

NO SHORTCUTS:

South Africa's progress in implementing
its housing policy, 1994-2002

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EXECUTIVE SUMMARY

In the nine years since the inclusive elections of 1994, the South African government has created an international precedent in the housing field. It is widely acknowledged that, in this period, it has delivered more subsidised houses than any other country in the world. South Africa's housing programme is also one of the most diverse in the world, seeking not only to provide subsidised houses for upwards of 80 per cent of the population, but also to establish a viable market for low-cost housing units, and create sustainable human settlements for low-income groups. Yet, notwithstanding these successes, many players in the housing sector are frustrated and cynical. What has gone wrong?

Between August and September 2002, 17 housing practitioners were asked to convey their impressions of progress made in implementing the new national housing policy since its adoption in 1994. This paper explores their responses in an effort to understand the general frustration with South Africa's housing process, rather than the elation that the delivery statistics would suggest. While housing practitioners broadly agreed that the policy was sound, they pointed to a number of problems that had tempered their enthusiasm.

The government is aware of many of these issues, and in response has allowed the policy to evolve by interpretation in several areas, resulting in a shift in emphasis from quantity to quality; a greater emphasis on beneficiary responsibility; and the recognition of new forms of secure tenure. However, by late 2002 practitioners were still dissatisfied, raising no less than 17 different 'most consistent problems', and 35 separate 'key issues and challenges'. This paper explores these issues, and seeks to isolate the fundamental problems underpinning them. In the process, it illustrates why there are no shortcuts to progress in implementing South Africa's housing policy.

INTRODUCTION

Before the first inclusive elections of June 1994, the African National Congress (ANC) government-in-waiting promised to build one million houses for low-income households within five years. This promise was contained in the Reconstruction and Development Programme (RDP), its manifesto for the election. The ANC government repeated this undertaking in the white paper on housing released in December 1994.

In the event, it took six years to reach this target; by September 2000 a total of 1 066 005 top structures had been or were being completed. Notwithstanding earlier complaints that it had not been reached within the promised time frame, the one million mark was a significant milestone for the post-apartheid government and its department of housing. By May 2002 a total of 1 359 252 subsidised houses had either been built or were being completed, and a further 122 153 subsidies had been approved (Department of Housing, 2002c).

These numbers are phenomenal, even in global terms. In the eight years since the inclusive elections of 1994, South Africa has set an international precedent. It is widely acknowledged that its housing programme has led to the delivery of more subsidised houses than in any other country in the world. Besides this, South Africa has tackled issues of housing finance, social housing, and consumer protection. It has institutionalised the concept of 'people's housing', made space for women in the construction industry, and supported the role of emerging builders. It has built a single, non-racial department of housing out of a previously fragmented and inefficient system. And, perhaps most importantly, it has entrenched the right to adequate housing in its constitution. Each of these developments is a significant achievement. Their combination, especially given South Africa's history, is unparalleled.

And yet, despite all this, the mood in the low- and moderate-income housing sector is depressed. Press reports state that developers are withdrawing on the grounds that participation is no longer worth their while. This, coupled with images of dormitory suburbs in peri-urban wastelands, far from any social or economic amenities, paint a less flattering picture of the housing that has been supplied. The minister of housing, Sankie Mthembu-Mahanyele, continues to lament that the banks don't want to invest in low-cost housing – a complaint the Banking Council South Africa can do little but agree with. When asked to reflect upon their experience in the sector over the past eight years, housing practitioners produce a litany of complaints. And there are repeated accounts of housing beneficiaries selling their subsidised houses for a fraction of what it cost to build them. In the shadow of South Africa's housing delivery success lies a series of unintended consequences. What is happening?

While housing practitioners broadly agree that the policy was sound, they point to a number of problems that have tempered their enthusiasm

Between August and September 2002, 17 housing practitioners were asked to convey their impressions of progress made in implementing the new national housing policy since its adoption in 1994.¹ They were asked three questions:

- (1) What has been the most consistent problem in implementing the housing policy since 1994 (and are there others)? How have you dealt with it?
- (2) What has been the most significant success of the housing policy since 1994?
- (3) What do you see as the key issues and challenges facing the low- to moderate-income housing sector in South Africa?

This paper explores their responses in an effort to understand the general frustration with South Africa's housing process, expressed differently by different players, rather than the elation that the delivery statistics would suggest. It begins by reviewing the national housing policy as it was drafted in 1994, and the expectations associated with it. While housing practitioners broadly agree that the policy was sound, they point to a number of problems that have tempered their enthusiasm. Certainly, the government is aware of many of these issues, and in response has allowed the policy to evolve by interpretation in three areas in particular. However, by late 2002 practitioners were still dissatisfied. What, then, is the underlying problem, the issue that lies behind the 17 different 'most consistent problems' and 35 separate 'key issues and challenges' raised by those practitioners? This paper attempts to provide an explanation.

Planning the route: a vision for housing

In 2003, re-examining South Africa's national housing vision seems almost passé. Developed in the course of negotiations in the National Housing Forum (NHF) in the early 1990s, finalised by the new ANC government, and enshrined in the white paper on housing, the vision received a lot of publicity. Still, it provides the basis for the national housing programme, and is enshrined not only in the white paper but also in the Housing Act 1997 (no 107 of 1997) and the National Housing Code. And so we read that government's vision is for:

... the establishment and maintenance of habitable, stable and sustainable public and private residential environments to ensure viable households and communities in areas allowing convenient access to economic opportunities and to health, educational and social amenities in which all citizens and permanent residents of the Republic will, on a progressive basis, have access to:

- (a) permanent residential structures with secure tenure, ensuring internal and external privacy and providing adequate protection against the elements; and
- (b) potable water, adequate sanitary facilities, and domestic energy supply (Department of Housing, 2000: 4).

This vision was backed up by the constitutional provision, found in section 26 of the bill of rights, that '(1) everyone has the right to have access to adequate housing'.

The code goes on to describe the housing policy in no less than 94 pages. Its central aim – which is also how it has come to be popularly understood – is to deliver housing to the poor. In 1994 the poor comprised just over 85 per cent of the population.² More recent data has put the figure at 66 per cent.³ The sheer size of the housing backlog (despite the rapid delivery, still estimated at between one and three million units⁴) and the proportion of the population eligible for state assistance justifies the government's focus on delivering housing at scale. Its primary instrument in this respect has been the housing subsidy. When asked what they thought South Africa's policy had achieved over the previous eight years, respondents focused on accelerated delivery. This recognition is not misplaced: between 1 May 1994 and end May 2002, an average of 470⁵ housing units⁶ were delivered across South Africa every day.

Within its broad goal of universal housing delivery, there are three specific sets of outcomes which the policy seeks to achieve.

The first of these relates to the beneficiaries of the housing programme – those families which live in the 1,4 million houses that have been delivered thus far, and those which are still waiting. For them, the policy seeks to achieve three things. The first is to actualise their right to adequate housing guaranteed in the constitution. In the absence of income levels that would allow most households eligible for subsidies to buy houses on the open market, the delivery of housing has become a constitutional obligation. Recent court rulings have reinforced this interpretation.⁷

A second goal centres on the asset being provided, and the impact it can have on households' economic status. By providing households with a fixed asset that they can extend, improve, use as security, or sell, the state is also providing poor people with an asset base which they did not previously have. The department claims that the housing subsidy is the only state investment that builds the assets of the poor.⁸

Finally, housing is located somewhere – beneficiaries are given not only shelter, but also an address within a local authority area. This gives them access to a democratically elected local government, and thus lends meaning to their

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The final anticipated outcome relates to the environments that will be created by the large-scale delivery of housing

citizenship. In a country where, for more than three centuries, the majority of people were denied citizenship rights, this is a significant intervention. At the same time, in a country whose reconstruction relies on the efforts of the entire population, this intervention also implies significant obligations for beneficiaries.

The second set of outcomes expected from the delivery of subsidised housing relates to the supply side of the housing market: developers, contractors, builders, financiers, and other housing sector practitioners. At the most basic level, the national housing programme requires increased delivery, and thus helps to create jobs. It also encourages people to participate in the delivery process with the knowledge that a market exists for their services. The potential for entrepreneurial development along the housing supply chain did not escape the policy's architects. The Department of Housing (DoH) has recently referred to this broadening and deepening of the housing delivery sector as a process of 'shifting the regimes of production'; while some large developers have recently withdrawn, it has noted the emergence of some new players. Such shifts are also evident in the financial sector, where a new type of player, the 'housing lender', has emerged (Rust, 2002).

The final anticipated outcome relates to the environments that will be created by the large-scale delivery of housing. A million and a half houses imply a significant number of new communities. It is hoped that these communities, plus their attendant social and economic facilities and amenities, will be sustainable centres of growth, and will help to develop a democratic and integrated society. This is a tall order for a housing policy, but this is none the less what it implies.

It is within this set of expectations that houses are being delivered from day to day. In fact, Mthembu-Mahanyele has recently emphasised these linkages (2002d). Given such a range of expectations, complaints that housing delivery is not meeting expectations are hardly surprising. Certainly, South Africa is not the only country with lofty ambitions for its housing programme; for example, Gilbert (forthcoming) notes that Chile and Colombia have equally impressive sets of goals, and wonders why housing units cannot simply be delivered. Perhaps this is because housing is an ideal form of state expenditure; it is visible, can be counted, has immediate benefits, and has the potential to stimulate economic growth. By providing a subsidised house, the government can have a direct and tangible impact on a household. Policy-makers are naturally interested in making the most of it.

Tyre tracks: shifts in the policy

Since its adoption in 1994, the housing policy has remained broadly consistent. It continues to emphasise the housing subsidy as the primary mechanism for delivering housing at scale. In the research done for this study, respondents cited the subsidy and its impact on housing delivery as one of the new policy's greatest successes.⁹ In the media, and in popular conversation, the terms 'policy' and 'subsidy' have become almost interchangeable.

Within this broad framework, policy has been refined and adjusted in an attempt to enhance the delivery process. This has resulted in three shifts in emphasis since 1994.

First, in 1999 there was a shift in emphasis from quantity to quality. Second, and more recently, the government has re-emphasised 'the people's housing process' – the notion that beneficiaries should contribute to procuring or building their own homes. (Accommodated in the housing subsidy scheme as a specific subsidy mechanism, this has not been a dominant delivery approach until now.)

This, together with the new requirement that beneficiaries who do not add their labour to the housing process must contribute an amount of R2 479, suggests an emphasis on individual responsibility for and participation in the housing process. Third, secure tenure is now interpreted to include the rental option.

The department did not deliberately introduce these shifts in the way in which they are presented here.¹⁰ Rather, they have developed incrementally out of a series of ad hoc interventions designed to respond to specific problems. They have largely worked: none of the practitioners interviewed raised issues of construction quality, for instance, and all welcomed the inclusion of rental in the list of housing options available in the low-income sector. However, while it seems as if the detail is being addressed, it is the broad vision – the government's focus on the three main goals relating to the beneficiary, the housing market, and the community – that seems to be overlooked. It seems to be a case of not being able to see the forest for the trees. How the three shifts contribute to these broader goals is explored in greater detail below.

The shift from quantity to quality

Initially, the housing programme was dominated by the undertaking noted earlier to build one million houses within five years. As delivery progressed, however, certain problems began to emerge that gradually challenged the original goal.

Policy has been refined and adjusted in an attempt to enhance the delivery process

The department took several steps aimed at protecting the integrity of the housing product

A major factor was complaints about the quality of the houses being built. The media reported on cracking 'RDP' houses, houses whose roofs had blown off in the first storm, houses that had crumbled following flooding, and so on. There were also complaints that 'RDP' houses were generally too far from centres of economic and social activity, and located on the urban periphery. In its annual report of 1996, the DoH acknowledged a link between a pursuit of numbers and declining quality: 'We approach mass delivery with a very real threat: that in our chase of the quantity, we fall short on the quality. It will be no solace at all that we created our new ghettos democratically' (1996).

As a result, the department took several steps aimed at protecting the integrity of the housing product. First, in the Housing Act of 1997, it introduced minimum norms and standards that restricted the portion of a housing subsidy that could be spent on land and services to 46.8 per cent (R7 500 of the original R16 000 subsidy, or, since April 2002, R9 400 of the R20 300 subsidy).¹¹ When more was spent on land and servicing, the DoH argued that 'this left very little money for an adequate permanent residential structure, and made it very difficult for the department ... to realise its constitutional responsibility to ensure access to 'adequate housing', especially when households were so poor that they could not access additional finance to improve their units (Department of Housing, 2000: 69).

The government's second initiative, in 2002, was to extend the brief of the National Home Builders Registration Council (NHBRC) to include all houses, including those built with a subsidy alone, into its warranty.¹² This move asserted the insistence that state-subsidised houses had to be quality products which stood up to scrutiny. Another shift in favour of this emphasis on quality was government's emphasis that 'people's housing' often led to better quality both in terms of finishes and size, of low income housing.

Ironically, many have noted that this shift towards better quality has decreased success in terms of quantity, not because it takes longer to build a good quality house, but rather because the requirements have become so onerous, and the profit margins so small, that many developers have withdrawn from the subsidised housing sector.

Some argue that the subsidy is still too small. Given the degree of poverty of so many South Africans, the subsidy seems huge. Gilbert (forthcoming) suggests, however, that South Africa's housing subsidy is very small compared to those in some other countries. At 1999 exchange rates, R16 000 converts into US\$2 623. At that time, Colombia's housing subsidy was estimated at US\$3 750, and Chile's at US\$4 200. In terms of purchasing power, Colombia's subsidy was estimated to be worth 70 per cent more than South Africa's, and Chile's about 46 per cent more.¹³ To its credit, the South African DoH in-

creased the subsidy by more than 25 per cent in April 2002. Most respondents said that this increase, while welcome, was too little, too late; there were far too many opportunities elsewhere, both domestically and abroad, for developers to remain committed to subsidised housing delivery. Some argued that the developers left in the sector were small-scale practitioners who struggle even more to cope with the more stringent requirements, but were unable to leave the sector.

This explains the department's persistent appeals to the financial sector to extend loans to low-income households, thus allowing them to improve the size and quality of subsidised housing units, and make it worth the developer's while to stay in the market. The DoH has noted on a number of occasions that the percentage of subsidies linked to credit has been disappointing, and that it has in fact decreased, from 6 per cent in 1994 to less than 2 per cent in 2002 (Cooko, 2002). The department is not alone in its complaints – the 'most consistent problem' raised most often by respondents was access to finance and subsidies. The department's stance on this issue corresponds with a shift from quantity to quality, in terms of which rising prices have made the subsidy dependent on additional finance to deliver the same product: what was initially delivered with the original R16 000 subsidy costs significantly more today than the current subsidy.

Given this emphasis on better quality, do the subsidised housing units improve beneficiaries' quality of life? To date, little research has been done that enables this question to be answered. The DoH has not introduced any monitoring and evaluation mechanism for testing the real impact of subsidised housing on beneficiaries. Nor does it test whether it is achieving the housing policy's three major goals. While many independent analysts have addressed the issue from varying perspectives,¹⁴ as have the media,¹⁵ there is no indication that the DoH has either interrogated their perspectives or asked itself whether its goals have been met.

In 2002 Mthembu-Mahanyele did talk of a shift from 'the provision purely of shelter to building habitable and sustainable settlements and communities' (Mthembu-Mahanyele, 2002d; discussion with A Vawda). While her remark was understandable, given that it was made during the World Summit of Sustainable Development held in August 2002, no framework exists for implementing it. Certainly, as Huchzermeyer (forthcoming) notes, creating sustainable settlements implies that they should be created in better locations. This requires an acknowledgement of the reality of land markets and the high costs of favourably located land – a reality that the R9 400 limit on expenditure on land and servicing, and the departmental split at a national level between land and housing, conveniently ignores.

The DoH has not introduced any monitoring and evaluation mechanism for testing the real impact of subsidised housing on beneficiaries

The emphasis on beneficiary responsibility

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

The extent to which the housing subsidy has given rise to a sense of entitlement has always been a source of unease both to the government and its critics. On the one hand, those eligible for the subsidy were obviously entitled to state support for something they had previously been denied, especially when their own ability to afford housing was so limited. Moreover, the housing subsidy provided a tangible benefit to those who had voted the new government into power. On the other, international standards and best practice (Gilbert 2002) suggested that the success of a capital subsidy depended on some form of personal investment.

In 2002 two separate policy shifts were introduced simultaneously, suggesting that the era of blanket entitlement was over. In late 2001, responding to an announcement by the Gauteng department of housing that it was doing away with the standard 'RDP housing' (in which 30 square metre houses are built by developers) and rather focusing its efforts on 'peoples' housing' (in terms of which households control the construction of their own homes). Mthembu-Mahanyele acknowledged that 'self-building has proved to be one of the most effective strategies in producing quality housing' (2001c). In April the following year, she also announced that households that did not wish to help build their homes would be required to add R2 479 to the subsidy. Both these shifts required beneficiaries to play a more active role in procuring their own housing.

The government's new emphasis on 'peoples' housing' has come at a time when it has all but given up its expectation that the private sector (both builders and financiers) will deliver better quality houses. As the private sector increasingly withdraws from the low-income housing sector, the ability of households to help meet their own housing needs has received increasing attention. The department articulates its new approach as a shift in the 'regime of production'. In this regard, while the shift towards 'the peoples' housing process' may appear to be a significant policy concession in support of the latent capacities of low-income households, it also reflects a dependence by government on the people to meet its housing delivery expectations, because there is no one else to do it.

A second reason for the new approach, notwithstanding the fact that it slows down delivery, is that it helps the government to better manage tight budgets in the context of rising backlogs. 'The people's housing process' allows the government to pay out its subsidy in phases, thereby allowing it to reach more people more quickly. In the first phase, the state invests R9 400 per household in the acquisition of land and basic services and moves them on to the land, where they erect informal dwellings as an interim measure. The remaining

R10 900 is delivered in a second phase through a facilitated process in which residents help to build their houses. This second phase is meant to occur within two to three years of the original investment. This means that the state is able to serve twice as many people with half as much subsidy in the short term, leading towards the full subsidy in the longer term – a way of managing breadth while also providing greater depth.

Beneficiary responsibility is required of those who don't wish to invest what the government calls their 'sweat equity' or their labour. The required investment of R2 479 by every household – a seemingly odd number – is based on a number of factors. Some suggest that it is the cost of the warranty now applied by the NHBRC to subsidy-only houses. The department itself has stated that this sum is the calculated difference between the cost of constructing a 30m² top structure and the R10 900 available for it ((Department of Housing, 2002b). The requirement also responds to an attempt by the department to shift the way in which the subsidy is interpreted. In this new approach, the subsidy is presented as an asset offered to an end user, and not as a government hand-out (Mthembi-Mahanyele, 2002d). When understood as an asset, the housing unit becomes a real asset with a value beyond the immediate shelter it provides. Add to this a personal contribution of R2 479, and the house becomes a significant investment.

A third reason for the government's new approach is that it responds to the growing concern that beneficiaries are undervaluing, or misunderstanding the value of, their subsidised housing units. If beneficiaries are required to contribute towards their own housing units, the reasoning goes, they are less likely to sell them for less than they are worth (or at least for less than R2 479). This assumes, however, that the value of the house is determined by the seller's ignorance and not by what buyers are prepared to pay on the open market.

However, while beneficiaries have been made more responsible for producing their housing, they have not necessarily been given more authority over the end products. Certainly, a third policy intervention – that of the Housing Amendment Act (2001) – which prohibits beneficiaries from selling their housing units for the first eight years following occupation, unless they sell them back to the state, suggests otherwise. Although designed to protect the consumer, it implies that the housing unit is the state's asset rather than the beneficiary's. If subsidised housing units belong to individuals, surely they should be able to sell them when they wish? And if they do wish to sell them under inopportune circumstances, for less than the initial subsidy, surely it is these circumstances on which the government should focus its attention? Thus beneficiaries are required to invest in properties over which they have little authority.

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This trend is evident in other respects as well. For example, if a household builds its own house within the guidelines of the national minimum norms and standards, rather than waiting for a subsidy, it is classified as 'housed', and therefore ineligible for any further assistance. This happens even in settlements where people have received the land and services component of the subsidy and are waiting for the top structure tranche of funding. If they choose to build a house to national specifications as they wait for the subsidy to be paid out, their initiative effectively disqualifies them from the amount they are owed.¹⁶ Poor households that manage to save enough to build their home incrementally should be seen as exemplary, and rewarded for their attempt to contribute towards the process of housing in South Africa. But because they use these savings to build independently, they are denied a subsidy which is given instead to households which don't demonstrate any initiative. In the case of these households which build their own top structures, and which may have been assisted by employers, neighbours, or extended families, the subsidy could mean an opportunity to consolidate their housing, or to build on a room to accommodate a sick family member, a tenant, or a home-based industry. In this way, the subsidy could help them to become economically self-sufficient, thus relieving their poverty in a very real way. The state expects people to participate in the building process, but does not allow them to choose when and how the house should be built.

In a context where 'peoples' housing' is being re-emphasised as a way of helping the public housing programme survive the departure of some private developers, it is worth asking why the procedures for implementation have not been changed to accommodate the new participants in delivery. The DoH has even acknowledged a 'shifting regime of production', but has failed to shift the policy accordingly.¹⁷ Huchzermeyer (2002) makes this point, and suggests that the extreme standardisation of the housing subsidy has undermined indigenous and evolutionary processes of home building as pursued by communities and households. In one example, Huchzermeyer shows how enthusiastic owner-builders were forced to demolish their houses because they weren't squarely set out on an officially approved grid. The alternative approach - changing the grid for the particular project - wasn't considered. Once again, beneficiaries were made responsible for helping to deliver housing, but weren't given the authority to determine how this should be done.

This contradiction is especially problematic in the context of the housing policy's broader aims. If it fails give beneficiaries the authority to manage their housing as the asset the government says it is, it is understandable that the subsidised house will not be seen as an investment. Respondents wondered why the 'culture of non-payment' persisted, and why many beneficiaries were selling their subsidised houses below their cost. This aspect may supply an

answer. As noted by some respondents, the housing policy and its implementers maintain the increasingly false assumption that beneficiaries are recipients, and not actors or stakeholders in their own right.

Interpretations of secure tenure

Finally, in a widely welcomed move, the DoH has acknowledged rental as a major tenure option. Participants in the NHF, and thereafter departmental officials, interpreted the goal of 'secure tenure' (captured in the 1994 white paper on housing) as a reference to ownership. Certainly, many analysts have argued that this emphasis has been one-sided.¹⁸ Notwithstanding mention in the housing white paper of alternative forms of tenure, and the need for choice among these, options such as rental and co-operative tenure have been consistently de-emphasised by policy.

This situation is now changing, for several reasons. First, and at a most basic level, policy-makers have begun to recognise the need for rental tenure. The first initiative in this regard related to popular representations made to government (most memorably by the Seven Buildings Project in the Johannesburg inner city) around the need for an institutional housing subsidy policy; the idea was that subsidies should also be made available to institutions offering housing for rent to qualifying beneficiaries.

Second, affordable housing stock has been lacking for 'moderate income' households, or those earning between R2 500 and R3 500 – the top of the subsidy range. Given this 'black hole' in housing finance (Porteous and Naicker, undated), rental is one way in which such households can access the quality of housing they can afford. In this respect, the rent-to-buy or instalment sale option has become a way of structuring housing finance affordably and with appropriate risk management arrangements (Rust, 2002).

Third, rental housing touches on important issues surrounding inner city revitalisation and integration. To the extent that the department has had to field complaints of urban segregation (Huchzermeyer, unpublished) and poor location (McKay, 1999), rental housing has provided it with an opportunity to respond. The inclusion of a residential component in inner cities has all kinds of spin-off effects, including an increased demand for retail facilities, increased use of public facilities, higher levels of safety, and so on – all the objectives the housing process is meant to achieve. The minister has become increasingly vocal on the role of rental housing in integrated development (Mthembi-Mahanyele, 2002d). Some provinces are echoing this emphasis. The Gauteng department of housing, for instance, is estimating that by the year 2005, 50 per cent of all its budget would be reserved for institutional subsidies (Gauteng Department of Housing, 2002).

In a widely welcomed move, the DoH has acknowledged rental as a major tenure option

One of the most remarkable aspects of practitioners' views on how the implementation of the housing policy has progressed is the diversity of their responses

Still, the link being made between rental and integrated urban environments begs the question whether it is only moderate-income households eligible for subsidies that should have access to housing in inner cities. It suggests that greenfields housing projects targeted at lower-income households which elect to contribute 'sweat equity' rather than R2 479 will continue to be built on the urban periphery. This seems unfair, especially given the limited availability of open land that might accommodate peoples' building in the inner city. The poorest of those eligible for subsidies who elect to construct their own houses using the 'peoples' housing' approach will never be given well-located land in inner cities. Rental housing has, however, become a catch-all for achieving various policy goals. Rental tenure may well contribute significantly to providing sound and affordable housing. This is laudable, except for the fact that, in terms of current planning, rental stock will primarily be provided in inner cities. Households which live elsewhere will not benefit directly from this option, or from the spin-off effects it is expected to provide.

Travellers' notes: perspectives of practitioners

One of the most remarkable aspects of practitioners' views on how the implementation of the housing policy has progressed is the diversity of their responses. Seventeen respondents raised 17 'most consistent problems', and 35 'key issues and challenges'. The most frequently cited issues centred on finance and subsidies – the resources available with which to pursue the housing programme. In this regard, respondents said private finance was inaccessible and that traditional housing finance products were inappropriate for the low-income market; that the subsidy was too low; and that developers' profit margins were unsatisfactory. As a consequence, the secondary market on which the success and growth of the housing sector depended had not yet developed.

Next, respondents raised issues relating to the implementation of the subsidy, either in terms of the government's capacity to distribute it, or the private sector's willingness to help utilise it. Some respondents complained that the government had moved away from its collaborative approach to housing policy; it was not engaging with non-government stakeholders except to issue instructions and lay down minimum standards. Some missed the collegiality of the NHF. Finally, respondents raised issues relating to the behaviour of beneficiaries, including their perceived non-willingness to pay their home loan instalments and rates and services charges, and their willingness to sell their housing units at less than cost.

None of these issues is particularly new.¹⁹ In her 2002 budget speech (Mthembu-Mahanyele, 2002c), the minister identified three challenges: delays

in implementing policy, especially in rural areas; capacity constraints at the local government level (leading to delays in land transfer and township establishment); and capacity constraints at the provincial level (evident in recurrent underspending). Later in the year (Mthembi-Mahanyele, 2002d), she conceded the need to attend to the impact of HIV/AIDS on the department's human settlement programmes, balance urban and rural development, and help eradicate poverty. Indeed, her awareness of these problems (save perhaps an emphasis on the special needs of households affected by HIV/AIDS, which is a relatively new phenomenon) is not recent. As early as 1995 the minister (through a task team established for the purpose) acknowledged the existence of many of these problems. Inadequate capacity at the provincial and local government level, low profit margins and high risk levels, and an imbalance between responsibility, accountability, and authority in respect of housing at the provincial and local government levels were among the problems highlighted by the team. From that year until 2001 the department's annual reports also identified these same issues, as have recent speeches. The government's responses include the three policy shifts already outlined – but are these sufficient, given the breadth of issues that require confrontation?

The fundamental emphasis on housing delivery as the key goal of the housing process remains unchanged

Checking the compass: rhetoric versus reality

Still, the fundamental emphasis on housing delivery as the key goal of the housing process remains unchanged. Central to this is the key handing-over ceremony -- the most symbolic moment in South Africa's housing process. Beneficiaries who have been historically dispossessed of their right to tenure, standing in front of a newly built 'RDP' house, key in hand, accepting this gift from the government – there is no other image more representative of South Africa's transition to democracy. This is the image we think of when we remind ourselves that no other country in the world has ever achieved such a high rate of housing delivery. It is also the image we recall when we renew our commitment to South Africa's housing policy, notwithstanding the multitude of problems that have arisen along the way.

Behind this defining image lies the housing subsidy. It is the foundation on which all other policy interventions, ranging from finance to land to savings, are based. For the past eight years this policy has been sacrosanct – a prized possession of the new government as it has striven to demonstrate its commitment to the poor. Certainly, its approach has been amended and refined. While the notion of a 'housing unit' has diversified somewhat over the years – from an 'RDP house' to a rental housing unit to a house built with the help of its occupants – the picture that that makes the newspaper is the handing over of the keys. It is also the event that is counted.

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Housing statistics emphasise the number of subsidies delivered – 1 359 252 at last count²⁰ – to beneficiary households. The key performance indicator at the national and provincial level alike is the subsidy – number budgeted, and number delivered. Because it can be counted, it becomes even more significant in determining progress than less easily measured goals such as the creation of sustainable living environments.

The consequence of adopting the delivery of subsidies as a key performance indicator is threefold. First, it implies that the government is the only agency delivering housing, which undermines the efforts of other agents which are also helping to address the housing backlog, but possibly without subsidies. These include employers, traditional leaders, religious institutions, and families who, rather than waiting for years to rise to the top of the waiting list, take independent steps to procure housing, as well as households that offer rental accommodation in their back yards. Recent research has shown that about one million households benefit from backyard accommodation.²¹ Of course, backyard shacks usually do not meet acceptable housing standards. However, the government's ability to address their poor quality is undermined by its failure to recognise this form of housing. Moreover, this limited definition of housing also skews its calculation of the housing backlog – only units built with the housing subsidy are counted.

Second, the emphasis on the housing subsidy limits the department's understanding of the delivery process to whatever happens in the course of delivering those subsidies. This limits housing to a product, rather than making it a broader process the department itself wants it to be. And, given that the bulk of the housing process happens after the subsidy has been delivered, when the occupant adds a room, builds a fence, or rents out a room, this poses a problem. While the government's intervention is limited to the delivery of subsidised housing units, the expectations for its intervention are far broader, including issues such as beneficiary empowerment, the growth of the housing market, and the establishment of communities – all outcomes for which no policy mechanism or facilitative instrument exists. Of course, respondents still wanted delivery at scale. Notwithstanding rhetoric in both the public and private sectors that issues of 'quality' have replaced a focus on 'quantity', quantity and rate of delivery were still the most cited indicators of success, giving respondents a sense of pride. The housing subsidy scheme, they acknowledged, was the central reason for this success. And yet the problems they raised related to other outcomes of the subsidy scheme – that beneficiaries are not empowered, and do not see housing as an investment; that the housing sector is contracting rather than expanding; and that sustainable communities are not being built.

Perhaps the DoH disagrees. In her foreword to the department's 2000/2001 annual report, the director-general of housing, Mpumi Nxumalo, writes that *'our vision of establishing sustainable, habitable residential environments through integrated housing development has largely been achieved with 1,129 million houses built or under construction by the end of the year 2000.'* Thus the department's only means of for determining whether habitable residential environments have indeed been created is the number of subsidies delivered. This makes achievement of the other expected outcomes something the department can (and does) assume, but cannot measure or prove. All this suggests that, rather than seeing the housing subsidy as a catalyst for housing development, the department has conflated the subsidy with development itself.

And third, the focus on the subsidy makes the policy unreflective. As long as a quality product (as defined the national minimum norms and standards) is delivered, the DoH can tell parliament that it is responding to its mandate. As a result, the housing programme is unable to respond to diverse expressions of demand – a key criticism raised by respondents. They observed the lack of home improvements by residents, and noted that households affected by HIV/AIDS might require a different housing response than unaffected households. Some respondents noted that the income ceiling of R3500 and the non-availability of private housing finance meant that the very real demand for housing by people earning between R3 500 and R7 000 was not being met, and that households falling into this category consequently had even less access to adequate housing than poorer households. Linked to this, three respondents highlighted the need to address market failures in respect of the poor. A number of respondents noted with dismay that subsidised houses were being sold at a fraction of the investment cost. All the responses suggested that the needs and expectations of the target market were not being adequately addressed. In focusing so exclusively on the supply side of the housing equation, the housing subsidy, and all the related interventions to make it work, its demand side was being neglected.

At the root of this thinking lies the department's understanding of the term 'progressive housing', used first in the 1994 housing white paper. When this term was first raised in policy circles, it was used to refer to an incremental housing process in which the home was an evolutionary structure that would grow in response to the needs of individual households. It was, in part, a response to the issue of breadth versus depth – that South Africa's housing backlog was too large to allow complete housing units to be provided to every beneficiary. The state's investment was only meant to be part of the solution, to be supplemented by private sector resources and recipients' resources in the form of labour, materials, and finances. At that stage, therefore, the term 'pro-

Rather than seeing the housing subsidy as a catalyst for housing development, the department has conflated the subsidy with development itself

But when the delivery of subsidised housing becomes an 'event', the housing *process* envisioned in the 1994 white paper is lost

gressive' referred to the incremental development of a given home. It implied peoples' participation, with the support of an established delivery system, and acknowledged that the 'RDP house' was not a whole house but rather a core to which rooms and fixtures should be added. In 1995, however, the incremental approach was characterised by the minister of housing as an inadequate approach for African families, which would add to the proliferation of informal settlements (McKay, 1999). In this new context, departmental spokespersons began to use the term 'progressive' to denote the department's capacity to deliver completed housing units to a vast backlog of people, rather than the individual household's capacity to help meet its own housing needs. The constitutional instruction (section 26(2) to the state to achieve 'the progressive realisation of' the right to access adequate housing' reinforces this interpretation. Thus the DoH understands its responsibility to be that of delivering houses progressively, rather than ensuring that a person's access to adequate housing improves progressively.

The consequence of this interpretation has been that the department has concentrated primarily on delivering subsidised housing, and that it has had to take full responsibility for the unit delivered, as though it is the final house in which residents would live. But when the delivery of subsidised housing becomes an 'event' – when the subsidised housing unit becomes a 'product' – the housing *process* envisioned in the 1994 white paper and alluded to by the minister of housing, even in current speeches, is lost. It is this factor which lies at the root of all the problems listed by respondents.

No short-cuts to progress

During the past eight years, South Africa has implemented one of the most compacted processes of housing policy development, implementation, and refinement in any country in the world. Developed in the context of the transition to democracy, the need for – and expectation of – the housing policy to work as intended have been extremely strong. Given the widespread construction of one house per family on open tracts of land, housing is perhaps the state's most immediately visible investment in its people. For this reason, the development and implementation of policy has been closely observed by academics, other analysts, and members of the public.²² Notwithstanding the huge success achieved in delivering housing at scale, South Africans are highly critical of the current housing policy. As a result, it has been incrementally adjusted each time the question was asked: 'why isn't this working?'

Adopting the delivery of subsidies as the department's key performance indicator has had the effect of making what might have been a diverse and flexible policy a monodimensional one, focused on a single supply system to which

some variations have been added. Consequently, the subsidy is unresponsive to variations in demand, the changing nature of households caused by urbanisation and other factors, and the impact of HIV/AIDS (Tomlinson, 2001). It also means that households are often forced to use their housing units for unintended purposes – selling them for cash, renting them out to others, or occupying them like dormitories with little or no sense of ownership, and no commitment towards improving the house or building a community.

A second issue concerns the role of the state, and its negative effect on the potential of other actors to play their part. The only effort the state can control is the delivery of subsidies – its own product. As a result, the government gives little attention to non-subsidised efforts, and to some extent even undermines them. As the DoH concedes, the principles underpinning the housing policy are sound – it is their implementation that is problematic. If this is true, the department needs to consider how its own approach to the subsidy policy undermines the very principles it so convincingly defends.

Respondents raised issues relating to partnerships almost as often as those relating to finance; these included difficulties experienced by the private sector and government in relating to each other, and the private sector's experience of the politicisation of the housing sector. Many respondents expressed their frustration with what they said was the inaccessibility of government, and the sense that the public/private housing sector 'team' had dissipated in recent years. Other issues raised included the roles of various participants in the housing sector (employers, NGOs, beneficiaries, and estate agents were specifically mentioned); the capacity of local authorities, social housing institutions, and government generally; and the need to emphasise partnerships.

South Africa's housing policy is very ambitious. The 94 pages on policy in the National Housing Code is not repetitive – it simply is that far-reaching. Perhaps the policy has been too ambitious, for, in implementing it, the government has sought various shortcuts, claiming victory in numbers without considering the wider housing environment on which it is having an impact. As the policy clearly acknowledges, government cannot walk down the housing road alone. For this reason, the principle of partnerships is central, not only to housing finance (Rust 2002). Or housing delivery, but also to the wider housing environment. As respondents noted, the efforts of all practitioners in all neighbourhoods are required. If they do not specifically contribute to the delivery of subsidised housing units, however, their contribution is overshadowed.

There are no shortcuts to progress (Hyden, 1983). In applying a new delivery programme in an old sector, policy implementers had to understand that existing systems would need to change. That the subsidy mechanism would en-

Respondents raised issues relating to partnerships almost as often as those relating to finance

force such a change was expected. And yet the subsidy has not changed the fundamentals of the housing sector, but has rather acted as an add-on used to meet the very real need for housing delivery at scale in the short term. Now that success in this regard has been achieved and acknowledged, the time has come to examine the broader picture. Pertinent issues include pre-subsidy issues such as land and property markets, and post-subsidy issues such as home improvements and community-building. They also include the activities of the range of stakeholders which respondents suggest have not been included in the subsidised housing process. Only then will we be able to substantiate the claim, as the director-general of housing states, that '*our vision of establishing sustainable, habitable residential environments through integrated housing development has largely been achieved*' (RSA, 2002).

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ENDNOTES

- ¹ Respondents came from a range of backgrounds: developers (3); housing finance representatives (4); the public sector (3); government-established facilitative bodies (3); policy and implementation consultants (3); and one NGO. Four respondents were also elected representatives of the Institute for Housing in Southern Africa. Of the 17 respondents, four had participated in the National Housing Forum in the early 1990s.
- ² RSA, 1994. The poor in South Africa are defined as households who earn less than R3 500 a month.
- ³ Department of Housing, 2001 (data accessed from the 1999 October Household Survey). The significant drop in the figure is likely to be as a result of inflation rather than an improvement in real incomes.
- ⁴ This number is variously defined and avoided, given the illusive nature of the boundaries that frame it. Reference to a backlog can be found in the original white paper on housing, the Reconstruction and Development Programme document, annual reports of the Department of Housing, and other sources. All agree that the backlog is large and consequently not something that is expected to be overcome within the short to medium term.
- ⁵ Calculated by dividing 2 889 days into 1 359 252 houses completed or under construction.
- ⁶ While the majority of these would be free-standing houses of about 30 square metres, a small percentage of delivery has also been in multi-unit developments where housing has been offered for rent.
- ⁷ The recent Grootboom ruling upheld the right to shelter of a group of children and adults occupying a sports field after they had been evicted from their previous informal settlement to make way for low-cost housing. The interesting part of the ruling – made in the Cape High Court, and upheld by the Constitutional Court -- is that it focused on section 28(1) of the constitution, emphasising the children's right to housing over the more general right in section 26 to access to adequate housing.
- ⁸ The deputy director general of housing, Ahmedi Vawda, made this point during an address at the Housing Seminar Series, University of the Witwatersrand, 8 October 2002.
- ⁹ Seven respondents said the rate of delivery was the most significant success, whereas six said it was the subsidy regime.
- ¹⁰ Both the minister and her deputy director general recently discussed issues that would fit well within the three shifts outlined. Most recently, the department has begun speaking in a new tone, which acknowledges these shifts within an entirely new approach to the housing process. In words alone, this is the most significant shift since the introduction of the policy in 1994. Four new strategic thrusts are proposed. The first emphasises the subsidy as a mechanism for building assets. This goes back to original intentions in the white paper on housing that the subsidy investment of the

state should be the 'deposit' in a long-term investment thereafter managed by the beneficiary. The increase in the subsidy amount, coupled with the required beneficiary investment (either in cash or in labour) is the key mechanism proposed to realise this thrust. The second thrust seeks to shift implementation from a focus on shelter to a focus on human settlements. In this regard, issues of governance and beneficiary behaviour are extremely important. The department argues that it expects its housing subsidy to build citizens – able-bodied people with real assets that enable them to participate in a wider housing economy. Housing beneficiaries become stakeholders, shifting the balance of favour away from developers. Critically, and as noted earlier, the department is also seeking a shift in what it calls 'the regime of production', away from developer-driven approaches in favour of people- and institution-driven approaches. This emphasis comes with an acknowledgement that while demand continues to outweigh supply, it is the supply side that has received policy concessions and favour in the past. Certainly, shifts in interpretations of secure tenure and the responsibility of the beneficiary have hinted at this new approach. The final thrust centres on the concept of integrated development, explicitly locating housing in a broader environment. The department notes that the challenge in this respect is to identify where the 'assets' are located. Its confidence is based on the success of the former Special Integrated Presidential Projects (such as Katorus in Gauteng, Cato Manor in KwaZulu Natal, Duncan Village in East London, and the Integrated Serviced Land Project in the Western Cape, among others), as well as the Urban Renewal Projects, such as the one currently under way in Alexandra Township in Gauteng. (Mthembi-Mahanyele, 2002d, and Ahmedi Vawda, deputy director general, speaking at the Housing Seminar Series, University of the Witwatersrand, 8 October 2002).

- 11 In April 2002 the maximum subsidy amount was raised from R16 000 to R20 300. Permitted expenditure on servicing remains set at 46%, with R9 400 allowed, and R10 900 (plus the person's own R2 479 savings) reserved for the top structure.
- 12 Formerly, the NHBRC's brief was limited to ensuring that houses costing between R20 000 and R250 000 were covered by the warranty.
- 13 Gilbert compares the purchasing parity of the housing capital subsidies offered by South Africa, Colombia, and Chile. He finds South Africa's subsidy to be worth US\$6 904 in 1999, versus Colombia's US\$11 776 in 1998, and Chile's US\$10 111 in 1999.
- 14 See for instance, Tomlinson, 1995; Huchzermeyer, 2002; Baumann and Bolnick, unpublished; and others.
- 15 See Housing in Southern Africa, *Business Day*.
- 16 This has been confirmed to the author on a number of occasions by officials of the national as well as the Gauteng departments of housing.
- 17 Ahmedi Vawda, deputy director general of housing, spoke of the 'shifting regime of production' during an address at the Housing Seminar Series, University of the Witwatersrand on 8 October 2002. The minister of hous-

ing has also used this terminology in recent speeches, when referring to government's increased emphasis on the 'people's housing process'.

¹⁸ See Spiegel et al, 1996; Gilbert et al, 1996; Morange, 2002.

¹⁹ See recent speeches by the minister of housing; 2001a, b, and c; 2002 a-d.

²⁰ As at the end of May 2002.

²¹ Speech by Dirk Dijkerman, USAID South Africa director, Institute of Housing Conference, 9-12 October 2001

²² See, for instance, Rust and Rubenstein, 1996; Tomlinson, 1995, 1998, 1999a, 1999b; Bond and Tait, 1997; Mckay, 1999; among others.