



## What is the problem with housing delivery?

*CDE held its second debate on 9 May 1996. The speakers were Rod MacGillivray, managing director of the New Housing Company Group, a section 21 not-for-profit company which was established two years ago by the amalgamation of the Urban Foundation's four regional housing utility companies, and Billy Cobbett, director general of the Department of Housing. The third panelist, Nkululeko Sowazi, chief executive officer of the Mortgage Indemnity Fund, was unfortunately ill. The debate was chaired by Ishmael Mkhabela, chairman of the National Housing Board and a CDE board member. More than 100 people attended.*

In 1994, some 11 000 low cost houses were built in South Africa. The expectation at the beginning of 1995 was that a rapid increase in the delivery of such houses would take place. Very little in fact happened and parliament was told recently that only 30 000 houses were built in 1995.

Less than 21% of the funds available for low cost housing for the 1995/6 financial year had been spent by the end of January 1996. In the North West Province, for example, only about 1 000 of the 25 000 houses targeted for 1995 had been built, and in the Free State only 2 500 of the anticipated 10 000 houses

### WHAT ARE THE CDE DEBATES?

During 1996 CDE will run a series of debates on topics of crucial importance to current national policy issues. The intention is to air issues underlying the topic and to raise the challenges that must be met by the players and the policy makers. Following each debate, CDE will publish a pamphlet summarising the event. These will be widely distributed and publicised as CDE's contribution to keeping the debate alive.

es had been built. These trends of low delivery rates were also evident in the Western Cape and KwaZulu-Natal.

Another massive rollover of funds took place in the March 1996 budget and the proportion of the national budget allocated to housing was cut back because of inability to spend the money.

This has resulted in the housing budget decreasing by R2,1-billion from last year's overall total of R3,6-billion to R1,5-billion this year.

It is against this background that the CDE Debate took place.

# What the speakers had to say ...

**Rod MacGillivray** opened by saying that there was no problem with housing delivery. There were however problems with the perceptions of housing delivery, and dangers for the future of housing delivery.

Elaborating on the first point, he said provincial subsidy payouts had taken off since July 1995 and, parallel to this, statistics showed an increase in the number of houses NewHoo has delivered. He said NewHoo, with six regional divisions, had in the past year delivered 10% of the country's housing. Previously, this had been 20% to 25% - not because the market had declined - but because many more private sector developers had entered the affordable housing industry. These were new development companies - entrepreneurs starting small to medium size businesses. This was a healthy development. It indicated that there are profits to be made in the subsidised, low-income housing market. When compared to luxury housing, this bottom end of the market is less capital intensive - showing a more efficient rollover of working capital.

There remained though an unrealistic view on the part of the public of what it takes and how long it takes for housing to be delivered. To get the housing delivery chain moving in a transitional political environment such as we have experienced in South Africa has been difficult. Firstly the country had to have a defined government policy followed by a new strategy and, only once this was in place, would the public start to see the initiation of housing delivery.

Mr MacGillivray said three years of debate had preceded NewHoo's first delivery of houses in April 1995. This time span skewed public perception which anticipated immediate mass delivery of houses after the 1994 general election.

"Central government has so far done everything right," said Mr MacGillivray. "The private sector is now able to respond. This response will translate into volumes of units."

The challenge, he said, is to ensure that the gearing up of the industry can be sustained. This will be difficult to monitor as accurate housing statistics are notoriously difficult to get.

He said the R931-million already granted in subsidies by government translated into some 45 000 units, and that a further 230 000 subsidies were being processed. The Mortgage Indemnity Fund had assisted with a further 100 000 units. "This is the highest volume of housing delivery ever seen in South Africa."

**Billy Cobbett** said the new democratic government had taken the past 24 months to methodically put a national housing delivery framework in place. This had included the establishment of various partnerships outside the public service including the Mortgage Indemnity Fund, Servcon, the National Homebuilders' Registration Council, the National Urban Reconstruction and Housing Agency (NURCHA) and, last month, the National Housing Finance Corporation. Each deals with different types of risk.

A final national government initiative remained: the establishment of a peoples' housing partnership, an agreement between the Department of Housing and the United Nations in terms of which the department will supply the capacity to help communities help themselves to build houses. This concept, he said, would be the process by which the majority of housing will be delivered. This partnership will be brought to fruition in April 1997.

"The department has achieved what it set out to do in the white paper," said Mr Cobbett. "All these initiatives will increase the certainty of what is happening. Shortly the department will spell out the roles of central, provincial and local governments." He added that 279 397 subsidies had been granted by the end of March 1996.

"leaving aside the two years it has taken to set up the housing framework for South Africa, 1996/7 year should be taken as year nought of the housing delivery programme," he said.

Mr Cobbett said several constraints on housing delivery remained. At the top of the list was provincial capacity. "There are massive provincial differentiations. Gauteng expenditure, for example, accounts for the equivalent of the other eight provinces. In KwaZulu-Natal, housing production on the new subsidy scheme is declining due to the political uncertainty, the violence and the Ingonyama Trust Act. The money is available, but the skill to have that funding translated into actual housing is lacking. Provinces need to work out their own policies within the national framework."

He said he was less than happy with the private sector involvement. As the market normalised, joint and simultaneous action was needed. Broadly speaking, he said, this had not been forthcoming from private players.

He added that generally there was an 'uncreative approach' to housing products. "Some projects glaringly reflect minimum effort even though the demand and the scale are there."

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Local government capacity was also a constraint, as were the racial and racist assumptions which lingered.

"The national government is not looking to replicate segregated apartheid-type townships," he said. Central government would not hesitate to intervene by cutting off housing projects which perpetuated transport subsidies by virtue of their remote location and which did nothing to break down social, racial or class barriers in South African society.

Mr Cobbett was upbeat about the emergence of metropolitan governments both as policy participants and housing developers

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and the ‘slimming down’ of unproductive consultation. He was excited by the emerging roles of communities, micro credit and the greater involvement of women.

"International experience has shown that women and credit are far safer than men and credit. Involving women as the organisers and controllers of credit is damn good housing policy.

"Government is on track to deliver more than one million subsidies over the next five years. The key to the entire debate is how these subsidies will be turned into actual houses."

## Points raised during open discussion...

■ One way of understanding whether housing delivery is sustainable or not relates to the nature of housing subsidies paid out. It would appear that the majority are at the lower levels. These recipients are likely to opt for incremental housing products rather than standard housing. It follows that if housing production is picking up in the incremental sector, we are talking about a potentially more sustainable process.

■ To say there is no problem with housing delivery is disappointing; it smacks of the old apartheid government's attitude. If you are a shack dweller living through extreme discomforts and you have been waiting for four years or longer for the allocation of a house, you will want an honest answer to the question of what is the problem with housing delivery.

■ The communities must be involved through effective communication and consultation. We are not saying this is an easy process, but the people must be involved. They want to know what the issues are, what the problems actually are.

■ 'Redlining' a community (when banks refuse to grant loans in that geographic area) is a decision taken in secret by a bank. Reasons are not usually given. The role of the Mortgage Indemnity Fund is to assess areas for government cover where there is the perception or reality of interference in the due process of law. This

is a transparent process where applicants know what criteria will be adjudged, where they are told why their application has succeeded or failed, and what steps can be taken to set matters right. It is the MIF's task to manage state risk. It is a necessary and targeted government intervention.

■ Tell the community the truth and you will be amazed by the positive response. When government has explained, in a consultative forum, that limited funding is available, and that the subsidy is not enough to buy land, put in services and build a house, people appreciate it. If this is not made clear, then the state and provincial authorities face a communications disaster. More damage has been done in the housing debate by unrealistic promises - not by the people, but by the politicians.

■ The Department of Housing does not have accurate statistics on the profile of subsidy payouts. What the department can say is that the bottom two levels dominate. The average subsidy pay out nationally is R12 500.

■ The sooner local government's role and responsibilities have been defined, and these local authorities become involved in delivering housing, the better.

■ The Wits Community Health Unit expressed concern that not enough attention was being given by the authorities to the necessary environmental planning aspects of increased housing delivery.

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## Concluding the debate, Ann Bernstein, executive director of CDE, raised the following themes and challenges:

- The complexity of the housing debate in South Africa must be taken into account. It is very difficult for non-experts to participate and to understand all the issues which are being tackled. Housing 'experts' tend to talk in a way that more often than not excludes non-experts who are the in the majority. There is an enormous gulf between housing 'experts' and elected politicians who represent people in need of housing.
- How government communicates its housing policy is therefore very important. Public office bearers need to spend far more time explaining the mechanics of incremental housing to the public, to politicians and other officials at all levels of government and to the media. How the media interprets the housing situation is also crucial. Its representatives need to be fully briefed on the realities of government's incremental approach to housing. We must stop talking about 'houses' when we are really talking about a policy that provides people with secure tenure and basic services and where we know they will - hopefully only for an initial period - live in shacks. There is often what seems to be a deliberate 'sleight of hand' by government in this respect. This is a dangerous approach which fuels public expectations rather than helping to keep them at realistic levels.
- The housing policy should not operate in isolation. People getting government subsidies are those who will initially live in shacks. Who is responsible for ensuring that all the new areas where people with housing subsidies live will also be provided with basic health facilities, schools and so on? There needs to be an interdepartmental strategy if we are to transform shack settlements into proper suburbs (albeit low income) of our cities. Is this happening? Are there provisions in the budgets of other departments to provide for the needs of new settlements? If not, whose responsibility is this in government?
- Integrating the city - racially and functionally - must be a clear priority in practice for the housing policy. Policies are required that will encourage greater density in our cities. Wherever possible the poor should not be pushed further and further from job opportunities and facilities of cities and towns. What this means in practice will differ from place to place, but the principles should be unambiguous. We cannot afford to perpetuate the racially segregated and inefficient cities of the apartheid past. What we need to build are cities that function as efficiently as possible and work best for the people who live and work in them. Racial assumptions of the past must be actively discouraged.



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