predominant Mortgage Loan Interest Rate	16.3%	18.3%	20.0%	19.0%	22.8%	15.5%	14.5%	13.0%	17.0%	11.5%	11.0%	10.5%	12.5%	14.5%	15.0%	10.5%	9.0%
Annual Change in Purchase Price of Small to Middle class houses		5%	2%	7%	15%	3%	17%	14%	12%	21%	36%	20%	16%	11%	6%	-3%	0%
Consumer Price Inflation	9.0%	8.7%	7.3%	8.7%	6.8%	5.3%	5.4%	5.7%	9.1%	6.0%	1.4%	3.5%	4.7%	7.1%	11.5%	7.1%	4.3%
Annual GDP Growth Rate	3.2%	3.1%	4.3%	2.6%	0.5%	2.4%	4.2%	2.7%	3.7%	2.9%	4.6%	5.3%	5.6%	5.6%	3.6%	-1.7%	2.8%
Annual GDP per capita Growth Rate	1.1%	1.0%	2.1%	0.5%	-1.6%	0.2%	2.1%	0.8%	1.9%	1.3%	3.1%	3.9%	4.3%	4.3%	2.4%	-2.7%	2.1%
BER Building Cost index							4.1%	6.9%	15.7%	9.6%	14.2%	17.2%	10.1%	15.3%	12.8%		

Sources: SARB, StatsSA, BER Building Cost Index, ABSA House Price Index

HOUSING SUBSIDY ASSETS TIMELINE ANALYSIS

Figure 1: Key Economic Indicators



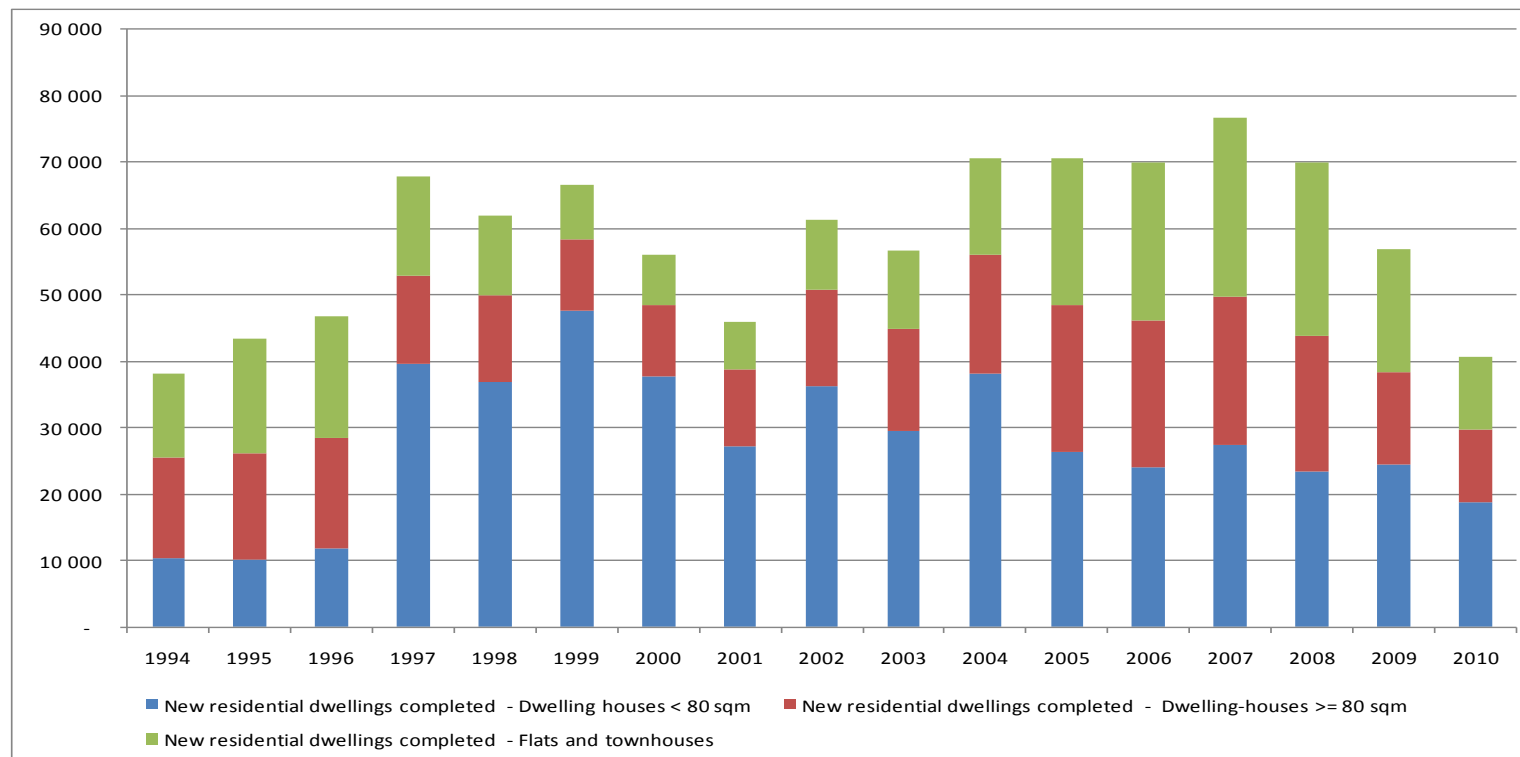
HOUSING SUBSIDY ASSETS
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The table and figure below indicate the rate of formal private sector housing delivery as reported by StatsSA.

Table 2: Formal Housing Delivery 1994 - 2010

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
New residential dwellings completed - Dwelling houses < 80 sqm	10,464	10,121	11,971	39,687	36,988	47,657	37,810	27,273	36,353	29,555	38,200	26,307	24,029	27,555	23,480	24,579	18,857
New residential dwellings completed - Dwelling-houses >= 80 sqm	15,037	16,005	16,580	13,198	13,034	10,634	10,692	11,635	14,459	15,296	17,864	22,251	22,118	22,157	20,357	13,906	10,826
New residential dwellings completed - Flats and townhouses	12,651	17,409	18,354	15,060	11,907	8,402	7,527	7,093	10,473	11,862	14,618	22,066	23,858	26,949	26,221	18,462	10,965
New residential dwellings completed - Total	38,152	43,535	46,905	67,945	61,929	66,693	56,029	46,001	61,285	56,713	70,682	70,624	70,005	76,661	70,058	56,947	40,648
Annual Growth on new residential dwellings		14%	8%	45%	-9%	8%	-16%	-18%	33%	-7%	25%	0%	-1%	10%	-9%	-19%	-29%

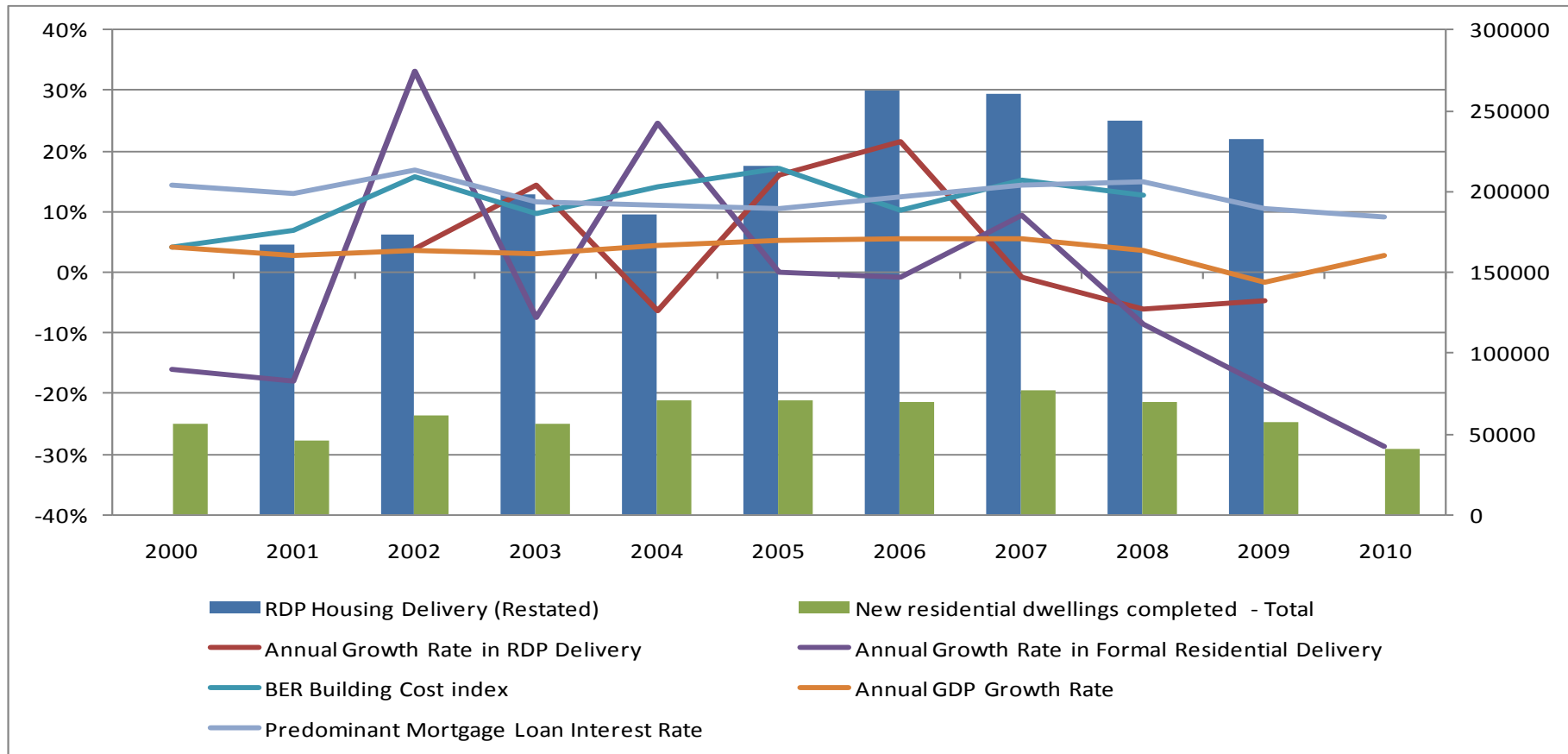
Figure 2: Formal Housing Delivery 1994 - 2010



HOUSING SUBSIDY ASSETS
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Indicated below is an overlay of RDP delivery (restated) with key economic data. It should be noted that RDP delivery numbers have been restated in order to annualise the statistics.

Figure 3: RDP Delivery and Economic Indicators



The above analysis indicates the following:

- RDP housing delivery does not correlate to GDP growth or other indicators such as building costs. This is to be expected given that the RDP programme does not rely (at least directly) on borrowed funds nor overall economic performance given that it is not demand driven but government supply.
- Of some interest in the above analysis is that there does seem to be an inverse correlation between the annual growth rates in RDP and formal housing delivery. One possible explanation is that private firms exit the formal housing market for a variety of reasons and “supplement” their earnings by taking on increased government work. This however cannot be clearly substantiated on the basis of the available data.

4. TIME PERIOD ANALYSIS

Given the time line history of subsidised housing in South Africa and the economic period analysis set out above, it is proposed that the history can be categorized into five key time periods as set out below. There is some overlap between them.

- 1992 – 1997: Policy formulation
- 1995 – 2001: Private sector ‘developer’ driven delivery
- 2001 – 2004: Public sector driven delivery
- 2004 – 2009: Focus on sustainable human settlements
- 2010+: Focus on informal settlement upgrading

The table below provides a description of each time period and outlines the key events that occurred within each. The event that triggers the end of the period is shown in bold.

TIME LINE PERIOD	KEY CHARACTERISTICS	LEGISLATION / EVENTS
1992 – 1997 Policy formulation	<ul style="list-style-type: none"> • Negotiations occur around South Africa’s housing policy and a national housing policy is formulated. This occurs initially through the National Housing Forum and then the development of the Housing White Paper and the promulgation of the Housing Act. • South Africa’s first democratic government is established. A key commitment is recognition by the new government of every citizens right to adequate housing and a commitment that the state will assist citizens to realise this right on a progressive basis in terms of available resources. This is first encapsulated in the Reconstruction and Development Programme and reinforced in the Constitution of the Republic of South Africa and the Housing Act. • In line with this commitment the National Housing Subsidy Programme is launched and a target of 1 million houses in the first five years is set. • All stakeholders agree to cooperate, in particular a National Housing Accord is signed between all stakeholders. 	1992-1994 <ul style="list-style-type: none"> • National Housing Forum 1994 <ul style="list-style-type: none"> • Reconstruction and Development Programme adopted • The Housing Subsidy Programme launched • National Housing Accord signed • Housing White Paper promulgated 1996 <ul style="list-style-type: none"> • The Constitution of the Republic of South Africa finalised 1997 <ul style="list-style-type: none"> • The Housing Act (Act no 107 of 1997) promulgated

HOUSING SUBSIDY ASSETS
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TIME LINE PERIOD	KEY CHARACTERISTICS	LEGISLATION / EVENTS
<p>1995 – 2001 Private sector ‘developer’ driven delivery</p>	<ul style="list-style-type: none"> • Implementation of the National Subsidy Programme commences. • The top priority is delivery at scale and a delivery target of 200 000 units per annum is set which was projected to increase to 300 000 by year three. This level of delivery was projected to address the backlog and projected new family formation within 10 years. • The delivery method was predominantly ‘demand side’ through private sector developers and contractors who identified land and structured and implemented projects drawing down from the capital subsidy. Beneficiaries were allocated to the project from a waiting list. • The target of 1 million houses is achieved in 7 years (two years longer than the specified time frame). • Key issues during this period were: <ul style="list-style-type: none"> – Beneficiaries complaining that the size of the houses was small and the quality poor. – Developers complaining that the amount of subsidy was insufficient. In addition the long time frames and resultant holding costs which are required to identify and secure land, undertake township establishment and to register title deed. – Allegations of profiteering in respect of developers. – Complaints by smaller contractors and builders that they did not have access to the subsidy delivery process. • The response to these issues was predominantly the following: <ul style="list-style-type: none"> – Minimum norms and standards for subsidy housing were set. These were to increase over time. – The quantum (amount) of the subsidy increased over time. – The National Home Builders Registration Council is established and subsidy houses are incorporated under it. – There was a questioning of the use of the private sector as the main delivery mechanism and a shift towards the public sector becoming the key deliverer. 	<p>1995</p> <ul style="list-style-type: none"> • Implementation of the subsidy programme commenced • National Home Builders Registration Council established <p>1999</p> <ul style="list-style-type: none"> • Introduction of the minimum norms and standards <p>2000</p> <ul style="list-style-type: none"> • Introduction of the National Housing Code <p>2001</p> <ul style="list-style-type: none"> • Use of the individual subsidy delivery mechanism and use of conveyancers to pay out subsidies ceases <p>2003</p> <ul style="list-style-type: none"> • Procurement compliant regime revised to expand the role of local government in the delivery process and include a greater number of smaller scale entities <p>2004</p> <ul style="list-style-type: none"> • Breaking New Ground (BNG) policy consolidates the shift from developer driven delivery to public sector driven delivery predominantly through municipalities

HOUSING SUBSIDY ASSETS
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TIME LINE PERIOD	KEY CHARACTERISTICS	LEGISLATION / EVENTS
<p>2001 – 2004 Public sector driven delivery</p>	<ul style="list-style-type: none"> • Delivery of subsidy units through the capital subsidy is shifted from private sector delivery to the public sector. The delivery method becomes ‘supply side’ as the state increasingly funded the housing provided. • Initially Provincial Governments and then over time Municipalities take responsibility for structuring projects and appointing small scale builders to implement them. • The sales restriction is applied and while there is considerable speculation on its impact no studies are undertaken to assess this. • Key issues during this period are as follows: <ul style="list-style-type: none"> – The number of housing units delivered begins to decrease. There are a number of reasons for this: <ul style="list-style-type: none"> ○ The savings requirements which requires individual contributions from subsidy beneficiaries in order to access subsidies. Few households have this level of savings readily available, and the lead times to transfer houses increases. ○ Local government capacity is insufficient and there are problems in identifying and structuring projects and managing their implementation. ○ Despite changes to the progress payment system and registration process there are continued constraints on the land identification, packaging, release and township establishment processes. – Municipalities begin to view their increased responsibility in housing delivery as a unfunded mandate and start to view RDP housing projects as undermining their sustainability as the occupants are unable to pay rates and service charges. – The location of RDP housing projects within the city is seen as problematic. Projects are located on the periphery in order to keep land costs down. As a result RDP projects are seen as continuing the apartheid city alienation of the poor and as not integrating poor people into the city. The poor’s location with respect to access to work opportunities, social services and transportation networks is seen as creating an added burden onto the poor. The cost of land is identified as a key problem area. 	<p>2002</p> <ul style="list-style-type: none"> • Sales restriction introduced • R 2479 savings requirements introduced • Progress payment system revised to include 14 milestones • National Home Builders mandate extended to include houses built with a subsidy <p>2004</p> <ul style="list-style-type: none"> • Progress payment system revised to allow for payment for completed top structure before the registration of transfer • Comprehensive Plan (Breaking New Ground) introduced • First informal settlement upgrading projects commence

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TIME LINE PERIOD	KEY CHARACTERISTICS	LEGISLATION / EVENTS
	<ul style="list-style-type: none"> - There is increasing political pressure to increase the size and quality of the houses delivered. As a result the subsidy quantum increases substantially as does the minimum norms and standards for subsidy housing. Municipalities are focused to use own funds to meet the increased standards. 	
<p>2004 – 2009 Delivering human settlements</p>	<ul style="list-style-type: none"> • In 2004 the National Department of Housing released a new policy document – The Comprehensive Plan for the development of sustainable human settlements popularly known as Breaking New Ground (BNG). This policy document comprised a major paradigm shift in how housing is delivered requiring that in structuring projects they are well located to amenities in the cities and are planned in a comprehensive manner that incorporates access to infrastructure services and social and economic facilities. In addition that mixed income groups are accommodated together. • Initially Provinces and Municipalities have difficulty in interpreting how to implement the policy. Overtime sustainable human settlements are determined by the extent to which socioeconomic integration occurs within the project. The application of the policy results in the undertaking of a number of ‘mega projects’ for example Cosmo City (2004) and Olievenhoutbosch in Gauteng (2006) and the N2 Gateway initiative (2005) in the Western Cape. • The pressure to increase the size and quality of the houses delivered continues and there are further increases to the subsidy quantum and changes to the minimum norms and standards. The need for Municipalities to use their own funds to deliver subsidy housing continues. • The period sees an increasing focus on informal settlements. BNG indicates an eradication of these settlements and initially this is the focus of the application of the policy. Overtime there is recognition of the need to upgrade rather than eradicate the settlements. This culminates in the publishing of the revised Housing Code which provides a subsidy in this regard. • The first informal settlement upgrading projects commence. In addition the National Upgrading Support Programme (NUSP) begins in 2008, following the establishment of a partnership between the NDHS and Cities Alliance in 2006. 	<p>2004</p> <ul style="list-style-type: none"> • Comprehensive Plan (Breaking new ground) published • Cosmo City commences <p>2005</p> <ul style="list-style-type: none"> • Significant increase in the quantum of the subsidy which is restructured. The cost of municipal services and land must be funded from other government sources as opposed to the subsidy. • Developer Driven Individuals subsidy mechanism repealed • Amendments to the progress payment system • Amendments to the R2479 beneficiary contribution • NHBRC warranty scheme applied to subsidy houses • N2 Gateway commences <p>2006</p> <ul style="list-style-type: none"> • Olievenhoutbosch commences <p>2007</p> <ul style="list-style-type: none"> • Increases to the quantum of the subsidy continue <p>2008</p> <ul style="list-style-type: none"> • National minimum norms and standards

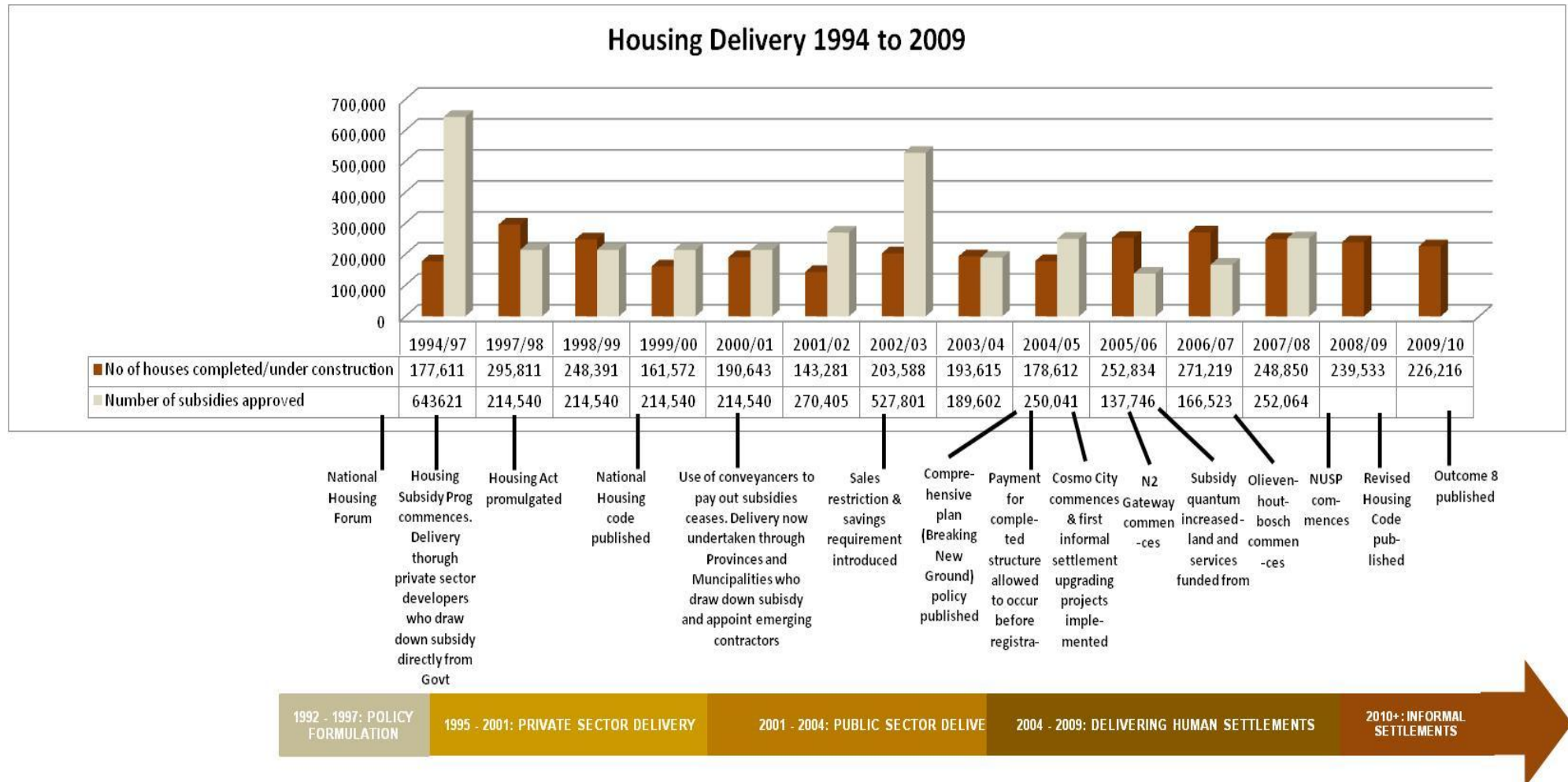
HOUSING SUBSIDY ASSETS
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TIME LINE PERIOD	KEY CHARACTERISTICS	LEGISLATION / EVENTS
	<p>The process involved an assessment of 16 pilot projects on informal settlement upgrading, established after Breaking New Ground in 2004. On the basis of this assessment proposals were approved by the NDHS in 2009 and subsequently have been incorporated in the national and provincial Delivery Agreements. These include the roll-out of the NUSP to 49 municipalities nationally, with priority for support given to those municipalities engaged in implementing projects towards the Delivery Agreement targets.</p> <ul style="list-style-type: none"> • The revised Code also addresses the concerns of Municipalities about its increasing role in housing delivery and the fact that it is not funded. A number of new subsidy mechanisms are introduced to address this issue. • During this period the need to provide basic infrastructure services becomes an issue. 	<p>amended</p> <ul style="list-style-type: none"> • HDA established • NUSP commences <p>2009</p> <ul style="list-style-type: none"> • Revised Housing Code published
<p>2010+ Focus on Informal Settlement Upgrading</p>	<ul style="list-style-type: none"> • Government policy begins to focus on the upgrading of informal settlements as the key mechanism to address the housing backlog. This is formally acknowledged through the informal settlement upgrading subsidy included in the revised Housing Code and then in Outcome 8 which sees informal settlement upgrading as one of the key focus areas for the next 3 years and the implementation of NUSP which is commencing. • Infrastructure service delivery is seen as a critical component of the human settlement sector and a strong drive is undertaken to provide all households with access to basic infrastructure services. 	<p>2010</p> <ul style="list-style-type: none"> • Outcome 8 commits the National Department of Human Settlements to upgrading 400,000 households living in informal settlements

5. DELIVERY STATISTICS AND THE PROPOSED TIME LINE

A key component to understanding the history of the National Subsidy Programme is the extent to which subsidy houses were delivered. Figure 4 below shows housing delivery as reported by the National Department of Human Settlements. There is no independent data available. The Figure also shows the proposed time line offsetting the time period analysis against delivery of subsidy houses.

Figure 4: Delivery Statistics and Proposed Time Line



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