

Social housing: Lessons learnt from the international experience

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Sosiale behuising: Lesse te leer uit die internasionale onderinding

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Samevatting

Sosiale behuising is 'n relatiewe nuwe studieveld in die Suid-Afrikaanse behuisingsektor. Die Nasionale Departement van Behuising is tans besig met die formulering van 'n sosiale behuising beleidsraamwerk. Die Departement het in die Behuisingswitskrif (1994) erken dat die ontwikkeling van sodanige raamwerk sal kan baat vind by verwysings na internasionale ondervindings. In hierdie studie is die voorsiening van sosiale behuising in Europa, Suid-Amerika en Afrika bestudeer met die oog daarop om die verskillende wyses waarop sosiale behuising voorsien word, uit te lig en te identifiseer en om die lesse daaruit te leer vir die ontluikende Suid-Afrikaanse sosiale behuising beweging te identifiseer.

In die studie is daar tot die gevolgtrekking gekom dat die primêre doel van sosiale behuising is om die noodsaaklike diens van behuising teen kosprys aan individue met beperkte finansiële vermoëns beskikbaar te stel. Sosiale behuisingsprojekte word uitgevoer deur sosiale behuisingsinstellings (SBIs) wat geklassifiseer kan word volgens byvoorbeeld hul regsstatus of rede/motivering vir hul bestaan. 'n Deurdagte klassifikasiestelsel kan aangewend word om te onderskei tussen sosiale behuisingsinstellings wat kwalifiseer vir staatshulp en die wat nie kwalifiseer nie.

Daar is verder tot die gevolgtrekking gekom dat die ontwikkeling van 'n geïntegreerde en effektiewe sosiale behuisingsbeweging afhanklik is van 'n reeks faktore wat almal in plek moet wees ten einde te verseker dat die verskillende vlakke wat deel uitmaak van 'n sosiale behuisingsbeweging op 'n wedersyds ondersteunende wyse kan saamwerk. Nasionale beleid en wetgewing skep die raamwerk van norme en standaarde waarbinne al die SBIs hul funksies moet uitvoer. Institusionele ondersteuning in die formaat van nasionale ondersteuningsagentskappe, tegniese ondersteuningsagentskappe en internasionale ondersteuningsagentskappe is noodsaaklik om te verseker dat 'n diverse reeks van primêre sosiale behuisingsinstellings kan ontwikkel. Dit is ook belangrik om regulerings- en moniterings meganismes in plek te stel ten einde te verseker dat die sosiale behuisingsektor alle finansiële hulp op 'n verantwoordelike en deursigtige manier aanwend.

Hierdie studie het ook tot die gevolgtrekking gekom dat sosiale behuisingsinstellings in komplekse finansiële milieu's funksioneer. Daar is veelvuldige

instrument/meganismes beskikbaar waarmee sosiale behuisingsinstellings gefinansier of ondersteun kan word. Al hierdie instrumente wat onder andere belastingkortings insluit, vorm saam 'n omvattende finansieringsraamwerk. Daar is bevind dat elke instrument/meganisme 'n unieke rol in sodanige finansierings raamwerk vervul.

Daar is laastens bevind dat die bestuur van sosial behuisingseenhede deurslaggewend is vir die sukses van sosiale behuisingsprojekte. As die bestuur van sosiale behuisingsprojekte nie op 'n sensitiewe en deursigtige manier gehanteer word nie, kan selfs hoë ideale om mense met hulle behuisings-behoeftes behulpsaam te wees, sneuwel/misluk. Indien inwoners of huurders as gelyke vennote gehanteer word kan die bestuurstaak aansienlik vergemaklik word. Suksesvolle sosiale behuisingsprojekte kan slegs gedeeltelik deur ontwerp geskep word. Bestuurspraktyke wat daarop gemik is om tuistes eerder as blote akkommodasie te skep, is van veel groter belang.

Social housing: Lessons learnt from the international experience

Submitted in partial fulfilment of the requirements for the degree Master in Town and Regional Planning in the Department of Town and Regional Planning at the University of Pretoria, June 2001

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Summary

Social housing is a relatively new field of study in the South African housing sector. The National Department of Housing, as part of their multifaceted approach to address the housing crisis in South Africa, is currently in the process of developing a policy framework within which the emerging social housing sector is expected to operate. The White Paper on Housing (1994) acknowledged that the development of a social housing policy would require significant engagement with international expertise and experience. In this study the provision of social housing in Europe, South America and Africa was studied with a view to identify the particular ways and means in which social housing is provided under different situations and also, to identify the lessons that can be learnt from such experiences for the emerging social housing sector in South Africa.

The study concluded that the primary goal of social housing is to provide the essential service of housing at cost to people with limited financial means. Social housing projects are carried out by social housing institutions (SHIs) that can be classified according to *inter alia* legal status and motivation. Classification can, however, be used to distinguish between SHIs that qualify for public assistance and those that do not.

It was further concluded that the development of an integrated and effective social housing movement depends on a range of factors which all have to be in place if synergy is to be achieved between the various levels of the social housing movement. National legislation and policies create the framework, norms and standards within which all the actors in the sector have to fulfil their functions. Institutional support in the form of a national sponsoring agency, technical service organisations as well as international aid agencies are essential for the development of a diverse range of primary societies that are responsive to a wide range of accommodation needs. Regulation and monitoring mechanisms are essential to ensure that the sector uses the public resources allocated to it in a responsible and accountable manner.

In terms of the financing of social housing the study concluded that (SHIs) are operating/functioning within complex financial environments that are continuously changing. There are quite a few instruments/mechanisms that can be used to finance/support SHIs. All these instruments e.g. grants, tax incentives and public-private partnerships together form a comprehensive funding framework within which each instrument has a particular niche or function to fulfil.

Lastly, the study concluded that housing management is literally the end all with regards to social housing. All the good intentions to assist those in need of housing within a supportive environment can fail if housing management is not done sensibly and transparently. Great benefit can be achieved from treating residents or tenants as partners with a view to ease the task of management. Successful social housing estates are created partly through design, but even more importantly through good management practises aimed at creating homes and not merely accommodation.

LIST OF SEARCH TERMS

Social housing

Housing associations

Social housing institutions

Housing co-operatives

National sponsoring agencies

Technical service organisations

Social housing legislative framework

Financing social housing

Financial instruments/mechanisms

Housing management

Management structures

Unit allocation

Maintenance

Rent collection

Tenant participation

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CHAPTER 1: THE PROBLEM AND ITS SETTING

1.1 INTRODUCTION

Housing is one of the greatest challenges facing the South African Government. The housing backlog is roughly estimated to be about 4 million units (Fourie in Samson, 1999:58) and is being aggravated by a struggling economy, widespread poverty, unemployment and unrealistic and high expectations from beneficiaries (De Loor Report, 1992:ii). The projected population growth of 2,27 percent will cause 200 000 new households to be formed annually between 1995 and the year 2000 (White Paper, 1994:8). Housing delivery will therefore have to exceed 200 000 units per annum to have any effect on the housing backlog. The Department of Housing has set the goal of required annual delivery at 350 000 units per annum in 1994 order to reach the target of building/financing one million houses by the end of 1999 (Republic of South Africa, 1999:22). It was, however, soon realised that owing to the fact that the housing budget could not be increased, provincial governments were only able to provide 231 181 housing units in the 1998/1999 financial year (Department of Housing, 1999:18). According to the Department of Housing (1999:18) provincial governments in the previous financial year (1999/2000) have by the end of December 1999 financed 226 596 housing units. It is furthermore anticipated by the Department of Housing that close to 250 000 housing units will be provided in the 2000/2001 financial year. These figures clearly fall well short of the delivery targets set originally in 1994.

According to Tomlinson (1995: 5), it became clear in the early 1990s that housing policy in South Africa and specifically the institutional framework which involved 17 government departments and 24 funding channels was unable to address the housing crisis in South Africa. This realisation initiated lengthy negotiations during 1993 and 1994 between the National Housing Forum and Central Government, culminating in the signing of the Botshabelo Accord in October 1994. Representatives of the homeless, government, communities and civil society, the financial sector, emerging contractors, the emerging construction industry, building material suppliers, employers, the international community

and developers all embraced the Housing Accord as a blueprint for housing the nation, thereby committing energy, resources and expertise to a long term housing policy for the nation as a whole (Department of Housing, 1994). The White Paper on Housing (Republic of South Africa, 1994) was subsequently released in December 1994 providing a basis for a uniform, national housing programme. The national programme managed by the Department of Housing aims at establishing a sustainable process which will eventually enable all South Africans to secure housing with secure tenure, within a safe and healthy environment and viable communities in a manner that will make a positive contribution to a non-racial, non-sexist, democratic and integrated society (Republic of South Africa, 1994:21).

The very real and accepted limitations imposed by the state fiscus and macro-economic realities as well as the grinding poverty experienced by a large portion of the South African population clearly indicate that no single formula can exist for solving South Africa's housing dilemma.

The State has insufficient resources to meet the need of the homeless on its own and is therefore trying to mobilise and engage the full diversity of resources, innovation, energy and initiative of individuals, the State, communities and the broader private non-state sector (Republic of South Africa, 1994: 21). The Department of Housing seeks to achieve this through pursuing seven key strategies:

- Stabilising the housing environment in order to ensure maximum benefit of state housing expenditure and mobilising private sector investment;
- Providing subsidy assistance to low-income households earning less than R 3 500 per month;
- Mobilising private savings and housing credit for low-income households who do not have access to credit facilities;

- Facilitating the speedy release and servicing of land;
- Co-ordinating and integrating public sector investment;
- Facilitating the establishment or directly establishing a range of institutional, technical and logistical housing support mechanisms; and
- Rationalising institutional capacities in the housing sector.

From the above it is clear that the Department of Housing is pursuing a multi-faceted approach both in terms of policy and strategy to address the housing shortages. It is openly admitted in the White Paper (1994: 43), that the State will not in the foreseeable future be able to provide levels of subsidisation at the lower end of the market to enable the construction of completed houses. It is government's policy, given budgetary constraints, only to make a contribution towards the cost of a house. This approach necessitates that delivery should take place through the widest possible variety of mechanisms. It is stated categorically in the White Paper (1994: 43), that government rejects the elevation of individualised private home ownership above other forms of secure tenure. The Department of Housing is striving to provide the widest range of options for the rapid attainment of secure tenure. This policy stance aims to protect, in the process of satisfying housing needs, the right of the individual to freedom of choice.

The key strategy currently used by the Department of Housing to address the housing problem is a capital subsidy programme devised for providing individual, project-based and institutional subsidies. The national housing subsidy scheme introduced in 1994 constitutes the most significant rollout of housing subsidies in South-African history (Samson, 1998:3). According to the Department of Housing (1999:17) subsidy pay-out at present amounts to R 2, 925 billion per year.

Because government at national, provincial, and local level is committed to mobilise sufficient public and private sector finance to allow for systematic and targeted growth

in the rate of housing production of all kinds, other mechanisms like social housing is also receiving attention (Department of Housing, 1994). Government believes that it has a significant role to play in actively promoting and supporting new and innovative approaches to social housing. Social housing is an area of housing opportunity that has, according to the White Paper (1994: 45), long been neglected in this country. Social housing programmes usually entail the establishment of non-profit social housing institutions (SHIs)/housing associations whose primary purpose is to provide the essential service of housing at cost to the consumer or beneficiary (United Nations, 1975:7). Note that non-profit does not mean non-economic management, but rather a renunciation of profit. Social housing programmes are underpinned by the philosophy that the responsibility of housing production is divided between the public and non-government sector. The aim of these SHIs is to house people in need whose income levels or employment situations do not allow them to qualify for a bond in their own right (Cash, 1998). This is done through the provision of rental stock or rent-to-buy stock. The provision of social housing is achieved by leveraging private finance at preferential interest rates to top up and stretch the limited public funds available for housing (Cash, 1998). SHIs can thus be regarded as economic units or enterprises.

According to Lewin (1981:xi, 10), the main advantages of SHIs/housing associations include *inter alia*:

- Standardised planning, design and organisational administration of collective construction;
- Joint procurement, disbursement and repayment of construction loans;
- More efficient use of technical skills;
- Proper maintenance and upkeep of housing and neighbourhoods;
- Members can gradually assume the management and administration of SHIs;

- Internal control can be exercised to prevent speculation and illegal sale, subletting or transfer of dwellings;
- SHIs have the potential to promote integrated and viable urban communities and to mobilise self-help sources and group dynamics; and
- SHIs offer an integrated framework, not only for the construction and management of housing, but also for a variety of other social and economic activities.

It is in the context of these advantages that SHIs/housing associations have repeatedly been advocated as a means of addressing the shelter problems of low-income households in developing countries (Lewin, 1981:xiii).

The history of non-profit housing provision in industrialised countries is closely related to that of the industrial revolution and the resulting rapid urbanisation roundabout the middle of the 19th century (Lewin, 1981: 17). The growing impact of the labour movement in the first world is also regarded as one of the main forces behind the development of SHIs/housing associations. Trade unions, charitable organisations, philanthropists and local authorities were motivated to establish non-profit housing given the following:

- Growing housing shortages and the increased demand created by urban industrial workers;
- Inhuman living conditions; and
- High rents as a result of land and housing speculation.

Housing co-operatives, a type of SHI/housing association, are not new to developing

countries although the movement only really caught on after the Second World War. In African countries specifically housing co-operatives were started only after 1970 (Lewin, 1981:19). According to the United Nations (1975: 8), a constant feature of African non-profit/co-operative housing agencies is the regular subsidies granted by governments to support these initiatives. The most advanced and best-organised housing co-operatives in developing countries are found in South America (Lewin, 1981:19).

As stated previously social housing represents an area of housing opportunity that has long been neglected in South Africa. According to the White Paper (1994:45) the development of policy in this area may well require significant engagement with international expertise and experience. As far as can be determined only one institution namely the Social Housing Foundation (SHF) founded in 1997 has thus far been established to assist in providing capacity building and technical support to housing institutions and other such organisations involved in the delivery of social housing. Mandated by the Minister of Housing the SHF appointed a policy task team in August 1997 to develop a policy framework for the social housing sector. In spite of the progress made in the policy formulation for the social housing sector the Department of Housing acknowledges that the policy and funding frameworks within which the social housing sector currently operates within South Africa are still not fully developed (Department of Housing, 1999:29).

Given the advantages of SHIs/housing associations and the identification of social housing as an alternative strategy that could be utilised to improve housing delivery in South Africa it is important to refer to international experience for lessons that might benefit the emerging social housing sector in South Africa.

1.2 PROBLEM STATEMENT AND STUDY OBJECTIVE

1.2.1 Problem statement

What are the lessons to be learnt from the international experience in social housing, and how can it be applied in the South African context?

1.2.2 Study objective

The aim of the study was to analyse the provision of social housing in Europe, South America and Africa so as to identify the particular ways in which it is undertaken in those particular situations and to identify specific aspects that can be applied to improve the delivery of social housing in South Africa.

1.2.3 Applicability of the study

This study described the potential role that SHIs/housing associations can fulfil to facilitate and speed up the delivery of low cost housing in the South African context. It highlighted the potential pitfalls, problems and opportunities experienced internationally within this sector. The lessons thus learned/identified might therefore facilitate the development of a coherent framework aimed at supporting or assisting the social housing sector in South Africa.

Since the concept of social housing in the form of SHIs/housing associations is a relatively new field of study within the housing sector in South Africa, this study provides useful information to various interested parties trying to come to grips with the basic terminology, history of the sector and the problems/challenges currently facing social housing institutions worldwide. This study may also serve as a reference for the finalisation of the policy framework for the social housing sector in South Africa, as this study is not a policy document in itself.

1.3 STUDY METHOD

The study can be described as a document study/literature review that is descriptive in nature. The findings of previous studies were used in an attempt to describe the role SHIs can fulfil in the effort to fasttrack and facilitate housing delivery in South Africa.

The study relied mainly on a qualitative research methodology to record the international experiences within the social housing sector. Moreover, it was felt that given the aims/objectives of the study listed above, a qualitative research methodology would be the most appropriate.

According to Bailey (1982:302-4), there are certain benefits related to the use of document studies. It is possible to access subjects, which would otherwise be inaccessible and, in this instance, it was possible to relate studies undertaken in various parts of the world. It was further possible to conduct a longitudinal study i.e. to compare and relate studies done over a period of time. Moreover, the cost of conducting a document study is relatively low when compared to other methods of research, which normally include surveys. It is also possible to include more data than is possible with a survey due to limits imposed by costs and time. The quality of the written material can furthermore be expected to be of a high standard, since specialists and academics in the field compiled it.

There are also certain disadvantages to document studies as are mentioned by Bailey (1982:304-6) and Platt (1989:46). There might be a certain bias to the studies, which might not cover the same subject as the current study. This fact is of particular relevance to this study where the research is based on material which concentrate and describe *inter alia* the role, functions and problems experienced by SHIs within different social, economic, political and cultural conditions than South Africa's. Caution has, however, been exercised in the interpretation of the available material and every effort was made to contextualise all case studies and or references made to international examples. Resource documents furthermore do not conform to a standard format and care was taken not to overlook small differences in for example the operational

definitions used.

A certain amount of concern regarding the reliability and validity of document studies may exist since most studies contain an amount of subjectivity. In an effort to overcome this problem, at least in part, different publications were compared with each on an ongoing basis.

1.4 EXPOSITION OF THE STUDY

In chapter 2 the evolution of the current housing policy was described with specific reference to progress made regarding social housing and rental housing in South Africa.

Chapter 3 addressed the evolution of social housing from pre-1914 until the present era. The relation between the term social housing institution (SHI) and housing associations and housing co-operatives was also clarified. The chapter was concluded with a section dealing with the classification of social housing institutions (SHIs) according to *inter alia* legal status, size and motivation.

In chapter 4 the institutional/organisational structures/levels often adopted by social housings movements were discussed. The chapter further addressed the approaches adopted by different countries with regard to the division of functions/responsibilities between the different levels, the role and function of a social housing legislative framework, the role of international aid agencies as well as the relationship between primary and secondary societies (SHIs) and local authorities.

In chapter 5 the reasons for public sector assistance to the social housing sector as well as the approaches to social housing financing adopted by various countries, were discussed. The chapter also addressed the institutions that provide financial support to SHIs as well as the financial instruments and/or mechanisms used by these funding institutions to render financial support.

In chapter 6 a historical overview of social housing management approaches was provided. The chapter also discussed the management structures generally adopted by small and large SHIs respectively. The chapter also addressed the main management functions namely unit allocation, maintenance, rent collection and tenant participation, usually carried out by SHIs.

The study is concluded in chapter 7 with a summary in which the lessons learnt from the international experience are highlighted and listed.

CHAPTER 2: THE HOUSING POLICY FRAMEWORK IN SOUTH AFRICA

2.1 INTRODUCTION

Housing is recognised as the most important human need once sufficient food has been obtained (Calderwood, 1953:10). It can, however, be argued that housing in South Africa, before 1994 was seen not as a basic human need, but as an element of control within a policy that placed racial separation above the viability of communities (Department of Housing, 1994:53). The housing policy environment in the late 1980's was characterised by the absence of a holistic strategy guiding housing and urbanisation - and interventions were done in an *ad hoc* manner (Development Works, 1998:13). This culminated in widely diverse sets of standards applicable in different parts of the country together with an extremely uneven pattern of housing delivery. Change was initiated through the protracted and inclusive negotiation process, which started in December 1992 and culminated in the landmark housing summit held at Botshabelo on 27 October 1994 (Department of Housing, 1994: 8). In this chapter the evolution of the current housing policy was described with specific reference to progress made regarding social housing and rental housing up until the end of 1999.

2.2 BACKGROUND HISTORY

The most significant development in terms of policy that emerged prior to the 1994 political transition was the setting up of the Independent Development Trust (IDT) in 1990 (Robinson *et al* in Development Works, 1998:13). The Trust was to manage and disburse a fund of R2 000 million, a large part of which was allocated to housing development (Robinson *et al* in Development Works, 1998: 13). The IDT's housing development branch developed a policy approach that focussed on the provision of a capital subsidy for serviced sites with registered individual freehold ownership. Provision of formal tenure was intended as both a means of security of tenure and as an asset against which finance could be secured. According to Development Works (1998:13) this IDT- approach became the *de facto* housing policy of the apartheid state in its dying years. The IDT- approach also served as an important basis upon which the post 1994

housing policy, which also favours a capital subsidy and freehold tenure, was based.

According to Tomlinson (1995:5), consensus was reached between specialists and practitioners in the early 1990s that housing policy in South Africa and specifically the institutional framework which involved 17 government departments and 24 funding channels was unable to address the housing crises in South Africa. This realisation initiated lengthy negotiations between December 1992 and October 1994 and gave rise to the following policy positions/documents:

- In August 1993 a set of agreements recorded in the Aide to Record Understanding on Interim Arrangements for Housing reached between the Department of Local Government and National Housing and the National Housing Forum (comprising of representatives of mass-based political groupings, business, banks and development organisations) was signed (Tomlinson, 1995:5).
- These agreements enabled Parliament enact the Housing Arrangements Act, 1993 (Act 155 of 1993) in November of that year (Republic of South Africa, 1994: 18).

The above agreement and resultant piece of legislation can be seen as the first steps in the restructuring and rationalising of housing. A single National Housing Board and four Regional Housing Boards replaced the racial departments - thereby moving to a more sufficient allocation of state resources as funds were channelled through one structure only (Republic of South Africa, 1994:18-19 and Tomlinson, 1995:5).

- An interim housing subsidy scheme was agreed upon in March 1994 and provided for a cash grant available on a sliding scale: R5000 to R12 500 to beneficiaries with a household income of not more than R3 500 per month (Tomlinson, 1995:5-6).
- In March 1994 the Housing Amendment Act, 1994 (Act 8 of 1994) was

promulgated and provided for the replacement of the four Regional Housing Boards with nine Provincial Housing Boards as well as an extension of subsidy availability to the previous Self Governing Territory and TBVC Areas (Republic of South Africa, 1994:19; Tomlinson, 1995: 10).

- Following the election of the Government of National Unity on 27 April 1994, Mr Joe Slovo was appointed as the Minister of Housing. These events heralded a new relationship between the Department of Housing and the National Housing Forum. Eight Joint Technical Committees were established on 25 May 1994 with the aim of reaching consensus on vital housing matters. This Joint Technical Committee process can be regarded as an important forerunner of the inclusive agreements found reflected in the Housing Accord and White Paper on Housing (Department of Housing, 1994:9).

- According to the Department of Housing (1994:10) a five day national public sector workshop was held during September 1994 to pave the way for staging the Botshabelo Housing Summit and acceptance of the Housing Accord. The National Housing Accord signed on 27 October 1994 can be seen as the vehicle that secured the firm commitment of all stakeholders to the key elements of the National Housing process (Tomlinson, 1995:14 and the Department of Housing 1994:52). This strategy document also clearly stated that the provision of a complete minimum standard house for each household at state expense is impossible given fiscal constraints and macro-economic realities (Tomlinson, 1995:15). The National Housing Accord embraced a progressive housing process and furthermore spelled out the roles and responsibilities of each sector in resolving the housing crisis.

- Following the Botshabelo Housing Summit the White Paper on Housing (Republic of South Africa, 1994) was approved by Parliament on 7 December 1994 and Gazetted for public comment on 23 December 1994.

The 1994 Botshabelo Accord (Department of Housing, 1994:52-59) and the White Paper

on Housing (Republic of South Africa, 1994) were heralded as the official start of a new era in housing policy which aimed at establishing a sustainable housing process which would eventually enable all South Africans to secure housing with secure tenure, within a safe and healthy environment. The housing vision as contained in the White Paper (Republic of South Africa, 1994: 21) read as follows: "Government strives for the establishment of viable, socially and economically integrated communities, situated in areas allowing for convenient access to economic opportunities as well as health, educational and social amenities, within which all South Africa's people will have access on a progressive basis, to:

- A permanent residential structure with secure tenure, ensuring privacy and providing adequate protection against the elements; and
- Portable water, adequate sanitary facilities including waste disposal and domestic electricity supply.

This break from the past was further strengthened through the promulgation of the "new" Housing Act, 1997 (Act 107 of 1997). According to the Department of Housing (1997:6) the Act abolished all apartheid housing legislation and replaced it with a single Act that reflects the priorities of the present government. The Act is described by the Department of Housing (1997:6) as a piece of legislation that:

".....aims to facilitate a sustainable housing development process in which national, provincial and local government, the business sector and the citizens and permanent residents of the Republic co-operate progressively to realise the right of access to decent housing as enshrined in Section 26 of the Constitution."

The Housing Act provides the broad parameters for housing in the country by *inter alia* setting out the roles of the three spheres of government in relation to housing (SHTT, 1999:21). National government is empowered by the Act to operate at a broad policy level whilst the role of provincial government is that of a facilitator of effective housing delivery. The role of local government is generally defined as the promoter of local

delivery either through undertaking delivery itself or through fulfilling a facilitative role.

The first and foremost priority of government in the housing arena is to deal with the problem of providing housing to the poorest of the poor. This is clearly reflected in the immediate short term political goal that was set within the White Paper (Republic of South Africa, 1994:22) to increase housing's share of the total State budget to 5 percent and to increase housing delivery on a sustainable basis to a peak of 350 000 units per annum within a five year period to try and achieve the target set by the Government of National Unity to deliver one million houses by the end 1999 to the previously disadvantaged people of South Africa. The State President, however, announced in February 1998 that government as a result of mainly budget constraints will not be able to reach the target of one million units in five years (Department of Housing, 1998:29).

Since then the budgetary allocations of the Department of Housing has been dictating the number of subsidies that can be awarded per year resulting in no additional numerical targets made public.

According to the White Paper (Republic of South Africa, 1994: 27), government's overall approach to the housing challenge is aimed at mobilising and harnessing the combined resources, efforts and initiative of communities, the private sector, the commercial sector and the State. The Department of Housing has initiated the following seven key strategies to meet housing challenge in South Africa:

- Stabilising/normalising the housing environment in order to ensure maximal benefit of State housing expenditure and mobilising private sector investment;
- Providing subsidy assistance to low-income households earning less than R 3 500 per month;
- Mobilising private savings and household credit for low-income households who did not have access to credit facilities;
- Facilitating the speedy release and servicing of land;

- Co-ordinating and integrating public sector investment;
- Facilitating the establishment or directly establishing a range of institutional, technical and logistical housing support mechanisms; and
- Rationalising institutional capacities and the legal framework in the housing sector (Republic of South Africa, 1994:27).

Each of these strategic policy thrusts were discussed in the next section in terms of the progress made up to date with the implementation thereof.

2.3 PROGRESS ON THE NATIONAL HOUSING PROGRAMME

2.3.1 Normalising the housing environment

It is stated in the White Paper (Republic of South Africa, 1994: 24) that the state has insufficient resources to meet the needs of the homeless on its own and recognises that sustained, substantial investment in housing from sources outside the national budget will be required. A stable public environment is, however, required for private investment and sustainable development to become a viable option. The White Paper (Republic of South Africa, 1994: 34-35) identifies the following concurrent, interdependent and mutually supportive strategies:

2.3.1.1 The Masakhane programme

The launch of a political campaign: the Masakhane programme aimed at the resumption of payment for goods and services received and the reinstatement of due process of law was launched in February 1995 by President Mandela (Department of Housing, 1995: 8). The Masakhane campaign has since then become a powerful rallying cry for communities striving to uplift themselves and their environment in partnership with government and private sector. According to Samson (1998: 2) the campaign has led

to *inter alia*:

- Improvement in the payment for services although inadequate services and/or increased disputes and/or prevalent crime has prevented service payments from reaching satisfactory levels;
- Tough action by provincial and local authorities are turning payment patterns; and
- New loans granted in difficult areas are performing.

2.3.1.2 The Mortgage Indemnity Fund (MIF) and Servcon Housing Solutions

The MIF and Servcon Housing Solutions were established as a result of the Record of Understanding between the Department of Housing and the Association of Mortgage Lenders to encourage mortgage lenders to resume lending at scale to lower income borrowers, signed on 20 October 1994 (Department of Housing, 1994:68-85).

The Mortgage Indemnity Fund was a government-owned company, which was formed in June 1995 to administer the Mortgage Indemnity Scheme. Mortgage lending operates on the basis that a loan is granted against the security of a fixed asset. Should the borrower then default, the lender is legally entitled to attach and dispose of the property (Samson, 1999:47). In some areas in South Africa these normal contractual rights to beneficially access and attach securities cannot be exercised due to a breakdown in the due process of the law (Republic of South Africa, 1994:29). Financial institutions have therefore avoided granting further loans in these areas due to the risk of tying up further capital, funds and resources in these properties where vacant possession and beneficial use cannot be obtained (Department of Housing, 1994:83). In terms of the Mortgage Indemnity Scheme, the Government indemnified financial institutions against political abnormal risks resulting in their inability to gain vacant possession of property due to breakdown in the normal process of the law following default on a mortgage (Department of Housing, 1997:51).

According to the Department of Housing (1997:51) the main goals of the MIF were to:

- Facilitate 50 000 loans annually in the government-subsidised market;
- Encourage private sector banks to resume lending in areas where lending was disrupted due to past circumstances;
- Indemnify accredited financial institutions against losses where they were unable to gain vacant possession of property after a borrower has defaulted; and
- Act as an interface between government, communities and the private sector housing institution, particularly in areas where normal lender/borrower relations have ceased.

Since its establishment, between June 1995 and March 1998, the MIF provided cover in 543 areas previously denied housing finance. The MIF accredited 17 financial institutions which in turn have granted 144 221 loans, amounting to R10 billion, in the MIF covered areas. Of these loans 80 355, valued at R 4, 27 billion were granted in the government subsidised market - households earning less than R 3 500 per month (Department of Housing, 1998:49).

As was originally foreseen the Fund's operations came to an end in May 1998 after a longer-term framework for continued relations between government, under-serviced communities and banks had been agreed upon. The affected properties i.e. those that have received indemnity, but were in default in January 1998, were transferred to Servcon Housing Solutions.

According to the Department of Housing (1997:57), Servcon was established in June 1995 to deal with the issue of non-payment of mortgages in the banking sector. This Joint Venture Company between Government and the banks addressed the need of institutional support for borrowers, whose household income do not exceed R 3 500, that have fallen in arrears or are unable to afford the properties occupied by them.

Servcon has entered into a service agreement with all the major banks to administer their properties in possession in terms of the agreement reached between the Association of Mortgage Lenders and government (Department of Housing, 1995: 9). Servcon offered a normalisation programme in terms of which affected occupants had the following options:

- "rental option - rental starts at less than half the bond instalments and increases over a 3-4 year period;
- repurchase/loan rescheduling option;
- rightsizing programme (assistance to relocate to affordable accommodation);
- assistance to the aged and disabled; and
- assessments of/ and adjustments for structural defects" (Department of Housing, 1998:48)."

According to the Department of Housing (1998:47), Servcon was relaunched in April 1998 following the signing by the Minister of Housing and the Banking Council of a revised Record of Understanding namely the Heads of Agreement on the termination of the Record of Understanding. This development led to new mandate for Servcon whereby the company has been given eight years to dispose of its portfolio of properties in possession and non-performing loans. Seeing that the cut-off date for the inclusion of properties into Servcon's portfolio has expired on 31 August 1997, its portfolio being administered at the end of December 1998 stood at 33 117 properties. According to the Department of Housing (1998:47), 7522 rental agreements had been signed, 2460 loans had been rescheduled and 2819 rightsizing leased had been negotiated in terms of these properties.

Up to 31 October 1999 18 704 clients have signed agreements with Servcon

(Department of Housing, 1999:24). The default rates on these agreements are, however, high seeing that only approximately 34% of Servcon's clients are paying. The Department of Housing is, however, of the opinion that the overwhelming reason for these poor results is that Servcon's clients are still facing economic hardship. Servcon has satisfactorily disposed of or removed from their portfolio 5 040 properties (Department of Housing, 1999:24). It is interesting to note that the cut-off date for the inclusion of properties into Servcon's portfolio is coming under pressure for an extension as a result of the number of new defaulters (Department of Housing, 1999:24).

2.3.1.3 Thubelisha Homes

One of the major problems facing Servcon is the lack of affordable housing alternatives to provide for defaulters (Department of Housing, 1997:58). Thubelisa Homes - a Section 21 company was established with a mandate to create, hold and dispose of housing stock in support of the rightsizing initiative. Thubelisa Homes has been set a target of 1000 rightsizing transactions for the period 1 April 1999 to 31 March 2000 (Department of Housing, 1998:49). Thubelisha homes currently has over 1300 clients in the process of either being workshopped, interviewed, or completing subsidy applications (Department of Housing, 1999:31).

2.3.1.4 National Home Builders Registration Council (NHBRC)

The NHBRC was created to offer the homebuilder and consumer a national system of comprehensive new home warranty protection (Department of Housing, 1999:25). This became a priority because defective workmanship and other product defects have compromised housing consumers/beneficiaries and thus contributed to payment stoppages, which in turn resulted in losses by financial institutions (Samson, 1999:66).

Since united support from all key stakeholders in the industry was not forthcoming the Housing Consumer Protection Measures Act, 1998 (Act 95 of 1998) was promulgated in November 1998 (Department of Housing, 1998:52). In terms of the Act, the NHBRC have become a statutory institution with the responsibility to provide protection for all new

housing consumers against defects (Department of Housing, 1999:26). The Act requires all homebuilders to register with the National Home Builders Registration Council and for every house with a value up to R250 000 to be enrolled under the NHBRC's defect and warranty scheme. The main objectives of the NHBRC are to:

- Grant protection to consumers against shoddy workmanship;
- Regulation of homebuilders;
- Raising of construction standards;
- Introduction of a basic level of consumer protection; and
- Introduce a national warranty fund able to intervene where builders fail to honour a standard warranty (Department of Housing, 1998:51).

Currently about 6 173 builders are registered with the NHBRC (Department of Housing, 1999:25). Since its establishment in 1995 a total of 88 851 homes have been enrolled under the Defects Warranty Scheme (Department of Housing, 1999:25). Since its establishment the activities of the NHBRC have according to the Department of Housing (1999:26) contributed substantially to stability in the home building industry by providing quality assurance that is leading to increasing investor confidence amongst individuals and mortgage lenders alike.

2.3.2 Subsidy assistance to low-income households

South Africa is faced with a major affordability problem where housing is concerned caused by *inter alia* high levels of unemployment, relatively low average wage levels and the levels of costs in the provision of housing (Republic of South Africa, 1994:43). The key strategy currently used by the Department of Housing to address the housing problem is a capital subsidy programme devised for providing individual, project-based and institutional subsidies. The subsidy policy was devised to be as flexible as possible

in order to accommodate a wide range of tenure and delivery options thereby facilitating maximum gearing with private investment, savings and sweat equity (Republic of South Africa, 1994).

The capital subsidy scheme adopted by the Department of Housing is focused on rendering financial assistance to the poorest of the poor and all legal South African residents with a monthly household income below R 3 500 are eligible for assistance (Republic of South Africa, 1994:43). The capital subsidy approach of the Department of Housing meets the criteria of transparency, ease of budgeting, fiscal discipline and the ability to provide the individual with the maximum freedom of choice and benefit. Government is adamant not to provide hidden subsidies over and above the basic capital subsidy made available to the end user (Republic of South Africa, 1994:44).

The White Paper on Housing introduced four subsidy levels in 1994 – see Table 2.1(Republic of South Africa, 1994:46).

Monthly household income (R)	Subsidy (R)
0-800	15 000
801-1 500	12 500
1 501-2 500	9 500
2 501-3 500	5000

TABLE 2.1: Capital subsidy levels in 1995

Towards the end of 1997 Cabinet approved the merging of the two lowest income categories. The change enables households earning R 1 500 or less per month to qualify for a subsidy of R 15 000 (Department of Housing, 1997: 11). An increase in the subsidy amounts was approved in 1998 to compensate for the eroding effect of inflation thereby enabling government to sustain the building of houses in accordance with the National

Norms and Standards determined by the Minister of Housing (Department of Housing, 1998:13).

Monthly household income (R)	Subsidy (R)
< 1 500	16 000
1 501- 2 500	10 000
2 501-3 500	5 500

TABLE 2.2: Reviewed capital subsidy levels in 1998

A consolidation subsidy, which allowed persons who had previously received housing assistance from the state in the form of serviced sites to erect or upgrade a top structure was also, introduced (Department of Housing, 1995:11). Persons earning R800 or less received R7 500 and those earning between R801 and R 1 500 qualified for R 1 500. These two subsidy levels were however consolidated at the end of 1997 into a single R 8 000 capital subsidy (Department of Housing, 1998:13). Variation of subsidy level at local/metropolitan or provincial level is not allowed although subsidy levels may be varied by up to 15 per cent to compensate for geotechnical, topographical or locational variations (Republic of South Africa, 1994:46).

According to the White Paper (Republic of South Africa, 1994:44) subsidies can either be non-credit linked or credit and savings linked implying a significant gearing of private resources. Subsidies can furthermore be accessed individually or be project based.

The housing subsidy scheme is continually reviewed and adopted to support new policy initiatives e.g. the envisioned promotion of social housing projects through strategies like the introduction of social housing subsidies that will render financial assistance to institutions created to supply affordable social housing to the lower end of the market.

The Housing Subsidy Scheme in its current form does not provide assistance towards the development of rental housing. Adapting the Housing Subsidy Scheme to lend

assistance to the development of rental housing requirements was declared as a priority by the Department of Housing for the coming year (Department of Housing, 1998:15).

Another priority is the adaptation of the Housing Subsidy Scheme to provide for the allocation of housing subsidies to subsidy beneficiaries wishing to obtain co-ownership of a single residential property.

The Department of Housing in their 1999 Annual Report furthermore outlined the following enhancements to the housing subsidy scheme.

- Rural subsidies: Informal Land Rights. According to the Department of Housing (1999:9) the housing subsidy scheme initially did not provide for the housing needs of people living in rural areas with informal land rights, as they could not obtain ownership of the properties they occupy. To address this issue the Minister of Housing, on 29 November 1999 approved the Guidelines for Rural Subsidies: Informal Land Rights. The granting of the subsidies is not based on ownership but on the fact that the beneficiary already enjoys a form of secure tenure.
- The variation of subsidy amounts to cater for the special needs of disabled persons. In this regard the Department of Housing, in conjunction with the South African Disability Institute developed guidelines for the variation of subsidy amounts to cater for the special housing needs of disabled persons eligible for housing subsidies (Department of Housing, 1999:10). The guidelines in question entail an increase in the subsidy amount depending on the severity of a beneficiary's disability. Hopefully this initiative will enable such disabled beneficiaries to install special equipment in their homes and to effect design adjustments to enable independent living.
- Re-assessment of access to housing subsidies by persons owning unsubsidised sites or housing but are otherwise eligible for subsidies. The existing criteria of the housing subsidy scheme only cater for persons who will acquire fixed residential property for the first time. This means that persons who acquired residential property without assistance but meet all other qualifying criteria are disqualified

form any subsidy assistance (Department of Housing, 1999:11). This policy stance is preventing some of these persons to construct a basic house or even an informal structure. In order to address this issue the Department of Housing is in the process of developing proposals to award access to housing subsidies to existing property owners who comply with all the other existing qualifying criteria of the housing subsidy scheme.

- Formulation of policy proposals regarding prospective housing subsidy beneficiaries who will obtain co-ownership of a single residential property. According to the Department of Housing (1999:11) the Department is in the process of investigating the possible enhancement of the housing subsidy scheme in order to accommodate this need that became apparent recently.

By the end of December 1999 1 112 558 project linked subsidies and 112 964 consolidation subsidies were concluded with a developer in a consolidation scheme to provide/upgrade top structures and 112 736 individual subsidies had been awarded (Department of Housing, 1999:8-9). Since the implementation of institutional subsidies on 1 December 1995, 24 670 institutional subsidies have been approved.

2.3.3 Supporting the housing process

One of the biggest challenges currently facing government is dealing with households in need of proper housing who cannot access credit or accumulate significant savings to acquire housing (Republic of South Africa, 1994:28). In order to assist individuals and communities in the housing process, government established (in conjunction with the private sector where possible) housing support mechanisms that include *inter alia*:

2.3.3.1 The People's Housing Partnership Trust (PHP Trust)

The PHP Trust can be described as a capacitating programme, which consists of five components:

- "advocacy, promotion and creation of a critical mass of support for the People's Housing Process;
- development of technical skills and associated developmental support at all levels through community workshops and training initiatives on e.g. brick-making and roofing;
- streamlining of operational procedures for the delivery of land, finance and infrastructure through e.g. involvement in the compilation of a National Housing Policy;
- facilitation and promotion of housing support centres/initiatives - the Trust already facilitated the establishment of 31 housing support centres in eight provinces; and
- assistance to local organisations (NGOs and CBOs)" (Department of Housing, 1998: 17-18)."

According to the (Farouk, 1999:7) the People's Housing Process is commonly exemplified by NGO-supported, community driven housing projects that aim to change the apartheid landscape and make positive contributions to socio-economic change. The Department of Housing is supporting the PHP through the People's Housing Partnership Trust. The Department of Housing in 1998 released a PHP policy framework. The said framework *inter alia* makes provision for a special PHP subsidy that can be allocated by the MECs responsible for housing. At the end of the last quarter of 1999 only approximately 10 000 houses have been built through the PHP (Farouk, 1999:7). This can according to Farouk (1999:7) be attributed to the fact that no criteria has been developed to give PHP projects priority in the allocation process and neither has any quota been established to ensure that subsidies are directed to the PHP.

2.3.3.2 Establishment of the Social Housing Foundation (SHF)

The promotion of social housing in South Africa is spearheaded by the Social Housing

Foundation established by the National Housing Finance Corporation in November 1997 (Department of Housing, 1997:54). An amendment to the Housing Act early in 1999 through the Housing Amendment Act, 1999 (Act 28 of 1999) officially recognised the SHF as a National Institution established by the Minister of Housing tasked with the facilitation, promotion and development of a social housing sector/movement in South Africa (SHTT, 1999:5 and Department of Housing, 1999:40). According to the Department of Housing (1999:28) the SHF had by the end of November 1999 established relations with a total of 52 emerging social housing institutions and provided each with ongoing capacity building, technical support and advice services. Agreements with social housing organisations in both the UK and the Netherlands were negotiated - and these organisations undertook to act as secondary technical advisors to social housing projects in South Africa. The SHF is largely active in the following areas:

- Capacity building and technical assistance;
- The development of training programmes based on the specific needs and requirements of individual social housing institutions (SHIs);
- Mapping and mobilising of donor funding; and
- Research and policy development.

Mandated by the Minister of Housing the SHF appointed a policy task team in August 1997, tasked with the development of a policy framework for social housing. The task team submitted their first report in March 1998. This report outlined how important social housing is to our low-income housing sector while at the same time identifying areas that still need to be addressed. These include *inter alia*:

- Regulatory and funding frameworks;
- The role of provincial and local governments in social housing delivery; and

- The required capacity building, training and other support mechanisms necessary to support/facilitate the social housing sector's growth.

In 1999 the Social Housing Task Team (SHTT) produced a comprehensive report on social housing for the Minister of Housing. The report made recommendations regarding the development of a policy and legislative framework appropriate to the sector (Department of Housing, 1999:29). Note that some of these recommendations were discussed in chapter 4 of this study.

A tool kit that can be used by existing and emerging housing institutions has been finalised and is available at a nominal fee. The vision of the SHF is to facilitate the establishment of 50 sustainable housing institutions in South Africa by the year 2002 (Department of Housing, 1998:56).

According to the SHTT (1999:18) provincial governments vary in the amount of attention they are giving to social housing. Gauteng for example adopted social housing as one of their key strategies in the continuing effort to address the province's housing problems. Gauteng's commitment is reflected in the following provincial initiatives:

- Johannesburg's White Paper on social housing which strives to encourage the development of social housing in the inner city. The White Paper earmarks the local authority as the facilitator of social housing.
- The preparation of social housing regulations for the province;
- The passing of the Residential Landlord and Tenant Act by the provincial legislature; and
- The Gauteng Housing Act, 1998 (Act 6 of 1998) that, in section 17 gives explicit recognition to housing co-operatives and associations. The Act also places a responsibility on the Provincial Housing Department to promote the establishment of such institutions in the province. The Department is also tasked with monitoring

the registration, function and development of housing co-operatives and associations.

Even at a local level the attention given to social housing is on the increase (SHTT, 1999:18). The local authorities of *inter alia* Durban, Pietermaritzburg, Pretoria, Johannesburg, Germiston, East London and Port Elizabeth all have to a greater or lesser degree examined the role of social housing within their respective jurisdictional areas.

In spite of the progress made at national, provincial and even local level the Department of Housing (1999:29) acknowledges that the policy and funding frameworks within which the social housing sector currently operates are still not fully developed. Some of the challenges that the sector according to the Department of Housing still has to overcome include:

- The development and operational costs continue to keep social housing from reaching the bottom end of the subsidy market;
- Capacity constraints – there is a need to build a corps of social housing professionals; and
- The intensive capacity requirements of establishing social housing institutions as well as long lead-times for these institutions to reach full sustainability delays project implementation.

2.3.3.3 Creation of the Housing and Urbanisation Information System (HUIS)

According to Samson (1998:4) a major obstacle in monitoring the progress of housing delivery is the lack of accurate housing and human settlement information. The (HUIS) system was designed to interface with and gather data from various government and private sector sources in an effort to address this gap/obstacle. According to the Department of Housing (1998:57) HUIS already facilitates the development of specific Human Settlement Indicators to identify trends that will be taken into consideration during

decision-making and policy formulation (Department of Housing, 1999:32). The Department of Housing is confident that this system not only improves the management and provision of shelter to the poor, but will also enable the Department to better integrate its planning with the activities of other departments and key stakeholders (Department of Housing, 1998:57).

2.3.3.4 National Presidential Lead Project: Job summit

A National Presidential Lead Project (NPLP) for housing was initiated as one of the outcomes of the Presidential Job Summit held in October 1998 (SHTT, 1999:23). The NPLP is designed to lead to mass housing delivery as well as a demonstration of best practises. The project will be run on a non-profit basis and seeks to minimise capital costs through entering into contracts for delivery at scale, using state land where possible and locating housing in areas where bulk infrastructure is under-utilised. According to the Barnard (Personnel Interview, 18 June 2001) NPLP seeks to deliver 50 000 housing units for low-income households across South Africa over the next three years. The first projects are expected to be completed towards the end of 2001 and the last within the 2002/2003 financial year. It is estimated that approximately 75 percent of the units will be for rental purposes, with the remaining 25 percent earmarked for private ownership. The ownership and management of the rental stock will reside with the public sector. It is thus expected that organisations like the Social Housing Foundation will be responsible for establishing institutions and ensuring the development of capacity and skills within the public sphere to manage these units (SHTT, 1999:23).

2.3.4 Mobilising savings and housing credit

According to the White Paper (Republic of South Africa, 1994:29), a significant number of households in need of housing in South Africa can afford to access housing credit, provided of course that it is indeed available. Such end-user finance is not readily accessible, especially for low-income households, which led to the identification of the unlocking of housing credit as a cornerstone of a sustainable housing delivery process. The Department of Housing initiated the following programmes to try and address this

problem area:

2.3.4.1 The establishment of the National Urban Reconstruction and Housing Agency (NURCHA)

The nature of the housing sector which is characterised by long lags between the moment a developer starts construction and the eventual sale of the individual units forces most developers into a situation where they need to borrow money to finance their activities (Samson, 1999:64). According to the Department of Housing (1998:49) NURCHA was established as a tax-exempt non-profit company in May 1995. The main objective of the agency is to help project developers and potential homeowners to overcome difficulties in accessing bank finance and to facilitate the flow of finance from lending institutions into the low-income housing sector. NURCHA does so by offering guarantees to finance institutions through which risks on loans made to projects and programmes are shared (Department of Housing, 1999:24). NURCHA also engages in:

- Project bridging finance. By the end of August 1998 NURCHA has approved 103 projects involving R42,4 million for bridging finance guarantees. These projects will result in the erection of 40 000 housing units valued at R558,5 million (Department of Housing, 1998:50). From January to November 1999, NURCHA signed guarantees valued at R 33 626 021 to support projects that once completed will deliver 22 153 houses (Department of Housing, 1999:25). The total number of houses built and transferred on NURCHA supported projects now totals 38 680 (Department of Housing, 1999:25).
- End user finance. According to the Department of Housing (1999:25) NURCHA has issued rental guarantees to housing associations, shared risks with alternative lenders who lend to borrowers excluded from main stream lending institutions and pioneered an approach which links lending to the willingness of the borrower to save. NURCHA has up to date approved 19 guarantees valued at R45 million so such projects (Department of Housing, 1999:25). If successful these guarantees will result in about 14 000 loans for housing, or rental units occupied (Department

of Housing, 1999:25).

Difficult economic conditions and high interest rates have resulted in the first claims against NURCHA's guarantees. During 1999 NURCHA paid out R 901 750 in claims to banks (Department of Housing, 1999:25).

2.3.4.2 Establishment of the National Housing Finance Corporation (NHFC)

The NHFC was established in April 1996, to fulfil the following tasks:

- "remove impediments and reduce the funding costs to small and medium lenders;
- limit and spread the risk associated with lending to low-income borrowers and providing funds for small retail lenders;
- reduce interest costs to low-income borrowers; and
- address the regulatory, policy and socio-political constraints on sustained expansion of retail housing credit " (Department of Housing, 1995:13).

The NHFC can be described as a wholesale financier: it is funded by National Government which enables it to provide retail loans to intermediaries servicing the low-income housing market (Barnard, Personnel Interview, 18 June 2001)

During the past two years of the Corporation's existence it has through various activities improved the housing conditions of \pm 60 000 families - approximately 300 000 men, women and children - in the low and moderate income categories (Department of Housing, 1998:55). From 31 March 1998 to 31 March 1999 the NHFC disbursed R 443 million. This translates into 136 452 end user loans granted and 35 881 new housing units delivered (Department of Housing, 1999:26). These figures brings the number of people who's quality of life have been affected by the activities of the NHFC to 775 900 (Department of Housing, 1999:26). It is furthermore important to take note of the

existence of the Housing Institution Development Fund (HIDF) - a legally separate division of the NHFC (SHTT, 1999:86). The aims of the HIDF include *inter alia* the promotion of sustainable institutional capacity in the housing sector. This is done through the provision of finance that can be used for institutional development and housing stock development.

The HIDF is a developmental financier to social housing institutions in that it acts as a catalyst for securing funding for the social housing sector across South Africa. This is done through the provision of various products at preferential interest rates and on favourable terms to existing social housing institutions. Through such assistance the HIDF strives to capacitate social housing institutions so that they can develop into viable institutions with governance and management arrangements acceptable to commercial financial institutions.

2.3.5 Promoting access to land with secure tenure

According to the White Paper (Republic of South Africa, 1994:43), security of tenure is a key cornerstone of government's approach towards providing housing to people in need. This said, it is important to realise that government rejects the elevation of individualised private home-ownership above other forms of secure tenure. As previously indicated the housing subsidy scheme was designed to provide for the fullest range of tenure options. According to Development Works (1998: 19-22) significant tenure laws enacted since 1994 include:

- The Constitution, 1996 (Act 108 of 1996);
- Development Facilitation Act, 1995 (Act 67 of 1995);
- Interim Protection of Informal Land Rights Act, 1996 (Act 31 of 1996);
- Prevention of Illegal Eviction From and Unlawful Occupation of Land Act, 1998;
- Extension of Security of Tenure Act, 1997 (Act 62 of 1997);
- Draft Land Rights Bill; and
- Rental Housing Act, 1999 (Act 50 of 1999).

2.3.5.1 Constitution, 1996 (Act 108 of 1996)

The Bill of Rights contained in (Chapter 2) the Constitution deals with both housing and property. Section 25(1) states that no law may permit the arbitrary deprivation of property and property may only be expropriated for a public purpose or in the public interest. Subsection 25(4) states that public interest in this instance includes land reform.

Subsection 25(5) determines that the state must take reasonable legislative and other measures within its available resources to foster conditions that enable citizens to obtain access to land on an equitable basis.

Subsection 25(6) establishes the right to legally secure tenure or comparable redress. Subsection 25(9) then goes further to instruct Parliament to enact legislation that will ensure that this is indeed possible.

Section 26 establishes in subsection (1) that everyone has the right to adequate housing and places a duty on the state in subsection (2) to take reasonable legislative and other measures to achieve the progressive realisation of this right. Subsection (3) of Section 26 clearly establishes that no one may be subject to arbitrary evictions without an order of court made after all the relevant circumstances were taken into account.

Government has subsequently gone ahead and promulgated or is the process of promulgating the following legislation in order to give effect to the Constitutional obligations described above.

2.3.5.2 Development Facilitation Act, 1995 (Act 67 of 1995) -DFA

Section 3 of the DFA, 1995 contains a set of normative principles for land development that is nationally applicable. These principles apply to the decisions/actions of the state and local government and must be taken into account when any decision regarding land development is made. One of these principles is the promotion of security of tenure - thereby entrenching this as a fundamental requirement into law (Development Works,

1998:20). This principle makes it impossible for competent authorities to approve of developments in which security of tenure is conditional or not secured. The provision of a wide variety of tenure alternatives is thus supported and promoted.

The DFA, 1995 also sets out a procedure for the investigation and authorisation of non-statutory land development processes in section 42. Section 63 of the DFA, 1995 provides for the conversion of informal tenure into ownership.

2.3.5.3 Interim Protection of Informal Land Rights Act, 1996 (Act 31 of 1996)

The main objective of this Act is to protect individuals holding informal rights to land, expressed through a de facto rights holding situation, until such time as comprehensive legislation is in place (Department of Land Affairs, 1998:106). According to Development Works (1998:20) the Act also protects individuals from eviction and recognises the informal rights holders as stakeholders in any development process that will affect the land in question. The Minister of Land Affairs extended the application of the Act on 8 December 2000 to 31 December 2001 after which it will lapse.

2.3.5.4 Prevention of Illegal Eviction from and Unlawful Occupation of Land Act, 1998

The Act establishes a clear set of procedures and principles through which the eviction of unlawful occupiers can be regulated in a fair manner, whilst recognising the right of landowners to apply to court for an eviction order (Development Works, 1998:21). The Act strongly disapproves of persons soliciting and receiving payment for arranging illegal occupations, thereby paving the way for the prosecution of shack lords. An unlawful occupier is defined in the Act as: “someone who occupies land without the express or tacit consent of the owner, excluding a person whose informal right to land is protected by the Extension Security of Tenure Act, or in terms of the Interim protection of Informal L and Rights Act, 1996 (Act 31 of 1996)”.

2.3.5.5 Extension of Security of Tenure Act, 1997 (Act 62 of 1997) - ESTA

According to the Department of Land Affairs (1997:2) the Act has been promulgated to achieve the following four objectives:

- It gives occupiers who lived on someone else's land on or after 4 February 1997 with the permission of the owner, a secure legal right to live on and use that land;
- Occupiers are provided with ways in which they can strengthen these rights with financial help from the state in order to achieve long-term security of tenure or even ownership;
- It protects occupiers against unfair or arbitrary evictions - although legal evictions are provided for in certain circumstances; and
- Protects the owners or people in charge of land by stating that occupiers have certain duties along with their rights.

2.3.5.6 Draft Land Rights Bill

The draft Land Rights Bill is required by section 25(6) and (9) of the Constitution as previously indicated. According to the Department of Land Affairs (1998:106), the Bill provides for far-reaching land tenure reform in the rural areas of the ex-homelands and former South African Development Trust (SADT) land and is therefore primarily targeted towards the protection of land rights on state-owned land. The Bill provides *inter alia* for the following:

- Repeal of the many and complex apartheid laws relating to land administration;
- Recognition of customary tenure systems;
- The transfer of property rights from the state to the de facto owners of the land as

well as the devolution of land rights to the rights' holders themselves;

- Additional land and dispute resolution processes thereby addressing the apartheid legacy of overlapping rights and overcrowding, contributing to increasing and-related conflict;
- Clarification of who may make legally binding decisions regarding the development of land and to whom the resulting benefits must flow; and
- New government functions and structures to support the implementation thereof (Department of Land Affairs, 1998:106).

Note that the Draft Land Rights Bill has subsequently been withdrawn by the Department of Land Affairs and is in the process of being reworked/reconsidered.

2.3.5.7 Rental Housing Act, 1999 (Act 50 of 1999)

A fundamental problem with the current housing subsidy approach is that it in practice tends to promote ownership, to the exclusion of other possible forms of tenure and accommodation (Development Works, 1998:18). South Africa has furthermore experienced a decline in investment in rental stock over the last number of decades coupled with substantial disinvestment. Trends that include high rentals, disputes between tenants and landlords, lack of proper maintenance to buildings all indicate that the rental market is not functioning optimally (Republic of South Africa, 1998:21). These trends notwithstanding, a strong latent demand still exist in the rental housing market, specifically for the income group earning from R1 500 to R3 500 per month. This can be ascribed to the fact that ownership tends to limit economic mobility and ownership in traditional areas is often the preferred option, coupled with the limited availability of affordable home loans. The secondary housing market for the historically disadvantaged given its short life span is still under- developed (Republic of South Africa, 1998:21).

Possible investors in the rental market are concerned about *inter alia*: inadequate returns

on investments within the context of increasing interest rates, and taxes, municipal service charges and maintenance costs. Investors are furthermore afraid that rent control will be extended as the Rent Control Act of 1976 may be extended to any rental property at any time by presidential decree, without Parliamentary approval (Development Works, 1998:22-23).

The Rental Housing Act was thus promulgated to:

- Withdraw/repeal the Rent Control Act, 1976 (Act 80 of 1976);
- Define the responsibility of government in respect of rental housing property;
- Provide for the introduction of a rental housing subsidy programme to stimulate the supply of rental housing for low income persons;
- Provide for the establishment of Rental Housing Tribunals which are responsible for the hearing of complaints regarding unfair practices;
- Prescribe the general requirements relating to leases;
- Lay down general principles governing conflict resolution in the rental housing sector; and
- Provide for the facilitation of sound relations between tenants and landlords.

2.3.6 Co-ordinating public sector's actions, strategies and investment

According to the White Paper (Republic of South Africa, 1994:33), housing delivery requires the integration and co-ordination of the actions of all role players - public sector and non-state (private sector). Only the combined, co-ordinated efforts of the full range of role players in the provision of infrastructure, social, education, health and other services as well as taking cognisance of environmental concerns can hope to succeed

in addressing the housing crises in the country. As already stated the Department of Housing established the Housing and Urbanisation Information System (HUIS) to enable the Department to better integrate its planning with the activities of other departments and key stakeholders.

The Department of Housing furthermore released the Urban Development Framework in 1997 to provide a consistent urban development policy approach that can be utilised to initiate effective urban reconstruction and development and furthermore to guide development policies, strategies and the actions of all stakeholders in the urban development process (Department of Housing, 1997:1). The Urban Development Framework furthermore served as the main policy guideline for the implementation of the Habitat Agenda in South Africa. According to the Department of Housing (2000:13) the Urban Development Framework is in the process of being reviewed to ensure that its policies and proposed programmes continue to promote sustainable development in human settlements.

2.3.7 Rationalising the institutional and legal framework

Government and more specifically the Department of Housing inherited a myriad of housing laws grounded in apartheid ideology. This situation contributed towards a lack of an overall housing strategy and a fragmented, poorly focused and inequitable allocation of housing funds (Department of Housing, 1997:6). The Housing Act, 1997 (Act 107 of 1997) that came into effect on the 19th of December 1997 changed all this by:

- Abolishing all apartheid housing legislation and replacing it with a single housing act reflecting the policy and priorities of the current government;
- Prescribing fundamental principles binding to all three spheres of government in respect of housing development;
- Describing the respective roles of national government, the nine provincial

governments and organised local government in respect of housing development;

- Phasing out the housing subsidies of the previous dispensation and replacing it with one national subsidy standard;
- Creating one coherent national policy in respect of bridging finance and end-user finance; and
- Establishing one national and provincial statutory Board system (Department of Housing, 1997:6).

As was already stated in Section 2.3.3.2 the Housing Second Amendment Act, 1999 (Act 28 of 1999) was *inter alia* promulgated to:

- Recognise the Social Housing Foundation as a national institution;
- Regulate the transfer of property to provincial housing development boards; and
- Authorise MEC's to approve the sale of certain properties.

According to Samson (1998:6) substantial progress has been made with the implementation of the national legal, financial, and institutional framework for housing.

2.4 ONE MILLION HOUSING TARGET

The State President announced in February 1998 that government as a result of mainly budget constraints will not be able to reach the target of one million units in five years (Department of Housing, 1998:29). The current backlog is furthermore estimated at \pm 4 million units, 2 million of which are situated in urban areas (Fourie in Samson, 1999:58). Currently only 10 000 housing opportunities are being delivered monthly - meaning that it will take about 30 years to address the backlog, not taking into account new family formation (Business Day, 7 May 1998).

2.5 CONCLUSION

The last five years has seen housing policy moving from a pre-1994 situation characterised by the absence of a holistic strategy guiding housing and urbanisation towards a post-1994 one where a coherent national policy is gradually coming into existence.

The Department of Housing is pursuing a multifaceted approach aimed at mobilising and harnessing the combined resources, efforts and initiative of communities, the private sector, commercial sector, and the state.

The Department of Housing has initiated the following seven key strategies to meet the housing challenge in South Africa:

- Stabilising/normalising the housing environment in order to ensure maximal benefit of State housing expenditure and mobilising private sector investment. This was achieved through *inter alia* the launching of the Masakhane programme and the establishment of the MIF, Servcon Housing Solutions, Thubelisha Homes and the NHBRC.
- Providing subsidy assistance to low-income households earning less than R3 500 per month. The housing subsidy scheme is furthermore continually revised to make it more relevant and comprehensive in nature.
- Mobilising private savings and household credit for low-income households who did not have access to credit facilities through the establishment of institutions like NURCHA and the NHFC.
- Facilitate the speedy release and servicing of land. The promulgation of the DFA, 1995 (Act 67 of 1995) was but one of the legislative changes introduced to address this problem area.

- Co-ordinating and integrating public sector investment through the creation of HUIS and the release of the Urban Development Framework.
- Facilitating the establishment or directly establishing a range of institutional, technical and logistical housing support mechanisms. The Department of Housing addressed this goal through the support of the Peoples Housing Partnership Trust, the establishment of the Social Housing Foundation and the launching of the Presidential Lead Projects.
- Rationalising institutional capacities and the legal framework in the housing sector. This was achieved through the promulgation of the Housing Act, 1997 (Act 107 of 1997) which, *inter alia* abolished all apartheid housing legislation and replaced it with a single housing act that reflects the policies and priorities of the present government.

Other mechanisms e.g. supporting the development of a social housing movement and the promotion of rental housing stock are being considered and explored to help facilitate the mobilisation of public and private sector finance to allow for systematic and targeted growth in the rate of housing production of all kinds. There is a realisation that current national housing policy tends to promote freehold ownership although there is evidence that ownership of a serviced stand and a top structure does not address the needs of all individuals living in insecure tenure conditions. The implications of persistent patterns like the lack of stable employment opportunities tends to create resistance to ownership that limits economic mobility are, however, not adequately reflected in current housing policy. Strategies for the promotion of social housing and the provision of rental housing especially in the low-income segment of the market are still incomplete and needs further development.

CHAPTER 3: DESCRIPTION OF SOCIAL HOUSING, THE EVOLUTION AND CLASSIFICATION OF SOCIAL HOUSING INSTITUTIONS

3.1 INTRODUCTION

Social housing as part of the voluntary housing movement/non-profit sector can be described as the third arm of housing provision, the first being the owner-occupier market/private market and the second, local authority housing efforts to make rental homes available for those unable to enter the owner-occupied market (Coulter in Cope, 1990:xi and Alder and Handy, 1987:3).

Chapter three starts out with a section providing a description of the term social housing. This chapter furthermore addressed the evolution of social housing from before 1914 until the end of 1999 followed by a section devoted to defining the terms housing association and housing co-operation. In that section the relation between the term social housing institution (SHI), housing associations and housing co-operatives was also clarified. The chapter was concluded with a section dealing with the classification of social housing institutions (SHIs) according to *inter alia* legal status, size and motivation.

3.2 DESCRIPTION OF THE TERM SOCIAL HOUSING

Social housing is described by Emms (1990:1) as housing the construction of which, and the subsequent rents, are subsidised from public funds. Social housing from its conception was limited to that of a supplementary form of housing provision rather than a perceived alternative to the private market (Harloe, 1995:69). Throughout its history it was a selected and limited response that has been socially constructed and reconstructed several times - this evolution was addressed further on in this chapter.

To describe social housing as part of the voluntary housing movement means that the nature of social housing provision is not undertaken through statutory duty but is the

result of volunteers who combine to form housing associations or housing co-operatives (a special form of housing association), to meet their perceived housing needs through their own energy and commitment (Cope, 1990:1). Social housing is thus a strategy whereby communities rather than individuals make sure that they can cover the cost of their housing option be that flats, houses, townhouses, new or existing housing stock (Urban Sector Network - USN, 1999: 3). The provision of housing stock is achieved by leveraging private finance at preferential rates to top up limited public funds (Cash, 1998).

Social housing seen as part of the non-profit housing sector means that its primary purpose is to provide the essential service of housing at cost to the consumer/beneficiary (United Nations - UN, 1975:7). However, non-profit housing does not entail uneconomic management, but rather renunciation of profit. Non-profit therefore implies a cost-covering principle in which cost can according to Lewin (1981: 17) include direct building expenditures, charges for management and administration, maintenance, security, reserves, taxes and insurance.

The USN (1999:2) describes social housing as a cheaper or more economical kind of housing for people of limited financial means. It can be regarded as more economical for the beneficiaries because government pays/subsidises some of the costs and no one earns profit from high rents being charged.

3.3 EVOLUTION OF SOCIAL HOUSING IN INDUSTRIALISED COUNTRIES

3.3.1 Models of social housing provision

According to Harloe (1995: 6) the history of social housing is dominated by the application of three models of social housing provision namely: residual, mass and working co-operative models. These models were used as a tool to divide the history of social housing provision into several distinctive stages when one or another of these models was dominant. It is, however, important to note that there are

differences between the industrialised countries with regards to the history of social housing and these differences can according to Harloe (1995:25) be attributed to:

- The extent to which social housing provision was perceived by the dominant political and economical groupings as well as the state as an important element in the resolution of the housing crisis;
- The state of the private housing market in the respective countries and its inherent ability to provide accommodation for key sectors of the population with or without state assistance or support;
- Strength of political support for social housing;
- Institutional and legal variations; and
- Ideological differences - deriving from conceptions about what the relationship between the individual/family, the state and the market should be.

3.3.1.1 The residual model

According to Harloe (1995:523) the residual model involves small-scale building programs, which focuses almost exclusively on the poor. It emerges once it is realised that the ability of the private rental sector to supply sufficient affordable accommodation for the urban poor is limited. According to Cope (1990:15) such a situation can be caused by *inter alia*:

- High management costs of this form of investment;
- The yield on housing to rent in low income groups is low even with rents set at market level; and

- The stock that is provided is not likely to be provided at a price, which those with low incomes can afford.

This minimised form of provision is usually characterised by top-down proposals from the state and resides firmly within the arena of bureaucratically organised, regulated, top-down control, management and policy-making. It provides a safety net for those whom for reasons of poverty, age or infirmity cannot obtain suitable accommodation in the private sector (Clapham *et al*, 1990:67). Both Clapham *et al* (1990:68) and Harloe (1995: 523) warn that housing provided through this model can easily be seen as a stigmatised form of provision which accommodates politically, socially and economically marginalized groups only. The residual model provision is the dominant model in "normal times" in many of advanced capitalist societies.

3.3.1.2 Mass model

According to Harloe (1995: 7), the mass model cuts across private market provision more significantly than the residual model and gains major significance and state support only in abnormal times, that is, when varying combinations of social, economic and political circumstances limit the scope for private provision. Social housing provision in accordance with this model occurs under historic specific circumstances, which involves periods of generalised social crisis. As soon as these broader social, economical or political circumstances pass the residual model emerges again (Harloe, 1995:72). Little or no stigma is attached to the occupancy of accommodation provided through this model seeing that this model is targeted on general needs, that of a broad range of lower and middle income groups - and not just or even mainly the poor. Housing stock provided through this model is frequently managed in less of a controlled or paternalistic way.

3.3.1.3 Worker co-operative model

Housing stock provided through the workers co-operative model is the result of bottom-up grassroots efforts of working and middle class organisations, whose members suffered from economic insecurity and political marginalization (Harloe, 1995: 72). These organisations founded a wide range of self-help or mutual aid organisations to build housing stock. This model was, however, repressed or absorbed within the structures and practices of state regulated and financed mass social housing - and was thus not used by *inter alia* Harloe (1995) to describe the history of social housing provision from pre -1914 until the contemporary era.

3.3.2 Historical overview

In this section the history of social housing from the pre-1914 period until the contemporary era was discussed.

3.3.2.1 The period before 1914

The history of social housing is closely related to the industrial revolution as well as the process of rapid urbanisation at the middle of the 19th century (Lewin, 1981:17 and Emms, 1990:1). The resulting housing need led to factory owners and other entrepreneurs erecting thousands of small, tightly packed, badly lit, and unsanitary houses, these were then let at the highest rent which could be obtained (Baker, 1976:2). According to Mumford (1946:164), workers were also accommodated through the practice of turning old one-family houses into rental barracks, each room accommodating a whole family. The continued in-migration of people from the countryside to the towns, often in search of work led to intense overcrowding, disease and squalor (Cope, 1990: 9).

The public was slowly made aware of these conditions through investigations such as the Booth Survey in London, the results of which was made public before the Royal

Statistical Society in May 1887 (Hall, 1996:28). The general public was informed that bad housing and sanitation not only led to high death rates amongst the working class population, but also to an increased vulnerability of the general population to diseases such as typhus and cholera (Baker, 1976:2). Mumford (1946:176) as well as Emms (1990:2) also refer to the fact that it was sheer self-protection or enlightened self interest that demanded that upper classes should concern themselves with the housing of the poor. Reformers and philanthropists reacted to these intolerable housing conditions by forming new societies and trusts which operated on the concept of 5% philanthropy – entailing that public spirited people lent money to the societies and trusts on the basis of limited financial return, 5% or less (Cope, 1990:8-10, Harloe, 1995:17). Mumford (1946: 165), however notes that these humanitarian efforts' main or real objective was the defence and protection of property and class privilege from the threat of revolution which the emergence of a mass, urban-based proletariat seemed to present.

The strategies employed to effect practical housing reform were according to (Harloe, 1995:58; Mumford, 1946:145-183; Hill, 1990:14-46 and Lowe and Hughes, 1991:1):

- Increased regulation;
- Erection of model dwellings; and
- Private initiative, working strictly within the lines of capitalism.

In the period prior to 1914 there was strong objection to any use of subsidies to reduce the price of working class housing below that of a cost-covering level. These objections were ideologically based on the idea that subsidisation would foster working class dependency and in economical terms would result in unfair competition with private enterprise (Harloe, 1995:29). Thus the first strategy employed was that of physical regulation of the private developer. In Britain these included *inter alia* the Public Health Act of 1848 and the Housing of the Working Class Act promulgated in

1885 and revised in 1890 (Hall, 1996:23). According to Lowe and Hughes (1991:1) the 1890 amendment of the Working Classes Act was the first time a distinctive housing focus was given to the alleviation of urban squalor. Land use zoning instituted in New York in 1916 represents an additional manifestation of these regulatory efforts (Pye, 1991:285). It was advocated that zoning would improve housing affordability by controlling land values. The business and middle class, however, started to use zoning as a mechanism to preserve high land values and protecting their areas from the possible incursion of undesirable uses – including housing for the poor.

The second strategy – that of erecting model dwellings started in London in 1840 and in America in 1870 (Harloe, 1995:35). The model housing companies obtained small amounts of public capital and land at reduced costs, the support was motivated on the grounds of the so-called need for slum clearance. This accommodation upon completion was made available at market related rents and represented a slight improvement on similar accommodation provided by a private landlord. All the improvements embodied in these model dwellings, sanitary services and water added to the cost of the structure (Mumford, 1946:177). The objections against the above-mentioned subsidies included *inter alia* :

- The claim that subsidies would only privilege a few unfairly;
- Subsidies will breed dependence and inhibit thrift and self-reliance;
- Subsidies often create a system open to political and other abuse; and
- Subsidies would encourage bureaucratic and inefficient state provision.

These objections led to the model quarters being occupied by classes economically above the level of those for whom the dwellings were originally intended (Mumford,

1946:179). Model tenements were also forced to lower their earlier standards of good housing on account of the limited state assistance received.

Private initiatives of the period usually entailed acquiring a slum house full of tenants, which was then upgraded and re-let, often to the same tenants, in accordance with new lease agreements. These lease agreements, according to Baker (1976:9), spelled out the obligations of the landlord regarding repairs and maintenance but also required the tenant to care for the property and to pay the market related rent regularly when due. Octavia Hill, the daughter of a merchant banker did ground breaking work in this regard. These projects were carried out strictly within the confines of capitalism. The projects furthermore represented an attempt to illustrate that proper upkeep and supervision can turn around the condition of neglected to the mutual advantage of owners and tenants (Mumford, 1946:177).

From the above it is clear that the early history of social housing was that of a supplementary form of provision rather than an alternative to the private market. State subsidised social housing was not seen, except by a few socialists, as a solution to mass housing but constituted just one of several answers to the housing question, since it was still believed that the private market could meet the working class housing needs. The housing stock that was erected for the poor was occupied by the better-off working and lower middle classes, the so-called deserving poor, such as skilled manual workers and clerks. This took place as a result of the general reluctance to subsidise these efforts to an extent that would make them affordable to the poor for whom they were intended (Emms, 1991:2). One can therefore conclude that the ideological sentiments of the day suppressed both the residual and mass models from fully emerging.

3.3.2.2 1919 to 1930

According to Harloe (1995:81) World War One led to the virtual cessation of housing investment in Europe, the collapse of housing finance, rapidly inflating rent levels and

an increased demand for housing, swollen by the in-migration of war-workers. The War thus worsened the crisis of working class housing and contributed to the radicalisation of large sections of the working class (Hall, 1996:71). The state responded by hastily imposing rent controls, which negatively influenced the private rental market (Emms, 1991:3). The combination of private market collapse and social unrest was a powerful motivator which led European countries in general and Britain in particular to embark on mass subsidised housing programs during the immediate post-war years (Harloe, 1995:82 and Emms 1990:3-5). In Britain the Housing and Town Planning Act of 1919 guaranteed a state subsidy, taking into account the tenants' ability to pay (Hall, 1996:71). The target population of these subsidised schemes was the respectable working class and lower middle class. This led to an expansion of the activities undertaken by housing associations, housing co-operatives (SHIs) and local authorities. It is, however, important to note that these measures of rent control and subsidisation, which led to the first mass programs of social housing in European countries, were designed to be temporary, crisis abating measures (Harloe, 1995:138). Private renting, however, remained a major provider of accommodation for the poor in France, Germany and the Netherlands (Emms, 1990:3).

By 1921 the era of reconstruction was over (Hall, 1996:74). This led to the re-emergence of the residual model, as a provider of accommodation to the poor only, rather than the mass role of social housing which has a broader and more general focus (Lowe and Hughes, 1991:6). According to Harloe (1995:145) the social housing projects subsequently focused almost exclusively on accommodating the urban poor and were built at higher densities, to lower standards and located not in low-density suburban estates but in high density inner areas close to places of employment. This movement represents the first clear evidence of moulding social housing into its contemporary role as a residual provider of housing for marginalized sections of the urban poor.

In the United States, the continued opposition to large-scale state subsidised social housing meant that the United States skipped the emergence of the mass model of provision immediately after World War One (Harloe, 1995:132).

3.2.2.3 1930s – The Depression years

According to Mumford (1946:297) the start of the depression in 1930 is often linked to the collapse of the New York Stock Market in the autumn of 1929 which caused a global collapse in production and prices as well as high unemployment rates in the early 1930s. Governments worldwide embarked on large-scale public works programs to reduce unemployment and stimulate demand (Hall, 1996:65). In the political arena this represented an abandonment of the belief that the state should refrain from continual intervention in the functioning of the economy. This in turn led to the expansion of the states' role in the regulation of capital-labour relations as well as the provision of a modicum of social welfare.

In spite of the fact that this period before the Second World War was characterised by social and political upheaval the residual model of housing provision persisted (Harloe, 1995:203 and Lowe and Hughes, 1991:6). Although the subsidised projects undertaken did facilitate the creation of employment opportunities, the scope thereof was still confined to housing the urban poor. The residual programs of the 1930s were to a large extent linked to slum clearance and therefore represented a further limitation with regards to the coverage of the projects which now focussed on the inner city slum (Harloe, 1995:205). Private sector construction made little or no contribution to reducing the acute shortages of affordable housing for households in the bottom half, leading to reluctant maintenance or the re-imposition of rent control on low cost housing. This development represented a realisation that the private housing market will never again perform the role of providing mass housing for the working classes. According to Harloe (1995:207) social housing increasingly, like other aspects of welfare provision, entered the arena of bureaucratically organised and regulated control.

3.3.2.3 1945-1975 - Reconstruction and growth era

After the Second World War the need to return to a mass program of social housing construction was according to Harloe (1995:352) and Emms (1990:4), accepted by all governments in Europe. This response can be described not only as a temporary reaction to a period of acute social unrest but a result of *inter alia*:

- The war which added to acute housing shortages which in turn became a major social and political issue;
- Rapid household formulation at the close of the hostilities;
- Investment in social housing also contributed to economic modernisation; and
- Social housing investment was seen as one of the tools of economic management that helped governments with their new commitment towards full employment.

The period 1945 to the late 1960s, early 1970s represented the longest period of growth and prosperity since the industrial revolution (Harloe, 1995:210). From the 1960s onwards considerable improvements in space and other standards characterised the construction of new housing stock. This was made possible firstly by increased revenues which governments had available for social spending (advanced capitalist economies only encountered their first post-war depressions in the late 1960s, early 1970s), and secondly by the rising incomes of broad sections of the population (Hall, 1996:48). It should, however, be noted that even in this so-called golden age of social housing, when it generally did not adhere to the narrow focus of the residual model, the United States still did not adopt the mass model of social housing provision and private investment remained dominant in that country throughout this period.

By the late 1960s increasing economical difficulties characterised by reductions in gross national products, accompanied by stagflation as well as the elimination of crude housing shortages eroded the economic and social conditions which provided such a strong argument for the state support necessary to embark on the mass model of social housing provision (Harloe, 1995:211-212). Growing criticism was also levelled against the qualitative aspects of social housing e.g. the location of the projects, structural defects were becoming apparent and tenants complained about insensitive management practices. Private home ownership also expanded rapidly with the availability of cheap long-term mortgages (Hall, 1996:49 and Squires in Feinstein and Campbell, 1996:275). Stagflation and the onset of austerity policies resulted in deep cuts in public expenditure which resulted ultimately in a movement from a situation where social housing accommodated a wide range of middle-income households through the mass model of provision to one where social housing provision once again narrowed its focus to the residual model that focuses on the needs of the urban poor (Lowe and Hughes, 1991:9). Harloe (1995:356) and Emms (1990:6-7), state that the social housing movement revealed the following characteristics in the period 1945 to 1975:

- Growth of large scale professionalism within the movement as well as bureaucratic housing management;
- Little survived of the early social housing reform movement which had been based on worker self-organisation;
- Few projects retained any of the broader social objectives of the earlier housing initiatives undertaken by workers;
- Tenants had little influence over the management of social housing stock; and

- Transition from managing capital investments to managing the assets which had resulted from the investment. The transition entailed greater expenditure of money and effort on the management and maintenance of existing housing stock, which was beginning to feel the effects of age.

3.3.2.4 Social housing in the present era (1975-)

According to *inter alia* (Hall, 1996:363-392; Squires in Feinstein and Campbell, 1996:284 and Lowe and Hughes, 1991:9-11), this period in history is characterised by:

- High and still rising levels of unemployment accompanied by a long term decline in demand for lower skilled, poorly educated labour;
- Reduction in subsidies to a small fraction of the previous levels of expenditure;
- Breakdown in law and order with a subsequent spread of violence and lawlessness, manifesting itself through the rise in racial and other forms of social conflict;
- Change in emphasis from general subsidies on brick and mortar towards social security and housing benefit payments that are more closely attuned to the needs of individuals;
- Steady growth of the urban poor also referred to as the permanent underclass;
- Decline in the flow of public resources curtailing welfare spending - leading to a situation where national housing systems/programmes have increasingly become centred on home ownership through drives to privatise public housing stock;
- Adoption of new-liberal policies;

- Continued decline in the provision of low-income private rental housing;
- Decentralisation of the responsibilities for regulating and supporting low-income rental housing from central government to local authorities; and
- Changing family patterns – divorce and separation, growing numbers of single people and of childless couples began to cause mismatches between demand for accommodation and the size and nature of the dwellings available.

According to Harloe (1995:498) the above-mentioned conditions led to attempts by governments to reduce their political and financial responsibility to the social housing sector. This resulted in policies of privatisation being actively pursued in both the United States and Europe - privatisation on the largest scale occurred in Britain and the former West Germany. Privatisation was not so successful in the United States firstly, because the subsidisation of low-income tenants, on a scale making it politically and socially feasible to purchase their accommodation, would have resulted in more rather than less federal spending. Secondly, the social housing stock in most instances belonged to legally independent public housing agencies which were not subject to federal law (Harloe, 1995:502).

According to Harloe (1995:503) two distinct types of SHIs have emerged since the 1980s:

- Co-operative housing – that served the better-off sections of the working and middle class. According to Lowe and Hughes (1991:2), co-operative housing is characterised by more market sensitive, consumer orientated and smaller scale projects. These small-scale projects are usually initiated by groups of young and highly educated activists whose roots can be traced back to environmental and civil rights issues or inner city struggles against urban renewal. The projects are usually self-managed, thereby combining a degree of collectivism

with self-reliance and autonomy. These self-organised groups are, however, selective in that they do not aim to house the very poor and thus practices careful tenant selection, eliminating persons with for example a history of rent arrears. These small-scale projects are, however, also dependent on state support.

- Residual stock – refers to social housing under the control of local authorities, which is continuing to house high proportions of low-income groups. According to Lowe and Hughes (1991:1) it is important to note that local authorities after decades as major social housing developers, are now regarded as “enablers” and managers of the remaining council housing stock. This sub-sector retained high levels of dependency on state support. The continued decline in the provision of low-income, private rental housing means that governments cannot really disengage themselves from supporting this sector. Since there is no longer large scale support for new social housing construction the government or state support that this sector receives is mainly aimed at sustaining affordable rents for increasingly impoverished tenants. Because most members of the lower middle classes either bought private property or moved on to the co-operative sub-sector, discussed above, the residual stock now accommodates the poorest and most socially deprived people. Residual stock furthermore suffers from a lack of internally generated sources of income that can be used for maintenance and improvements, ultimately leading to the deterioration of the housing stock (Emms, 1990:8).

3.4 SOCIAL HOUSING IN DEVELOPING COUNTRIES

Social housing in the form of housing co-operatives and housing associations (SHIs) is not a new development in developing countries, although it gained momentum only after the Second World War (Lewin, 1981:18). In Africa, with the exception of North-Africa, housing co-operatives and housing associations are of a more recent origin and date back to the early 1970s (UN, 1975:7 and Arrigone, 1994:5). A constant

feature of the African non-profit housing agencies has been the regular subsidies granted by governments. Self-help and mutual aid methods of construction are important characteristics or features of the non-profit housing sector in Africa.

According to Lewin (1981:19) and Arrigone (1994:5) the most advanced and best-organised housing co-operatives in developing countries can be found in South America. The history of the movement in that part of the world can be traced back to the early 1960s (UN, 1975:37). A trait common to all South American countries is the predominance of government investment in housing. The Catholic Church and other religious entities have, through their foundations, supported the establishment of non-profit housing associations and co-operatives (SHIs).

In developing countries the urgency of the housing problem as well as the political pressure that accompanies it usually induces government to give preference to direct investments to the poor or underprivileged (UN, 1975:38).

According to Lewin (1981:19) a common feature of the co-operative movement in developing countries with only a few exceptions is the relatively high-income levels of the members. From this it can be deduced that social housing in developing countries in the contemporary period is also characterised by a division between the co-operative movement that serves the interests of the working and middle classes that have some capacity to make a contribution towards the housing project, and the residual stock heavily subsidised by government and aimed at addressing the needs of the lower income groups (UN, 1975:33).

Co-operatives, serving the housing needs of the working and middle classes mobilise their members' resources to the extent of 10 to 30 percent of the estimated cost of the land and the house to be allocated to the particular member (UN, 1975:9). The rest of the money is obtained from grants, loans and subsidies from government and/ or loans from banks and building societies, repayable over a 20-year period by the members themselves. Government grants and subsidies are frequently used to obtain

the land and to provide it with services. The serviced land is then used as collateral to obtain the loans from the banks and building societies.

State support of the lower income group in developing countries usually entails a capital subsidy and an interest subsidy in order to reduce the cost burden to a sum within the repaying /rent paying capacity of the members, who can contribute very little to improve their housing options. Aided self-help methods are gaining support in the lower income category because members can then contribute a part of the capital cost by way of their labour.

3.5 CLASSIFICATION OF SHIs

3.5.1 Defining the term housing association

As already explained in section 3.2 of this chapter, social housing provision and/or implementation takes place through volunteers who combine to form housing associations also known as SHIs, to meet their perceived housing needs (Blewitt and Garratt, 1993:v). It is therefore necessary to explore the meaning of these implementing institutions as well as the different manifestations thereof.

According to Cope (1990:2) housing associations are characterised by their diversity – they differ in aims, philosophies, functions, size and organisational structures and therefore incorporates the co-operative housing movement. Housing associations undertake a variety of functions, which according to the USN (1999) and Alder and Handy, (1987:3), include *inter alia*:

- Acquiring land or existing properties to provide housing through new building, rehabilitation or conversions of existing stock;
- Developing family housing or caters for special needs such as those of the elderly, people with disabilities/ single person households;

- Providing incidental and advisory services;
- Providing either permanent or temporary accommodation;
- Providing for the complete range of tenure options ranging from rental to that of private ownership; and
- Providing shelter and security for the poor.

According to Alder and Handy (1987:vii) housing associations can be regarded as a form of state supported voluntary endeavour bringing together private/individual enterprise and government resources. Housing associations therefore combine characteristics of the public and private sectors of housing provision, and are sometimes referred to as the “quasi-public” housing sector. The definition of a housing association most often quoted in the literature (see for example Cope, 1990:20; Baker 1976:20 and Alder and Handy, 1987:11) is found in the British Housing Act of 1974, since then incorporated into the Housing Association Act of 1985. Section 1 of the Housing Association Act defines a Housing Association as a:

"Society, body of trustees or company which (a) is established for the purpose of, or amongst whose objects or powers are included those of providing, constructing, improving or managing, or facilitating or encouraging the construction or improvement of housing accommodation and (b) which does not trade for profit or whose constitution or rules prohibit the issue of capital with interest or dividend exceeding such rate as may be determined by treasury, whether with or without distinction between share and loan capital."

According to Baker (1976:20), to qualify as a housing association an institution must pass the following three tests:

- It must be a society, body of trustees or a company;
- Its objectives must be or must include the construction, improvement or management of houses or hostels or the facilitation of those activities; and
- It must not trade for profit or, if it does, its constitution or rules must prohibit the issue of any capital or interest or dividend exceeding levels prescribed by treasury.

The third requirement does not mean that a housing association cannot make a profit, but rather that the pursuit of profit cannot be the aim of the organisation. Profits should therefore be ploughed back for housing purposes and not distributed to the members (Cope, 1990:23).

Housing associations are therefore according to Blewitt and Garratt (1993:8) in the business of providing accommodation for those in need – this by definition includes people who have inadequate incomes.

3.5.2 Classification

According to *inter alia* Cope, (1990:41); USN (1999:4); Lewin (1981:20); UN (1975:9) and Baker (1976:33) the most important characteristics on the basis of which SHIs may be classified are:

- Legal status;
- Motivation;
- Size;
- General status;
- Geographical scope;
- Function – referring to the types of accommodation and tenure options provided; and
- Time-period of existence;

3.5.2.1 Legal status

If legal status is taken as the definitive characteristic on which to base a classification the following sub-categories can according to Cope (1990:37-41) be distinguished.

LEGAL STATUS						
Provide housing for Others		Fully mutual associations/ co-operative housing associations				
Charities/ Trusts	Industrial Associations	Par-value or common ownership associations (non- equity co-operatives)	Co- ownership societies	Tenant management co-operatives	Shared owner-ship co-operatives	Self-build societies

TABLE 3.1: Classification of housing associations/SHIs according to legal status

Source: Self-constructed

a) Fully mutual associations or co-operatives

As can be seen from the above table in terms of legal status, SHIs can be fully mutual, meaning they concentrate on providing housing only for members thereof, or provide housing for non-members also. According to Birchall (1988:19), the associations that provide accommodation for non-members still mean that the tenants of the housing stock have a landlord. They are thus still locked into a permanently unequal duet of roles which are only experienced as satisfactory because the particular SHI officer chooses to act in a humane way. The operation of fully mutual associations or co-operatives as they are more commonly referred to are according to Lewin (1981:18); Mumford (1946:174) and Arrigone (1994:5) based on co-operative principles that have

been debated and discussed since the first co-operative society was formed in Rochdale in 1844. These principles are:

- Membership of the co-operative is voluntary and available without artificial restriction or any form of social, political, racial, or religious discrimination to all persons who can make use of its services and are willing to accept the responsibilities of membership;
- Co-operatives are democratic organisations. Their affairs should therefore be administered by persons elected or appointed in a manner agreed upon by the members. These elected members/officials should be and remain accountable to the members;
- Share capital owned by members should only receive a strictly limited rate of interest, if any;
- Any surpluses/savings, if any, arising from the operation of a co-operative belong to the members thereof and should be distributed a manner that would avoid one member gaining at the expense of the others;
- The co-operative should make provision for the education of its members, officers, employees as well as the general public. Aspects that should receive particular attention are the principles and techniques used by co-operatives; and
- In order to best serve the interest of their members and communities the co-operatives should actively co-operate in every practical way with other co-operatives at local, national and international levels.

According to the UN (1975:71), it is important to note that housing co-operatives differ from other co-operatives in four important ways. Firstly, the relationship of the

members to the co-operative cannot be casual or sporadic, it must be firm and continuous and therefore requires a full commitment from its members. Secondly, the relationship between members is much closer, more personal and touches on many aspects of their lives and involves the family and children of the members as well. Thirdly, housing co-operatives depend to a far greater extent on official support and collaborations with government than do other kinds of co-operatives. Lastly, the term non-profit takes on a new and different dimension in that it in this context implies a cost-covering principle as was explained in section 3.2 of this chapter.

According to Arrigone (1993:4) the United Nations Centre for Human Settlements defines a co-operative as: “An association of persons usually of limited means, who have voluntarily joined together to achieve a common economic end through the formulation of a democratically controlled business organisation, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking.” Birchall (1988:20), describes co-operatives as voluntary associations by means of which dwellers can collectively own their own housing, and control the process of housing. A housing co-operative is thus a form of tenure, which applies the principle of consumer control to housing through collective ownership of the dwellings by the dwellers.

Housing co-operatives have also according to Cope (1990:37) been defined as housing associations through which the dwellers or tenants control their own housing even though they might not own it – thus adding another dimension to the above definitions. According to Baker (1976:471) every member of a housing co-operative is a tenant and every tenant is a member. Every member or shareholder has one vote regardless of the number of shares he/she holds. The spirit of self-help pervades the co-operative movement in that people interested in this option usually want a decent home and are prepared to put in a minimal level of participation in order to secure and maintain it (Cope, 1990:40 and Lewin 1981:13).

i) Par-value or common ownership associations

As can be seen in Table 3.1 housing co-operatives can be subdivided into 5 sub-categories - if classified according to legal status. Par value or common ownership co-operatives are bodies where according to Cope (1990:38) all tenants are members or prospective members and vacancies may thus only be assigned to the members. Birchall (1988:20) argues that property in the case of co-ownership associations is held in common, individual members are tenants but also common owners, only without an individual stake in the equity. According to Alder and Handy (1987:32) common ownership associations operate on the basis of:

- Equality between the members in terms of both financial interest and decision making;
- The use of the associations' assets for the common good and not for individual profit;
- Inability of a member to dispose of his/her rights in the society;
- A strictly limited rate of return on capital (if any);
- Provision of education; and
- Surpluses are ploughed back into the association's housing activities for the benefit of all.

According to Birchall (1988:20) in the case of the common ownership co-operative the entire equity is held collectively. Though prospective members of the co-operative have to buy a nominal share in order to become members, this can be seen as a membership fee, rather than a stake in the property. This membership fee is either forfeited if the member leaves, or is repaid at par value. Members are, however, allowed to invest capital in loan stock, which will attract limited interest, but will not

increase with the value of the property. According to Baker (1976:472) par value co-operatives' members have no rights whatsoever in the assets of the association beyond the right, in some cases to the return of the nominal amount of shares held in the event of the dissolution of the association. John Hands in Baker (1976:474) argues that par value co-operatives in his opinion are the only type of co-operative that can properly address the needs of the lower-income groups. It is argued that common ownership/par value co-operatives represents the purest form of co-operative enterprise and thus goes further than co-ownership toward meeting the principles of co-operation (Alder and Handy, 1987:32 and Birchall, 1988:22).

ii) Co-ownership co-operatives

According to Alder and Handy (1987:29) the term co-ownership is highly misleading because a housing association tenant is under no circumstances the owner of any land/assets other than his/her individual tenancy. The tenants own nominal shares in the landlord association but the association being a corporate body separate from, although controlled by its members, is the only "owner". According to Baker (1976:44) the ownership of co-ownership co-operatives as a whole vests with the occupants, each owning a £1/R1 share in the nominal capital – which amounts to as many pounds or rands in total as there are dwellings. When one member leaves or dies the scheme a new co-owner must be found who will buy the outgoing one's share. Co-ownership according to Birchall (1988:21) thus means individual ownership of shares in the collective property. If the value of the share has increased and there is some competition for the opportunity the seller may succeed in obtaining an additional premium. According to Cope (1990:37) the object of ownership in co-ownership societies is therefore to obtain a share in the increasing value of the equity. Note that a co-owner's rights in the equity do not give him/her a full equitable share in the value of the co-ownership's property as would have been the case were the members joint private owners (Baker, 1976:483). The members may, however, be entitled to a cash payment when they leave – the amount will depend on the rules of the co-ownership. Members are therefore empowered to sell the equity at a later stage and to use the premium as a deposit for a privately owned house or flat (Alder and Handy: 1987:30).

Some portion of the equity invariably remains vested in the co-ownership thereby assuring the co-ownership's ability to raise further loans if the property needs modernisation or improvement work done. The rules of the co-ownership are usually drafted in such a way that nothing is payable if the co-owner has not been a member for a minimum specified period, usually between 3 to 7 years.

iii) Tenant management co-operatives

Tenant management co-operatives refer according to Cope (1990:38), to groups of tenants who take over the management and maintenance of the homes they occupy from the existing landlord who retains ownership. This type of co-operative therefore comes into being when the tenants are dissatisfied with the standards of services being provided by the landlord or if they desire greater control over the way in which the houses they occupy are managed. Tenant management co-operatives are thus associations through which dwellers control their housing, even if they do not own it (Birchall, 1988:23)

iv) Shared ownership co-operatives

According to Birchall (1988:22), shared ownership means that the individual and the collective equity are split up. Shared ownership co-operatives thus offers a variable proportion of the dwelling as individual ownership and in addition allows such "owners" to buy further proportions as and when they are able. Eventually the co-operatives either cease to exist or the dwelling units are owned outright by individuals who also retain a share in a resident owned company, which owns the common areas – see also section 3.5.2.6 (B). This type of co-operative is usually established to encourage low cost ownership rather than to develop the co-operative ideal.

v) Self-build co-operatives

According to Alder and Handy (1987:35) a self-build society is established to develop housing for its members through the collective labour of its members. The co-operative can after construction is completed either sell the units to the members or conclude lease agreements with the members. Self-build co-operatives according to Baker (1976:48) come into being when like-minded people join together to undertake the actual process of building their own homes. Members of this type of co-operative must thus be willing to devote most of their leisure time to their self-imposed task. Note that self-help co-operatives do not entail a renunciation of external assistance (Lewin, 1981:13).

b) Non-mutual associations

As the name indicates non-mutual associations provide housing to others, not only to its members. The non-mutual associations include for example charities/trusts as well as industrial associations (Cope, 1990:41).

i) Charities/trusts

According to Baker (1976:40), the aims and objectives of charities must be restricted to the provision of housing for persons in necessitous circumstances. Necessitous circumstances as it is used here refers to old people, disabled people of any age who need specialised housing as well as others who on account of poverty or other special circumstances e.g. chronic ill-health require assistance in securing suitable accommodation. Associations that have secured a charitable status for themselves must be particularly careful in the selection of their future tenants so as not to deviate from its approved aims and objectives. A housing trust is an organisation, established by a trust deed which is required by its constitution to use most or all of its funds and surpluses to provide housing accommodation (Cope, 1990:23). Charitable trusts thus

devote the whole or substantially the whole of its funds to charitable purposes – e. g. provision of housing for persons of limited means.

ii) Industrial associations

Industrial associations refer to firms or companies whom establish/set up a body/institution separate from the sponsoring firm. This newly established institution then puts up/utilise the whole or the bulk of its share capital for the building of houses, in which it will have a controlling interest (Baker, 1976:47). The employees of the said firms or companies normally receive preference with regards to the allotment of tenancies and, unless an agreement to the contrary has been reached, the tenant upon leaving the employment of the company or firm will be required to vacate the dwelling in question.

3.5.2.2 Motivation

To classify housing associations with regards to their motivation is to admit that different motivations do exist within the housing association movement and that these should be recognised and evaluated. As can be deduced from the Table 3.2 Baker (1976:39-50), identified four sub-categories of housing associations, if they are classified according to their motivation. As co-ownership associations, self-build associations, co-operatives, charities and industrialised associations have already been discussed in previous sections, only the remaining sub-categories are discussed below.

HOUSING ASSOCIATIONS/SHIs CLASSIFIED ACCORDING TO MOTIVATION						
Philanthropic associations		Non-philanthropic associations			Cost rent associations	Co-ownership associations
Charities	Tenant investment associations	Co-operatives	Industrial associations	Self-build associations		

TABLE 3.2: Classification of housing associations/ SHIs according to motivation

Source: Self-constructed

a) Tenant investment associations

As can be seen from the above table (Table 3.2), tenant investment associations can according to Baker (1976:42) in the first instance be described as philanthropical. Philantropical in this instance refers to the provision of houses on a limited or even non-profit basis to people in need.

Tenant investment associations refer to associations that aim to provide retired people with sheltered accommodation (Baker, 1976:42). The building costs are met by the initial tenants, usually from the proceeds obtained from the sale of owner-occupied houses. The premium purchased can take the form of a life lease or a 50-year lease with the provision that surrender of the property in question will result in a return of the premium. The dwelling in question is then re-let for a premium reflecting the current value of the property. No rents are payable by the tenants but a service charge to cover the costs of maintenance e.g. lighting is charged. The members have no stake in the equity although each in the case of death is entitled to the return of the premium to the estate of the deceased.

b) Cost rent associations

Cost rent associations refer to associations that build unsubsidised dwellings i.e. dwellings that are let at rents sufficient to cover outgoing costs e.g. maintenance, loan repayment charges and property taxes and no more – with money borrowed to them by local authorities or central governments (Baker, 1976:43-44). These organisations were started because of the belief that there is a demand for accommodation of this type for people who did not wish or were unable for one reason or another to buy their own housing – they are, however, in a position to pay a cost rent.

3.5.2.3 Size

HOUSING ASSOCIATIONS/SHIs CLASSIFIED ACCORDING TO SIZE	
Small <250 units	Medium to large >250 units

TABLE 3.3: Housing associations/SHIs classified according to size

Source: Self-constructed

According to Baker (1976:38), the number of dwellings owned or managed by the association determines the size of a housing association/SHI. Cope (1990:34) refers to a housing association that has fewer than 250 units in management or no more than one scheme in development as small associations. These small associations have the advantage that they can more effectively harness the talent and resources of volunteers and may also be more responsive to the needs of the tenants. The downside, however, is that these small associations do not have access to the staff or skills that larger associations have at their disposal. This forces them to rely on the consultancy services of the larger associations if, and when, they want to undertake new developments.

3.5.2.4 Geographical scope

HOUSING ASSOCIATIONS/SHIs CLASSIFIED ACCORDING TO GEOGRAPHICAL SCOPE	
Limited associations	Expansionist policy associations

TABLE 3.4 Housing associations/SHIs classified according to their geographical scope

Source: Self-constructed

As can be seen from the above table (Table 3.4) two types of housing associations can be identified: those of a limited geographical scope and those that prescribe to an

expansionist policy. According to Baker (1976:38), the vast majority of associations in practice confine their operations to strictly limited areas – simply because most of them owe their existence to some or other local body/institution like a church or rotary club. According to Birchall (1988:19) the so-called limited associations tend to be more flexible with regard to the options they provide to their clients. This is because their small size allows them to incorporate the needs of particular families/individuals into the building or renovation plans.

There are, however, housing associations that are picking up sites or existing homes in need of modernisation where they can – thereby widening the area of their activity in the process. Baker (1976:38) argues that such a haphazard pattern of growth has both advantages and disadvantages. One of the strengths is *inter alia* that it leaves open opportunities for quite small groups of people to initiate housing schemes to meet local needs. This growth pattern on the other hand cannot lead to the most economical management attainable and can in the process lead to a situation where housing associations compete with one another for sites. These pitfalls usually inspire or motivate SHIs to reach informal agreements amongst themselves regarding their respective areas of operation.

3.5.2.5 Time-period the housing association remains active

HOUSING ASSOCIATIONS/ SHIs CLASSIFIED ACCORDING TO THE TIMEPERIOD THEY IT REMAINS ACTIVE	
Terminal associations	Permanent associations

TABLE 3.5: Housing associations /SHIs classified according to the time-period they remain active

Source: Self-constructed

According to Lewin (1981:19), SHIs do not necessarily continue to operate indefinitely. It may be established for the purpose of one or more objectives and dissolved once

these have been accomplished – this type of association is referred to as a terminal association (UN, 1975:9). The members of a terminal association usually provides about 30 percent of the cost of the dwelling, while the state provides serviced sites either free of charge or through grants and loans repayable over a 20-year period at below market interest rates. The association itself may also borrow money on the open market *en bloc*, thereby ensuring that savings are made on account of the size of the operation. As soon as the body finishes repaying the loan the association is dissolved and the houses/flats are owned individually by the members. Lewin (1981:20), however, warns that societies, which are wound up after for example construction is completed, cannot secure proper maintenance of the houses and or flats and if dissolved after loan repayment cannot prevent speculation or profiteering. The terminal associations thus do not enter the management stage and simply constitute a group of people who come together to provide housing for owner occupation, at cheaper costs than could have been realised if each member acted individually (Birchall, 1988:24).

Permanent associations just as the name implies continue their operations *ad infinito* seeing that the association in question, as a corporate body, remains the owner of the dwellings (UN, 1975:31). The members thereof have the right of permanent occupancy of the dwellings allotted to them until such time as they either voluntarily give up the right or fail to comply with the by-laws or fail to pay their dues.

3.5.2.6 Function

HOUSING ASSOCIATIONS/ SHIs CLASSIFIED ACCORDING TO FUNCTION	
Specialist associations	General needs associations

TABLE 3.6: Housing associations/SHIs classified according to function

Source: Self-constructed

As can be seen in the above table (Table 3.6) SHIs can also be classified according to the function or the type of accommodation supplied (Baker, 1976:37). Housing associations that focus on general needs usually provide dwellings suitable for households of three or more persons. Specialist associations strive to meet the needs of a particular group e.g. senior citizens, single parents and other one or two person households as well as physically or mentally disabled people (Cope, 1990:41). According to Arrigone (1994:8), SHIs in providing the types of accommodation discussed above have evolved three basic tenure options, each of which serves different needs:

- Individual ownership;
- Mixed tenure/sectional title; and
- Collective tenure.

a) Individual ownership

Housing associations in this instance will assist in providing their members with housing units through collective action – but allows the units to be owned individually after which the SHIs are disbanded and individual bonds are registered (Arrigone, 1994:8). SHIs, which provide separate dwellings such as detached, semi-detached or row houses to their members are particularly well suited for individual tenure. Depending on the aims of the SHI in question a number of measures such as requiring a member to occupy a unit for a minimum period can be used to prevent arbitrary transfers and speculation.

b) Mixed tenure/sectional title

According to the USN (1999:4), this form of tenure is characterised by residents or housing association members owning the housing units individually, while common

areas of the building like the hallways and gardens are collectively owned. This type of ownership is usually used in the case of walk-up apartments or high-rise buildings (Arrigone, 1994:8).

c) Collective tenure

A SHI specialising in collective tenure can be seen as a community-run organisation representing its membership, which owns and controls the housing units collectively (Arrigone, 1994:9). According to the UNCHS (in Arrigone, 1994:9), members cannot sell their housing units, and when a member leaves, transfer of the unit is normally to the SHI, which finds a new member to occupy the unit. Security of tenure for the members is ensured through the right to hire or use the housing unit in perpetuity as long as the head of the household remains a SHI member. Special care must be taken through management strategies to ensure that the long term maintenance and administrative costs remain within the financial means of the SHI.

3.5.2.7 General status

HOUSING ASSOCIATIONS /SHIs CLASSIFIED ACCORDING TO GENERAL STATUS	
Registered associations	Unregistered associations

TABLE 3.7: Housing associations SHIs classified according to general status

Source: Self-constructed

Housing associations in developed and developing countries usually operate within particular legal frameworks. In most cases these frameworks require the SHIs/housing associations to register with some or other national body (Baker, 1976:7 and Cope, 1990:41). In Britain only housing associations that are registered with the Housing Corporation, a statutory national body, are eligible for monetary support from

public sources (Alder and Handy, 1987:5). A distinction is thus made between registered associations – which might qualify for certain benefits e.g. state subsidies if they adhere to prescribed standards and procedures - and unregistered associations.

3.6 CONCLUSION

Social housing can be described as the third arm of housing provision, the first being the owner-occupier/private market and the second, public housing efforts whereby rented homes are made available by the state for those unable to enter the market. The primary goal of social housing is to provide the essential service of housing at cost to the consumer or beneficiary. It is important to note that social housing provision is not undertaken through statutory duty but is the result of volunteers who combine to form SHIs/housing associations to meet their perceived housing needs through their own energy and commitment.

The residual model of social housing provision - involving small scale building programs which focus almost exclusively on the poor - dominated with two brief exceptions throughout the history of the movement in industrialised countries. The mass model - targeting a broad range of lower and middle income groups - emerged briefly in Europe after the First World War and again after the Second World War.

Social housing provision in developing countries started to gain momentum in the early 1960s in South America and in the early 1970s in Africa. Common features of the social housing movement in these parts of the world are firstly the relatively high-income levels of the members and secondly, the predominance of government investment in housing through *inter alia* capital and interest subsidies.

SHIs/housing associations as the bodies or institutions through which social housing projects are undertaken are characterised by their diversity in terms of different aims, philosophies, functions, sizes and organisational structures. To qualify as a SHI/housing association the society's body of trustees or company's objectives must

include the construction, improvement or management of houses or hostels or the facilitation of those activities. Secondly, it must not trade for profit or, if it does, its constitution or rules must prohibit the issue of any capital or interest or dividend exceeding prescribed levels.

Due to their diversity there are numerous characteristics that can be used to classify housing associations into various sub-categories. The most important of these are legal status, motivation, size, general status as registered or unregistered, geographical scope, function and the time-period of existence. Legal status for example divides housing associations into two broad categories: those that provide housing for others and fully mutual associations/ co-operative housing associations. Sub-categories for each of these two broad categories can also be distinguished.

CHAPTER 4: INSTITUTIONAL AND OTHER SUPPORT STRUCTURES/ INITIATIVES

4.1 INTRODUCTION

According to the UN, (1975:153), the strongest and most effective social housing movements occur in countries where the individual SHIs/housing associations are organised in regional and national organisations. Lewin (1981:29) argues that the type/nature of these regional or national organisations will depend on the degree of integration that is envisaged between the different levels. Broadly speaking mature social housing movements generally consist of three and sometimes four levels some of which occur naturally whilst others need to be created through legislation (see *inter alia* Mauseth, 1999:58; Lewin, 1981:29; UN, 1975:50 and Eglin 1999:17). The levels are:

- National sponsoring agency;
- Secondary or mother housing associations/SHIs - also sometimes referred to as technical service organisations (TSOs);
- Primary/daughter societies also called primary housing associations/SHIs; and
- International organisations or societies.

In this chapter each of the above mentioned levels were discussed. The chapter furthermore addressed the approaches adopted by different countries with regard to the division of functions/responsibilities between the different levels, the role and function of a social housing legislative framework, the role of international aid agencies as well as the relationship between primary and secondary housing associations/SHIs and local authorities.

4.2 INTEGRATED VS DECENTRALISED SYSTEMS

Before discussing each of these three levels it is also important to note that different countries approach the division of functions/responsibilities between the levels in various ways. According to (Lewin 1981: 29) and the UN (1975:111) two broad approaches namely the integrated approach and the decentralised approach can be distinguished.

If one regards the two approaches as two extreme positions (see Figure 4.1), the position and therefore the system used/adopted by most countries could be plotted somewhere between two extreme positions.



FIGURE 4.1: Division of planning and decision-making powers between the different levels of a social housing movement.

Source: Self-constructed

An example of a totally decentralised system or approach (a system in which no powers are shared or delegated upwards and primary housing associations/SHIs retain all the functions) could not be found. Integration in this context refers to the coordinated distribution of tasks and functions amongst the various levels and organisations, thus lending itself to a situation where each level or organisation takes over all those tasks and functions that can best be executed by that unit/level in a rational manner and at minimal cost. The concept of integration is, however, approached in various ways as a result of the unique circumstances to be found in each country. Lewin (1981:29), however, cautions that careful consideration needs to be given to the way in which integration is approached particularly in developing countries - if the system employed or created encroaches too far to the left hand side

of Figure 4.1 in other words strive towards total decentralisation, the country is sure to encounter considerable capacity problems as a result of the necessity to duplicate expertise in every primary housing association/SHI. Conceptually there are, however, according to the UN (1987:112) three ways in which integration or the distribution of power in terms of planning and decision-making can be distributed/ divided:

- Firstly, the lower level (primary housing associations/SHIs) retains decision-making power only for matters of internal management and all other powers of planning and decision-making are delegated to higher levels. This option refers to a totally integrated system like the one found in Sweden. In that country the primary SHIs only fulfil a few management and maintenance functions - the rest of the functions e.g. housing development and finance are taken over by the technical service organisations or secondary SHIs in accordance with guidelines laid down by the national sponsoring agency (Lundqvist and Danermark, 1990:451). If Figure 4.2 is analysed it is clear that the three organisational levels of the social housing movement in Sweden almost forms a pyramid in terms of numerical representation - 2780 primary/daughter SHIs versus 97 mother societies or TSOs. The UN (1975:112) cautions, however, that the advantages of an integrated system can only be realised when the leading units (e.g. TSOs and national sponsoring agencies) are empowered to plan, decide and act on behalf of the member societies. Agreements between the various levels to fulfil differentiated functions are concluded under the auspices of contracts, by-laws and or regulations.

- Secondly, all units retain their autonomy with regards to planning and decision-making. The different organisations, however, tend to decide on an ad hoc basis to collaborate in the fulfilment of certain functions. The non-profit making housing sector in Germany for example forms an integrated system in the formal organisational sense as far as audit and subsequent advisory services are concerned - whilst collaboration in terms of all other functions takes place on an informal and voluntary basis.

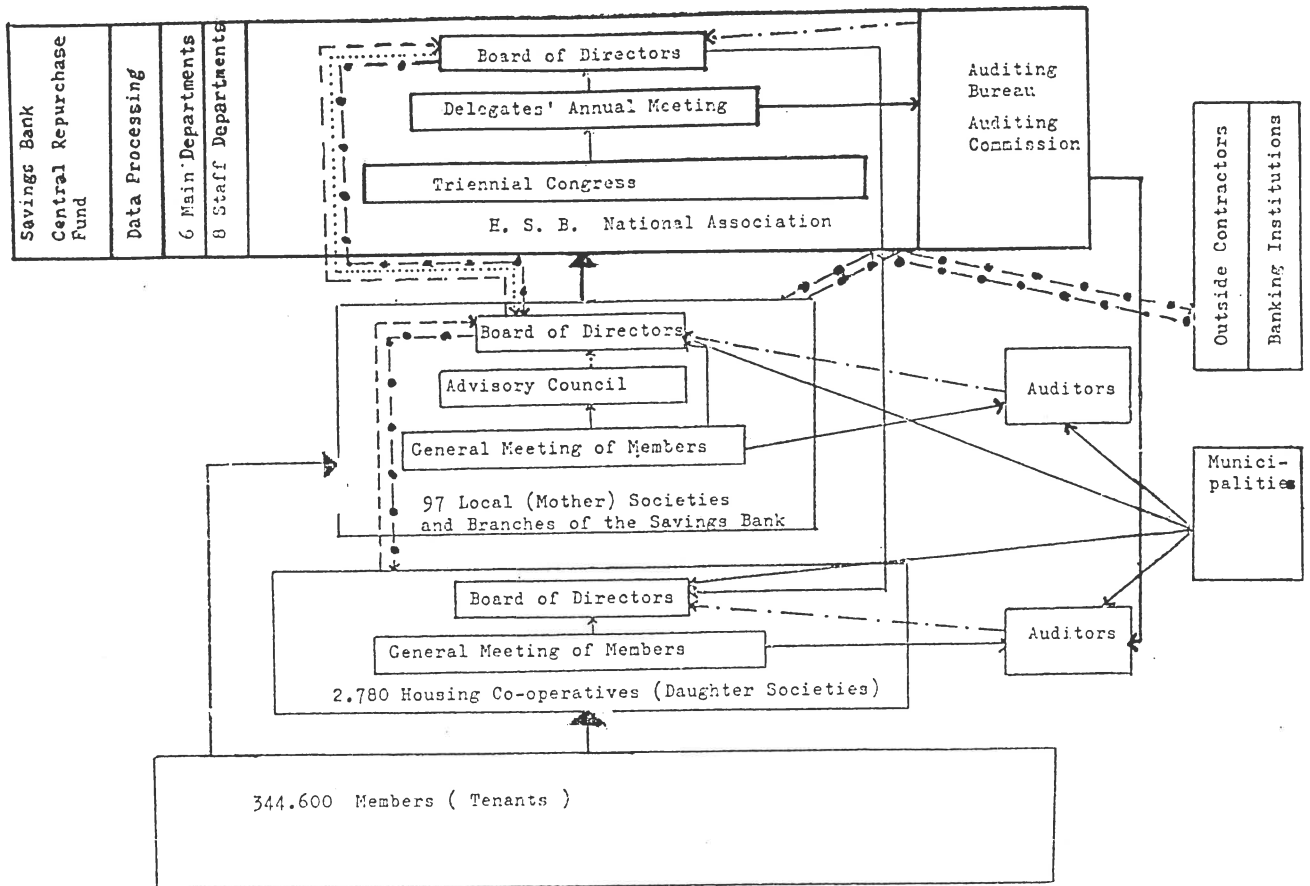


FIGURE 4.2 The Swedish Tenant's Savings Bank and Building Society

Source: UN (1975:131).

- Thirdly, powers are divided amongst the member organisations according to capacity and proven ability. According to Smith (1995:926) Canada has such a system whereby autonomy comes from clear delegations within defined terms and limits and which requires accountability from the association or co-operative to which the powers has been delegated. Furthermore, if a new policy is introduced such an initiative is initially controlled centrally until such

time that it is regarded as routine - only then does delegation become a possibility.

If integration in one form or another can be found in the non-profit housing sectors of most countries, it becomes important to consider why this is the case. Lewin (1981:29) and UN (1975:112) attempt to answer this question by arguing that the following characteristics usually tip the scale in favour of integration:

- Flexibility;
- Collaboration on some fronts can result in reduced costs since specialised expertise do not need to be duplicated within each individual unit or organisation - resulting in lower overhead costs; and
- Realisation that some objectives can only be achieved jointly through the creation of synergy.

According to the Social Housing Task Team (SHTT) (1999:6), social housing has been occurring in South Africa for decades and is characterised by great diversity in that each initiative in the absence of a clear-cut policy is experimental in nature and thus includes alternative tenure, finance, management and government arrangements. Furthermore, despite the widespread use of the word housing association there is no such legal vehicle in the South African legal system - it is thus a development concept and not one of the distinct types of juristic personae officially acknowledged. SHIs/housing associations in South Africa do, however, have various other options open to them, they can register as public companies with shareholding, private companies, co-operatives, Section 21 companies and communal property associations. The implication is, however, that each of these options is regulated by different regulators e.g. Registrar of Companies and the Registrar of Co-operatives. Integration, monitoring and regulation of the sector are thus at this point in time extremely complex and challenging.

According to the SHTT (1999:26), South Africa has to date not promulgated legislation that is specifically aimed at facilitating social housing. A range of existing laws that also apply in other contexts currently governs the sector. In terms of policy initiatives and formal agreements, integration is thus an illusive concept in South Africa.

In practice, however, integration especially in the fields of capacity building, technical support and training is occurring. This is illustrated by the fact that the Social Housing Foundation is, according to the SHTT (1999:19), developing and delivering specialist training programmes for the social housing movement and has a technical advisors programme running. It is through this programme that social housing practitioners from the UK and Netherlands are placed in social housing institutions to provide ongoing support and skills transfer. The Social Housing Foundation is furthermore responsible for mapping and mobilising donor funding for the whole South African social housing movement or sector.

It can thus be concluded that the South African social housing movement is moving (at least in practice) towards following an integrated approach - probably one along the lines of the second alternative discussed above. Integration would, however, be facilitated if the policy framework that is currently in the process of being developed, gives serious attention to the question of integration - being especially important because the social housing policy framework needs firstly, to be integrated into the broader national housing policy and secondly, to accommodate all the social housing institutions that have been developing in the absence of a proper framework.

4.3 ORGANISATIONAL LEVELS OF SOCIAL HOUSING MOVEMENTS

4.3.1 National sponsoring agency (ies)

According to Birchall (1988:86) the national sponsoring agency/ co-ordinating body generally functions as an intermediary institution between the state on the one hand

and the secondary and primary associations/co-operatives on the other. In most countries this national sponsoring agency is a quasi-government body affiliated to the national ministry responsible for housing and urban development (Kroes, Ymkers and Mulder, 1988:269). The said ministry usually provides a large portion of the financial resources needed to fulfil the functions specified or determined through national legislation.

One of the most well known national sponsoring agencies is the Housing Corporation in Britain. According to Blewitt and Garratt (1993: viii) the Housing Corporation is an independent, government-funded organisation set up through the Housing Act of 1964. The Housing Corporation, according to Cope (1990:53), consists of 15 board members appointed by the Secretary of State of the Environment. Its head office is located in London, but it also has 9 regional offices throughout Britain. The powers and responsibilities of the Housing Corporation as discussed in (Cope, 1990, Birchall, 1988; Lowe and Hughes, 1991; Baker, 1976 and Alder and Handy, 1987) include *inter alia*:

- Promotion of the interests of the voluntary housing movement through the publicity it provides to the work undertaken by the movement;
- Registration of SHIs/housing associations according to a set of predetermined criteria which includes:
 - that the association demonstrate that it operates on a sound and proper financial base;
 - that the association possess proper property development and housing management skills in-house or available to it on a contract basis from a TSO;
 - a conceptualisation of its role and scope of operation in relation to the housing needs of the area in which it operates or intends to operate in conjunction with the other stakeholders - particularly the local authorities;

- ensuring that the management committee (the management body of a primary housing association/SHI), is democratically elected and furthermore that the members are in possession of the necessary skills expected of a body trusted with public resources.

- Provides loans and guarantees and channels grants to specific housing associations/SHIs. The Housing Corporation with this competency sets cost limits within which housing associations/SHIs must operate. The size of its budget is determined each year through negotiations with Central Government and is reflected in the Approved Development Programme of the Housing Corporation.

- Monitoring the functioning of housing associations. As the official agent of the Secretary of State of the Environment, the Housing Corporation has the responsibility to ensure that public funding is spent in accordance with the prescribed criteria. This is done primarily through the perusal of housing association's audited accounts that has to be annually submitted to the Housing Corporation in a prescribed format. The Housing Corporation also carries out monitoring visits to individual housing associations to ensure that their activities are consistent with the objectives of non-profit making bodies that receive public funding. Such visits entail the perusal of all records as well as interviews with residents as well as management staff. The information so gathered is compiled into a monitoring profile, which is then subsequently used by the Housing Corporation when deciding on resource allocations.

- The Housing Corporation also has the power to initiate sanctions against any registered housing association that is found guilty of acting in a manner that is in contravention of prescribed policies as issued by the Housing Corporation. Legislation empowers the Housing Corporation:

- to remove/suspend any committee member, officer, agent or employee of a housing association responsible or privy to misconduct or irresponsible management and to replace them with new members;
 - to place restrictions on the transactions a housing association may enter into;
 - subject to the consent of the Secretary of State, direct that the property and all other assets of a housing association be transferred to other associations;
 - can take over the management of an association which finds itself in difficulty or failing to perform its functions - this can however only be done if the association still has outstanding loans.
- The Housing Corporation can also undertake housing development should circumstances require such a course of action;
- Finally the Housing Corporation is responsible for policy formulation and the setting of standards in the non-profit housing sector.

In view of the above it is no wonder that Alder and Handy (1987:145-151) describes the Housing Corporation as the major dispenser of government power and patronage - it acts as promoter, banker, policeman, judge and executioner to the non-profit making housing sector in Britain.

Apart from the Housing Corporation the housing association movement in Britain also established a body called the National Federation of Housing Associations (NFHA), (Lowe and Hughes, 1991:83). According to Baker (1976:91) and Cope (1991:72) the main functions of this body include *inter alia*:

- Encouraging best practise and setting high standards of achievement in services provided by housing associations;

- Active promotion of the formation and expansion of housing associations;
- Providing advice and assistance to the member housing associations;
- Publishing the movement's official journal called "Voluntary Housing";
- Providing training and undertaking research;
- Representing the interests of the movement when in negotiations with government and other stakeholders; and
- Performing the function of an information resource centre for the movement in general.

From the above it should be clear that the NFHA is a wholly independent agency that represents its members and has their best interest at heart. It emerged from the ranks of the movement itself as the representational body for housing associations. Although it does receive a subsidy from government most of its resources come from a registration fee paid by its members. According to CECODHAS (1999:79), the NFHA changed its name in 1996 to that of the National Housing Federation. This was done when the scope of the body was broadened to allow other non-profit social landlords to become members as well.

The NFHA and the Housing Corporation thus fulfil separate but complementary functions which together form a support network at national level that ensures the orderly development and expansion of the non-profit making housing sector.

In the Netherlands, the Ministry of Housing, Physical Planning and Environment itself fulfils some of the functions the Housing Corporation as a quasi government body fulfils in Britain (Emms, 1990:199). The said Ministry is responsible for policy development, registration of approved institutions as well as the monitoring of their performance.

The reason for this approach according to the Minister of Housing, Physical Planning and the Environment (1997:12) is that housing in the Netherlands has traditionally been centrally controlled from within government itself. It is, however, important to note that the Ministry has a strictly non-interventionist approach with regards to the management practices of primary societies/housing associations and will only intervene in cases where there is a real threat of insolvency. The Ministry is, however, advised by the Council for Housing “Raad voor de Volkshuisvesting” (RAVO). According to the Ministry of Housing, Physical Planning and the Environment (1997:13), RAVO is an organisation set up under the Housing Act and consists of representatives of all parties involved in housing e.g. municipalities, building industry and housing associations.

The Netherlands’ equivalent of the National Housing Federation in Britain is AEDES (Latin for house with many rooms) (AEDES, 1999:24). It similarly serves as a platform for its members to safeguard the movement’s interests, it provides advice and information to its members and undertakes research.

According to Lundqvist and Danermark (1990:451) the official responsibility for housing policy - and thus social housing - in Sweden is divided between the central state, which provides the financial and legal framework, the state regional housing boards, who are responsible for the examination and approval of development plans that are seeking public funding and lastly the local authorities who together with housing co-operatives initiate and implement housing production initiatives.

In the co-operative sector the Swedish Tenants and Savings Bank and Building Society (HSB) has according to the UN (1975:121), the responsibility to assist its members with technical, economical, administrative and legal problems or issues. The organisation also operates as a savings bank for members of the public intending to join a co-operative in the future and is furthermore responsible for the auditing of the primary and secondary co-operatives.

Governments in both Latin America and Africa also often create national sponsoring agencies through national legislation, which are then used to promote non-profit housing or the social housing movements in the respective countries. According to Larsson (1989:33) the Botswana Government created the Botswana Housing Corporation in 1971 as a parastatal that took over responsibility from government to build and maintain rental housing for medium and high-income groups. In Ethiopia the National Government after the 1974 revolution created two national institutions namely Kebeles as well as the Agency for the Administration of Rental Homes to accept responsibility for the maintenance and expansion of the social rental stock of the country (Mathey and Pini *et al*, 1985:32). According to Mathey and Pini *et al* (1985:11) the Tanzanian Government created the National Housing Corporation - a non-profit parastatal that both lends money to other institutions to construct low and medium cost houses for rent, but also engages in construction activities should circumstances necessitate it to do so.

In Colombia, the South American state, the co-operative sector is supported and regulated by the Colombian Housing Co-operative Federation (UN, 1975:41). This organisation is also actively involved in the development of educational programmes for officials active in the field and provides technical assistance to member organisations should it be required. DINAVI, or the National Housing Board, is the body in Uruguay responsible for the authorisation and control of the co-operative sector (UN, 1975:46). The Housing Co-operative Federation in Uruguay also emerged from the ranks of the movement itself to enable it to represent the movement in its negotiations with government and other stakeholders.

From the above it is clear that most countries in possession of an active social housing movement found it necessary to create - frequently through national legislation - national sponsoring agencies to accept responsibility for the support and regulation of the social housing movement. Most frequently the national sponsoring agency is created separate from the national department responsible for housing, but as is the case in the Netherlands the function can also be performed in-house within

the national department responsible for housing. The choice of whether or not to create a separate quasi-statal or parastatal body really depends on historical circumstances and the evolution of housing policy within each country.

However, it is apparent that such a national sponsoring agency, given its functions referred to above, is a necessity for the development of an organised and structured social housing movement that makes optimal use of the public resources allocated to it. The functions and responsibilities of such a body will grow and evolve with the social housing movement from a stage where it focuses its attention primarily on the development of primary societies and financing, to a situation where monitoring, the enforcing of standards and providing guidance on issues like best management practises becomes part of its day to day functions.

A popular organisation e.g. the National Housing Foundation in Britain and Nationwide Organisation of Co-operative Housing Associations (NBBL) in Norway tends to emerge spontaneously from amongst the ranks of primary and secondary societies. This occurs as soon as the movement realises that it needs an organisation to lobby or represent its concerns collectively in negotiations with government and other stakeholders e.g. commercial banks. The emergence of such a body should be supported and facilitated through *inter alia* financial assistance in its initial stages of development. It provides a useful forum for housing associations to exchange information, learn from one another and reflect on policy proposals that might be beneficial to the sector as a whole.

As a result of the historical development of the social housing movement in South Africa the Social Housing Foundation (SHF), even though it was created through national legislation, the Housing Amendment Act, 1999 (Act 28 of 1999), fulfils functions that are generally undertaken by the bodies that emerged spontaneously from amongst the ranks of the social housing movement itself. This point is illustrated by the fact that the stated aim of the SHF is to facilitate, promote and develop the

social housing sector or movement in South Africa (SHTT, 1999:5). According to the SHTT (1999: 84-85), the SHF currently fulfils the following functions:

- Training and development;
- Programme management through providing technical support and assistance to emerging social housing institutions;
- Mapping and mobilising of donor funding; and
- Research and policy development.

It can, however, be expected that the functions and responsibilities of the SHF will grow and evolve over time. Given the clear advantages of a national sponsoring agency it is anticipated the SHF will gradually take on more and more of the functions traditionally reserved for national sponsoring agencies.

It is, however, important to note that the SHTT (1999:42) in their policy proposals to government came out strongly in support of the social housing movement in South Africa adopting a second level registration process – the first level refers to registration as e.g. co-operatives with the Registrar of Co-operatives or as a company with the Registrar of Companies. This suggestion is motivated by the fact that the current regulators of social housing institutions do not necessarily have an understanding of housing development and it is felt that the supervision and intervensionary powers should vest in a regulatory body with housing experience. The SHTT (1999:42) furthermore argues that a second level registration process, if adopted, will have the following benefits. It will:

- Protect government's investment in social housing;
- Facilitate growth in the sector;

- Ensure the well-being of the sector as it will allow the regulator powers to monitor the social housing sector through e.g. the compulsory submission of quarterly financial reports and to conduct investigations should it prove necessary. It is also proposed that the regulator be empowered to intervene through mediation, arbitration or even curatorship in extreme cases;
- Promote private investment in the sector given that a second level registration process would require institutions to demonstrate *inter alia* that:
 - the projects undertaken are feasible and properly planned;
 - it has its own competent management capacity or have access to external capacity that will allow it to carry out its objectives effectively;
 - consumers are adequately protected; and
 - housing units comply with minimum requirements.

The SHTT (1999:44), furthermore suggested that, given the interventionist nature of the powers the regulator will require to do its job properly, the regulatory function should be established through primary (national) legislation in the form of a social housing act. The functions of such proposed legislation would include:

- The establishment of the second level registration process;
- Allowing social housing organisations (co-operatives, Section 21 companies etcetera), to register as social housing institutions through provincial regulators;
- Setting out criteria which, if adhered to, would allow organisations to become registered social housing institutions;
- Providing for the establishment of provincial regulators;

- Providing provincial regulators with powers of registration and investigation; and
- Limiting the awarding of the institutional housing subsidies to registered social housing institutions only.

It should be clear from the above that the SHTT saw the proposed regulatory function as being optimally placed in provincial government (provincial housing and local government departments). This stance was taken because these are also the departments that in most provinces are responsible for the approval of the land development objectives/integrated development plans of the local authorities and furthermore are responsible for the compilation of provincial growth and development strategies. Placement of the regulatory function within the provincial housing and local government departments would thus create an opportunity to ensure that social housing strategies are incorporated into the local integrated development plans as well as the provincial growth and development strategies. It is important to note that the SHTT (1999:44) furthermore recommended that in order for a second level registration process to be successful it is vital to ensure that registration provides some real benefits e.g. exclusive access to state funding, tax exemptions as well as access to capacity support and other benefits.

From the above policy proposals made by the SHTT, it is clear that the importance of the role and functions of national sponsoring agencies are acknowledged in South Africa. Given the country's constitution as well as the fact that most of the other established housing functions are performed at a provincial level, the proposals on the table are in favour of establishing "provincial sponsoring agencies" that will be granted its powers through national legislation. It is anticipated that this legislation will place an obligation on the national sponsoring agency to monitor and oversee the activities undertaken by the provincial sponsoring agencies.

4.3.2 Secondary or mother societies also known as Technical Service Organisations (TSOs)

According to Dreier (1997:12) one of the key elements of the social housing movement in the USA is the existence of a network of national, regional and local non-profit, intermediary institutions. These intermediary institutions in the USA fulfil *inter alia* the following functions:

- Provide technical assistance to primary housing associations;
- Form a channel through which private, philanthropic and even government funding can be disbursed to primary housing associations; and
- Encourage the formation of new primary or daughter societies.

According to the UN (1975:125) TSOs are organisations established at regional and national level that are staffed with professionals who undertake specialised tasks on behalf of the primary or daughter societies. Vutula (1999:12) and Arrigone (1994:6) argue that the majority of the work done by TSOs can be divided into two categories namely, implementing services and property management services.

The provision of implementing services includes *inter alia* the following:

- Preparation of the development or project implementation plans (project planning);
- Carrying out the preliminary feasibility studies;
- Facilitation of the formation and registration of housing associations and co-operatives as legal entities to enable them to qualify for public funding;

- Appraising and contracting professional staff and consultants on behalf of housing associations or co-operatives;
- Management of interim funding and monitoring of cash flow during the development process;
- Procuring and co-ordinating project financing; and
- Ensuring that there is compliance with legal requirements.

Property management services on the other hand include:

- Drawing up maintenance plans for the buildings and other infrastructure;
- Allocation of housing units;
- Rent collection;
- Rendering advice regarding the investment of surplus funding;
- Preparation of quarterly reports to be submitted to committee of management of the housing association or co-operative; and
- Preparation of annual reports to be submitted to the national sponsoring agency.

Examples of well-known TSOs and the work they are involved in include *inter alia*:

- Arbejderbo, a Danish TSO, that was according to the UN (1975:93) set up /started in 1941. Roughly translated the name means "workers home" and this organisation is currently still a fairly large service organisation that offers

smaller associations the benefit of expert knowledge - if and when they embark on new construction projects. The system used by this TSO can be described as follows (see UN, 1975:93): the primary society approaches Arbejderbo with a concept or if possible with building plans or a project plan. The TSO then studies the plan(s) and checks that it adheres to norms and standards prescribed by the national sponsoring agency (Federation of Non-profit Housing Societies in Denmark), if public funding is needed. In consultation with the primary society, the TSO then takes over the development process and proceeds to make all the necessary arrangements with institutions e.g. local authorities, banks and the Ministry of Housing. It furthermore oversees the actual construction process and afterwards hands over the completed development or project to the primary society. If so required, the TSO will also provide management support to the primary society in question until such time as it feels confident to assume responsibility for all management functions.

- According to Carmona and Blender (1985) TSOs also fulfil an important function in Latin-America. CEVE - a subdivision of AVE (Association Vivienda Economica) a non-profit private enterprise active in Argentina is an example of a TSO established in 1966 with the objective of solving the problems of the marginal housing sectors (Carmona and Blender, 1985:60). CEVE for example assisted with the establishment of the co-operative "20 De Junio" which is active in the city of Cordoba. The Co-operative "20 De Junio" with the assistance of CEVE was responsible for the development of an urban infil project, consisting of 99 separate housing units. CEVE furthermore assisted the co-operative with the establishment of a public participation process that enabled the beneficiaries to actively participate in the design of the units as well as the lay-out plan. According to Carmona and Blender (1985:62) the project resulted in the formation of a well-organised and close-knit community.

- According to Birchall (1988:120), emerging co-operatives in Britain are required by the Co-operative Housing Agency (a subsection of the Housing Corporation)

to have an agreement in place with a TSO or secondary co-operative to steer it through the complex system of funding approval, should public funding be needed. These secondary co-operatives or TSOs provide a comprehensive range of skills and services to the primary societies. They depend or rely financially on the development and management allowances paid to the primary co-operatives by the Housing Corporation. A TSO always has as one of its primary objectives to assist its members or clients to become independent - this goal is primarily achieved through extensive training programmes. According to Thunhurst *et al* (1992:82), an example of a British TSO is the Yorkshire Metropolitan Housing Association. This organisation is responsible for the management of Thurnscoe Tenant Housing Co-operative and its tasks include:

- providing professional advice to the co-operative;
- stimulating public participation in the management of the co-operative;
and
- building/ expanding or improving the skill of the management committee;

From the above it is clear that TSOs can and do fulfil a very important role in the establishment and progressive expansion of social housing movements world-wide. They can be seen as centres of knowledge and experience that can be utilised on an ad hoc or continual basis by primary societies in need of assistance. TSOs are responsible for capacity building within the whole non-profit housing sector and as such should be supported and promoted.

Even though there are no formal policies in place within South Africa to facilitate/ stimulate the emergence of TSOs/secondary social housing institutions a few have developed nonetheless. According to Lungu-Mulenga (1999:101) the Urban Sector Network (USN) - a network of nine NGOs working in six provinces assists its affiliates which include *inter alia* Cope Housing Association with funding, lobbying support, information sharing and policy formulation. These functions, if compared with the

functions listed earlier, imply that the USN is a South African TSO. Cope Housing Association through the assistance given to it by the USN and NBBL (Federation of Co-operative Housing Associations in Norway), has itself developed into a member-based housing association or TSO. Cope Housing Association has thus far according to Valuta (1999:9), assisted with the establishment of numerous primary housing associations e.g. Philani Ma Africa Housing Association, Hadar Court Collective Company and Bertrams One Development Company - all registered as Section 21 companies.

It can also be argued that given the absence of a national sponsoring agency in the fullest sense of the word these TSOs that were established are currently fulfilling an invaluable role in the support and promotion of social housing in South Africa. It would, however, be prudent to put measures in place to stimulate the establishment of more TSOs and to consider providing additional financial assistance to the ones already established.

4.3.3 Primary/daughter societies

According to the UN (1975:119), primary or daughter societies refer to housing associations at project or local level. These societies are responsible for the actual construction or development of housing units (with or without the assistance of TSOs) and remain the owners after the construction or development phase has been completed. These societies are in effect the landlords of the social housing tenants or co-owners. The size of these primary societies vary considerably from those that have average stocks of 2000 and more units to societies that have less than 20 units. The primary societies occupy centre stage in the development of social housing and can thus be seen as the building blocks of a successful social housing movement (Lowe and Hughes, 1991:146). Primary societies if registered with the national sponsoring agency have to operate in accordance with rules laid down in legislation and enforced and monitored by the national sponsoring agency. According to Alder and Handy (1987:176), it is not unusual for these primary societies to have close ties

with the local authorities in their area of operation. These two institutions then work together to develop an integrated housing strategy to address the unique housing problems that may occur within that particular area.

According to (Çakin, 1992:47 and Lundqvist and Danermark, 1990:451), primary housing associations quite often organise themselves into regional organisations or bodies. These institutions would then undertake joint initiatives in the fields of research, development of training programmes and negotiations with state or provincial governments. Such regional organisations are found in *inter alia* Sweden, France and Turkey.

According to the SHTT (1999:11) – see Table 4.1 – there are currently 16 primary or daughter societies in South Africa. These numbers are, however, increasing – even in the absence of social housing specific legislation or a completed policy framework (SHTT, 1999:12).

SHI INITIATED BY	NUMBER
Provincial/local authorities	2
NGO/CBO driven	10
Section 21 company	2
Public company	1
Trade unions	1
TOTAL	16

TABLE 4.1: Origins of established social housing institutions (1998)

Source: SHTT (1999:11)

<i>PROVINCE</i>	<i>NUMBER</i>
Gauteng	7
KZN	4
Western Cape	4
Eastern Cape	1
Rest of Provinces	0
TOTAL	16

TABLE 4.2: Provincial spread of social housing institutions

Source: Adapted from SHTT (1999:12)

4.3.4 International social housing institutions

According to CECODHAS (1999:5) housing is not an European Community Competence - but increasing integration with regards to other spheres within the continent encouraged the social housing sector to follow suit and establish an organisation to enable them to compare systems and share experiences. It is with this motivation in mind that European Liaison Committee for Social Housing (CECODHAS) was established. CECODHAS is internally structured into three branches namely: co-operatives, public housing and other philanthropic housing (Mauseth, 1999:56).

Another international social housing agency or organisation is International Co-operative Association (ICA) (Mauseth, 1999:56). Usually national sponsoring agencies that have sections dealing specifically with co-operative housing belong to ICA, who currently has about 40 member associations.

Birchall (1988:102) provides another example in the form of the Scandinavian Organisation of Co-operative Housing, established in 1950, that provides a forum for

the member countries, Sweden, Denmark and Norway to exchange knowledge and experiences across boundaries.

From the above it is clear that where these international social housing organisations or societies exist, they fulfil a valuable function in ensuring that knowledge and experience are exchanged on a regular basis - benefiting the social housing movement as a whole.

4.4 THE ROLE OF INTERNATIONAL AID AGENCIES

According to the UN (1975:22) one of the major factors inhibiting or limiting the emergence of social housing sectors or movements in Africa is the lack of skills in the following:

- Procurement of loans;
- Drawing up of project and/ or development plans;
- Formulation of by-laws;
- Development of an appropriate legislative framework; and
- Supervision and control of actual construction.

Carmona (1992:107) argues that another limiting factor is the lack of financial resources to sponsor pilot projects.

International aid agencies like for example the International Development Bank (IDB), USA Agency for International Aid (USAID); the German Development Association for Social Housing (DESWOS) and the International Co-operative Housing Development

Association (ICHDA), try to address these problems, particularly in Africa and Latin-America by providing *inter alia* the following services:

- Training opportunities to enable skills transfer;
- Temporary or permanent offices in some developing countries - hoping that it will become centres of expert advice and assistance; and
- Sponsoring the salaries of expert or skilled personnel to assist individual housing associations and co-operatives with their project development or project management activities.

The international aid agencies usually adopt an institutional building approach - meaning that emphasis is placed on working in close collaboration with national governments to create or establish capable, knowledgeable national sponsoring agencies that can over time assume the functions listed above. It is thus important for social housing movements – particularly in developing countries – to try and link up with these international aid agencies.

South Africa thus far has been very fortunate in that numerous international aid agencies are supporting the development of the social housing sector/movement. According to the SHTT (1999:59) the Social Housing Foundation has entered into agreements with the social housing organisations of Netherlands and the UK. The social housing organisations from these two countries assist South Africa through the secondment of technical advisors to South Africa. The placing of these technical advisors is co-ordinated by the Social Housing Foundation. Various affiliates of the USN have thus far received technical assistance through this programme. Other countries like Sweden have also rendered assistance to the development of social housing in South Africa through the Swedish Association of Social Housing Organisations. As was already mentioned, the Federation of Co-operative Housing Associations in Norway (NBBL) has signed an agreement with Cope Housing

Association in April 1997 (Vutula, 1999:9). Through this agreement NBBL is assisting Cope Housing Association through a four-year pilot project to promote co-operative housing in the greater Johannesburg area (Mauseth, 1999:55). NBBL has *inter alia* donated R 15 million to the Cope Housing Trust – the money is intended to improve the confidence of lending institutions to grant emergent co-operatives the long-term loans/financial assistance to become financially viable.

4.5 THE ROLE/FUNCTION OF A SOCIAL HOUSING LEGISLATIVE FRAMEWORK

According to the UN (1975:86), acknowledgement of the social housing sector in national housing legislation can provide an essential basis for the proper development of the sector. Birchall (1988:89) also states that a key variable in the development of a successful co-operative and housing association movement is the existence of a favourable/facilitative legislative environment.

National housing legislation is one of the most important mechanisms used by governments to establish/create the institutional hierarchy within social housing movements. Legislation is also used to clearly set out the functions and powers of each level (Lowe and Hughes, 1991:68). Norway through their Co-operative Act regulates *inter alia* the relations between the national sponsoring agency, secondary co-operatives and primary co-operatives (Kroes, Mulder and Ymkers, 1988:140; and Mauseth, 1999:58). It is furthermore widely acknowledged that the supportive environment provided through the Act is one of the reasons that co-operatives are such an important part of the housing scene in Norway. In contrast, co-operatives in the Netherlands are not very popular and this, can according to Kroes, Mulder and Ymkers (1988:203), at least partly be attributed to an unsympathetic legal environment which created legal barriers that hindered the development of the sector. According to Alder (1999:48), housing co-operatives were introduced in Tanzania in 1971 as a result of an initiative of the Economic Commission for Africa and the housing “arm” of the International Co-operative Alliance (ICA). Tanzania as a country was chosen for

the initiative because of the existence of *inter alia* an existing legal framework for co-operatives. One can thus conclude that international aid and assistance is easier to acquire/attract if a supportive legal environment is already in place.

According to Smith (1995:906) the National Housing Act in Canada is used to set out the financial mechanisms and support that government provides to the social housing sector. In Chile the first social housing legislation dates back to 1906 – and even in that first Act as well as all subsequent amendments the terms and conditions of government support is clearly set out (Carmona and Blender, 1987:83 and Arrigone, 1994:11). In Austria the Housing Act provides a clear listing of the activities in addition to construction that can be subsidized – these include *inter alia* heating insulation and initiatives to improve energy efficiency (Kroes, Mulder and Ymkers, 1988:411).

The 1988 Housing Act of Britain for the first time made it possible and even encouraged the use of private financing to top-up/ supplement public money/assistance (CECODHAS, 1999:58). This movement to combine public and private finance is a trend that can also be observed in other countries as pressure to curtail public expenditure increases.

The National Housing Act in Canada in section 56(1) supports the concept of mixed income tenants in the social housing sector, because it is believed that such a strategy contributes towards the viability of the housing estates (Cooper, 1992:164). The Act states, however, that at least 25 percent of the units should be made available to households requiring rental assistance. It thus should be clear that it is very important that legislation aimed at supporting the social housing movement should address firstly, the question of financial support for construction in the form of *inter alia* subsidies, capital loans and loan guarantees and secondly, the continued financial well-being of the social housing estates by allowing them some latitude in allocation policies.

According to Lowe and Hughes (1991:83) and Cope (1990:61) the British Housing Association Act of 1985 provides guidelines to the housing association movement on the following matters:

- Management practise;
- Allocation policies;
- Terms and conditions of tenancies;
- Tenant participation, consultation and communication;
- Places a duty on landlords to provide tenants and the general public with information regarding their rules and allocation procedures;
- Principles that should be considered when deciding on a rent level; and
- Standards of maintenance and repair.

The 1993 Housing Act in the Netherlands is, according to AEDES (1999:22), also used to make sure that housing associations allocate 9 percent of their stock built or acquired through some form of public assistance/support to low income groups and other special groups. In Denmark too the National Housing Act places an obligation on the non-profit housing sector to accommodate households with special needs (Lundqvist, 1992:41). From the above it should be clear that legislation could be used by government as a powerful instrument or mechanism to determine or facilitate the development of a strong and healthy socially conscious housing movement. Legislation also affords government the opportunity to steer the movement into a particular direction that will hopefully contribute to the public good. Given this and the functions listed above it is clear that legislation provides a supportive and facilitative

framework without which the development of a social housing movement can prove to be quite an uphill battle.

As was earlier stated in section 4.2 of this chapter, South Africa currently doesn't have legislation specifically aimed at facilitating the social housing movement in the country. The sector is governed by a range of existing laws that also apply in other contexts (see section 4.2 of this chapter for a discussion regarding the policy proposal of the SHTT to establish social housing specific legislation in South Africa).

4.6 RELATIONSHIP BETWEEN PRIMARY AND SECONDARY SOCIETIES (SOCIAL HOUSING INSTITUTIONS) AND LOCAL AUTHORITIES

According to Kroes, Mulder and Ymkers (1988:245), partnerships between primary and secondary social housing institutions and local authorities are often concluded in an effort to address the housing question in a particular area in an integrated way. CECODHAS (1999:60) expresses the opinion that the strategic role of local authorities in such a partnership is defining or estimating the housing need in its jurisdictional area and then, in collaboration with the social housing institutions active in that area, to devise a plan to meet this need. Lewin (1981:45) echoes this sentiment by stating that local authorities are the social housing institution's link to the formulation of localised housing policies and medium to long term housing strategies in effect within that particular local authority area.

One of the areas of collaboration between social housing institutions and local authorities is according to Baker (1976:88), the nomination rights awarded to local authorities as a result of the financial support provided by government. These nomination rights entitle local authorities to nominate people to occupy from 20 percent to in extreme cases 100 percent of the units built with the aid of the public finance. According to Page (1993:18), a good working relationship between local authorities and housing associations is very important because it can lead to local authorities using their nomination rights with care so that the end result is a balanced

mix of income categories on housing association estates. Local authorities can furthermore, according to Baker (1976:89), render/provide very useful information and/or assistance in one or more of the following areas:

- Providing information regarding the location of as well as the suitability of underdeveloped land in their jurisdictional areas;
- Ascertaining local housing needs and preferences; and
- Providing financial assistance – usually in the form of free land or selling council property at reduced prices.

According to Cooper (1992:163), local authorities in Canada sometimes allow developers to build to greater densities in exchange for providing assisted housing. An example is the St Lawrence Neighbourhood built in the 1990s. It consists of 3 500 housing units of which 2 000 is non-profit social housing while the rest is in co-operative ownership. The relationship between local authorities and housing associations in Britain is one of voluntary co-operation and allows local authorities the leeway – with the permission of the Secretary of State of the Environment – to delegate some of their housing functions to housing associations.

Smith, Griffiths and Stirling (1997:683) furthermore argues that local authorities in Britain are encouraged to play an enabling role, in that they organise/co-ordinate joint action amongst the different providers of housing. Rohe (1995:451-459), in turn points to the important role that local authorities in the USA fulfil in the social housing sector by providing training and technical assistance to newly formed tenant management co-operatives and limited equity co-operatives.

From the above it is clear that social housing institutions and local authorities are mutually dependent upon one another to address housing problems in an integrated fashion. The social housing institutions generally need the local authorities to invest in

their stock and provide them with assistance whilst the local authorities in turn need social housing institutions to provide housing at reasonable prices in their jurisdictional areas. It thus seems that care should be taken to foster and encourage partnerships between social housing institutions and local authorities so as to ensure the formulation of integrated and comprehensive housing strategies.

In South Africa the local level attention given to social housing is on the increase (SHTT, 1999:18). Numerous local authorities e.g. Durban, Pietermaritzburg, Pretoria, Johannesburg, Germiston, Middleburg, East London and Port Elizabeth have to greater or a lesser degree examined the role of social housing within their jurisdictional areas. The SHTT (1999:66) argues that local authorities in South Africa are embracing the concept of social housing because of the following perceived benefits, social housing:

- Addresses decay in the inner city;
- Supports the integration of communities;
- Is sympathetic towards densification initiatives;
- Allows for better provision of services through agreements with social housing institutions/primary societies;
- Service collection responsibilities of the local authorities are eased by social housing institutions, which generally collects rates and services charges as part of the rental payment.

The national housing policy as contained in the Housing Act, 1997 (Act 107 of 1997) and the White Paper on Housing (Department of Housing, 1994) allows local authorities to choose its role – that of developer/facilitator – of housing delivery. The compulsory Integrated Development Plan process that local authorities have to

embark upon furthermore creates an ideal vehicle for the development of a social housing policy for the local authorities. Social housing institutions can then, as was illustrated by the international examples, embark upon an integrated housing strategy for that jurisdictional area.

4.7 CONCLUSION

Mature social housing movements generally consist of three and sometimes four organisational levels, some of which occur naturally whilst others need to be created through legislation. These levels are:

- National sponsoring agency;
- Secondary or mother housing associations/SHIs - also sometimes referred to as technical service organisations (TSOs);
- Primary/daughter societies also called primary housing associations/SHIs; and
- International organisations or societies.

In most countries the planning and decision-making powers are distributed in one way or another between these different organisational levels. In South Africa there are at present no legislative or policy imperatives that enforce integration. Due to the inherent advantages of integration, e.g. flexibility, integration in practice, at least to some extent, has been occurring spontaneously in South Africa. This is especially apparent in the fields of capacity building, technical support and training.

Most countries with an active social housing movement found it necessary to create - often through national legislation - national sponsoring agencies to accept responsibility for policy development, registration of approved institutions (regulation of the social housing movement) and monitoring of the sector's performance. An

example of such an agency is the Housing Corporation in Britain. These sponsoring agencies are frequently created to be separate from the national department responsible for housing, but can also, depending on historical circumstances, be located in-house e.g. the Netherlands. Given the functions that are generally performed by the national sponsoring agencies it can be concluded that the establishment of such an institution is necessary for the development of an organised and structured social housing movement that makes optimal use of the public resources allocated to it. After studying the role and functions of national sponsoring agencies in Europe, Africa and South America it became clear that functions and responsibilities of such a body or institution grow and evolve with the social housing movement itself. Initially it might focus primarily on the development of primary societies and financing, but at a later stage functions like monitoring, enforcing standards and providing guidance on issues like best management practises might begin to dominate.

Once a social housing movement is well established within a country it is quite routine for a representative body to emerge spontaneously from amongst the ranks of the movement itself. Such representative bodies e.g. AEDES in the Netherlands serves as a platform for its members to safeguard the movement's interests, it provides advice and information to its members and undertakes research on behalf of the movement.

The Social Housing Foundation in South Africa, given official recognition through the Housing Amendment Act, 1999 (Act 28 of 1999) is the nearest institution to a national sponsoring agency South Africa has. If its current functions are, however, compared to that of the Housing Corporation in Britain it is clear that its functions are quite limited in scope. It doesn't perform any regulatory function of the secondary and primary social housing institutions and thus cannot initiate sanctions against associations/co-operatives found guilty of acting in a manner that is in contravention of prescribed policies. The functions thus being fulfilled by the Social Housing Foundation closely

resembles that of representative bodies that emerged from the movement itself rather than that of a national sponsoring agency.

It is, however, important to note that the regulation and monitoring of the social housing movement in South Africa are fragmented at present. The reason being that despite the widespread use of the word housing association there is no such legal vehicle officially acknowledged in the South African legal system. Social housing organisations in South Africa, however, have various other options open to them: they can register as public companies with shareholding, private companies, co-operatives, Section 21 companies or communal property associations. However, the implication of this is that a different regulator, e.g. the Registrar of Companies and Registrar of Co-operatives - that do not necessarily have an understanding of housing development, regulates each option.

In order to address the above situation the Social Housing Task Team appointed by the Minister of Housing in 1997 to establish a policy framework for social housing has recommended that South Africa adopt a second level registration process to be carried out by provincial departments responsible for housing and local government. These particular departments were chosen because they are also the departments that in most provinces are responsible for the approval of the LDO/IDPs of local authorities as well as the compilation of provincial growth and development strategies. Given the interventionist nature of the powers of this proposed regulator, the SHTT furthermore recommended that the regulatory function should be established through primary (national) legislation in the form of a social housing act.

If the above proposals are implemented, South Africa will have nine provincial sponsoring agencies. In none of the proposals made by the SHTT could any reference for establishing a communication system between these provincial sponsoring agencies and the SHF be found. Such a communication system will ensure that changes in the sector are influencing the process of policy

formulation/adaptation and that an opportunity to exchange experiences is formally provided for.

Secondary societies or technical service organisation as they are also known fulfil a very important role in the establishment and progressive expansion of social housing movements worldwide. They can be seen as the centres of knowledge and experience that can be utilised on an *ad hoc* or continual basis by primary societies in need of assistance. TSOs are responsible for capacity building within the social housing movement and as such should be supported and promoted.

Even though there are no formal policies in place within South Africa to facilitate/stimulate the emergence of TSOs/secondary societies, a few have none the less developed. Examples include the Urban Sector Network (USN) and Cope Housing Association. In the absence of a proper national sponsoring agency these TSOs have fulfilled an invaluable service in the social housing movement. It would however be prudent to put in place measures to stimulate the emergence of more TSOs and to consider providing additional financial assistance to the ones already in existence.

Primary/daughter societies refer to housing associations at project level and as such can be seen as the building blocks of a successful social housing movement. These societies are responsible for the actual construction or development of the housing units and remain the owners after construction/development phase has been completed. Primary societies if registered with the national sponsoring agency have to operate within the policy framework established by the sponsoring agency. The number of primary societies within South Africa is rapidly on the increase even in the absence of a comprehensive and supportive policy and legislative framework.

International social housing organisations or societies, e.g. Scandanavian Organisation of Co-operative Housing can emerge when there are a few countries with strong social housing movements situated near to one another. Such bodies then

ensure that the knowledge and experience is exchanged on a regular basis in an organised manner.

Establishing linkages with international aid agencies is one way for especially developing countries to overcome inhibiting factors like the lack of skills in one or more of the following areas:

- Procurement of loans; and
- The development of appropriate legislative frameworks.

Care should, however, be taken that aid agencies adopt an institutional building approach, with emphasis being placed on working in close collaboration with national government to create/establish capable, knowledgeable national sponsoring agencies through skills transfers. South Africa has thus far been very fortunate in that numerous international aid agencies are supporting the emergence/development of a South African social housing movement or sector.

National legislation is one of the most important mechanisms that government has to establish or create the hierarchy or levels of a social housing movement discussed above. It enables government to clearly set out:

- The functions and powers of each level of the social housing movement;
- The financial mechanisms and support government is willing to provide to the social housing sector under certain terms and conditions; and
- Guiding principles on issues like management practise, allocation policies and tenant participation.

Given the scope national legislation provides to government to stimulate and support the development of a strong and socially conscious social housing movement it is unfortunate that South Africa as yet does not have social housing specific legislation. However, as was already mentioned the SHTT recommended that the formulation of such legislation can only benefit the social housing movement in South Africa.

Social housing institutions and local authorities are mutually dependent on one another to address the housing problems of a particular area in an integrated and comprehensive fashion. The social housing institutions generally need local authorities to invest in their stock and provide them with assistance in areas like identifying suitable land whilst local authorities in turn need social housing institutions to provide housing at reasonable prices to *inter alia* low income and other special groups that includes the physically handicapped.

In conclusion this chapter has illustrated that the development of an integrated and effective social housing movement depends on a range of factors which all have to be in place if synergy is to be achieved between the various levels of the social housing movement. National legislation and policies create the framework, norms and standards within which all "actors" in the sector have to fulfil their functions. Institutional support in the form of a national sponsoring agency, TSOs as well as international aid agencies are essential for the development of a diverse range of primary societies that are responsive to a wide range of accommodation needs. Regulation and monitoring mechanisms are essential to ensure that the sector uses the public resources allocated to it in a responsible and accountable manner. As was indicated in this chapter, although South Africa has made some progress on some of these fronts others are still in their early stages of conceptualisation. This situation is, however, not inhibiting the slow but sure emergence of a social housing sector that is already making significant contributions in addressing housing need in South Africa.

CHAPTER 5: FINANCING SOCIAL HOUSING

5.1 INTRODUCTION

A successful social housing programme is to a large extent dependent on the availability of funding from public sources as well as the sector's particular ability to mobilise private resources (UN, 1975:3). Rohe (1995:439) also lists funding difficulties as one of the greatest stumbling blocks that need to be overcome in order to have a successful social housing sector. Lewin (1981: 47) argues that one of the most common mistakes that lead to the downfall of social housing institutions (SHIs), is inadequate financial planning as well as an underestimation of costs. According to Lowe and Hughes (1991:62) the financing of social housing is generally seen as a difficult subject - inherently complex and forever changing. The underlying issue, however, always remains that of the nature of the relationship between housing costs and consumer income and to what extent government is prepared to subsidise the cost.

In this chapter the reasons for public sector assistance to the social housing sector as well as the approaches to social housing financing, adopted by various countries, were discussed. The chapter further addressed the issue of financial support to SHIs by various institutions as well as the financial instruments and/or mechanisms used by these funding institutions to render financial support.

5.2 REASONS FOR PUBLIC SECTOR FINANCIAL ASSISTANCE TO THE SOCIAL HOUSING SECTOR

According to Kroes, Ymkers and Mulder (1988:20), most countries in Western Europe have a tradition of public intervention in housing - the reason being that they wish to improve the housing conditions of the underprivileged. The underprivileged, according to Lane (1995:871), include the homeless, members of society with special needs, the proportion of the general public that would otherwise have spent more than 50 percent

of their disposable income on housing and those currently living in substandard housing. An important feature of housing finance in Africa is, according to Lewin (1981:8), the subsidies granted by government on a regular basis. The UN (1975:37) also argues that a common trait in most Latin-American countries is the predominance of government investment in housing - to make up in part/compensate for the small capacity or limited inclination for saving amongst the general public. According to Mathey (1992:327), the National Fund for Popular Housing in Mexico (FONHAPO), makes an effort to facilitate the availability of credit for housing purposes even to people without stable employment as well as those earning minimum wages.

The Federal Government of the USA provides financial assistance to the social housing sector to enable/stimulate the process of rehabilitation or modernisation of existing estates (Katz and Mayer, 1985:21 and Dreier, 1987:9). According to Lane (1995:868) governments from all over the world generally provide financial support to the social housing sector to stimulate the provision of affordable housing and to enable the SHIs to undertake systematic capital improvements and preventative maintenance programmes. Public financing of social housing is also quite often motivated by a realisation that the development and operating expenses involved in the establishment and proper management of social housing have surpassed a point where it could be financed through rental income alone (Lane, 1995:871).

The affordability of housing relates to the ratio between income and the amount spent by a household on obtaining shelter (Cooper and Rodman, 1992:5). A standard adopted quite widely is that housing costs should not exceed 30 percent of gross household income (Cooper and Rodman, 1992:5 and Kroes, Ymkers and Mulder, 1988: 42). The public assistance granted to the social housing sector in Canada is motivated by a desire to assist those that are indeed spending 30 percent or more of their income on housing - so as to assist them to improve their standard of living. Cooper and Rodman (1992:10) also argues that the provision of housing that is fully accessible to people with disabilities often costs more than what the private sector is prepared to invest. If government is thus committed to enable such individuals to live

as independently as possible, it does have some responsibility to subsidise their housing costs - at least in part.

In terms of Section 26(2) of the South African Constitution everyone has the right to have access to adequate housing. Section 26(2) then goes further to state that government must take reasonable legislative and other measures within available resources to achieve this goal/aim. One can thus argue that the support that the South African government grants to SHIs is in the first instance motivated by the desire to fulfil the government's constitutional obligation to assist people to secure adequate housing.

The support of rental housing – which includes the provision of social housing – assists in placing housing within the reach of needy people, not able to buy housing on the open market but also not qualifying for the general housing subsidy (Nkosi, 1997:2). Government support of social housing in South Africa is thus secondly also motivated by a desire to raise the standard of living of those having difficulty in securing housing in the market place (Abarder, 1997:11).

According to Lipman (1999:11) financial institutions in South Africa are not very enthusiastic about financing SHIs. Government is thus, thirdly, rendering support to the social housing sector in an effort to demonstrate that the risks involved are in fact lower than what is perceived by the commercial banking sector – in the hope that they will change their policies and declare themselves eager/willing to support the social housing sector.

Lipman (1999:11) argues that social housing estates/apartment buildings in the inner city areas of South African cities have demonstrated that they have the potential to regenerate the run-down urban areas in which they are located. This was illustrated according to Cox (1999:10) through a social housing project undertaken through the partnership between Bertrams Development Brigade and Cope Co-operative Housing, which led to the revitalisation of the decaying inner suburb Bertrams, Johannesburg.

The said project *inter alia* led to the construction of 88 units sold as co-operative housing. According to Turner (1995:5), the project also succeeded in saving the suburb of Bertrams from becoming a derelict slum by renovating old buildings and erecting new ones. Government support of the social housing sector in South Africa is thus, fourthly, motivated by a desire to facilitate urban regeneration.

As was explained in chapter 2, the history of social housing in general was for the most part characterised by the adoption of either the residual or mass model of social housing provision. In section 2.2 of that particular chapter it was concluded that the residual model dominated throughout history with a few notable exceptions e.g. the post-war years. Government intervention in the finance of social housing for the most part is thus motivated by a desire to come to the aid of selected groups of the population and to assist those who cannot for whatever reason, secure housing on the open market.

5.3 APPROACHES TO THE FINANCING OF SOCIAL HOUSING

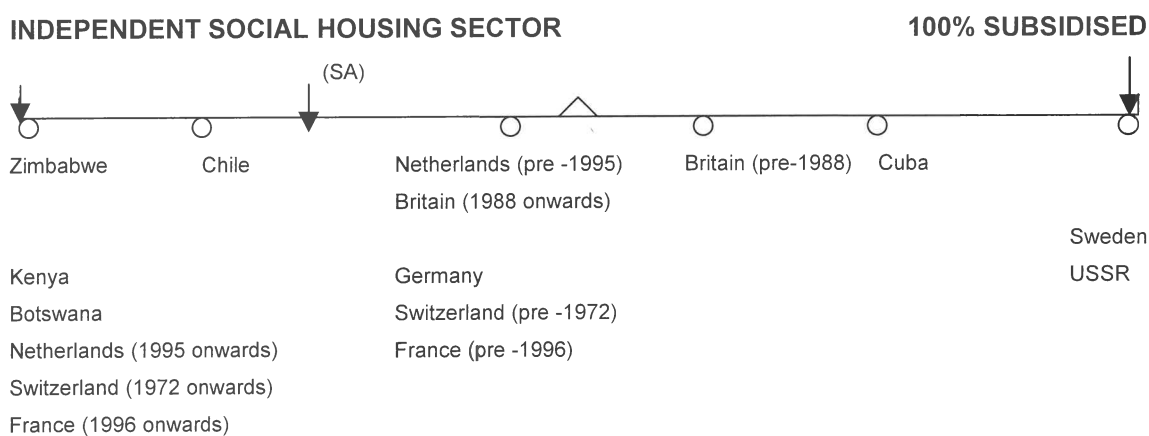


FIGURE 5.1: Graphical representation of the approach of selected countries with regards to the funding of social housing

Source: Self-constructed

(Please note that the approaches referred to in this section refer to the approaches taken by central governments to support or refrain from supporting the social housing institutions (SHIs) active in that particular country. Although it might thus be indicated that some countries do not support the social housing sector per se they might still assist low-income earners with income assistance/ demand side subsidies. These and other financial instruments or mechanisms will be discussed in section 5.5 of this chapter.)

There are as many ways to subsidise or financially assist the social housing sector, as there are countries in the world. Each country has developed a system that is uniquely adapted to their internal realities, priorities and financial means. Conceptually the extent of government assistance can be said to form a continuum (see Figure 5.1). As can be deduced from the said figure some governments believe in wholly independent social housing sectors that receive little or no government support. As will be indicated in the following paragraphs examples of such countries include *inter alia* Botswana, Zimbabwe and Kenya.

According to Larsson (1989:31) the Botswana Government's housing policy is based on the principles of cost recovery and affordability. The public sector does, however, allow mechanisms such as cross subsidisation to be used to assist the consumers of low-income housing.

In Zimbabwe housing is provided only on a cost recovery basis (Schlyter, 1989:45 and Mathey and Pini *et al*, 1985:28). From 1983 onwards the responsibility for housing provision in Zimbabwe was delegated to local authorities who have to use their own resources as well as any donor funding they can secure to fund their respective housing strategies. Schlyter, (1989:51) argues that the effect of this policy coupled with high housing standards adopted by the government after independence have on account of the high costs involved, meant the exclusion of the majority of the urban poor population from local authority housing schemes. Co-operatives in Kenya have to obtain financial assistance from private financial institutions at market interest rates

(Munene, 1999:87). The consequence of this decision of government, not to provide financial assistance to co-operatives, resulted in this sector eventually becoming unaffordable to the majority of the population.

According to Carmona and Blender (1987:82) the Chilean government already in the 1960s initiated an extensive housing programme, which resulted in a large number of different housing solutions - with big differences in standards, in accordance with the income earned by the specific beneficiary. A certain amount of private savings/capital is thus needed to lever a particular standard/level of state assistance.

Carmona (1992:104) states that Latin-American countries in general place emphasis on self-reliance and try to stimulate the usage of labour intensive technologies as well as small-scale production units to produce their housing solutions.

Although the position of the countries plotted on the continuum line in Figure 5.1 represent their current approach to direct central government assistance to SHIs it is also important to note that a county's position on the continuum tends to change over time in accordance with *inter alia* the financial pressures experienced. As will be indicated in the following paragraphs examples of countries that have undergone such shifts would include the Netherlands, France, and Switzerland.

According to Kroes, Ymkers and Mulder (1988:190), and AEDES (1999:8) the central government of the Netherlands introduced a broad programme of subsidies for the social housing sector after World War Two. From the 1980s onwards, however, enormous national debt forced national government to introduce cutbacks (AEDES, 1999:9). In the 1990s central government pulled back even further - this trend finally culminated in 1993 in the "Bruntering" initiative. According to the Minister of Housing, Spatial Planning and the Environment (1997:5) the "Bruntering"/grossing up operation was an event whereby the outstanding financial commitments that still existed between the state/central government and housing associations were balanced out against each other in one transaction. The money still owed to housing associations

by the state (committed subsidies) as well as the money SHIs owed the state in terms of loans, were all settled at once. Both parties received one lump sum which otherwise would have accrued to them over a period of years. By 1995 all these accounts were settled and the financial relationship that existed between the state and housing associations was terminated. The result of this termination, is according to CECODHAS (1999:32), a totally autonomous housing association movement that can decide for itself where, when and how to invest its resources. Government thus lost most of the controls, checks and balances that it previously employed in exchange for the financial assistance it provided.

The Federal Government of Switzerland in the period 1942 to 1970 provided generous financial support to SHIs (Kroes, Ymkers and Mulder, 1988:356). A constitutional amendment in 1972, however, led to the responsibility of housing being delegated/assigned to the private sector. This means that the social housing sector is now dependent on private/commercial financial institutions for financial assistance. State intervention is currently modest and overall represents less than 10 percent of capital invested in the social housing sector as a whole. From the above it should be quite clear that Switzerland's position moved from right to left on the continuum represented by figure 5.1, should its history of central government involvement in the provision of financial assistance to the social housing sector be graphically represented.

Government support of and intervention in the social housing sector of France during the period of 1950-1960 was direct and massive CECODHAS (1999:9). From 1960 onwards, however, government gradually reduced its involvement with the end result that direct subsidies for the construction of new social housing projects were abolished in 1996 (CECODHAS, 1999:18).

The central government of Germany is also gradually withdrawing from funding the social housing sector (Emms, 1990:130). In this instance, however, the burden was passed on to the state governments, which meant that the SHIs in particularly the

poorer states were forced to introduce drastic rent increases, making the sector unaffordable to the low-income part of the population. Kroes, Ymkers and Mulder (1988:150) also states that social housing in Germany gradually moved from being almost totally dependent on long term state loans provided at subsidised interest rates to one in which most private financing is becoming more important every year.

According to Cooper and Rodman (1992:32), the years between 1945-1968 the Federal Government of Canada, through the Canada Mortgage and Housing Corporation (CHMC), provided direct financial assistance to the social housing sector. From 1968-1978 the involvement of provincial government gradually increased as the financial controls and decision-making powers were gradually delegated to that sphere of government. From 1978 onwards, the federal government started to actively pursue an approach of disengagement, privatisation, cost containment and greater dependency on private financing. This trend was illustrated by a gradual decline in subsidisation, which culminated, according to Van Dyk (1995:815), in federal government assistance for the development of new social housing as well as the revenue assistance granted to the sector being frozen as a result of an increasing federal government deficit. Prince (1995:723) describes the current approach of the Canadian government as an assisted private market approach.

The British Government's current approach can also be described as an assisted private market approach, even though relatively high levels of government support are still maintained if compared with other countries already discussed (Page, 1993:3). The Housing Act of 1988, which supports the mixing of private and public financing did, however, lead to a reduction in subsidy levels (Page, 1993:4). This is clearly visible if pre-1988 subsidy levels of up to 90 percent are compared to the 54 percent subsidy levels observed in the 1994/1995 financial year (Page, 1993:3). According to Lowe and Hughes (1991:155) the new approach to the funding of SHIs was introduced through the 1988 Housing Act to:

- Act as an additional motivation for housing associations/co-operatives or SHIs to produce more cost effective solutions;
- Place the social housing sector in a more competitive environment; and
- Encourage the development of entrepreneurial skills in the social housing sector.

Cope (1990:135), states that the changes brought about by the 1988 Housing Act forced housing associations to realize that:

- Housing associations have to learn to deal with and manage risk;
- Housing associations need to have an investment strategy so that they can make the most of all resources they have at their disposal;
- Asset management is a key competency that can contribute towards the future stability and success of the social housing sector; and
- A carefully formulated rent policy is absolutely vital for the continued financial viability of the social housing sector;

As one moves to the right of Figure 5.1 the extent of government assistance/involvement in social housing increases accordingly. According to Mathey (1992:183), state built housing in Cuba is rented out to users/occupiers at approximately ± 10 percent of family income. In this instance, however, the said author also warns that the rental prices in Cuba are subsidised to such an extent, and in such a manner, that the income received by an average SHI is too low to allow it to fulfil/engage in the systematic maintenance required to preserve the standard of the housing units in question. The Central Government of Cuba also uses a system of so-called micro-brigades, an idea put forth by Fidel Castro in the 1970s, to construct state

built houses (Mathey, 1992:186). In terms of this programme workers of a factory/office or any other productive unit are given the opportunity to build houses for themselves and their colleagues. The workers that remain behind in the productive units in turn undertake to maintain previous levels of productivity. Since the 1980s, 60 percent of the houses completed in this manner were distributed/rented out amongst the members of the micro-brigade and the productive unit they were affiliated to whilst the remaining 40 percent was donated to other beneficiaries (Mathey, 1992:186). According to Mathey and Pini *et al* (1988:37) the brigade members receive technical advice, equipment and building materials from the state and local authorities. The production unit continues to pay their salaries but then reclaim these costs from the state. In recent years the state has agreed to sell some of these houses to its occupants at low interest rates over a twenty-year amortisation period. The purchase price in such instances is also subsidised and thus not related to the actual costs of constructing or building the accommodation (Mathey, 1992:190).

In Sweden there is a state housing loan scheme which, according to Lundqvist and Danermark (1990:449), grants direct/indirect state support for almost 100 percent of the costs involved in the construction and maintenance of social housing. This massive financial involvement of the state enables it to specify where, when, how and at what unit price housing is to be constructed/built. According to Kroes, Ymkers and Mulder (1988:97), these loans are even ample enough to finance the planned repairs and maintenance initiatives periodically undertaken by SHIs. A typical co-operative's building activities are, according to Kroes, Ymkers and Mulder (1988:83), financed in the following manner:

- 70 percent of the costs is covered by a long term mortgage loan, with a below market interest rate;
- 29 percent of the costs is financed through a state housing loan, also granted at a below market interest rate; and

- The members of the future housing co-operative contribute 1 percent of the costs.

The state rental sector in the former USSR encompassed 71,4 percent of the housing market (Emms, 1990:237). According to Emms (1990:269) the tenants paid approximately 3 percent or less of their disposable income for the accommodation so provided, due almost entirely to the virtual rent freeze put in place in 1928. Altogether tenants used to pay less than a quarter of the actual costs involved in the management and maintenance of the units they occupied/ rented.

According to the Financial Mail (1997:74), the social housing sector in South Africa combines government subsidies and private resources to provide housing to low and middle-income earners. The institutional subsidies provided by government rarely cover more than 25-30 percent of the capital costs of a social housing project – much lower than that of Britain and Belgium where approximately 40 percent of capital costs are covered by public assistance.

According to Chalmers (1999), and the SHTT (1999:26) one of the factors inhibiting the development of a social housing sector in South Africa is the lack of a clear, comprehensive financial framework. Some of the problems currently experienced by SHIs in South Africa include *inter alia*:

- Limited access to credit since the bad experiences that most traditional financing institutions have had with low-income financing have caused them to be hesitant about investing in the social housing sector;
- Most financing granted to SHIs is earmarked for the actual construction/delivery phase of a social housing project, thus causing a critical shortage of start-up funding or bridging finance;

- The absence of income supplements, with the exception of old age pensions and limited disability pensions, payable to individuals/households exhibiting particular characteristics or experiencing difficult circumstances. Within welfare states the existence of social security systems provide an important source of income for the clients of SHIs. SHIs themselves are thus confident that their tenants have a guaranteed source of income should they encounter difficulties – the risk of tenants defaulting on their rent is therefore much less than what the case is in South Africa; and
- Satisfying due to capacity problems the criteria set by the Housing Institutions Development Fund (HIDF), the only financier of social housing operational at a national level.

The SHTT (1999:48) in their report to the Minister of Housing proposed the formulation of a comprehensive funding framework that will have the following aims:

- Security of funding: It is critical for SHIs to be secure in the knowledge that they will be able to secure institutional subsidy funding for more than one project – it increases their willingness to become involved in the social housing sector.
- Focus public support on multi-project institutions: Given the limited funding available it was proposed that investment over the short term be focussed on SHIs that are planning to undertake a number of projects.
- Packaged funding deals be available for SHIs: Currently there is a need for funding to be rationalised and co-ordinated into comprehensive funding assistance packages at a provincial level.
- Put in place simplified and transparent procedures through which funding can be secured.

- Long-term focus on private sector investment: The financial assistance granted to SHIs by the government should in the opinion of the SHTT be used to assist SHIs in achieving the governance, management and other characteristics required by the traditional finance industry in an effort to secure their long-term involvement.

To achieve these goals/aims the SHTT (1999:50-56) furthermore proposed five key intervention strategies – these are:

5.3.1 Co-ordinated funding efforts

Currently there are a number of institutions providing some assistance to SHIs. It is, however, regarded as important to create security and consistency in the industry with regards to the broad intentions of the funders as well as the requirements each institution tie to the products it has on offer. To address this difficult issue of integration and co-ordination the SHTT proposed that a national funding facilitative committee be established by the Department of Housing. All institutions currently providing financial support will be given the opportunity to serve on the committee. The overall aim of this committee, if established, will be to promote investment in social housing - initially by its members, and in the long term also by the private sector. It is proposed that the committee will have four key functions, namely:

- The development of an overall vision for the funding of the social housing sector;
- The development of common base criteria for the funding of social housing projects;

- Reviewing and revising the current funding and guarantee products to also include the pre-establishment or start-up phases of the social housing project cycle; and
- Encouraging the establishment of public private partnerships in the funding of social housing.

5.3.2 Facilitate funding at the provincial level

It is proposed that provincial governments that seek to promote social housing projects as an alternative housing strategy in that particular province should establish a social housing function/functionary to facilitate and monitor social housing projects funded through institutional subsidies. It is proposed that if established this functionary/body will have the following functions:

- Formulating an overall vision/plan for the social housing sector of the province;
- Obtaining an annual budgetary allocation of institutional subsidies for the provincial housing development board; and
- Ensuring that the funding is co-ordinated within the province.

The SHTT also proposed that provinces consider undertaking the task of funding co-ordination. This will entail that SHIs will continue with their present practice of applying separately to all the organisations known for supporting social housing financially. Once these applications have been lodged it is proposed that a meeting be called of all the relevant bodies to ensure that the applicant receives the most relevant and comprehensive funding package possible.

5.3.3 Targeted funding to respond to SHI specific needs

As was already stated the bulk of financial assistance provided to SHIs is targeted at the delivery or construction phase of the social housing project cycle. The SHTT is however of the opinion that unless focussed investment in the institutions also occurs concurrently, the sustainability of the units so provided will be undermined. The SHTT thus proposed that a grant for covering the pre-establishment and start-up costs be established. This grant is intended to focus on the capacity building and institutional development costs of emerging SHIs.

5.3.4 Institutional subsidy

To increase the possible impact of the institutional subsidy it was proposed that the following policy changes be considered:

- Restrict the institutional subsidy to registered social housing institutions only;
- On the basis of the overall plan for social housing in a particular province developed by the provincial social housing functionary/body and agreed to by the Provincial Department of Housing and the Provincial Housing and Development Boards, a segment of the housing budget for that province be set aside for the provision of institutional subsidies;
- Segments of the above-mentioned budgetary allocation be allocated to specific SHIs; and
- Provincial Housing and Development Boards be granted discretion with regard to the manner in which the institutional subsidies are paid out.

From the above it can be concluded that the South African Government (if it accepts the proposals of the SHTT), intends to continue its current assisted private market

approach. It can also be speculated that if the national housing budget is not increased significantly it is highly unlikely that government will be able to increase its contribution in the form of institutional subsidies. There might, however, be scope to increase its assistance through other measures or instruments – this is addressed in section 5.5 of this chapter. Within a South African context it is thus very important to create an environment within the social housing sector that will bolster the confidence of private/commercial investors to regard the sector as a viable investment. Most of the proposals to develop a comprehensive funding framework for the social housing sector outlined above focus on the rationalisation and co-ordination of the diverse funding strategies already in place – the point South Africa thus occupies on the continuum represented by Figure 5.1 thus remains stable.

In conclusion it is thus apparent from the examples discussed in this section that central governments worldwide adopt different approaches to the financing of social housing. Some countries e.g. Zimbabwe and Botswana assist the sector, but operate on a cost recovery basis whilst other countries e.g. Cuba, Sweden and the former USSR invest on a large scale in the social housing sector without really expecting a return other than providing adequate housing to their respective populations. One can of course argue that the availability of adequate financial resources to a great extent dictates/determines the extent to which governments is able to provide financial support to the social housing sector. However, as was illustrated through the description of Switzerland's support, or rather lack of support, to the social housing sector this argument is not always relevant. It is, however, safe to state that each country adopts an approach relevant to its internal realities and challenges and that the approach adopted is subject to change should that reality/context change. Lastly two trends in particular came to attention in the above discussion of the approaches adopted by governments to the financing of social housing – these are:

- Central governments are trying to disengage/withdraw from directly financially supporting the social housing sector or are delegating the responsibility to

provide financial support to the lower tiers of government who are often unable to shoulder such a burden; and

- The social housing sector, as a result of the above trend, is with each passing year becoming more and more dependent on private sector financing to undertake its building programmes.

5.4 INSTITUTIONS PROVIDING FINANCIAL SUPPORT TO SHIs

Social housing institutions are according to Lewin (1981:71), financed by a variety of sources which are henceforth discussed.

5.4.1 Private/commercial financial sector that includes *inter alia* building societies, savings and loan associations and banks.

SHIs in Africa and Asian English-speaking countries are often financially assisted by non-profit building societies. The members founded these non-profit organisations since membership is open to all who wish to borrow money although non-members are allowed to deposit savings with the society. The building societies are usually prepared to lend up to 70 percent or 80 percent of the property's value, but the rest must be financed by the borrower(s).

Savings and loan associations are common in the USA and in some Latin American countries. They function basically on the same principle as building societies and savings banks in that they serve as intermediaries between those who save money and those wishing to borrow money. Private institutional funding institutions also include savings banks, which benefit in some instances from tax exemptions, commercial banks and various types of corporations e.g. insurance companies and pension funds.

According to Lomax (1995:856), Lowe and Hughes (1991:182) and Kroes, Ymkers and Mulder (1988:299), the social housing sectors worldwide are increasingly becoming more dependent on private financial resources to finance their activities.

Building societies in Britain often lend money to housing associations, although the total amount of the loans granted to housing associations by every individual building society may not exceed 15 percent of its resources or assets (Alder and Handy, 1987:214). Local authority capital expenditure on house building programmes in Britain is increasingly being financed through loans and raised directly from the capital market (Kroes, Ymkers and Mulder, 1988:247). According to Baker (1976:131) there is nothing preventing housing associations from taking up long term loans from sources like finance houses, insurance companies and private individuals. These loans are more often than not secured against unencumbered properties already owned by the housing associations. This trend is illustrated by the fact that the new financial regime for housing associations introduced through the 1988 Housing Act only sanctions grant levels and government loans of ± 54 percent - thus forcing housing associations to borrow the rest of the money from banks and the capital market (CECODHAS, 1999:58). According to Cope (1990:71), the Housing Finance Corporation set up in 1987 through the sponsorship of the British Housing Corporation came into being to attract institutional funding for housing associations by acting as a broker for them. The Housing Finance Corporation is thus acting as a liaison between housing associations and private investors. The Housing Finance Corporation provides security to the lenders thereby attracting larger sums of money through the creation of consortia of borrowers. This is especially helpful to smaller housing associations that are less able to secure or raise private finance directly. The Housing Finance Corporation is a self-supporting and non-profit institution that covers its costs through the charging of arrangement costs (Cope, 1990:71).

Private sector finance in Canada replaced the direct Federal Government programme (Cooper and Rodman, 1992:35). The Canadian Centre for Public Private Partnerships was created within the Canadian Housing Corporation to act as a catalyst, initiator and

source of best advise and encouragement in the creation/establishment of public private partnerships (Van Dyk, 1995:834).

As was already stated in section 5.3 of this chapter the financial relationship between the state and the social housing sector in the Netherlands was terminated through the process of “Bruntering” that started in 1993 and ended in 1995. According to AEDES (1999:15), the social housing sector in that country coped with this difficult situation by developing an innovative guarantee structure. This guarantee structure provides certainty to financiers so that they feel secure in providing the financial assistance needed, while it at the same time involves almost no risk for the state. According to Walker (1997:80), this guarantee structure consists of:

- The Central Housing Fund – it provides the primary security; and
- The Social Housing Guarantee Fund.

According to AEDES (1999:15), the Ministry of Housing, Spatial Planning and the Environment set up the Central Housing Fund (CFV) in 1987. The purpose of the Fund is to offer monetary support to housing associations that run into financial difficulties. The Fund according to Walker (1997:80) provides *inter alia* interest free loans to housing associations to enable them to embark upon restructuring programmes to make the institutions financially viable again.

The Social Housing Guarantee Fund (WSW), was set up in 1983 as a private organisation created by and for SHIs (AEDES, 1999:16). The Fund in essence issues guarantees for nearly all loans taken out by member associations to finance their activities in the social housing sector. In order to become a member of the Fund each housing association must demonstrate its solvency on entry and on a yearly basis thereafter. Funding is only provided after the viability of each scheme has been explored (Walker, 1997:80). The Fund is fed by compensation paid by each housing association for every guarantee granted and in addition all members pay an annual

amount that is kept in reserve, should a situation arise where the resources of the Fund falls below a certain level (AEDES, 1999:16). According to CECODHAS (1999:35) the guarantees provided by this Fund were especially established to replace the counter guarantees previously issued directly by central and local government.

According to Kroes, Ymkers and Mulder (1988:367) the major lenders to the social housing movement in Switzerland are the commercial banks. The mortgage interest rates provided by these banks are variable, flexible and are applicable to mortgage/amortisation periods of 15-20 years. In Finland banks and other commercial financial institutions fund on average approximately 30 percent of all activities embarked upon by the social housing sector.

According to the UN (1975:88) commercial banks and insurance companies in Denmark play an important although indirect role in financing the activities of the social housing sector. Mortgage Credit Institutions grant bond-based loans to SHIs – who as borrowers obtain an issue of bonds in return for mortgage security in the property concerned. The SHI has to make its own arrangements to convert these bonds into cash and it is here where banks and insurance companies fulfil their indirect financing role. According to the UN (1975:20), these savings and credit unions/institutions assume the task and risk of recuperating the capital invested in social housing for the duration of the amortisation period. Sometimes these savings and credit unions are funded wholly or partly through national budgets. An example would include *inter alia* the Instituto de Credito Territorial that was established in the 1940s in Colombia (Carmona and Blender, 1987:99). According to Carmona and Blender (1987:100), it generally finances the activities of construction companies catering for the needs of middle-income sector/part of the social housing sector's clientele. It has a progressive lending policy - more money can be borrowed the higher the income of the target population.

According to Larsson (1989:31) social housing initiatives in Botswana are implemented by self-help agencies that finance their projects through capital in the

form of grants and loans provided by donor agencies. The Fundacion Salvorena de Desarrollo y Vivienda Minima – a private non-profit organisation active within El Salvador also finances the programmes it supports by means of national and international subsidies (Carmona and Blender, 1987:159). These subsidised loans are granted on a 20-year amortisation period at low or subsidised interest rates. The private sector in both Africa and Latin America is thus quite often used as a channel through which international/donor funding is invested in the social housing sector. Co-operatives in Kenya can, according to Munene (1999:87), only obtain financial backing from commercial or formal financial institutions at market interest rates, which proved to be unaffordable to everyone but the middle and high-income sectors of the population. Like in the Netherlands quite a few Latin-American countries are establishing guarantee funds to compensate for declining public sector involvement. An example of this is, according to Mathey (1992:327), the National Fund for Popular Housing in Mexico (FONHAPO) which makes credit available even to people earning minimum wages as well as those without stable employment. The Fund grants credit to *inter alia* housing associations, co-operatives as well as other legally registered SHIs at lower than market interest rates over a amortisation period of approximately 20 years.

As was already stated in section 5.3 of this chapter private financial institutions in South Africa are not very enthusiastic about financing SHIs. This can be attributed in part to the bad experiences that most traditional financing institutions have had with the financing of low-income housing. It is, however, encouraging to note that there are examples of private sector involvement in the financing of social housing projects in South Africa and that these are generally on the increase. An example of such a project is the Newtown Urban Village in Johannesburg (Jaffee, 2000). The particular project is a co-operative housing scheme that was made possible through a three-way partnership between Cope Co-operative Housing, the private sector in the form of Grinaker Housing and the Norwegian Federation of Co-operative Housing Associations (NBBL). The project consists of 351 one- and two-bedroom units in new three-storey walk-up buildings in Malan Street in Newtown.

The inclusion of the private sector in the funding of the national pilot project on housing which emerged for the 1998 presidential job summit is also encouraging (Chalmers, 1999). As a result of this project as many as 50 000 low cost and rental houses are said to become available in Gauteng, Mpumalanga and the Eastern Cape. The Mpumalanga pilot project is taking place at Tasbet and Duvha Park in Witbank and will entail the construction of 5000 units (Arenstein and Samayende, 2000). According to the Mpumalanga Premier, Ndaweni Mahlangu, the project in Witbank is being financed in the following manner:

- Government pledged 5 000 institutional subsidies totalling R 80 million;
- National Job Summit Fund pledged an additional R 25 million; and
- R 136 million balance has been pledged by private sector institutions (Arenstein and Samayende, 2000). These institutions will recoup their investments through the monthly rentals paid by the inhabitants of the units.

As was stated in section 5.3 of this chapter the South African Government intends to pursue an approach which includes as one of its components a long term focus on encouraging private sector investment in the social housing sector. Encouraging the establishment of public-private partnerships also appears to be high on the agenda – clearly visible in the description of the funding mechanisms used in the two projects referred to above.

5.4.2 Non-institutional sources

According to Lewin (1981:71-75) savings and credit unions are characterised by some common bond shared by all members, e.g. the workers of the same factory. Note that the savings are usually not exclusively earmarked for housing - short-term loans are also granted for agricultural use, social needs or consumer goods. The housing loans

provided by savings and credit unions are usually for a period of up to 5 years and often require a specified contribution from personal savings - the amount of savings accumulated will obviously influence the size of the loan granted.

The Department of Housing and Urban Development in the USA stopped granting production/construction subsidies for the social housing sector in the early 1980s, with the result that private developers walked away from inner city housing developments (Dreier, 1987:12). This void was, however, taken up by churches, unions and tenant groups. Charities and charitable trusts are also important supporters of the social housing sector in Britain (CECODHAS, 1999:58). Charitable trusts in particular are quite often willing to make loans to housing associations in Britain for short terms varying from two to three years (Baker, 1976:137). These trusts normally charge the applicant (housing association) a handling charge, but provide the loan at below market interest rates.

Another form of non-institutional financing includes workers housing which usually refers to employer financed housing, sometimes constructed for the employer by a SHI. According to Emms (1990:237) the state rental sector in the former USSR encompassed close on 71,4percent of the housing market. Of this total 32,8 percent was provided by municipalities while employers, which include *inter alia* factory owners as well as government ministries, erected the remaining 37,6 percent. These employers in the former USSR also used to offer to assist/support their employees with the capital costs involved in joining a co-operative. According to Emms (1990:237) the format of this assistance included *inter alia*:

- Soft loans to help with the initial down payment or deposit required;
- Long amortisation periods of between 10-20 years; and
- Low and fixed interest rates.

Baker (1976:114) acknowledges that the purchasing of stocks or shares in housing associations in Britain have no material appeal to an investor - such opportunities may, however, be taken up by philanthropists, private individuals and organisations who want the housing associations to construct/provide suitable accommodation for their employees. Housing associations can thus by undertaking to provide such accommodation, secure funding from employer organisations at lower than market interest rates.

According to Arrigone (1987:12) employers in Brazil are forced to make financial contributions to the National Housing Bank on behalf of its employees. The employees can then gain access to these funds if they want to join a co-operative and need to pay a deposit to become a member.

South Africa has a few facilitative funding bodies. (SHTT, 1999:18). These bodies seek to facilitate funding from the commercial/private sector either by providing funding at low/preferential interest rates to support the development of SHIs or through granting of guarantees. The Urban Sector Network is an example of such an organisation and is according to the SHTT (1999:11) well known for the facilitative services it provides to emerging SHIs.

Churches in South Africa are also assisting in the funding of social housing or are even undertaking social housing projects themselves. An example would include the Ubunye Church, which entered into an agreement with the Built Environment Support Group to assist the church in establishing Ubunye Housing Co-operative – a Section 21 company (Sheffield, 1999:33). The said co-operative with the aid of an institutional subsidy allocation was able to purchase a property consisting of 50 rooms situated at 78 Pietermaritz Street, Pietermaritzburg in 1996. These 50 rooms are rented out to subsistence level urban workers and their families (Sheffield, 1999:33).

Another non-institutional organisation that supports the social housing sector in South Africa is the Foundation for Education and Production, this foundation started the

Bertrams Development Brigade in 1994 (Turner, 1999). As was already stated in section 5.2 of this chapter the partnership between Bertrams Development Brigade and Cope Co-operative Housing led to the revitalisation of the decaying inner city suburb of Bertrams.

5.4.3 Public finance

According to Lewin (1981:72) public housing finance, fiscal measures and interventions in the housing market are often quite extensive in the industrialised countries and may take many forms that include e.g. direct investments, grants, subsidies, bridging finance and guarantees. Note that these mechanisms are discussed individually in section 5.5 of this chapter.

It is important to note that mechanisms for public intervention in the social housing sector are not as well developed in developing countries. Public housing finance usually occurs in the form of direct construction by semi-government organisations - such as a national housing corporation. These semi-government organisations are usually funded through direct government budgetary allocations in the form of grants and interest free or subsidised loans.

According to Mathey and Pini *et al* (1985:25), the implementation of housing strategies in Zimbabwe is the responsibility of local authorities. All projects or activities undertaken by local authorities are funded either from their own resources or donor funding or a combination of both. Local authorities in Britain have according to Alder and Handy (1987:177), the power to make grants/loans/guarantees to housing associations should they wish to do so. According to Kroes, Ymkers and Mulder (1988:247) local authority capital expenditure in Britain is often funded through loans obtained directly from the money markets. The amounts borrowed by local authorities in this fashion are however closely controlled by the central government. The financial assistance granted by local authorities is often linked to the housing association granting nomination rights to local authorities. According to CECODHAS (1999:18),

local authorities in France regularly assist SHIs in France by granting them land free of charge. As was already mentioned in section 5.4.2, local authorities in the former USSR were responsible for the construction, management and financing of 32,8 percent of the state rental sector, that in total encompassed \pm 71,4 percent of the housing market.

Another stumbling block to overcome in developing countries is that both private and public financial institutions are reluctant to grant housing loans to low-income households in view of the high security risks or danger of default that might occur as a result of the absence of a social security programme/system that will pay income supplements to people encountering problems in e.g. securing employment. Developing countries are also quite often characterised by high unemployment figures which, if taken together with the lack of a well resourced social security programme, increase the likelihood of social housing tenants defaulting on their rent to high proportions. Another inhibiting factor seems to be the high administrative costs that the financial institutions have to incur to approve these relatively small loans. Lewin (1981: 73) also notes that employer housing taxes/forced contributions have recently been introduced in several countries to try and overcome this problematic state of affairs. Furthermore in some countries social security funds are being compulsory diverted into housing construction in an effort to increase the flow of funds to housing initiatives. Donor funding channelled through government and semi-government organisations is an important additional source of funding for SHIs in developing countries (Larsson, 1989:35).

The role that other national sponsoring agencies have fulfilled has already been discussed in chapter 4 and will thus not be repeated here. Suffice it to say that these semi-government organisations in most cases are actively involved in directly providing financial resources or are involved in the evaluation of SHIs. The ratings of these evaluations directly influence the magnitude of financial assistance both the private and public sectors are willing to provide to a particular SHI.

According to the SHTT (1999:19,86) the Housing Institution Development Fund (HIDF) is the only organisation at national level directly involved in the financing of social housing in South Africa. The HIDF is a separate legal division of the NHFC that was created to promote the establishment of innovative and sustainable institutional capacity in the housing sector. The SHTT describes the HIDF as a developmental financier because it seeks to act as a catalyst for encouraging private sector financiers to operate or become involved in the social housing sector. According to the SHTT (1999:19) the HIDF provides various products, in particular long-term loans, on favourable terms to SHIs. Other than the products from the HIDF the social housing sector also benefits from a retail indemnity scheme providing cover against the risk of default. This service is provided by NURCHA and the Home Loan Guarantee Company (SHTT, 1999:19). The primary funders of SHIs within the South African context are the Provincial Housing Development Boards that have the authority to allocate institutional subsidies to SHIs upon application. It is, however, important to note that such institutional subsidies rarely cover more than 25-30 percent of the capital costs of a social housing project. This falls well short of the approximate 54 percent funding that SHIs.

Although local authorities within South Africa are becoming more interested in social housing, their capacity to provide additional funding to the sector is, according to the SHTT (1999:34-35), constrained by the following limitations relating to:

- Property taxation system: In view of the fact that local authorities are moving in the direction of applying a uniform policy in respect of rates and tariffs the potential of local authorities to support SHIs through the introduction of rebates is unlikely. As it is local authorities are currently confronted with a shrinking proportion of ratepayers and will thus be hesitant to erode their rate bases any further.
- Outstanding debt owed to local authorities is reaching crisis proportions, forcing them to use their reserves to finance the non-payment of debtor accounts.

- Local authorities are the site of a deluge of unfunded mandates generally placing them under severe financial constraints.

In spite of the above constraints local authorities like Germiston (through its Greater Germiston Inner City Housing Corporation) and Johannesburg (through the Inner City Upgrading Trust) are doing their best to provide what support they can to SHIs active within their jurisdictional areas (SHTT, 1999:19 and Chalmers, 1998).

In conclusion then it should be clear from the above that financial assistance to SHIs in general is being undertaken by quite a number of institutions including private/commercial sector, non-institutional sources and the public sector. As was already stated the role being played by private sector financing in social housing is increasing rapidly while the role and extent of the public sector involvement is on the decline. It is thus important for SHIs to keep abreast with all institutions within a particular country willing to finance social housing projects. Financing will in future probably not only be coming from one source but a particular project will be dependent on financial support from various sources. Financial risk and asset management are thus very important skills that every SHI should have at its disposal in order to make a success of its activities, accomplish financial co-ordination and deliver the service of providing good quality housing at reasonable prices.

5.5 FINANCIAL INSTRUMENTS AND/ OR MECHANISMS

In this section the financial instruments/mechanisms used by funding institutions to finance social housing projects are discussed.

5.5.1 Loans (at market or subsidised interest rates)

As a result of the amounts of capital involved in carrying out social housing projects, loans whether at subsidised interest rates or at market interest rates, are one of the

most important financial instruments/mechanisms at the disposal of SHIs to finance their development programmes. According to Carmona (1992:100), subsidised loans are granted through the employment of one or more of the following strategies:

- No or below market interest rates;
- Unusually long amortisation periods (35 years or longer); and
- Reduced initial loan payments.

According to Baker (1976:66) loans advanced at no or reduced interest rates have an element of gift capital attached to them – the so-called gift capital is awarded over the duration of the loan and not once off as is the case with capital grants. It is, however, important to note that subsidised loans are hardly ever granted without the attachment of conditions that remain in effect for the duration of the amortisation period (Van Dyk, 1995:821). The conditions attached vary considerably from country to country and include, according to Carmona and Blender (1987:150), Kroes Ymkers and Mulder (1988:151) and Mauseth (1999:57) *inter alia*:

- A demand that the units built with the aid of these loans is dedicated to low-income residents;
- An acceptance of rent control measures;
- A demand that the members or beneficiaries of the project in question contribute a predetermined percentage – usually 10 percent or less of the project costs;
- Adoption of minimum standards; and
- The granting of nomination rights to specific local authorities.

As can be deduced from the above conditions, subsidised loans can be seen as a mechanism that allows whoever is granting the loan, the power to exercise quite considerable control over the social housing sector in general.

Countries that are making use of subsidised loans to assist SHIs include Ethiopia (Mathey and Pini *et al* (1985:34), Chile (Carmona, 1992:100), Ecuador (Carmona and Blender, 1987:150), Argentina (Carmona and Blender, 1987:56), France (Emms, 1990:81), Sweden (Lundqvist and Danermark, 1990:449), Finland (Cronberg, 1986:1986:67) and Norway (Mauseth, 1999:57).

Over the last few years the terms of subsidised loans have as a result of declining government support become less favourable in most of the countries listed above. This trend is forcing SHIs to approach banks, building societies and the capital markets for loans granted at market interest rates. According to Euroweek (1994:2) SHIs often have to pledge older debt free stock as collateral to secure these loans. The interest and loan capital have to be repaid from rents set by SHIs themselves. Loans granted at market interest rates - if not combined with other forms of state assistance - allows SHIs free reign to determine:

- The beneficiary profile of the future residents;
- Monthly rents;
- The standard of the accommodation provided; and
- Where and when to undertake new projects.

Countries within which the social housing sectors are for the most part dependent on commercial loans to undertake new projects include Zimbabwe (Schlyter, 1989:31),

Kenya (Munene, 1999:87), Netherlands (CECODHAS, 1999:31 and Germany (Kroes, Ymkers and Mulder, 1988:150).

As was earlier stated in section 4.3 of this chapter, the Housing Institutional Development Fund (HIDF), is the only organisation at national level that provides long-term loans to SHIs in South Africa. (SHTT, 1999:19 & 86 and Jaffee, 2000). The HIDF has various products available at preferential interest rates (below prime rate) and on favourable terms to emerging SHIs. It is important to note that these loans generally have to finance ± 65 percent of the project costs, since the institutional provided cover only $\pm 25-30$ percent of the development costs. The repayment of loans that cover ± 65 percent of the capital costs of social housing projects obtained from the private sector at market related interest rates becomes a daunting task within the South African context. Firstly, the institutional subsidy covering 25-30 percent of the development costs will only be payable if the SHI rents out the accommodation to people earning less than R3 500 per month. Mixed income projects that are advantageous in that they, by including higher income households, contribute/improve the financial feasibility and stability of projects are thus not encouraged. It can also be speculated that unless the national housing budget is increased significantly government will not be able to increase its contribution to the sector in the form of institutional subsidies. Secondly, South Africa does not have a broad based social security system that can supplement the income of tenants should they loose their jobs. All these factors if taken together, increase the risk that a significant proportion of tenants might at one stage or another not be able to pay their rent which in turn would cause the SHIs to default on their mortgage payments. This would increase the sector's risk profile with private financial institutions who are already less than enthusiastic about supporting the sector.

Loans are, however, in some instances also available from local institutions. An example is the Inner City Housing Upgrading Trust (ICHUT), active in Johannesburg. This Trust granted a R4 million loan to assist the 2 000 residents of the Protea Mansions in Joubert Park to purchase the seven buildings they were residing in. This

project is aptly called the Seven Buildings Project (Arbarder, 1997). The loan was used to upgrade the infrastructure and the buildings themselves through the instalment of *inter alia* security gates, an intercom system, water tanks and new sewer pipes and electricity cables.

From the above discussion of loans as a financial instrument to finance social housing projects the following conclusions can be drawn:

- Loan financing, particularly on favourable terms at subsidised interest rates, or over longer amortisation periods than what is on offer in the commercial sector, is one of the most important instruments/mechanisms used to finance social housing;
- Governments quite often provide loans on favourable terms because it allows them to have some control over the social housing sector, in particular the rents being charged and the characteristics of the average beneficiary of such projects;
- Government support in almost all countries is on the decline and the social housing sector is thus increasingly forced to turn to the private sector to secure funding for new projects;
- The decline in government support forces SHIs to increase their rents to compensate for the higher interest rates being charged by commercial financial institutions; and
- The decline in government support has also reduced the rate at which SHIs develop new projects or initiatives.

5.5.2 Capital grants

In social housing literature a distinction is generally made between two types of capital grants – namely bricks and mortar/production subsidies, consumption subsidies/demand side subsidies.

5.5.2.1 Bricks and mortar/production subsidies

Bricks and mortar/production subsidies refer to a large once-off cash payment either before construction starts or upon completion of the project in question. These so-called production subsidies are commonly regarded as one of the most important mechanisms/instruments used by government to lower housing costs in the social housing sector. Production subsidies can, according to the UN (1975:136), be seen as seed capital, which makes the formation of SHIs possible and enable them to carry out new projects. One of the great advantages of production subsidies is that they ordinarily place no burden or obligation on SHIs to repay them provided the conditions upon which they are granted are adhered to. Production subsidies are thus, according to Roger (1999:74), intended to enable SHIs to charge or set reasonable rents. According to Emms (1990:203) the granting of production subsidies to support the social housing sector can be quite expensive to governments, resulting in governments, particularly those in Europe, introducing mechanisms to reduce grant levels or to stop issuing/granting production subsidies altogether. Mechanisms used to reduce grant levels include *inter alia* the introduction of total cost indicators and predetermined/fixed grant rates (Page, 1993:3).

Countries that are, however, still granting production subsidies include Botswana (Larsson, 1989:31), Brazil (UN, 1975:41), USA (Lane, 1995:868), Britain (Page, 1993:3) and Canada (Van Dyk, 1995:832).

5.5.2.2 Consumption subsidies/Demand side subsidies

Consumption subsidies/demand side subsidies can be described as an income supplement payable to any individual/household exhibiting particular characteristics or experiencing a difficult set of circumstances (Perry, 1995:945). According to Burchall and Listokin (1995:588) these consumption or demand side subsidies are aimed directly at assisting disadvantaged households to secure housing in the market place. From the literature – see *inter alia* CECODHAS (1999:18,31), Kroes, Ymkers and Mulder (1988:170) and Yates (1994:177) – countries including the Netherlands, France, Germany and Austria have phased out bricks and mortar subsidies and have replaced it with consumption/demand side subsidies. Some countries e.g. Britain (Emms, 1990:29) and the USA (Lane, 1995:871 and Burchall and Listokin, 1995:588), have introduced consumption subsidies, but not at the cost of totally withdrawing or eliminating bricks and mortar subsidies. Since the introduction of the consumption subsidies in these countries grant levels/bricks and mortar subsidies have, however, been reduced. From the above it can thus be concluded that governments are moving away from subsidising the production of social housing to subsidising the consumption thereof. These consumption subsidies are also called rent allowances, usually calculated by using a point system. The point system takes into account factors like income, number of dependents and current housing circumstances (Burchall and Listokin, 1995:588).

Institutional subsidies, granted as the name implies to institutions and not individuals, is the only broad based capital grant the South African Government provides to SHIs to subsidise their development costs (National Housing Forum Trust, 1998:2). The grant is awarded in circumstances where the beneficiaries initially do not own their accommodation, but rent it - the typical social housing scenario. The grant amounts to R16 000 per qualifying beneficiary and is noted against the names of the actual beneficiaries in the subsidy database. When a person however moves out of the rental unit his or her name is removed from the subsidy database (National Housing Forum Trust, 1998:2).

The Provincial Housing Development Boards on application award the institutional subsidies. According to the SHTT (1999:14) institutional subsidies have played an important part in ensuring project viability in all social housing initiatives undertaken in South Africa to date. The impact of this subsidy/grant can, however, be improved if some of the following problems identified by the SHTT (1999:31-32) are addressed:

- Additional funding is required: It is argued that the current R16 000 awarded per beneficiary is inadequate because:
 - the subsidy is not only applied for the development of social housing units but also for the development of the common space of the project; and
 - if it is the first project undertaken by a SHI, the subsidy also foots the bill for the institutional development costs.
- Single people are excluded: The eligibility criteria currently applied for the capital subsidy scheme excludes single people without dependants. This undermines the development of social housing since single people make up a significant portion of the demand in urban regeneration, inner city and rental accommodation units.
- Insufficient safe guards in place to protect the state's investment in SHIs: Although the Provincial Development Boards award the institutional subsidies they have limited power over the SHIs to ensure that investments are made according to the intentions originally stated in the project application.
- Institutional subsidy is paid out per milestone: This requirement does not allow SHIs the freedom to manipulate their finances to lever other short and long term funding.

It should also be stated that South Africa currently, in contrast with most other countries referred to above, has not introduced income-assistance programmes. The financial assistance provided by the South African Government can thus be described as production or bricks-and mortar subsidies. This situation within the context of high poverty and unemployment figures in the country seriously hampers the extent to which the development of social housing can be seen as a viable alternative towards providing accommodation for people of limited financial means. SHIs are forced through the extent of the market related loans they have to secure to cover their development costs, covering up to 65 percent of the capital costs, to ask rents which are unaffordable to people earning less than R2 000 per month. According to the SHTT (1999:4) the sector currently addresses the accommodation needs of households that are earning between R2 000 and R4 000 per month. The lowering of this threshold of affordability will thus, in the absence of a social security system paying income supplements to qualifying households, depend on the extent to which SHIs can creatively make use of the other funding mechanisms/instruments discussed in this section.

In conclusion it should be clear from the above that the following trends can be identified with regards to capital grant funding of social housing:

- Bricks and mortar subsidies/production subsidies play an important role in the financing of social housing because it doesn't place additional long term financial obligations on the SHIs – they can thus charge lower rents than would otherwise have been possible;
- Most governments discussed here are moving away from providing capital grants and are switching to providing demand side or consumption subsidies to individuals/households; and

- The reduction of capital grants in particular are forcing SHIs to charge higher rents, simply because the void thus created has to be filled or replaced by private or commercial funding.

5.5.3 Public private partnerships

Public-private partnerships are becoming an increasingly important instrument/mechanism through which new social housing projects are financed. Some countries, e.g. Britain with its Housing Finance Corporation and Canada with the Canadian Centre for Public Private Partnerships, are establishing special institutions to facilitate and promote the establishment of such partnerships (Van Dyk, 1995:823 and Cope, 1990:71). According to the SHTT (1999:19) the HIDF in South Africa can be regarded as such an institution given that it can be described as a developmental financier that seeks to act as a catalyst for encouraging other private sector financiers to become involved in the social housing sector. It can thus be predicted that given the withdrawal of bricks and mortar/production subsidies in numerous countries, these public-private partnerships will become increasingly important in the future.

5.5.4 Incentives (excluding tax incentives)

According to the UN (1975:83) and Wheaton (1983:12), local authorities often support the social housing sector through subsidising or even providing land free of charge. Local authorities in such cases are motivated by a desire to stimulate the development of social housing in their jurisdictional areas. In Nicaragua local authorities often allocate land to SHIs free of charge. Such initiatives lower the financial obligations of SHIs since they do not have to borrow money to purchase land for construction purposes. These cost savings enable the SHIs to lower their rents. Local authorities in France also quite often donate land to SHIs free of charge calling such initiatives land grants (CECODHAS, 1999:18). According to the SHTT (1999:20) local authorities within South Africa in some instances are also providing SHIs with

discounted or subsidised land in an effort to stimulate the provision of social housing within their jurisdictional areas. It might, however, prove useful for SHIs in South Africa to actively market their services to local authorities/municipalities so as to increase the likelihood of concluding public private partnerships with local authorities/municipalities and thus accessing well located land free of charge or at limited cost.

The city of Boston, USA introduced an innovative linkage programme (Dreier, 1987:13). In terms of this programme developers who want to secure development rights in down-town Boston have to contribute five dollars per square foot of office/commercial rights awarded into a neighbourhood trust fund for affordable housing development. SHIs can then apply to secure funding from the trust fund under certain conditions. The city of Boston furthermore introduced an advocacy or community reinvestment programme (Dreier, 1987:13). In terms of this programme the City itself only invests and banks its money with financial institutions with a strong track record of investing in low-income neighbourhoods. The city of Boston is thus utilising its financial resources as a tool to stimulate private investment in its low-income residential areas, thereby indirectly assisting SHIs to secure funding from these institutions.

5.5.5 Directives to secure funding for SHIs

According to *inter alia* the UN (1975:136); Arrigone (1987:12) and Carmona and Blender (1987:74), Brazil introduced a forced/compulsory savings system whereby employers are compelled to channel 8 percent of their monthly wage costs into an account with the National Housing Bank. The money is credited in the name of the employees, and they can only access the funds so accumulated on their behalf for housing, personnel emergencies and retirement purposes. The National Housing Bank according to Carmona and Blender (1987:74), is prepared to grant loans from this fund to the state, local authorities and public housing agencies.

Argentina more or less uses the same system, except in their case employers are only compelled to contribute 2,5 percent of their wages to the National Housing Fund (UN, 1975:56). These resources are then used to finance the activities of housing co-operatives. In France an important source of funding for SHIs is to be found in the so-called 1 percent employers payment levy (Emms, 1990:82). At present no such initiative exists in the South Africa.

5.5.6 Tax incentives

According to Kroes, Ymkers and Mulder (1988:20) tax rebates/concessions are important instruments/mechanisms through which governments still support social housing. In Argentina the tax rebates/exemptions granted to SHIs serve to make it more attractive to private investors seeking to lessen their tax burdens (Carmona and Blender, 1987:56). According to Emms (1990:134) even private landlords that provide social housing for rent qualify for these tax benefits. Tax incentives are also becoming more important as governments are generally withdrawing bricks and mortar/production subsidies as a method of rendering support to SHIs. It is also a mechanism/instrument often used in conjunction with public-private partnerships as an incentive to the private sector to become involved in the provision of social housing.

The current tax dispensation as it applies to SHIs in South Africa is distorted and discriminatory (SHTT, 1999:28). Firstly, institutions offering rental tenure cannot claim input VAT. SHIs are thus required to pay VAT but cannot reclaim the money by way of an input tax credit. Secondly, the zero tax rating applicable to other housing subsidy mechanisms (thus excluding the institutional subsidy) is lost to SHIs. This state of affairs has cash flow implications for SHIs since they are required to pay input tax in a lump sum but are only able to recoup the sum paid through gradual payments made by the lessees. The increased costs caused by the provision of the VAT Act thus undermine the affordability of rental accommodation. Thirdly, section 10(1)(cc) of the Income Tax Act only provides tax exemptions for companies but also only with regards to the construction of new residential accommodation. The implication of this

is that SHIs operating as companies cannot embark on upgrading projects and retain their said tax exemptions. Section 10(1)(cl) does allow for companies to undertake both upgrading and new development projects but stipulates that at least 75 percent of the adult members of the resident community /beneficiaries involved in the project have to earn less than R1 800 per month. This limit can be regarded as inappropriate if it is compared with those set by the Department of Housing, in terms of which a person earning R3 500 per month can still qualify for a R5 000 subsidy. Mixed income projects that prove to be advantageous in that they, by including higher income households, improve the financial feasibility and stability of social housing projects are thus not encouraged by the current tax system.

In conclusion it can thus be stated that the current tax legislation within South Africa is a stumbling block rather than a mechanism to be used pro-actively by government to promote/support the activities of SHIs.

5.5.7 Guarantees

According to the UN (1975:135) the function of guarantees granted by government are to:

- Motivate financial institutions to provide loans to SHIs at lower interest rates – since the perceived risk in the context of guarantees is lower/less; and
- Increase the borrowing capacity/potential of SHIs.

The Mexican Government established three housing funds namely the Institute of National Funding for Workers, the Housing Fund for Public Servants and the Military Housing Fund to guarantee housing loans made by credit institutions (Carmona and Blender, 1987:172). Government in this instance thus underwrites/guarantees the repayment of these loans made by the credit institutions.

According to Emms (1990:75) municipalities or local authorities in France secure extensive nomination rights for themselves in social housing stock on account of the guarantees they grant with regard to loans taken out by SHIs. In Switzerland the government is still indirectly lending support to the social housing sector through the guarantees it provides in relation to loans granted to the sector by commercial banks (Kroes, Ymkers and Mulder, 1988:368). The mere existence of these guarantees serve to reduce the interest rates required by the commercial sector, since the banks feel more secure or at ease with regards to the risk they are undertaking. According to the SHTT (1999:19) a retail indemnity scheme provided by NURCHA and the Home Loan Guarantee Company protects financiers in South Africa against the risk of defaults in *inter alia* the social housing sector.

5.5.8 Bridging finance

Bridging finance refers to the funding needed by SHIs to finance the activities that precede actual construction (Lewin, 1981:77). These include *inter alia* paying the contractor's deposit, transport costs and appointing the professional team responsible for the design and securing the necessary planning approvals. According to Smith (1995:923) the availability of bridging finance stimulates SHIs to undertake new development projects in the USA. The absence thereof actually implies that SHIs have to finance the planning phase of new development projects from the revenue of existing schemes, which should rather be diverted/channelled to sinking funds, which can then be used to pay for future rehabilitation and modernisation initiatives.

According to Sheffield (1999:39) bridging finance is also very important within the South African context because the Provincial Housing Development Boards require the preparation of comprehensive institutional subsidy applications. The preparation of these applications can be quite expensive. According to the SHTT (1999:19) Johannesburg, through the Inner City Housing Trust, provides bridging finance to SHIs active in the city. NURCHA as was explained in section 2.3.4.1 of chapter 2 through

the provision of guarantees also plays an important role in accessing bridging finance in South Africa.

5.5.9 Cross subsidisation

Developers in Botswana often plan mixed income developments that also provide for a diversity of tenure options (Larsson, 1989:31). This strategy enables them to use the income generated from the sale of the higher or medium income units to help fund the construction of the low-income units. In the USA the Government in recent years granted SHIs more flexibility with regards to tenant selection (Lane, 1995:901). SHIs make use of this lenience to secure mixed income populations for their estates. Such a selection process enables SHIs to increase their rental income, seeing that an individual whose income exceeds certain limits pays a higher rent. According to Kroes, Ymkers and Mulder (1988:459) this additional money is paid into a reserve fund that can be used by the SHI to overcome temporary difficulties.

According to Emms (1990:26) cross subsidisation whereby debt free social housing stock is used as collateral for securing funding to undertake additional projects or where the income derived from debt free stock is used to cross subsidise the capital/operating costs of other projects, is an important component of the financial strategies of quite a few SHIs in Britain.

Some countries, e.g. Germany do not support the practise of cross subsidisation (Emms, 1990:138). The German government placed strict limitations on cross subsidisation by demanding that all such proposals are to be submitted to government for approval.

Cross-subsidisation strategies have the potential to enhance firstly the effectiveness of SHIs, and secondly the potential of SHIs to reach lower income segments of the market over the long term (SHTT, 1999:17). This is thus a mechanism that needs to receive more attention within the South African context.

5.5.10 Sources of additional income

According to Emms (1990:256) social housing estates in the former USSR rent out the shops and other communal areas, e.g. community halls that form part of the social housing estates to private individuals/enterprises to generate additional income. This money is then used to lower the rents of the inhabitants or to enable better maintenance of the buildings and the grounds. Some SHIs in the USA also expect tenants to become involved in fund raising activities to stop rents from increasing at a pace surpassing increases in rent allowances/housing benefits. In France and Germany SHIs may also accept tenants whose income levels are above the usual income ceilings, especially in areas of low demand. Such tenants are, however, expected to pay additional premiums of between 5 percent and 25 percent (Emms, 1990:121). Developments in Canada often include other land uses, e.g. shops, and laundromats to enable the particular project or scheme to generate additional money on a regular basis (Cooper and Rodman, 1992:8).

According to the SHTT (1999:32) mixed income social housing projects are not encouraged in South Africa. The reason being that households earning more than R3 500 per month do not qualify for subsidies and are thus not included in the projects since it increases the amount of capital that has to be borrowed to complete the construction phase. It is however a well-known fact that the inclusion of higher income people in social housing projects improve the long term feasibility and stability of such projects.

In conclusion, the diversity of the instruments discussed above that can be used to finance SHIs illustrate the complex financial environment within which SHIs have to operate. Asset, financial and risk management are thus skills without which no SHI that regularly undertake new development projects, can do without. SHIs increasingly have to develop entrepreneurial skills if they are to survive with their public-spirited objectives intact.

Within the South African context it is clear that only a limited number of the above listed instruments are used regularly and consistently.

Instruments like tax incentives and securing additional sources of income can be improved upon. It is only when each of these instruments - each has a particular niche or function to fulfil - are used optimally and in a mutual supportive manner/fashion that SHIs in South Africa will be able to flourish.

5.6 CONCLUSION

In conclusion it can be said that the financing of social housing is inherently complex and forever changing. Government involvement in the financing of social housing is for the most part motivated by a desire to come to the aid of selected groups of the population and to assist those who, for whatever reason, cannot secure housing on the open market. In South Africa and the United States government's financial assistance to the social housing sector also serve to stimulate/enable the process of rehabilitation and modernisation of inner city areas.

One, or a combination of the following sources, usually funds SHIs worldwide. Firstly, the private commercial sector, including building societies, savings and loan associations, commercial banks, insurance companies and pension funds, secondly, non-institutional sources, including savings and credit unions, churches, unions, tenant groups, charities and charitable trusts, and lastly, public finance, including all spheres/tiers of government.

There are as many methods to subsidise/financially assist the social housing sector, as there are countries in the world. Each country has developed a system that is uniquely adapted to their internal realities, priorities and financial means. The extent of government involvement/assistance forms a continuum. The social housing sectors in some countries, e.g. Kenya, Switzerland and the Netherlands receive very little, if

any, government support, whilst others, e.g. Sweden and the former USSR, receive subsidies that cover almost 100 percent of the development costs. It is, however, apparent that most central governments are trying to disengage/withdraw from providing direct financial support to the social housing sector. The funding responsibility is often delegated to the lower tiers of government who are unable to shoulder such a burden. This trend/phenomenon is causing the sector to become more dependent on private sector funding with each passing year.

The South African social housing sector receives financial assistance from government in the form of institutional subsidies. These, however, rarely cover more than 25-30 percent of the capital costs of a social housing project. The approach adopted in South Africa can thus be described as an assisted private market approach, seeing that the social housing sector in South Africa combines government subsidies and loans from the commercial/private sector to secure enough funding to undertake new development projects. The SHTT identified the lack of a clear, comprehensive financial framework as one of the factors that inhibits growth within the social housing sector in South Africa. To address this situation the SHTT proposed five key intervention strategies. Firstly, the co-ordination of funding through the creation of *inter alia* a national funding facilitative committee secondly, the establishment of a provincial social housing function/functionary that will be responsible for formulating an overall vision or plan for the social housing sector of the province, securing funding for the allocation of institutional subsidies by the Provincial Housing Development Boards and ensuring that the funding is co-ordinated within the province thirdly, that targeted funding be made available for institutional development fourthly, that policies be put into place to increase the impact of the institutional subsidies and lastly, adopting a long-term focus on private sector investment.

In general the role being played by the private sector is increasing rapidly while the role and extent of the public sector is on the decline. Private financial institutions in South Africa are not very enthusiastic about the financing of SHIs, since quite a few have had bad experiences with financing low-income housing. It does, however,

seem as if the South African Government is intent on pursuing an approach which includes as one of its core components a long-term focus on encouraging private sector investment in social housing. The encouragement of public-private partnerships also appears to be high on the agenda. In view of the fact that the national housing budget is not expected to increase significantly the importance of getting private sector financiers on board cannot be overemphasised. For such an initiative to succeed, the social housing sector needs to prove/demonstrate that it is a sound and relatively risk free investment. The viability and sustainability of each project thus needs to be carefully considered since mistakes can be costly in terms of undermining investment confidence.

Non-institutional sources also deliver valuable financial assistance to SHIs. Charitable trusts and churches in particular might in special circumstances even be willing to provide loans at below market interest rates. Although a few churches and facilitative funding bodies in South Africa are lending support to the social housing sector, it can be argued that a carefully compiled marketing campaign might encourage interest in the sector, especially amongst the public spirited non-institutional bodies/organisations.

As was already stated, the extent to which governments worldwide are prepared to assist/subsidise their social housing sectors varies greatly. In South Africa the Housing Institutional Development Fund is the only organisation at a national level directly involved in the financing of social housing. Provincial Housing Development Boards are the primary public financing agents in South Africa since they have the sole authority to allocate institutional subsidies. Local authorities in South Africa are becoming more interested in encouraging the development on social housing. The assistance they can provide is, however, limited by factors like the property taxation system, outstanding debt owed to them and the amount of unfunded mandates they are currently confronted with.

Given the diversity of funding sources available, it is important for SHIs to keep abreast with all institutions/bodies/individuals willing to finance SHIs. Knowing who the funders are will be a great advantage since the expense involved in the development of a new project is of such a magnitude that funding in future will probably not only be coming from one source but from several sources simultaneously.

The following mechanisms/instruments are used by the above-mentioned funders and SHIs alike to fund new projects and to manage and upgrade existing projects/estates:

- Loans at market or subsidised interest rates;
- Grants referring to firstly, bricks and mortar/production subsidies, a large once-off cash payment and secondly, consumption/demand side subsidies which can also be described as income supplements payable to individuals/households exhibiting particular characteristics or experiencing a difficult set of circumstances;
- Public-private partnerships to develop and manage SHIs;
- Incentives (excluding tax incentives) which include *inter alia* local authorities that subsidise or provide land free of charge to SHIs and linkage programmes in terms of which developers wanting to secure development rights in downtown areas have to contribute money into a neighbourhood trust fund for affordable housing development;
- Directives to secure funding for SHIs through a forced/compulsory savings system whereby employers are compelled to channel a percentage of their monthly wage costs into a housing trust fund;
- Tax incentives through *inter alia* tax rebates/concessions made to SHIs;

- Guarantees often used by government to motivate financial institutions to provide loans to SHIs at lower interest rates, since the perceived risk is lower/less and to increase the borrowing capacity of SHIs;
- Bridging finance referring to the funding needed by SHIs to finance the activities that precede actual construction;
- Cross subsidisation is achieved through the development of mixed income developments that also provide for a diversity of tenure options. The income generated from the sale of the higher and medium-income units help fund the construction of low-income units. Cross subsidisation can also be achieved through a system whereby debt free social housing stock is used as collateral for securing funding for subsequent projects/developments; and
- Sources of additional income can be secured if social housing estates include land uses like shops and community halls. These can then be rented out to private individuals/enterprises to generate additional income.

The above listed instruments are usually used in combination and in mutual support of each other. Together they form a comprehensive framework within which each instrument has a particular niche or function to fulfil. It is thus clear that the financing of social housing has become quite a complex field, forcing SHIs to develop sophisticated financial management systems. Skills like asset and risk management are in great demand within the social housing field since these skills are needed to secure the long-term viability of SHIs.

In the South African context some of the listed instruments, e.g. tax incentives, cross subsidisation, incentives, excluding tax incentives, and securing additional sources of income, are not being used to the fullest extent possible, whilst one, namely directives to secure funding for SHIs, is not being used at all. The current tax dispensation as it

applies to SHIs is distorted and discriminatory, undermining the affordability of rental accommodation. This situation needs to be addressed as a matter of urgency if the South African government is really intent on promoting the involvement of the private sector in the funding of social housing. This fragmented financial framework within the context of high poverty and unemployment figures in the country seriously hampers the extent to which the development of social housing can be seen as a viable alternative towards providing accommodation for people of limited financial means. SHIs are forced through the extent of the market related loans that they have to secure to cover their development costs, covering up to 65 percent of the capital costs, to ask rents which are unaffordable to people earning less than R2 000 per month. The social housing sector currently addresses the accommodation needs of households that are earning between R2 000 and R4 000 per month. The lowering of this threshold of affordability will thus, in the absence of a social security system paying income supplements to qualifying households, depend on the extent that SHIs can creatively make use of the other funding mechanisms/instruments discussed in this chapter.

It is thus recommended that a comprehensive review of all funding instruments mechanisms be undertaken regularly with a view to determine:

- The stumbling blocks that prevent the optimal utilisation of some funding instruments;
- Whether or not the motivations for not using a particular instrument are still relevant given the ever changing policy context in South Africa; and
- The particular role/function that each instrument could fulfil/play within South African social housing context.

Once the above information is available it can be used to compile a comprehensive financial framework for the funding of SHIs in South Africa, in support of the five key strategies proposed by the SHTT.

CHAPTER 6: HOUSING MANAGEMENT

6.1 INTRODUCTION

Housing management is one of the most important factors that determine whether social housing estates will flourish or decline (Page, 1993:43). In this chapter a historical overview of social housing management approaches was provided followed by a section discussing the management structures generally adopted by small and large SHIs respectively. The chapter furthermore addressed the main management functions namely unit allocation, maintenance, rent collection and tenant participation usually carried out by SHIs.

6.2 HISTORICAL OVERVIEW OF SOCIAL HOUSING MANAGEMENT APPROACHES

Over the years the approach to social housing management has undergone numerous changes. Octavia Hill (1838-1912), daughter of a British merchant banker, is often cited as the founder of the philosophy underpinning social housing management (Lowe and Hughes, 1991:123 and Cope, 1990:180). Ms Hill was the first person to use the term housing management in a broader sense. She was concerned with the moral welfare of the residents and not merely the income generating potential of the social housing units/estates (Lowe and Hughes, 1991:126). The distinguishing factors of Ms Hill's approach include:

- Stressing that management is more than just rent collection - it can be seen as an instrument that can be used to improve the moral welfare of the poor;
- Dealing with the tenant and the dwelling as a unit;
- Offering rewards for good behaviour; and

- Strict enforcement of punctual rent payment by the tenants.

Management according to Octavia Hill's approach according to Lowe and Hughes (1991:128) included the following activities:

- Tenant selection;
- Eviction of tenants behaving unsatisfactory;
- Supervision of the property and its occupants; and
- Systematic and punctual rent collection.

According to Cope (1990:180), Octavia Hill argued that the key to successful housing management was the relationship between landlord and tenant, stressing that a good relationship was mutually advantageous. Ms Hill was, however, somewhat paternalistic and authoritarian in her outlook/approach.

The housing management approach that was adopted in the early 1920s can be described as a property orientated approach (Lowe and Hughes, 1991:130). Perry (1995:935) describes, or rather calls this approach the conventional housing management approach. It only focuses on the property itself and includes activities like rent collection, maintenance and the allocation of vacant properties.

In the 1930s the property-orientated approach was, according to Lowe and Hughes (1991:130), once again replaced with a more intensive style of management geared to the buildings as well as the people who occupy them. In this period the training of estate managers was expanded to include acting as advisors to tenants experiencing problems e.g. financial difficulties.

During the early 1950s housing managers, according to Lowe and Hughes (1991:131), started to see tenants as independent reliable citizens who no longer needed the support of the managers. This period is also credited as the era in which housing management emerged as a profession in its own right. From 1960 until the early 1970s housing managers moved further and further away from close personalised contact with tenants. The primary concerns of the housing managers then were systems, procedures and efficiency. According to Lowe and Hughes (1991:137), both social and physical distance crept into the landlord-tenant relationship. Housing management thus became more extensive, remote and increasingly impersonal.

In the early 1970s there occurred a simultaneous emergence of unprecedented managerial problems in *inter alia* Germany, France, the Netherlands, Britain and USA (Emms, 1990:6 and Lane, 1995:879). The said management problems included high resident turnover rates in some estates and increased vacancy levels caused by a growing reluctance of new tenants to move into estates with questionable reputations.

Kroes, Ymkers and Mulder (1988:225) argue that at least part of the problems mentioned above can be ascribed to the changed clientele of the SHIs. The resident populations of SHIs in the countries mentioned above changed from predominantly working class members to a disproportionate number of low income, unskilled or semi-skilled, unemployed people dependent on some form of government or public assistance (Lane, 1995:867). This process of residualisation was discussed in chapter 3 and will thus not be repeated here. Bratt and Videl *et al* (1998:41) and Page (1993:9-40) argue that there are three major factors affecting the relative ease or difficulty of social housing management - they are:

- The quality of rehabilitation or construction work. If either one of these two were not done to an acceptable standard, future management inherits ongoing problems, which puts pressure on the budget of the SHIs and furthermore leads to tension with and amongst tenants.

- The choice of the site or location of the social housing estate. The location of social housing estates are generally regarded as very important since it determines the local environment within which people will live. Locational factors determine the desirability and hence the value of the land. It is, however, important to weigh the financial advantage that can be gained from acquiring cheap land for development against its desirability as a place to live. Some of the worst residualised social housing estates characterised by *inter alia* unpopularity, vandalism, appearance of decline and decay, high turnover rates and vacant dwellings internationally can be found on the outskirts of towns and cities – away from shopping, health, entertainment and recreational facilities. Upon considering whether or not it is desirable to build a social housing estate/accommodation in a particular area it is important to consider how it will be for people of limited resources to reside there. Questions of where will they shop, where will the children play and go to school, how good or convenient is the public transport facilities servicing the area have to be taken into account when locational decisions are being made. It is thus important to build homes where they can readily be serviced by schools, shops and transportation facilities. In general, private developers can get away with building in remote and difficult locations since their clientele are likely to be employed and fully mobile. However, in the context of the changing clientele of social housing estates referred to above the same cannot be said for social housing institutions.

It is furthermore important to realise that the location of social housing estates will have an impact upon existing local communities in that area. The ability of such communities to deliver the social services that will be required when a social housing scheme is completed also needs to be taken into account. Social housing estates will by necessity place extra demands on schools, health and social services. Overburdening of existing service providers can furthermore lead to the unpopularity of residents which in turn may contribute

to the sense of alienation and apathy experienced by residents of relatively new social housing estates.

Situating social housing estates in neighbourhoods characterised by high poverty and unemployment rates, poorly maintained housing, inconsistent/irregular municipal services, high levels of crime, vandalism and prostitution contribute to social estates developing poor reputations, which in turn weaken social controls and increase the sense of alienation and apathy experienced by residents.

From the above it is clear that the location of social housing estates can be the key to the success or failure of a particular estate. For social housing landlords completion of development work is not the end but only the beginning of the story – the estate will have to be let and managed not only once but over its lifetime. Internationally it has become abundantly clear that the cumulative negative effect of little or no economic and social resources and infrastructure on and in the immediate vicinity of social housing estates can be considerable.

It can thus be concluded that tempting as it may be to acquire inexpensive large sites in peripheral areas to construct social housing the acquisition will be a poor one if it leads to inconvenient and isolated developments which is difficult to live on and subsequently hard to let, manage and maintain.

- Size/scale and configuration of social housing estates. According to Page (1993: 11) most stigmatised/residualised social housing estates are large. This presents a powerful argument for social housing institutions to keep their developments small. In view of the changing clientele of social housing estates in general, small estates minimise the effect that large numbers of uniformly poor people could have on an area. A much better approach according to Page (1993: 48) would be to try and integrate vulnerable/disadvantaged people through small developments into the wider community in which they are more

likely to find support instead of amongst people that are equally disadvantaged or vulnerable. According to Page (1993:12) provincial administrations in Canada place restrictions on the size of social housing developments – no social housing development projects of more than 40 dwellings are supported through public financial support in that country since the socio-economic profile of the residents of such estates and the ability of existing community facilities to absorb large estates make the successful integration of larger estates difficult to achieve. The presence of so many households with few resources on large social housing estates necessitate well resourced community development programmes since there is a limit to how many disadvantaged households with few or no resources an estate can handle unless other (non-housing) resources e.g. social services and voluntary agencies that provide for people with special needs are readily available on these estates.

Page (1993:42) furthermore argues that poverty, large numbers of children and a concentration of people under stress in large estates can contribute to an estate entering the spiral of decline or residualisation. Higher turnover rates on large unpopular estates makes it difficult for residents to build a sense of community.

It is, however, important to realise that economies of scale can still be achieved from volume builders/contractors by arranging serial contracts on a number of small developments which can be readily absorbed into existing communities. It is also advisable for social housing estates to consist of a diverse mix of dwellings to facilitate the building of balanced and or diverse communities.

It can thus be argued that a combination of four factors listed in the above two paragraphs created an environment within which the traditional housing management or property orientated approach simply was not enough. The management of social housing became increasingly complex since it was expanding beyond the traditional tasks of property management to also encompass the improvement of the social

environment (Smith, 1995:910). This phenomenon is referred to as the so-called socio-economic accompaniment management approach. The term socio-economic accompaniment approach means or entails a broadening of the activities associated with housing management to include initiatives aimed at enhancing the quality of life on estates as well as in the surrounding neighbourhoods of the estates (CECODHAS, 1999:23). This approach was adopted by the social housing sectors in *inter alia* Britain, France, the Netherlands, the USA and Canada, since the mid-1970s as the inadequacies of bureaucratic approach to housing management became apparent (CECODHAS, 1999:76, Emms, 1990:100; AEDES, 1999:11; Lane, 1995:879 and Cooper and Rodman, 1992:6).

It is clear from the literature (see *inter alia* SHTT, 1999:62 and Sheffield, 1999:34), that one of the most well known characteristics of social housing in South Africa is the concern with the social aspects of providing accommodation for low-income residents. This is illustrated by Ubunye Housing Co-operative in Pietermaritzburg which provide a range of support services to its residents e.g. tenant education in household budgeting skills in an effort to support the development of secure and viable communities (Sheffield, 1999:34). The Tasbet and Duvha Park suburbs being erected as pilot rental schemes are characterised by mixed land use patterns in an effort to stop the emergence of dormitory towns without community facilities (Arenstein and Samayende, 2000:3). According to Page (1993:4) experience elsewhere have shown that the management structures of the bigger/larger social housing estates find it more challenging as a result of the sheer numbers involved to provide sensitive solutions to the problems experienced by the residents. Size can thus make the task of adopting a socio-economic approach that much more daunting given the fact that social housing estates in most instances provide a refuge for people of limited financial means that might have been homeless or traumatised in some other way on top of experiencing difficulty in finding stable employment. The SHTT (1999:36) states that they regard it as important that SHIs adopt policies and developmental strategies that aim to increase the access of their residents to social and economic opportunities. From the

above it should thus be clear that SHIs in South Africa frequently voluntarily adopt the socio-economic accompaniment management approach.

This new approach to housing management is characterised by initiatives that include *inter alia*:

- Socio-economic assistance that includes initiatives to educate/assist residents to access all the public benefits (subsidies) they are qualify for (CECODHAS, 1999:76). Some SHIs e.g. The North British Housing Association provides their tenants with a step-by-step guide to understand and address their debt problems through an affordable repayment plan. Emms (1990:155) argues that SHIs also employ local economic development initiatives to eliminate the dormitory image of some of the bigger estates. This is done through the integration of other land uses like commercial activities, community facilities and health care into estates or into the immediate environment surrounding the estates. Residents are given the opportunity to open their own businesses in these small business centres in an effort to assist with the creation of job opportunities. SHIs in the USA often conclude partnerships with other non-profit institutions to deliver services like adult education, day care, life skills, and practical or career orientated training to residents in an organised manner (Lane, 1995:887);
- Enhancing or improving tenant participation in management and policy formulation (Lowe and Hughes, 1991:182) – this is function is discussed in section 6.3.4 of this chapter;
- Decentralisation of management functions in order to facilitate a more localised management approach characterised by responsive housing management (Krätke, 1989:692). Cope (1990:218) argues that one of the quintessential features of successful management is effective communication. This can, however, only be achieved if the management structure is close enough to the

residents to facilitate a regular exchange of information. Each estate is furthermore socially and physically different (Emms, 1990:306). This implies that a localised management presence is necessary to come to terms with the special and sometimes unique circumstances or problems encountered on that specific estate. A manager that has his or her finger on the pulse of the problems experienced on a particular estate is thus in a much better position to formulate solutions especially designed to address the problems being experienced; and

- Physical alterations. Crime or the fear of crime makes the management task of allocating vacant properties difficult since most prospective residents with a choice would refuse an offer to reside on a social housing estate renowned for its high levels of crime (Perry, 1995:943). In order to address this problem SHIs have in general embarked upon initiatives to upgrade the security measures on problem estates (Emms, 1990:55). These initiatives typically include restricting access to dwelling units to residents and invited guests. This can, according to CECODHAS (1999:76), be achieved through installation of security doors, intercom systems or the appointment of doorkeepers.

It should be clear from the above discussion that the adoption of a socio-economic accompaniment management approach means that the scope of management activities has literally become limitless. The implication of course is that costs can not be contained (Perry, 1995:947). In recent years SHIs have in response to this dilemma adopted one of two responses (Perry, 1995:947-952). Firstly, some SHIs have returned to the conventional management approach and thus opted to turn away from the new set of demands. These SHIs carry out their so-called landlord functions (rent collection, allocation of vacant dwellings and maintenance) but don't accept responsibility for anything more than that. In the second or alternative approach, SHIs still acknowledge that housing management should also be concerned with the overall socio-economic well being of residents and the surrounding neighbourhood. They are, however, questioning if they should accept responsibility for providing these extra

services and even if they are the most suitable organisations/institutions to provide such services. These SHIs have thus resolved to undertake wide audits of the available community service organisations operating in the vicinity of their estates and to conclude partnership agreements with these service providers to render or make available their support services to their residents. The location, size and configuration of social housing estates thus become very important considerations. It is vital to consider how it will be for people of few/limited resources to reside in a particular area. Experience elsewhere have indicated that it is very important to build social housing estates in localities/areas that can readily be serviced by schools, shops, transport facilities and community based aid organisations. The ability of the receiving community to deliver the social services that will be required when a scheme is completed also needs to be considered carefully. In view of the changing clientele or the expected socio-economic profile of the average social housing resident small estates will minimise the effect that large numbers of uniformly poor people could have on an area and would furthermore facilitate the ability of the receiving/existing communities to support and successfully integrate small social housing developments into the community fabric. The danger of overburdening existing socio-economic infrastructure in existing communities is also minimised through the development of small social housing estates/developments. It is, however, important to note that SHIs have resolved to continue with initiatives to enhance tenant participation, decentralise management functions and physical alterations to reduce the impact of crime on social housing estates.

6.3 MANAGEMENT STRUCTURES

Housing management can, according to the UN (1975:85), be accomplished in three ways:

- Self- management;
- Self -management with professional assistance; and

- Leaving the management function to professional management consultants/personnel/firms.

It is, however, important to note that no matter which of the above options are preferred, most SHIs make use of some or other variation of the models represented by Figures 6.1 and 6.2. (Note that Figures 6.1 and 6.2 are self-constructed graphical representations of the management structure models described in the literature.)

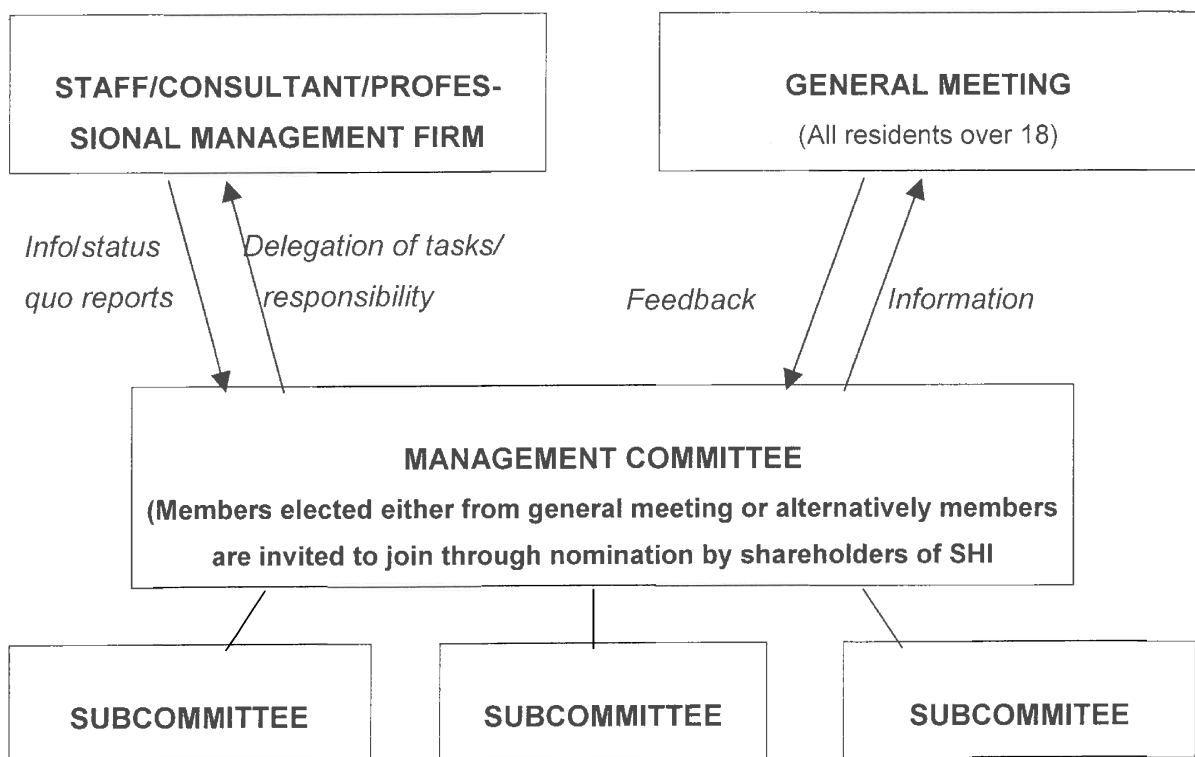


FIGURE 6.1 Management structures used by small housing associations/SHIs

Source: Self-constructed

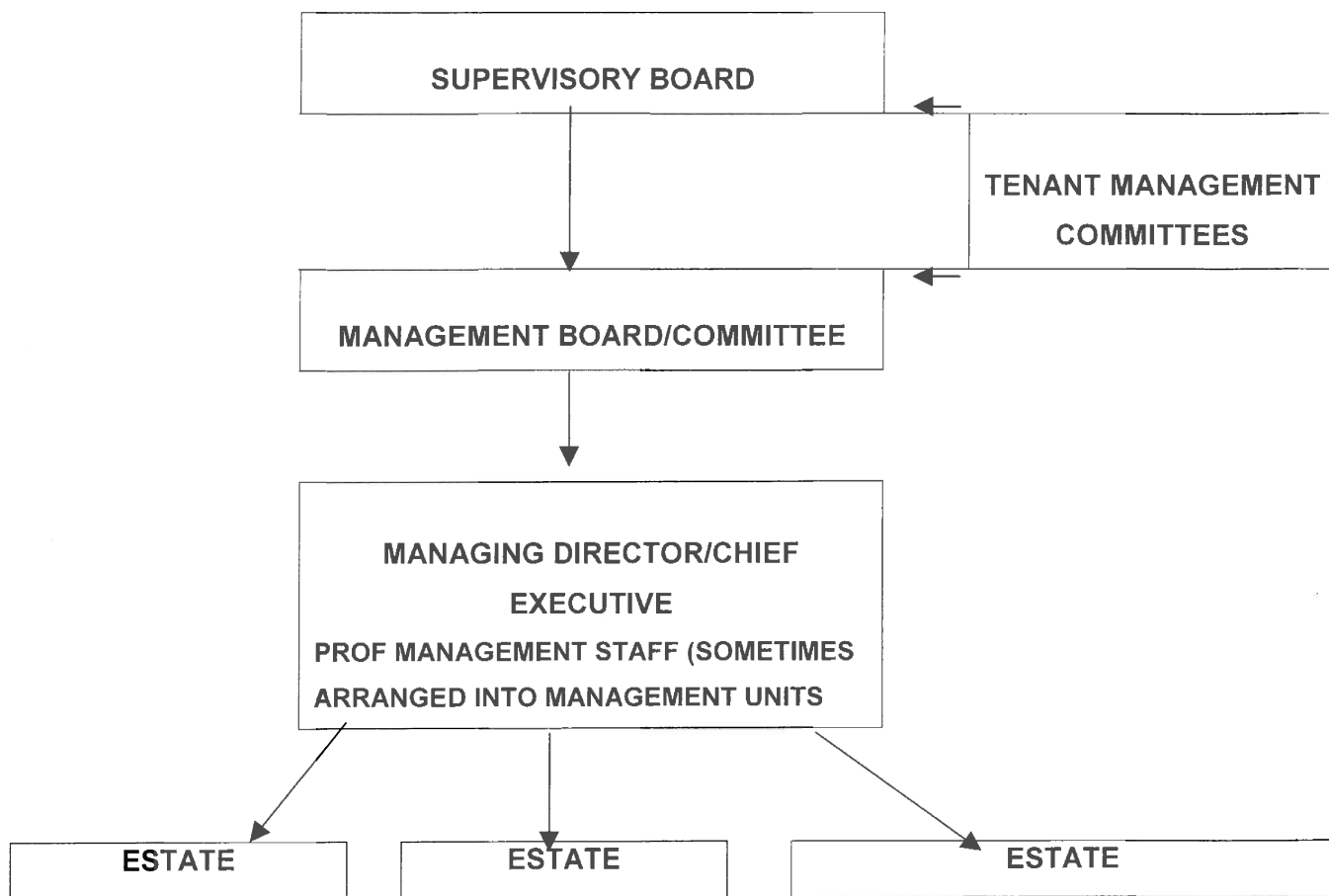


FIGURE 6.2: Management structure preferred by large housing associations/ SHIs

Source: Self-constructed

The above management structures are in essence very generic to SHIs worldwide. They are applied with slight differences in accordance with legislative and policy directives of each particular country. The principle, however, remains the same – the size and complexity of the SHI’s portfolio will in the absence of legislative or policy directives determine which structure, and what variation thereof, will be adopted. For the purposes of this section it will thus be very cumbersome, and to some extent a fruitless exercise, to draw the attention of the reader to minute/small differences if the underlying principles remain approximately the same.

6.3.1 Management structures used by small housing associations/SHIs

The model illustrated by figure 6.1 is often used by SHIs and co-operatives with only one or two estates to manage. Birchall (1988:113) argues that a small social housing estate can be managed by just the general meeting which will then accept responsibility for *inter alia* unit allocation, maintenance and rent collection. The general meeting refers to the gathering of all residents 18 years and older. If the estate becomes too large and the residents become too many for a general meeting to make effective decisions through consensus, it becomes necessary to elect a management committee.

It is important to note that the members of the management committee can either be elected from amongst the members at the general meeting or can consist of people not affiliated with the particular estate who are in possession of particular skills or valuable experience (CECODHAS, 1999:59 and Alder and Handy, 1987:241). Baker (1976:500) is of the opinion that it is important to ensure that the management committee consists of people from quite diverse backgrounds including *inter alia* financial management, law, social services and planning. If the general meeting has the necessary skills represented amongst its members there is no need to request skilled members of the broader community to join the management committee. Self management will bring costs down but it is important to note that poor self management is more costly than employing qualified staff or inviting people of standing in the community to contribute their skills on a voluntary basis (Rogers, 1999:81).

The duties of the management committee includes, according to Baker (1976:289), *inter alia* the following:

- Drafting tenancy agreements, stipulating clearly what the obligations and rights of the residents are;

- Complying with all the duties imposed on SHIs by law or other instructions lawfully issued by the government or government agencies;
- Conducting the affairs of the SHIs in accordance with the letter and the spirit of the rules/bylaws;
- Maintaining adequate supervision of staff, including consultants and management firms, employed by the SHI; and
- Regular communication with the general meeting regarding the positive or negative results achieved by the SHI as well as changing policies and practices.

Cope (1990:164-201) and CECODHAS (1999:13) argue that the management committee is also responsible for:

- Formulating a development strategy that outlines the aims and objectives the SHI wants to achieve over say the next five years;
- Regular examination of the performance of the SHI's performance in comparison with the targets set out in the development strategy;
- Allocating vacant units;
- Drafting new policies/practices to address problem areas;
- Overseeing the annual management and accounting audit which reveal the strengths and weaknesses to be addressed through management practise; and

- Overseeing repairs and maintenance activities to ensure that they are carried out to the satisfaction of the tenants.

Alder and Handy (1987:244) is of the opinion that members of the management committee must sign a code of conduct that should *inter alia* stipulate that:

- Members should not be able to award work created out of the efforts of the SHIs to themselves or family members;
- The members remain accountable to the general meeting; and
- Members who have served for a continuous period of two years should be barred from re-election for a period of one or two years.

As can be observed in figure 6.1 the management committee can set up subcommittees that can take over the responsibility of fulfilling some of the functions listed above. According to Cooper and Rodman (1992:81) popular subcommittees include those responsible for:

- Member selection;
- Maintenance;
- Landscaping;
- Member education and training; and
- Financial control/supervision.

These subcommittees have to report to the management committee on a regular basis concerning their activities. The management committee does, however, retain the

responsibility of ensuring that these activities are carried out in accordance with existing policies and bylaws.

The management committee furthermore has the option of appointing, after consultation with the general meeting, professional staff or securing the part time service of a professional management firm to take over some of the duties of the management committee. According to Birchall (1988:165-178); Lowe and Hughes (1991:17); Cope (1990:292); and Alder and Handy (1987:257), it is important to adhere to the following principles when part or even all the management responsibilities are contracted out or carried out by professional staff in the employment of the SHI:

- Establish a democratic structure through which SHIs can gain control of its affairs in time of crisis;
- Complaints policies and procedures must be formulated;
- Authority to incur expenditure should be held at one central point;
- Adequate reporting systems are put in place;
- Performance indicators are set – so that performance of service providers can be evaluated objectively;
- Clear lines of accountability are established;
- The respective functions of the committee of management versus that of the external or internal service providers should be spelt out clearly and concisely;
- A clause should be written into the management contract indemnifying SHIs in respect of the wrongdoings of service providers; and

- A mechanism must be created through which disputes with service providers can be resolved, or alternatively, would allow for their dismissal.

6.3.2 The management structure often used by large SHIs

The model depicted in Figure 6.2 is often used by SHIs that have numerous estates to manage collectively under the auspices of one management policy or strategy. The supervisory board (see Figure 6.2) does not form part of the management structure in all countries. It is, however, according to CECODHAS (1999:37) compulsory for SHIs in the Netherlands to appoint a supervisory board. According to CECODHAS (1999:22) the appointment of a supervisory board is optional in France. Members of the supervisory board are usually individuals of high standing in the broader community. These members have a diverse and wide range of professional and business knowledge tempered by an inherent concern for those with a housing need. If such a body is not appointed, its functions are merely fulfilled by the management board or committee. The supervisory board's primary responsibilities include, according to CECODHAS (1999:22-37), the following:

- Monitoring the activities of the management board;
- Setting the general housing policy framework of the SHI;
- Providing advice and guidance to the members of the management board on request;
- Acting or intervening where necessary; and
- Ratifying a number of legally defined decisions, set out in the bylaws, put before the supervisory board by the management board.

The management board controls the business activities of the SHIs within the policy guidelines set by the supervisory board, if in existence (CECODHAS, 1999:19). The management board usually have representatives from *inter alia* local authorities, trade unions, tenants and professional staff in the employment of the SHI. The management board is thus responsible for the overall administration of the SHI (Lundqvist, 1992:42). The members of the board usually appoint a chairman of the board and this person then officially represents the organisation (CECODHAS, 1999:19). The board as a whole then appoints a managing director or chief executive who is responsible for the day-to-day management of the SHI, which includes activities like:

- Preparation of the budget;
- Recruitment of staff;
- Management and supervision of staff; and
- Signing of contracts and policy proposals ratified by the management board and if in existence the supervisory board.

The professional staff in the employment of the SHIs is in some instances divided into management units (Lundqvist, 1992:42). These management units usually have particular estates that they are responsible for managing. Stated differently the management units perform all the activities listed in section 6.3.1 as the responsibilities of the committee of management.

As was earlier stated in section 6.2, the new housing management approach adopted since the mid 1970s stresses the importance of tenant participation in housing management. According to Kroes, Ymkers and Mulder (1988:193) this emancipation of tenants also led to tenants assuming greater responsibility for the quality of the environments they reside in.

According to CEDODHAS (1999:48) residents on larger estates often form tenant management committees. These tenant management committees are entitled to nominate people to represent the interests of tenants on the management board. Tenant committees, as is indicated in Figure 6.2, usually have regular meetings with the management unit responsible for the management of their estates. The aim of these meetings is to discuss matters of mutual interest and to provide input into the formulation of new policies or strategies.

6.4 MANAGEMENT FUNCTIONS

According to the UN (1975:77) and AEDES (1999:11) successful SHIs require good management practices in the areas of *inter alia*:

- Unit allocation;
- Maintenance;
- Rent collection; and
- Tenant participation.

In this section each of these performance areas are discussed.

6.4.1 Unit allocation

Cope (1990:190) argues that unit allocation is the practice of matching the size and nature of the property with the requirements of the applicant/prospective resident. It is thus quite important for SHIs to have clear aims and objectives regarding the need they want to meet or the clientele they want to assist. Policies and rules, regularly contained in bylaws, will according to Niner and Karn (1985:34), determine:

- Who is eligible to be considered;
- Who has priority among those that are eligible; and
- Who will in the face of competing claims be awarded the unit in question.

According to Niner and Karn (1985:37) there are quite a few considerations that SHIs take into account when they are formulating their allocation policies – these include:

- The desire to give priority to those in greatest need;
- SHIs also wish to prevent properties from being vacant for too long as it increases overhead costs;
- The desire to reduce future management problems;
- The wish to assist applicants to match their preferences in terms of size, location with a suitable unit; and
- The need to create balanced communities.

It should be clear that these objectives will more often than not conflict with one another. The allocation processes itself and the policies it is based upon thus strive to create balance between these objectives. It is, however, important to note that the selection process is inherently complex and open to various influences, expectations and/or manipulations.

Different countries use different criteria to prioritise applicants. In Britain the Housing Corporation has, according to Niner and Karn (1985:43), suggested that SHIs consider the following criteria in prioritising applicants:

- The applicant's existing housing conditions;
- The applicant's ability to cope with these conditions;
- The length of time the applicant has had to put up with these conditions; and
- What are the future prospects of the applicant to obtain alternative suitable accommodation elsewhere.

Smith, Griffiths and Stirling (1997:679), however, argues that there is a growing realisation in Britain that the practice of giving preference/priority to only those applicants in the greatest need, lead to:

- Segregation of households;
- Polarisation of the social housing sector; and
- The concentration of the most deprived and disadvantaged groups in low quality housing in unpopular estates.

This realisation has led to a shift in the re-housing policies of SHIs in Britain away from allocations made solely on the basis of need to one that strives to create balanced communities in an effort to minimise future management problems (Smith, Griffiths and Stirling, 1997:679). This shift was made possible by the fact that SHIs in Britain are free to determine their own allocation criteria (Kroes, Ymkers and Mulder, 1988:118). SHIs in Britain are, however, required to make public their allocation procedures and policies (Alder and Handy, 1987:265). According to CECODHAS (1999:71) SHIs are also required to keep a record of the demographical and socio-economic profiles of successful candidates to enable both the Housing Corporation and the SHIs themselves to monitor whether or not the SHI in question is guilty of

discrimination or not. It is, however, important to note that SHIs in Britain may be required by law or regulation to recognise certain priorities like housing need, and the creation of balanced communities in their allocation policies/procedures (Smith, Griffiths and Stirling, 1997:687). In addition to the guidelines of Housing Corporation already listed, the Housing Corporation has, according to Niner and Karn (1985:43), made it known that SHIs should as far as practically possible abide by the following two guidelines:

- If SHIs are heavily subsidised with public money they are expected to give preference to those in real housing need; and
- The goal of allocation policies is to ensure that balanced communities are created – SHIs are thus cautioned against taking on problems (e.g. management problems) that are beyond their resources to address in the long term.

In both France and Denmark SHIs are also striving to create balanced /diverse communities within their social housing estates (CECODHAS, 1999:18 and Lundqvist, 1992:39). The SHIs in these two countries do, however, reserve the right to turn away applicants whose income is above certain prescribed limits. In Denmark 25 percent of all social housing units is made available to households registered by local authorities as households in need of assistance (Lundqvist, 1992:39).

According to Lane (1995:879) SHIs in the USA are also trying to create mixed income communities within the social housing estates. SHIs in the USA even provide incentives to working class families/individuals to move into and remain in social housing estates.

Germany has, however, according to Kroes, Ymkers and Mulder (1988:297) recently revised their allocation policies to increase the availability of social housing units to those in the greatest housing need. In Nicaragua SHIs tend to give preference to

families with many children, key workers and families experiencing difficulties in finding suitable housing in the market place (Mathey and Pini *et al* 1985:46).

In the Netherlands local authorities experiencing housing shortages in their areas of jurisdiction can apply to the national government to make the Housing Allocation Act applicable in their jurisdictional areas (Kroes, Ymkers and Mulder, 1988:209). This enables the local authorities in question to issue housing permits through which they can ensure that the available social housing units are also available to people in the greatest housing need. An effort is also made to match the needs of the households with the characteristics of the vacant dwellings (Minister of Housing, Spatial Planning and the Environment, 1997:26). In areas where the Housing Allocation Act is not applied/applicable, SHIs can accept candidates in accordance with policies they have formulated themselves (AEDES, 1999:22).

As was discussed in chapter 5, SHIs in South Africa are to a great extent dependent on institutional subsidies to undertake new development projects. This means that households earning more than R3 500/month are generally not included in social housing projects (SHTT, 1999:31). The emergence of mixed income or balanced communities is thus not encouraged. Although there are no statutory rules that prohibit SHIs from accepting middle or high-income residents the current subsidy system has a filtering/self selecting influence that favours people earning R1 500 to R3 500/month (Chalmers, 1998:3). On the other hand people earning less than R2 500/month have difficulty affording the monthly charges (Vatula, 1999:11). The SHTT (1999:56) have in their proposals to government recommended that new criteria be introduced for evaluating projects that seek to qualify for institutional subsidies. This was done to try and ensure that diverse family types and income levels can be accommodated in social housing. SHIs in South Africa are, within the financial limitations already discussed, trying to ensure through their allocation policies that balanced and diverse communities come into being.

From the above it should thus be clear that different countries use different criteria to prioritise prospective social housing residents. Some give preference to those in the greatest housing need without really considering the long-term effects of such a policy. Others are trying their best to balance the social obligation to help/assist those in need with the need to ensure the financial continuance of the institution. These SHIs try to create balanced communities that will not overtax or require more assistance than what the SHI can provide. It is, however, important to note that the allocation policies adopted within a specific country are influenced by the housing shortage or need in that particular country.

Some of the most frequently used allocation/selection methods include:

- SHIs entering into agreements with various other voluntary agencies or specialised interest groups to accept referrals from them and to give priority to the candidates referred by these agencies/groups (Niner and Karn, 1985:40). According to Cope (1990:188) these voluntary agencies have already investigated and passed some judgement on the suitability of the applicants referred by them – this saves the SHIs time and effort. It is, however, important to note that even though these referral agencies might act as a filter for direct applications, they often have their own private agendas. It is thus crucial to ensure that such agendas overlap with what the SHI in question is trying to achieve (Niner and Karn, 1985:44). This method/practice is often used in Britain and the USA.
- Waiting lists. Many SHIs use waiting lists based on a points system through which the extent of the personal or family need is quantified (CECODHAS, 1999:70). Points are e.g. awarded/allocated for number of children, disability and unsuitability of present accommodation etcetera. The number of points scored would then determine the priority on the waiting list. Alternatively qualifying applicants are ordered on the waiting list in the sequence/date order they have applied (Cope, 1990:189). Page (1993:36) stresses the importance

of putting together a thorough tenant history of every applicant allowed onto the waiting list to avoid ending up with applicants with histories of violence or racism. Niner and Karn (1985:40) and Cooper and Rodman (1992:116) regard it as important to try and keep the waiting list to a reasonable length. If the list becomes too long applicants get discouraged and drift away, but on the other hand if the list is too short SHIs might scramble to fill an unexpected vacancy. The length of the list as well as the time it takes/requires for an applicant to be accepted influences the type/sort of need the SHI in question can address. Waiting lists are used extensively in *inter alia* Britain (CECODHAS, 1999:70), France (CECODHAS, 1999:18), Denmark (Lundqvist, 1992:39), Germany (Kroes, Ymkers and Mulder, 1988:168), Norway (Kroes, Ymkers and Mulder, 1988:125), USA (Cooper and Rodman, 1992:98), Canada (Smith, 1995:910); Botswana (Larsson, 1989:85) and South Africa (Jaffee, 2000).

- Delft model. According to Richard (1997:83) and CECODHAS (1999:42) this model is an applicant led allocation tool/model. SHIs advertise all vacant dwellings in a special newspaper delivered from door to door (Minister of Housing, Spatial Planning and the Environment, 1997:27). Prospective applicants only apply to be awarded those units they are interested in. If more than one applicant apply to occupy a particular unit, criteria that include the following are considered:
 - number of years the applicants have been registered with local authorities as accommodation seekers;
 - number of years spent in the dwelling they are presently occupying; and
 - whether or not one of the applicants is in possession of an urgency card issued by local authorities in cases of extreme need.

CECODHAS (1999:42) argues that the Delft model has the following advantages:

- the system encourages people to search for suitable accommodation themselves;
- it fosters positive attitudes since the applicants all obtain houses of their own choice;
- it involves much less bureaucracy; and
- the model quickly reveals which units/houses are popular and which are not.

The outcomes of the selection process are also published in the newspaper so that all applicants have the opportunity to see the age and waiting time of the successful candidate (Richard, 1997:83). The Delft model is being used in the Netherlands (AEDES, 1999:22) and a substantially similar model/method is in use in Finland (Kroes, Ymkers and Mulder, 1988:42).

From the above it should be clear that the creation of viable communities in social housing depends to a large extent on the allocation/selection policies and practices. The specific allocation or selection method utilised within a particular country will depend to a large extent upon the capacity within SHIs to undertake complex and time consuming procedures as well as the approach adopted by the specific country. The objective to create balanced communities within social housing estates will be much more demanding than to simply give preference to all applicants with an income below a particular limit.

6.4.2 Maintenance

The purpose of maintenance is to maximise the lifespan of assets, in this case social housing units (Cope, 1990:210). Lowe and Hughes (1991:116) argue that maintenance is a crucial function in ensuring the continual popularity of social housing estates. According to Lane (1995:879) it is important not to defer maintenance activities as such a decision will take its toll and lead to the premature decay of the social housing stock in question. Furthermore the result of neglected maintenance is

plain for all to see and that has a negative impact on the atmosphere of the whole estate. Such a negative atmosphere result in most cases in increased vandalism, tension between the landlord and the tenants and lastly causes damage to the general reputation of the landlord (SHIs).

It is, however, important to note that tenancy/lease agreements concluded between tenant and landlord usually set out the maintenance responsibilities of each party (Cope, 1990:209). SHIs in most instances try to achieve a balance between the responsibilities of the tenant versus that of the landlord. Tenants are, according to Lewin (1981:88), responsible for small or minor repairs that can include changing of light bulbs. In Britain SHIs as landlords are obliged by statute to carry out the repair functions listed or attributed to them in the tenancy/lease agreements (Kroes, Ymkers and Mulder, 1988:269). In South Africa the Rental Housing Act, 1999 (Act 50 of 1999) in section 5(2) states that a landlord must, if so requested by a tenant, have a lease agreement drawn up that must in accordance with section 5(6)(g) set out the obligations of the tenant and landlord. In Finland SHIs that neglect their maintenance responsibilities can be compelled by local authorities to make the necessary repairs through imposed penalties and fines (Kroes, Ymkers and Mulder, 1988:42). Alternatively the local authority can have the repair work done and can bill the landlord for all expenses incurred. Tenants also have the right to have repair work carried out at the landlord's expense if the landlord does not respond to reasonable requests. In South Africa the Rental Housing Act, 1999 (Act 50 of 1999) makes provision in section 13 that any tenant or landlord or group of tenants or landlords or interest group may in the prescribed manner lodge a complaint with the Rental Housing Tribunal of the province, established in terms of section 7 of the Rental Housing Act, concerning an unfair practice which in terms of section 13(4)(c)(iv) includes a lack of maintenance. In such an instance the Rental Housing Tribunal may issue an order to discontinue such a state of affairs.

According to Kroes, Ymkers and Mulder (1988:271) and AEDES (1999:18) SHIs are usually in terms of the tenancy agreements responsible for two types of maintenance:

- **Unplanned maintenance.** Unplanned maintenance activities usually take place when tenants file a complaint and request that one or other feature of their houses be fixed. SHIs try to minimise these individual repairs, as they are quite expensive to carry out. Once a complaint has been lodged it is classified as an emergency repair, an urgent repair or a normal repair. SHIs usually try to fix emergencies within a 24-hour period, urgent repairs within five working days and normal repairs within 20 working days. Cope (1990:209) argues that it is good practise to inform tenants of the types of maintenance services offered/carried out, the method of reporting complaints, response time objectives and complaints procedures that can be followed if tenants are not satisfied with the service rendered. One of the strategies used to reduce individual repair requests is to intensify the repair and maintenance procedures carried out when new tenants move in. Some SHIs visit all units under their management at least once a year, even in the absence of complaints, to assess their current condition. These extensive stock surveys enable SHIs to plan for and carry out intervention/preventative maintenance activities in a systematic manner.
- **Planned maintenance.** Planned maintenance includes cyclical activities e.g. repainting the exterior of the building and servicing the lifts. Planned maintenance activities are regularly reviewed/adjusted depending on the outcome of the annual stock surveys. It is important for SHIs to increase the maintenance budget of the older buildings under their management to compensate for the increased expenses that accompany older buildings.

In carrying out unplanned and planned maintenance activities SHIs strive, according to Cope (1990:210), to provide a service that is:

- Customer centred;

- Provides value for money;
- Operates in terms of consistent policies and procedures; and
- Characterised by sound budgetary control.

In order to ensure that there is no deviation from the above stated principles, most SHIs carry out a regular monitoring of repairs done in relation to expenses incurred and tenant satisfaction.

According to Emms (1990:303) few SHIs in France, the former West Germany and the Netherlands have their own internal/in-house repair divisions. Most make use of specialist contractors when and if they are needed. Some SHIs in South Africa e.g. Cope Housing Association, provide property maintenance services on contract to other smaller SHIs (Jaffee, 2000). In Britain some of the bigger SHIs have specialist maintenance departments that enable them, according to Cope (1990:212) to:

- Develop greater consistency and co-ordination in maintenance practises;
- Develop and have constant access to technical expertise at a moment's notice; and
- To develop customised planned maintenance and programmes that are underpinned by a strategic service orientation.

Smaller SHIs in France, the former West Germany, Netherlands and Britain usually opt to appoint resident caretakers that are, according to Emms (1990:304), responsible for *inter alia*:

- Ensuring that the estates remain neat and tidy;

- Facilitating the exchange of information between tenant and landlord (SHI);
- Reporting repairs and carrying out small repairs themselves; and
- Assisting prospective tenants to view vacant properties they are interested in.

When resident caretakers are not able to repair the problem these smaller SHIs engage the services of specialist contractors to carry out the needed repairs/maintenance activities.

From the above it should be clear that the size and configuration of the specific SHI's portfolio would determine whether or not it is feasible/advisable to have an in-house maintenance department. Smaller SHIs are usually not able to afford the appointment of maintenance personnel that can fix problems ranging from blocked drains to structural defects. If a SHI has a large portfolio, an in-house maintenance department might, however, prove to be cheaper in the long term than to pay the hourly tariffs of specialist maintenance firms. The appointment of resident caretakers can prove to be useful to SHIs ranging from the smallest to the largest. These caretakers are the landlord's representatives on the estates and if carefully appointed can save the SHIs a lot of money by carrying out small repairs.

6.4.3 Rent collection

According to Cope (1990:135) rent collection is one of the basic elements of a holistic management policy, since rental income more often than not represents SHIs' sole source of income. It is thus important for SHIs to match their planned expenditure to the resources in hand or that which can reasonably be expected in terms of rental income (Mathey and Pini *et al*, 1985:58). Since rent collection is so central in ensuring the financial viability of SHIs, Cope (1990:201) argues that it is the task of management to maximise the income from rents charged through effective arrears control. Rohe (1995:454) cautions that vacancies and late rent payments can, in view

of the fact that SHIs are increasingly dependent on private/commercial financing, cause SHIs to fall behind with their mortgage payments.

According to Mauseth (1999:62) up to 65 percent of the social housing project costs in South Africa is financed through long-term loans. It should thus be obvious that SHIs in South Africa can not afford non-paying tenants, as it will cause them to fall behind with their mortgage payments. The Rental Housing Act, 1999 (Act 50 of 1999) in section 4(5)(a) states that the landlord's rights against the tenant include his or her right to prompt and regular payment of a rental or any other charges that may be payable in terms of the lease. The Rental Housing Act, 1999 (Act 50 of 1999) furthermore states in section 5(6)(c) that lease agreements must clearly indicate the amount of rental of the dwelling as well as reasonable escalation rates. Landlords have recourse to the Rental Housing Tribunals if tenants do not abide by section 4(5)(a) referred to above. On the other hand tenants can also lodge a complaint with the Rental Housing Tribunals against exploitative rents (section 13(4)(c)(iii)).

The implementation of an effective arrears control policy depends to a great extent on having access to accurate and up to date information on any arrears that occur (Emms, 1990:78). SHIs world-wide are in general expected to keep rent arrears and voids (vacant units) down to between four and five percent of the expected rental income (Cope, 1990:207 and Bratt and Vidal *et al*: 1998:41). One or a combination of the following strategies are often used by SHIs to ensure that they achieve the target of collecting more or less 95 percent of rents due:

- Following up arrears promptly (Baker, 1976:431);
- Imposing penalties e.g. fines, for rent arrears, a strategy that was used in the former USSR (Emms, 1990:285);

- Transfer of persistent rent arrears cases to hostel accommodation or less popular estates, a strategy that was also used within the former USSR (Emms, 1990:285);
- Researching prospective tenant's history thoroughly before they are allocated units (Page, 1993:36);
- Providing a debt counselling service since it became apparent that tenants who fell behind with their rent payments generally have fallen behind with other bills as well (North British Housing Association: <http://www.nbha.co.uk/nbhadiv.html>);
- Providing convenient pay-points through local offices and banks (CECODHAS, 1999:75);
- Offering a range of collection methods/payment methods to enable tenants to choose the option most convenient to them (Cope, 1990:203); and
- Landlords (SHIs) adhering strictly to their responsibilities set out in the tenancy agreements (Cope, 1990:203).

Cope (1990:201) argues that the traditional door-to-door method of rent collection still renders the lowest levels of rent arrears. Employing such a method solely for rent collection is, however, often not feasible especially within SHIs that have large portfolio's under their direct management. Smaller and medium size SHIs sometimes use the door-to-door collection method if they are in a position to use the face to face contact with the tenants as an opportunity to observe the condition of the units on a regular basis. This meeting between the collector and the tenant also present the tenants with regular opportunities to raise any complaints and or concerns they might have.

In view of the above it is important for each SHI to develop a rent collection policy that works well for them. It might entail the combination of several of the strategies mentioned above depending on the size and configuration of SHIs' portfolios as well as their specific tenant profile. Rent collection/income is the lifeblood of SHIs and should be pursued with enthusiasm and diligence if SHIs are to ensure their financial continuance. SHIs should also be willing to adapt/change their rent collection strategies if their arrears increase. The rent collection statistics can almost be seen as a measurement/barometer of the health of the SHI. If it is not up to standard it is a sure indication of some underlying problem that needs to be identified and addressed quickly and efficiently.

6.4.4 Tenant participation

As was earlier stated in section 6.2 one of the key characteristics of the socio-economic accompaniment management approach adopted since the late 1970s, was the importance given to the enhancement or improvement of tenant participation in management and policy formulation. This important shift took place as a result of a growing realisation that tenant participation has *inter alia* the following benefits:

- It improves the accountability of SHIs (Blewitt and Garratt, 1993:5);
- Tenants are exposed to situations and opportunities that can help or assist them to develop new skills (e.g. financial management and building maintenance) and self confidence (Rogers, 1999:77; Cooper and Rodman, 1999:193; and Prince, 1995:735);
- Problem estates are turned around much easier if tenants are actively involved in the rehabilitation process (Emms, 1990:227);

- Tenants exhibit an increased sense of responsibility in their use and maintenance of the buildings they are occupying (Kroes, Ymkers and Mulder, 1988:52);
- Tenant participation reduces suspicions that rents are unreasonably high (Kroes, Ymkers and Mulder, 1988:52);
- Tenant participation improves tenant/resident satisfaction (Smith, 1995:918);
and
- Cost effectiveness is improved as a result of the increased sense of attachment and ownership experienced by tenants (Cooper and Rodman, 1992:193);

It is as a result of the above-mentioned benefits that the SHTT (1999:15) in their recommendations to the South African Government came out strongly in favour of supporting tenants participation in the management of social housing estates. Jaffee, (2000) also argues that high levels of tenant participation are inherent in much of the social housing projects carried out thus far.

There are, however, factors that, according to Cope (1990:215) and Blewitt and Garratt (1993:5) inhibit participation, viz:

- A lack of induction training for new members/residents regarding, for example, what their responsibilities are and what the possible benefits of participation can be;
- Hostility from professional staff or the committee of management;
- Inadequate information regarding rent, maintenance and demolition or sales policies;

- Complexity of the participation system;
- Long ineffective participation meetings; and
- Lack of support facilities/resources e.g. childcare facilities for single parents.

Tenant participation can, according to Blewitt and Garratt (1993:5), be enhanced by initiatives to provide tenants with clear information about their rights and duties and creating a legitimate system through which they can influence SHI policy and practise. SHIs would thus conduct their affairs openly and consult tenants regularly regarding policies and practises that might influence/affect them.

Cronberg (1986:68-80) argues that there are three models or approaches to tenant participation/democracy, namely:

- Co-operation model/approach. The motivation for tenant participation in terms of this model is the desire/aspiration to create harmony between the interests of the tenant and the SHI. Tenant representatives/the tenants themselves do not have formal decision-making powers. They are either in the minority in decision-making bodies or else proposals made by them must be formally ratified by other management structures/bodies. If there is a conflict of interest between the SHI and tenants, the view of the tenants will only survive if they are capable of convincing others of the merit of their proposals.
- Negotiation model/approach. This model is based upon an assumption of tension between the tenant and management structures. The said assumption implies that both sides will build up their respective organisations (capacity) in anticipation of meeting each other around the negotiation table to sort out an agreement acceptable to all. This approach implies joint decision-making or a partnership of sorts between tenants and the SHI. It is, however, important to note that the housing authority (SHI) retains the decision-making powers even if

tenants are granted a formal opportunity to impact on the decision-making process.

- Self- management model/approach. In terms of this model tenants have autonomous decision-making powers on either all management issues or only in regards of specific issues delegated to them.

Different countries have as a result of their unique political and socio-economic circumstances adopted different models. According to Emms (1990:225) tenant participation in the former USSR was to a large extent advisory in nature, hinting at the first two models discussed above. In contrast there are statutory requirements in *inter alia* Britain (Lowe and Hughes, 1991:97 and Alder and Handy, 1987:252); France (CODHEDAS, 1999:25); the Netherlands (AEDES, 1999:24); Sweden (Kroes, Ymkers and Mulder, 1988:94) and Denmark, Norway and Finland (Cronberg, 1986:68) that make tenant participation or consultation compulsory. It can thus be speculated that tenant associations in these countries are, subject to being able to demonstrate their management ability, in a better position to request that SHIs give them a chance to adopt the third model discussed above. Although the Rental Housing Act, 1999 (Act 50 of 1999) in South Africa has as one of its aims to provide for the facilitation of sound relations between tenants and landlords through the laying down of general requirements relating to leases, no particular reference to tenant participation/consultation could be found. It is, however, a well-known fact that tenants in general are encouraged to assume greater control of their housing environments. Rogers (1999:80) argues that it is important to balance the responsibilities delegated to tenants and the powers awarded to them. This balance will differ from country to country as capacity and institutional support services differ.

Irrespective of the particular model or variance thereof adopted in the different countries, tenant participation can, according to Birchall (1988:65), be direct through the general meeting in the case of small SHIs. Alternatively tenant participation in the medium to large SHIs can be representative in nature in which case it will take place

through the management committee, the supervisory board or management board. (See Figures 6.1 and 6.2 for representation of the management structures adopted by small SHIs versus those typically adopted by medium to large SHIs). The size of the SHI will thus determine which one of these two options is feasible.

There are numerous methods through which tenant consultation/participation can take place. These include *inter alia* newsletters, housing officers meeting tenants, surveys/questionnaires, public meetings and the establishment of tenant forums (Blewitt and Garratt, 1993:17). It is, however, important to create the right conditions for a culture of participation and consultation to develop (Birchall, 1988:172). This can be achieved through *inter alia*:

- Information sharing in the form of letters, memorandums, personal calls and meetings (Baker, 1976:467 and CECODHAS, 1999:48);
- A well published grievance procedure that is transparent in nature and easy to use (Cope, 1990:213);
- Promoting the establishment of tenant participation committees/tenant associations (CODHEDAS, 1999:77);
- Providing tenants with a meeting place (Page, 1993:41);
- Listening, learning and experimenting to find the participation method most suitable to the SHI in question (Blewitt and Garratt, 1993:9);
- Ensuring that tenant representatives actually represent the views of all tenants (Blewitt and Garratt, 1993:9);
- Allowing tenants to contribute their experiences and expertise (Blewitt and Garrat, 1993:9);

- Providing the resources to promote tenant participation e.g. finance, training, commitment from top management and a clearly defined participation policy (Thurnhurst *et al*, 1992:90);
- Arranging informal gatherings so that people can get to know one another (Maritime Housing Association: <http://www.merseyworld.com/maritime.html>);
- The appointment of a consultant/social worker (community facilitators) to work with the tenants to develop a strategy to improve tenant participation (Page, 1993:41);
- Acknowledging that people's time and energy to contribute/participate might vary considerably (Cooper and Rodman, 1992:195); and
- Making the time spent on participation attractive, rewarding and interesting (Cooper and Rodman, 1992:273).

In spite of the above it is important to realise that universal participation is an unrealistic goal. It is, however, important to create opportunities for tenants to participate should they wish to do so. SHIs that respect the views of tenants and treat all people fairly will create good will that will result in financial dividends. In contrast, a paternalistic and or authoritarian treatment of tenants will create unresponsive and apathetic tenants that add to the difficulty of managing such estates effectively and economically.

6.5 CONCLUSION

In conclusion it can be argued that housing management is one of the most important factors determining whether or not social housing estates will flourish or decline. It is,

however, important to realise that there are three factors that fundamentally affect the relative ease or difficulty of social housing management namely:

- The choice/location of a social housing estate determines the local environment within which people will live. Some of the worst residualised social housing estates can be found on the outskirts of towns removed from shopping, health, entertainment and recreational facilities. Given that social housing estates in most instances provide a refuge for people of limited financial means it is vitally important to locate these estates where they can readily be serviced by schools, shops, and transport facilities. Clearly such areas cannot be found in marginal/peripheral areas even though land might be available and relatively inexpensive in such areas. Consideration should rather be given to small pockets of undeveloped land within existing neighbourhoods. In this regard special attention should be given to areas becoming available through land releases by public authorities or recently privatised utility companies rationalising their land holdings.
- Size of social housing estates. Experience elsewhere indicated that most stigmatised/residual social housing estates are large, which in itself represents a powerful argument for SHIs to keep their developments small. The ability of existing communities to support and successfully integrate small social housing estates into the community fabric is also optimised through small social housing estates since the chances of overburdening existing socio-economic infrastructure is less likely.
- The quality of rehabilitation or construction work. If either one of these two were not done to an acceptable standard, future management inherits ongoing problems, which puts pressure on the budget of the SHIs and furthermore leads to tension with and amongst tenants.

The approach to social management has undergone numerous changes over the years. Octavia Hill (1838-1912) is often cited as the founder of the philosophy underpinning social housing management. She believed that a certain style of management, often described as paternalistic and authoritarian, could be used to improve the moral welfare of the poor. In the early 1920s the social housing sector adopted a property-orientated approach, an approach that only focused on the property itself and included no social element. The 1930s saw a return to a more intensive management style where the managers once again acted as advisors to tenants experiencing difficulties. From the 1950s onward to the early 1970s housing managers moved away from close personalised contact with tenants as housing management became more remote and impersonal. In the early 1970s unprecedented managerial problems created an environment within which a property orientated management approach was not enough. This led to the emergence of the so-called socio-economic accompaniment approach which is associated with a broadening of the activities associated with housing management to include initiatives aimed at enhancing the quality of life on social housing estates as well as in the surrounding areas. Key characteristics of this approach include enhancing tenant participation, the decentralisation of management functions and physical alterations to buildings to reduce the impact of crime. Experience elsewhere have shown that bigger or larger social housing estates find it more challenging as a result of the sheer numbers involved to provide sensitive solutions to the problems being experienced by their residents. Size can thus make the task of adopting a socio-economic management approach that much more daunting given the fact that social housing estates in most instances provide a refuge for people of limited financial means that might have been homeless or traumatised in some other way on top of experiencing difficulty in finding employment.

The adoption of the socio-economic accompaniment approach literally means that the scope of management activities becomes limitless - resulting in programmes where the costs could not be controlled. Two approaches to this dilemma emerged in recent years. Some SHIs returned to the property management approach thus turning away

from the new set of demands. Alternatively SHIs resolved to undertake wide audits of available community service organisations operating in the vicinity of their estates and to conclude partnership agreements with these service providers to make their services available to the tenants of the SHIs in question.

Housing management can be accomplished through self-management, self-management with professional assistance or leaving the management function up to professional management consultants/personnel/firms. The size and complexity of the SHI's portfolio will in the absence of legislative or policy directives, determine which structure and what variation thereof will be adopted. Small SHIs usually manage their estates through the general meeting, or gathering of all residents older than 18 years. If residents are, however, too numerous for a general meeting to make decisions through consensus, a management committee is elected from amongst the general meeting members. In situations where suitably qualified people cannot be found from amongst members of the general meeting, people not affiliated with a particular estate that are in possession of particular skills or valuable experience can be invited to serve on the management committee. The committee is then made responsible for all aspects of the estate management. The management committee has the option to set up sub-committees that can take over the responsibility for functions that can include member selection, landscaping and member education. Professional staff can also be appointed but then it is important for SHIs to have a mechanism through which SHIs can gain control in times of crisis.

In cases where SHIs have numerous estates to manage collectively under one management policy/strategy they usually adopt a model that has a supervisory and/ or a management board. The supervisory board's main task is to set the general policy framework for the SHI and to monitor the activities of the management board. The management board controls the business activities and the overall administration of the SHI. The board usually appoints a managing director or a chief executive who takes responsibility for the day-to-day management of the SHI. Tenants on the larger estates often form tenant management committees that are, depending on the

byelaws of the SHI, entitled to nominate persons to represent the interest of tenants on the management and or supervisory boards.

Successful SHIs require good management practises in unit allocation, maintenance, rent collection and tenant participation.

Unit allocation is the practice of matching the size and nature of property with the requirements of the prospective tenant. When SHIs are formulating their allocation policies they often take into account considerations like: a desire to give priority to those in the greatest housing need, a desire to reduce future management problems and the need to create balanced communities. The allocation process itself and the policies it is based upon strive to create a balance between these often conflicting objectives. If a SHI gives priority only to those in the greatest housing need it leads to a concentration of deprived and disadvantaged groups in social housing estates, which creates a lot of management problems. SHIs in *inter alia* Britain, USA, France and Denmark are moving away from allocation policies solely based on wanting to help those in need, to policies striving to create balanced communities. Even though the general policy thrust is the same in the countries listed they still use different criteria to prioritise prospective tenants. Although SHIs in South Africa endorse the concept of balanced communities their dependence on institutional subsidies usually have the effect of excluding people earning more than R3 500 per month. Proposals made to government by the SHTT recommended that new criteria be introduced in the evaluation of institutional subsidy applications in order to ensure that diverse family types and income levels can be accommodated in social housing estates. In practice the Job Summit Pilot Project seems to support the idea of balanced communities since 25 percent of the houses built through the project is earmarked for private ownership while the remaining 75 percent will be for rental purposes.

Some of the most frequently used allocation and selection methods include: concluding referral agreements with various other voluntary agencies or specialist interest groups to accept referrals from them on a priority basis, waiting lists based on

a points system through which the extent of personal or family need is quantified and the Delft model which is an applicant led allocation tool or model. In terms of this model SHIs advertise all vacant dwellings in a special newspaper delivered from door to door. Prospective applicants apply only for specific units they are interested in or suit their specific needs.

The creation of viable communities in social housing depends to a large extent on the allocation/selection policies and practises. The specific allocation or selection method will depend upon the capacity within SHIs to undertake complex and time-consuming procedures as well as the approach adopted by the country in question. The objective to create balanced communities will be much more demanding in terms of capacity than an approach which simply gives preference to all applicants with an income below a particular limit.

The purpose of maintenance is to maximise the life span of assets, in this case social housing units. It is important not to defer maintenance activities, as it will result in premature decay of social housing stock. The result of neglected maintenance is clear for all to see and often result in increased vandalism and tension between landlord and tenants. Tenancy/lease agreements usually set out the maintenance responsibilities of each party. Tenants are usually responsible for small or minor repairs with the landlord assuming responsibility for unplanned maintenance in response to complaints lodged by the tenants and planned maintenance that is cyclical in nature. In South Africa the relations between landlords and tenants are regulated by the Rental Housing Act, 1999 (Act 50 of 1999). The size and configuration of the specific SHI's portfolio will determine whether or not it is feasible to have an in-house maintenance department. Smaller SHIs are usually not able to afford in-house maintenance departments and as a result they outsource this function to specialist maintenance firms.

Rent collection is central to ensuring the financial viability of SHIs since it more often than not represent their sole source of income. Effective arrears control is vital to

prevent SHIs with long-term loans from falling behind with their mortgage payments. The implementation of an effective arrears control policy depends on having access to accurate and up to date information on any arrears that occur. SHIs in general try to keep rent arrears and voids (vacant units) down to between four and five percent of the expected rental income. It is important for each SHI to develop a rent collection policy that works well for them. SHIs should also be willing to adapt/change their rent collection strategies if their arrears increase. Rent collection statistics can be seen as a measurement/barometer of the health of the SHI. If it is not up to standard it is a sure indication of some underlying problem that needs to be identified and addressed quickly and efficiently.

The importance of tenant participation in the last few years have increased dramatically since the benefits of tenant participation e.g. its capacity to improve tenant/resident satisfaction became apparent. Tenant participation can be enhanced by initiatives to provide tenants with clear information regarding their rights and duties and through the creation of a legitimate system through which they can influence SHI policy and practises. There are three models/approaches to tenant participation, the co-operation model/approach, the negotiation model/approach and the self-management model/approach. In terms of the co-operation model tenant representatives do not have formal decision-making powers. The representatives are either in the minority in decision-making bodies or else proposals made by them must be formally ratified by other management structures/bodies. The motivation for tenant participation in terms of the co-operation model is thus the desire to create harmony between the interests of the tenant and the SHI. The negotiation model in turn is based upon an assumption of tension between the existing tenants and management structures. The said assumption implies that both sides will build up their respective organisations in anticipation of meeting each other around the negotiation table to sort out an agreement acceptable to all. Lastly, in terms of the self-management model or approach tenants have autonomous decision-making powers on either all management issues or only in regards of specific issues delegated to them.

Different countries have as a result of their unique political and socio-economic circumstances adopted different models. Although the Rental Housing Act, 1999 (Act 50 of 1999) in South Africa has as one of its aims to provide for the facilitation of sound relations between tenants and landlords through the laying down of general requirements relating to leases, no particular reference to tenant participation/consultation could be found in the Act. It is, however, a well-known fact that tenants in general are encouraged to assume greater control of their housing environments.

Irrespective of the particular model, or variance thereof adopted, tenant participation can either be direct or representative in nature. Small SHIs tend to favour direct participation whilst the large SHIs prefer representative participation through management or supervisory boards.

It is furthermore vital to create the right conditions/environment for tenant participation and/or consultation to develop and flourish. This can *inter alia* be achieved through information sharing, the promotion of the establishment of tenant participation committees/tenant associations and allowing tenants to contribute their experiences and expertise. It is, however, important to realise that universal participation is an unrealistic goal. Opportunities for tenants to participate, if they wish to do so, should always be present and well publicised. SHIs that respect the views of tenants and treat all people fairly will create goodwill that will result in financial dividends. In contrast, a paternalistic and/or authoritarian treatment of tenants will create unresponsive and apathetic tenants who add to the difficulty of managing such estates effectively and economically.

Housing management is literally where the buck stops with regards to social housing. All the good intentions in the world to assist those in need of housing within a supportive environment can fail if housing management is not done sensibly and transparently. A lot of benefit can be gained from treating residents or tenants as partners with a view to ease the task of management. Successful social housing

estates are created partly through design, but even more importantly through good management practises aimed at creating homes and not merely accommodation.

CHAPTER 7: SUMMARY AND CONCLUSION

Housing is one of the greatest challenges facing the South African Government. A backlog estimated to be about 4 million units coupled with a population growth rate of approximately 2,27 percent, resulting in \pm 200 000 new households being formed annually, places government under pressure to deliver mass housing projects/programmes.

It became clear in the early 1990s that the then housing policy of South Africa was unable to address the housing crisis. Lengthy negotiations culminated in the White Paper on Housing in December 1994, which provides for a uniform, national housing programme.

The last five years have seen housing policy moving from a pre-1994 situation characterised by the absence of a holistic strategy guiding housing and urbanisation towards a post-1994 one where a coherent national policy is gradually coming into existence.

The National Department of Housing is pursuing a multifaceted approach aimed at mobilising and harnessing the combined resources, efforts and initiative of communities, the private sector, commercial sector, and the state.

The very real and accepted limitations imposed by the state fiscus and macro-economic realities as well as the grinding poverty experienced by a large portion of the South African population clearly indicate that no single formula can exist for solving South Africa's housing dilemma.

Budgetary constraints necessitate that delivery takes place through the widest possible variety of mechanisms including *inter alia* social housing. It is acknowledged

in the White Paper on Housing that social housing is an area of housing opportunity that has long been neglected in South Africa.

Social housing programmes usually entail the establishment of non-profit social housing institutions (SHIs)/housing associations whose primary purpose is to provide the essential service of housing at cost to people with limited financial means. Social housing programmes are thus underpinned by the philosophy that the responsibility of housing production is divided between the public and non-governmental sectors. This is done through the provision of rental stock or rent-to-buy stock. The advantages of social housing include *inter alia*:

- Standardised planning, design and organisational administration of collective construction;
- Joint procurement, disbursement and repayment of construction loans;
- More efficient use of technical skills;
- Proper maintenance and upkeep of housing and neighbourhoods;
- Members can gradually assume the management and administration of SHIs;
- Internal control can be exercised to prevent speculation and illegal sale, subletting or transfer of dwellings;
- SHIs have the potential to promote integrated and viable urban communities and to mobilise self-help sources and group dynamics; and
- SHIs offer an integrated framework, not only for the construction and management of housing, but also for a variety of other social and economic activities.

It is in the context of these advantages that housing associations/SHIs have repeatedly been advocated as a means of addressing the shelter problems of low-income households in developing countries.

The National Department of Housing acknowledged in the White Paper on Housing (1994), that the development of policy in this area (social housing), will require significant engagement with international expertise and experience. As far as could be determined only one institution namely the Social Housing Foundation (SHF) founded in 1997 has thus far been established to assist in providing capacity building and technical support to housing institutions involved in the delivery of social housing. Mandated by the Minister of Housing the SHF appointed a policy task team in August 1997 to develop a policy framework for the social housing sector. In spite of the progress made in the policy formulation for the social housing sector the Department of Housing acknowledged in their 1999 Annual Report that the policy and funding frameworks within which the social housing sector currently operates in South Africa are still not fully developed. Given firstly, the advantages of social housing, secondly, its identification as an alternative strategy that could be utilised to improve housing delivery in South Africa and thirdly, the acknowledgement by the Department of Housing that policy development on social housing will require significant engagement with international expertise and experience the problem statement of this study has been: What are the lessons to be learnt from the international experience in social housing, and how can it be applied in the South African context?

The aim to the study was therefore to analyse the provision of social housing in Europe, South America and Africa with a view to identify the particular ways and means in which it is undertaken in those particular situations and also, to identify the lessons that can be learnt from such experiences for the emerging South African social housing sector.

Since the concept of social housing in the form of SHIs/housing associations is a relatively new field of study within the housing sector of South Africa, this study may provide useful information on the basic terminology, the history and structure/organisation of the sector and the problems/challenges currently facing social housing institutions worldwide. Given the fact that this study highlighted the potential pitfalls, problems and opportunities manifesting itself worldwide within the social housing sector this study may also contribute towards the finalisation of the South African social housing policy framework. The study can be described as a document study/literature review study that is descriptive in nature. The study mainly relied on the interpretive findings of previous studies. A qualitative research methodology was followed to record the international experiences in the social housing sector. Caution was exercised in the interpretation of the available material and every effort has been made to contextualise all case studies and/or references made to international examples. Different publications were furthermore compared with each other in an effort to overcome concerns regarding the reliability and validity of document studies.

Social housing can be described as the third arm of housing provision, the first being the owner-occupier/private market and the second public housing efforts whereby rented homes are made available by the state for those unable to enter the market. The primary goal of social housing is to provide the essential service of housing at cost to people with limited financial means. It is important to note that social housing provision is not undertaken through statutory duty but is the result of volunteers who combine to form SHIs/housing associations to meet their perceived housing needs through their own energy and commitment. Social housing is thus a strategy whereby communities rather than individuals make sure that they can cover the cost of their housing option be that flats, houses, townhouses, new or existing housing stock. The provision of housing stock is achieved by leveraging private finance at preferential rates to top up limited public funds.

Social housing from its inception was limited to being a supplementary form of housing provision rather than a perceived alternative to the private market. This view is substantiated by the fact that three models namely the residual and mass provision models as well as the worker co-operative model have thus far dominated the provision of social housing worldwide. The residual model of social housing provision - involving small-scale building programs focusing almost exclusively on the poor - dominated with two brief exceptions throughout the history of the movement in industrialised countries. The mass model - targeting a broad range of lower and middle-income groups - emerged briefly in Europe after the First World War and again after the Second World War. In terms of the worker co-operative model housing stock is provided through bottom-up grassroots efforts of working and middle class organisations that founded a wide range of self-help or mutual aid organisations to build housing stock. This model was, however, repressed or absorbed within the structures and practices of state regulated and mass housing programmes.

Social housing provision in developing countries started to gain momentum in the early 1960s in South America and in the early 1970s in Africa. Common features of the social housing movement in these parts of the world are firstly the relatively high-income levels of the members and secondly, the predominance of government investment in housing through *inter alia* capital and interest subsidies.

Social housing institutions (SHIs) are the bodies or institutions through which social housing projects are undertaken. The term SHI is a collective term used for all the different types of housing associations. Housing associations are characterised by the diversity they encompass with regards to their aims, philosophies, functions, sizes and organisational structures. The definition of a housing association most often quoted in the literature is found in the British Housing Act of 1974. In terms of this Act, in order to qualify as a housing association the society's body of trustees or company's objectives must include the construction, improvement or management of houses or hostels or the facilitation of those activities. Secondly, it must not trade for profit or, if

it does, its constitution or rules must prohibit the issue of any capital or interest or dividend exceeding prescribed levels.

Due to the inherent diversity of housing associations there are numerous characteristics that can be used to classify housing associations into various sub-categories. The characteristics most often used in the classification of housing associations include: legal status, motivation, size, general status, geographical scope, function and time-period of existence.

- Legal status divides housing associations into two broad categories: those that provide housing for others and fully mutual associations or co-operative housing associations (housing co-operatives). The operation of fully mutual associations or housing co-operatives as they are more commonly referred to are based on co-operative principles that have been debated and discussed since the first co-operative society was formed in Rochdale in 1844. Fully mutual associations or housing co-operatives can furthermore be sub-divided into five sub-categories namely:
 - In par value or common ownership associations property is held in common. The individual members are the tenants but also the common owners of the par value association, only without an individual stake in the equity. Members of the par value of common ownership associations have no rights whatsoever in the assets of the association beyond the right, in some cases, to the return of the nominal amount of shares held in the event of the dissolution of the association;
 - In the case of co-ownership societies/co-operatives the tenants own nominal shares in the landlord association but the association being a corporate body separate from, although controlled by its members, is the only “owner”. The ownership of co-ownership co-operatives as a whole vests with the occupants, each owning a £1/R1 share in the nominal

capital – which amounts to as many pounds or rands in total as there are dwellings;

- Tenant management co-operatives refer to groups of tenants who take over the management and maintenance of the homes they occupy from the existing landlord who retains ownership;
- Shared ownership co-operatives that offer a variable proportion of the dwelling as individual ownership and in addition allows such “owners” to buy further proportions as and when they are able; and
- Self-built co-operatives are established to develop housing for its members through the collective labour of its members. The co-operative can after construction is completed, either sell the units to the members or conclude lease agreements with the members.

As the name indicates non-mutual associations provide housing to others, not only to its members. Non-mutual associations include for example charities/trusts as well as industrial associations.

- Charities or trusts refer to associations whose aims and objectives must be restricted to the provision of housing of persons in necessitous circumstances; and
- Industrial associations refer to firms or companies which establish/set up a body/institution separate from the sponsoring firm. This newly established institution then puts up/utilises the whole or the bulk of its share capital for the building of houses, in which it will have a controlling interest.

- The motivational characteristic divides housing associations into four broad categories namely: philanthropical associations that include charities and tenant investment associations, non-philanthropical associations that include housing co-operatives, industrial associations and self built associations, cost associations and co-ownership associations.

- Tenant investment associations refer to associations that aim to provide retired people with sheltered accommodation. The building costs are met by the initial tenants, usually from the proceeds obtained from the sale of owner-occupied houses. The premium purchased can take the form of a life lease or a 50-year lease with the provision that surrender of the property in question will result in a return of the premium.
 - Cost rent associations refer to associations that build unsubsidised dwellings i.e. dwellings that are let at rents sufficient to cover outgoing costs e.g. maintenance, loan repayment charges and property taxes and no more – with money borrowed to them by local authorities or central governments
- If size is taken as the classifying characteristic housing associations can be classified as small if it has fewer than 250 housing units under its management or as medium to large if it has a housing portfolio of more than 250 housing units
- With regards to geographical scope housing associations can be classified as limited associations or expansionist associations. Limited associations refer to the housing associations that confine or restrict their operations to strictly limited areas, with the opposite being true for expansionist associations. Expansionist associations tend to acquire sites or existing homes where and when they can.
- In accordance with general status housing associations can be classified as registered

Main lessons

Upon considering the reasons for classification internationally it became clear that classification is used as a tool to distinguish between the SHIs/housing associations that qualify for public assistance and those that do not.

or unregistered associations. Housing associations in developed and developing countries usually operate within particular legal frameworks. In most cases these frameworks require the SHIs/housing associations to register with some or other national body. Registration is usually accompanied by certain benefits e.g. monetary support from the public sector. Unregistered associations in turn are usually not able to qualify for such benefits.

Housing associations can lastly be classified according to the function or type of accommodation it supplies. General needs associations usually provide dwellings suitable for households of three or more persons. Specialist associations in turn strive to meet the needs of a particular group e.g. senior citizens, single parents and other one or two person households as well as physically or mentally disabled people.

A country such as South Africa should carefully consider which characteristic(s) would most accurately capture the type of SHI it would like to support or assist. From all the above-mentioned characteristics legal status, which in essence encompass both motivation and general status, seems to be best suited to fulfil such a role. It is, however, important to note that for such a classification system to fulfil the role of distinguishing between SHIs deserving of public support/assistance and non-deserving ones it should be supported by a capacitated monitoring or registration agency created through national, social housing specific legislation.

Mature social housing movements generally consist of three and sometimes four organisational levels, some of which occur naturally whilst others need to be created through legislation. These levels are:

- National sponsoring agency;
- Secondary or mother housing associations/SHIs - also sometimes referred to as technical service organisations (TSOs);
- Primary/daughter societies also called primary housing associations/SHIs; and
- International organisations or societies.

The type and nature of these organisational levels will depend on the degree of integration that is envisaged between the different levels.

In most countries the planning and decision-making powers are distributed in one way or another between these different organisational levels. Integration in this context refers to the co-ordinated distribution of tasks and functions amongst the various levels and organisations, thus lending itself to a situation where each level or organisation takes over all those tasks and functions that can best be executed by that unit/level in a rational manner and at minimal cost.

Integration is, however, approached in various ways as a result of the unique circumstances to be found in each country. Although integration in

Lessons

Careful consideration needs to be given to the way in which integration is approached. If the system employed/utilised leans too much towards decentralisation, no powers are shared or delegated and primary associations retain all functions, the country in question is sure to encounter considerable capacity problems. These capacity problems will be caused by the necessity to duplicate expertise in every primary association/SHI. For a country such as South Africa in which social housing is a relatively new field a totally decentralised system could overwhelm the limited capacity available in this sector.

For the benefits of integration e.g. flexibility

practice, at least to some extent, has been occurring spontaneously in South Africa, synergy is being lost as a result of the fact that there is at present no legislative or policy imperative that enforces or guides integration.

and reduced costs to be realised fully it needs to take place in a planned and consistent manner within a comprehensive housing policy framework. The fact that the social housing sector in South Africa presently has no legislative or policy imperative that enforces or guides the integration of the sector can be considered as an obstacle that needs to be addressed as soon as possible.

Most countries with an active social housing movement found it necessary to create - often through national legislation - national sponsoring agencies to accept responsibility for policy development, registration of approved institutions (regulation of the social housing movement), monitoring of the sector's performance and providing financial assistance to qualifying SHIs. An example of such an agency is the Housing Corporation in Britain. These sponsoring agencies are frequently created to be separate from the national department responsible for housing, but can also, depending on historical circumstances, be located in-house e.g. the Netherlands. Currently the Social Housing Foundation, created through the Housing Amendment Act, 1999 (Act 28 of 1999) partly fulfils the role of a national sponsoring agency in

Lessons

Given the functions that are generally performed by the national sponsoring agencies it was concluded that the establishment of such an institution is necessary for the development of an organised and structured social housing movement that makes optimal use of the public resources allocated to it.

It is important to realise that the functions and responsibilities of national sponsoring agencies tend to grow and evolve with the social housing movement itself. Initially it might focus primarily on the

South Africa. The stated aim of the SHF currently is to facilitate, promote and develop the social housing sector in South Africa through providing:

- training;
- programme management functions through providing technical support and assistance to emerging SHIs;
- mapping and mobilising donor funding; and
- research and policy development.

It should be noted that the registration of approved institutions (regulation of the social housing movement), monitoring the sector's performance and providing direct financial assistance are currently not part of the SHF's direct functions. It could be argued that this is a result of the fact that South Africa does not currently have social housing specific legislation to govern the growth and development of the sector. The sector is currently being governed by a range of existing laws that also apply in other contexts.

development of primary societies and financing, but at a later stage functions like monitoring, enforcing standards and providing guidance on issues like best management practises might begin to dominate. It is thus recommended that the role/function of the SHF in South Africa be expanded to ensure that functions like the monitoring of individual SHIs and enforcement of sectoral standards are taken up in a consistent and planned manner to bring South Africa on par with international best practices.

Once a social housing movement is well established within a country it is quite routine for a representative body to emerge spontaneously from amongst the ranks of the movement itself. Such representative bodies

Lessons

As a result of the relative newness of a committed social housing sector in South Africa a sectoral representative body has not yet been established. The emergence of a sectoral representative body in South Africa should thus be supported and facilitated through inter alia

e.g. AEDES (Latin for house with many rooms) in the Netherlands serves as a platform for its members to safeguard the movement's interests, it provides advice and information to its members and undertakes research on behalf of the movement.

financial assistance in its initial stages of development. It provides a useful forum for housing associations and co-operatives to exchange information, learn from one another and reflect on policy proposals that might be beneficial to the sector as a whole.

The national sponsoring agency and the sector's representative fulfil separate but complementary functions which together form a support network at national level that ensures the orderly development and expansion of the non-profit making social housing sector.

The regulation and monitoring of the social housing movement in South Africa are fragmented at present. The reason being that despite the widespread use of the word housing association there is no such legal vehicle officially acknowledged in the South African legal system. Social housing organisations in South Africa, however, have various other options open to them: they can register as public companies with shareholding, private companies, co-operatives, Section 21 companies or communal property associations. However, the implication of this is that a different regulator, e.g. the Registrar of Companies and Registrar of Co-operatives - that do not necessarily have an understanding of housing development, regulates each option. This situation furthermore inhibits the amount of spontaneous integration that can take place.

In order to address the above situation the Social Housing Task Team appointed by the Minister of Housing in 1997 to establish a policy framework for social housing has recommended that South Africa adopt a second level registration process to be carried out by provincial departments responsible for housing and local government. These particular departments were chosen because they are also the departments

that in most provinces are responsible for the approval of the LDO/IDPs of local authorities as well as the compilation of provincial growth and development strategies. Given the interventionist nature of the powers of this proposed regulator, the SHTT furthermore recommended that the regulatory function should be established through primary (national) legislation in the form of a social housing act.

Secondary societies or technical service organisations as they are also known, fulfil a very important role in the establishment and progressive expansion of social housing movements worldwide. TSOs fulfil *inter alia* the following functions:

- Provide technical assistance to primary SHIs/housing associations e.g. preparation of project implementation plans and carrying out preliminary feasibility studies;
- Form a channel through which private, philanthropic and even government funding can be distributed to primary SHIs/housing associations; and
- Encourage the formation of new primary or daughter SHIs/housing associations.

TSOs can thus be seen as the centres of knowledge and experience that can be utilised on an *ad hoc* or continual basis by primary societies in need of assistance. Even though there are no formal policies in place in South Africa to facilitate/stimulate the emergence of TSOs/secondary societies, a few have none the less developed. Examples include the Urban Sector Network (USN) and Cope Housing Association.

In the absence of a proper national sponsoring agency these TSOs have fulfilled an invaluable service in the social housing movement. It would, however, be prudent to put in place measures to

<p><i>Lesson</i></p> <p><i>TSOs are responsible for capacity building within the social housing movement and as such should be supported</i></p>
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stimulate the emergence of more TSOs and to consider providing additional financial assistance to the ones already in existence.

and promoted, especially in countries with young/emerging social housing sectors such as South Africa.

Primary/daughter societies refer to housing co-operatives or housing associations at project level and as such can be seen as the building blocks of a successful social housing movement. These societies are responsible for the actual construction or development of the housing units and remain the owners after construction/development phase has been completed. Primary societies if registered with the national sponsoring agency have to operate within the policy framework established by the national sponsoring agency. It is furthermore not unusual for primary societies to have close ties with the local authorities in their area of operation. These two institutions then work together to develop an integrated housing strategy to address the unique housing problems that may occur within that particular area.

Lesson

Rapid development of primary/daughter societies in the absence of a comprehensive, coherent social housing policy and legislative framework have the potential to increase the complexity of the policy and regulatory framework to be established at a later stage, simply because the diversity that will have to be accommodated will be so much greater. Such a situation should, if at all possible, be avoided in South Africa since it makes the tasks of monitoring and integration that much more difficult and expensive to achieve at a later stage..

International social housing organisations

Lesson

The emergence of international social

or societies emerge when there are a few countries with strong social housing movements situated near to one another or in cases where increased integration in other spheres encouraged the social housing sector to follow suit. Such bodies once established then ensure that the knowledge and experience is exchanged on a regular basis in an organised manner.

housing organisations is dependent on the existence of committed social housing movements in two or more adjacent countries or upon the social housing sector latching onto a history of integration in other spheres. The establishment of such an international social housing organisation usually happens gradually as the initial, informal contact between the social housing movements of the different countries proves to be beneficial. It might thus be worthwhile for the South African social housing sector to investigate the possibility of creating alliances with other social housing sectors in Africa to facilitate the exchange of knowledge and experience in the field of social housing.

The emergence of social housing sectors in developing countries is often hampered by a lack of financial resources as well as a shortage in skills in *inter alia* the procurement of loans and the development of appropriate legislative frameworks for the social housing sector. International aid agencies e.g. the German Development Association for Social Housing (DESWOS) and the International Co-operative

Lesson

It is important for countries such as South Africa receiving aid to ensure that international aid agencies adopt an institutional building approach, with emphasis being placed on working in close collaboration with national government to create/establish capable, knowledgeable national sponsoring agencies through the transfer of skills.

Housing Development Association (ICHDA) try to address these problems by providing training opportunities to enable skills transfer and establishing temporary or permanent offices in some developing countries – hoping that it will become centres of expert advice and assistance.

South Africa thus far has been very fortunate in that numerous international aid agencies are supporting the development of the social housing sector/movement. The SHF has entered into agreements with the social housing organisations of Netherlands and the UK. The social housing organisations from these two countries assist South Africa through the secondment of technical advisors to South Africa. The placing of these technical advisors is co-ordinated by the SHF. Other countries like Sweden and Norway have also rendered assistance to the development of social housing in South Africa through the Swedish Association of Social Housing Organisations and the Norwegian Federation of Co-operative Housing Associations.

National legislation is one of the most important mechanisms that governments

Lesson

National legislation represents an important opportunity for the South

(including the South African government) have to establish or create the hierarchy or levels of a mature social housing movement discussed above. It enables government to clearly set out:

- The functions and powers of each level of the social housing movement;
- The financial mechanisms and support government is willing to provide to the social housing sector under certain terms and conditions; and
- Guiding principles on issues like management practise, allocation policies and tenant participation.

African Government to stimulate and support the development of a strong and socially conscious social housing movement in South Africa.

Main lessons

The development of an integrated and effective social housing movement depends on a range of factors which all have to be in place if synergy is to be achieved between the various levels of the social housing movement. National legislation and policies create the framework, norms and standards within which all actors in the sector have to fulfil their functions. Institutional support in the form of a national sponsoring agency, TSOs as well as international aid agencies are essential for the development of a diverse range of primary societies that are responsive to a wide range of accommodation needs.

Regulation and monitoring mechanisms are essential to ensure that the sector uses the public resources allocated to it in a responsible and accountable manner.

The financing of social housing is inherently complex and forever changing. A successful social housing programme is to a large extent dependent on the availability of funding from public sources as well as the sector's particular ability to mobilise private resources. The underlying issue, however, always remains that of the nature of the relationship between housing costs and consumer income and to what extent government is prepared to subsidise the cost.

Government involvement in the financing of social housing is motivated by a desire to firstly, improve the housing conditions of the underprivileged secondly, to stimulate the process of rehabilitation/modernisation of the inner city areas thirdly, to encourage/support the provision of affordable housing and lastly, to demonstrate to

the private sector that the risks involved in financing social housing are in fact lower than what is perceived by the commercial banking sector.

Lesson

Government involvement in the financing of social housing is for the most part motivated by a desire to come to the aid of selected groups of the population and to assist those who, for whatever reason, cannot secure housing on the open market. In view of the limited resources available in South Africa and the ever increasing dependence of SHIs on private financing worldwide the South African Government in its involvement in the financing of social housing in this country needs to pay particular attention to the perceived risk profile that SHIs in the country have. Furthermore given the fact that financial institutions in South Africa are at this stage not very enthusiastic about financing SHIs the management of the risk profile of SHIs needs particular attention to maintain and increase investor confidence over time.

There are as many methods to subsidise/financially assist the social housing sector, as there are countries in the world. Each country has developed a system that is uniquely adapted to their internal realities, priorities and financial means. Conceptually the extent of government involvement/assistance forms a continuum. The social housing sectors in some countries, e.g. Kenya, Switzerland and the Netherlands receive very little, if any, government support, whilst others, e.g. Sweden and the former USSR, receive subsidies that cover almost 100 percent of the development costs. It is, however, apparent that most central governments worldwide are trying to disengage/withdraw from providing direct financial support to the social housing sector. Approaches of disengagement, privatisation, cost containment and greater dependency on private finances are vigorously pursued. This trend/phenomenon is causing the sector to become more dependent on private sector funding with each passing year.

Lessons

The price that government pays for disentangling/withdrawing from providing direct financial support to the social housing sector is that it loses the ability to dictate where, when, how, to what standards and at what unit price the social housing units are to be built/constructed.

Some governments e.g. Britain are, however, of the opinion that less public support acts as an incentive to SHIs to produce more cost effective solutions and furthermore encourages the development of entrepreneurial skills in the sector. It is, however, important to realise that securing private sector investment is a difficult and challenging undertaking. The social housing sector will have to be able to demonstrate that it is a sound and relatively low risk investment.

In the final analysis each country adopts an approach relevant to its internal realities and challenges. Such approaches are, however, subject to change should the reality or context change.

The South African social housing sector receives financial assistance from government in the form of institutional subsidies. These, however, rarely cover more than 25-30 percent of the capital costs of a social housing project. The approach adopted in South Africa can thus be described as an assisted private market approach, seeing that the social housing sector in South Africa combines government subsidies and loans from the commercial/private sector to secure enough funding to undertake new development projects. Private financial institutions in South Africa are not very enthusiastic about the financing of SHIs, since quite a few have had bad experiences with financing low-income housing. It does, however, seem as if the South African Government is intent on pursuing an approach that includes as one of its core components a long-term focus on encouraging private sector investment in social housing. For such an initiative to succeed, the social housing sector needs to prove/demonstrate that it is a sound

Lesson

It is important for the South African Government to note that the repayment of loans that cover ±65 percent of the capital costs of social housing projects obtained from the private sector at market related interest rates becomes a daunting task within the South African context. Firstly, the institutional subsidy covering 25-30 percent of the development costs will only be payable if the SHI rents out the accommodation to people earning less than R3 500 per month. With some exceptions e.g the Presidential Job Summit Pilot Project mixed income projects that are advantageous in that they by including higher income households contribute/improve the financial feasibility and stability of projects are thus not encouraged as a general rule. It can also be speculated that unless the national housing budget is increased significantly government will not be able to increase its contribution to the sector in the form of institutional subsidies. Secondly, South Africa does not have a broad based social security system that can supplement the income of tenants should they loose their jobs. All these factors if taken together increase the risk that a significant proportion of tenants might at one stage or another be unable to pay their rent which in turn would

and relatively risk free investment.

cause the SHIs to default on their mortgage payments. This would increase the sector's risk profile with private financial institutions who are already less than enthusiastic about supporting the sector. It is thus vitally important, if the assisted private market approach is to succeed, for the viability and sustainability of each project to be carefully considered. Mistakes in this arena can prove to be very costly in terms of undermining investor confidence.

One, or a combination of the following sources usually funds SHIs worldwide. Firstly, the private commercial sector, including building societies, savings and loan associations, commercial banks, insurance companies and pension funds, secondly, non-institutional sources, including savings and credit unions, churches, unions, tenant groups, charities and charitable trusts, and lastly, public finance, including all spheres/tiers of government.

Lessons

Given the diversity of funding sources available it is important for SHIs in South Africa to keep abreast with all institutions/bodies/individuals willing to finance SHIs. Knowing who the funders are will be a great advantage since the expense involved in the development of a new project is of such a magnitude that funding in future will probably not only be coming from one source but from several sources simultaneously.

SHIs in South Africa should furthermore consider actively/aggressively marketing themselves to increase interest in the sector, especially amongst public spirited non-institutional bodies/organisations.

The above-mentioned funders and SHIs use the following mechanisms/instruments

alike to fund new projects and to manage and upgrade existing projects/estates:

- Loans, subsidised or at market interest rates;
- Grants referring to firstly, bricks and mortar/production subsidies, a large once-off cash payment and secondly, consumption/demand side subsidies which can also be described as income supplements payable to individuals/households exhibiting particular characteristics or experiencing a difficult set of circumstances;
- Public-private partnerships to develop and manage SHIs;
- Incentives (excluding tax incentives) which includes *inter alia* local authorities that subsidise or provide land free of charge to SHIs and linkage programmes in terms of which developers wanting to secure development rights in down town areas have to contribute money into a neighbourhood trust fund for affordable housing development;
- Directives to secure funding for SHIs through a forced/compulsory savings system whereby employers are compelled to channel a percentage of their monthly wage costs into a housing trust fund;
- Tax incentives through *inter alia* tax rebates/concessions made to SHIs;
- Guarantees often used by government to motivate financial institutions to provide loans to SHIs at lower interest rates, since the perceived risk is lower/less and to increase the borrowing capacity of SHIs;
- Bridging finance referring to the funding needed by SHIs to finance the activities that precede actual construction;

- Cross subsidisation is achieved through the development of mixed income developments that also provide for a diversity of tenure options. The income generated from the sale of the higher and medium-income units help fund the construction of low-income units. Cross subsidisation can also be achieved through a system whereby debt free social housing stock is used as collateral for securing funding for subsequent projects/developments; and

- Sources of additional income can be secured if social housing estates include land uses like shops and community halls. These can then be rented out to private individuals/enterprises to generate additional income.

The above listed instruments are usually used in combination and in mutual support of each another.

In the South African context some of listed instruments, e.g. tax incentives, cross

Lessons

All the above-mentioned instruments together form a comprehensive framework within which each instrument has a particular niche or function to fulfil.

The financing of social housing has become a complex field that forces SHIs to develop sophisticated financial management systems. Asset and risk management are thus becoming very important skills that every SHI should have at its disposal in order to make a success of its activities, accomplish financial co-ordination and deliver the service of providing good quality housing at reasonable prices.

Lesson

In view of the fragmented financial framework in which SHIs in South

subsidisation, incentives excluding tax incentives and securing additional sources of income are not being used to the fullest extent possible, whilst one, namely directives to secure funding for SHIs, is not being used at all. The current tax dispensation as it applies to SHIs is distorted and discriminatory, undermining the affordability of rental accommodation. This situation needs to be addressed as a matter of urgency if the South African government is really intent on promoting the involvement of the private sector in the funding of social housing. This fragmented financial framework within the context of high poverty and unemployment figures in South Africa seriously hampers the extent to which the development of social housing can be seen as a viable alternative towards providing accommodation for people of limited financial means. SHIs are forced through the extent of the market related loans that they have to take out to cover their development costs, covering up to 65 percent of the capital costs, to ask rents which are unaffordable to people earning less than R2 000 per month. The social housing sector currently addresses the accommodation needs of households that are earning between R2 000 and R4 000 per month. The lowering of this threshold of affordability will thus in the absence of a social security system paying income supplements to

Africa are forced to operate it is recommended that a periodic, comprehensive review of all funding instruments/mechanisms in use must be conducted regularly with a view to determine:

- *The stumbling blocks that prevent the optimal utilisation of some funding instruments;*
- *Whether or not the motivations for not using a particular instrument are still relevant; and*
- *The particular role/function that each instrument could fulfil/play within a particular country's social housing context.*

Once the above information is available it can be used to compile a relevant and comprehensive financial framework for the funding of SHIs. In the absence of engaging creatively with other funding mechanisms e.g. supporting mixed income projects and concluding public-private

qualifying households depend on the extent that SHIs can creatively make use of the other funding mechanisms/instruments discussed.

partnerships with local authorities/municipalities to obtain well located land at reduced prices or free of charge social housing in South Africa will not be accessible to the poorest of the poor. Asset, financial and risk management skills are core competencies without which SHIs in this country and elsewhere will have difficulty succeeding.

Main lessons

SHIs are operating/functioning within a complex financial environment that is forever changing/shifting. SHIs need to keep abreast with all institutions/bodies/individuals willing to finance social housing projects and should subsequently formulate innovative/aggressive marketing strategies to secure funding from such sources. Internationally the public sector is withdrawing from providing extensive financial support to the social housing sector. It is thus important for the sector to position itself as a sound and relatively low risk investment. Asset, financial and risk management are skills that SHIs cannot do without. The sector itself should thus consider making available opportunities to their staff to qualify themselves within these fields of expertise. Lastly, it is important for each country with an active social housing sector to develop a comprehensive financial framework that makes use of all the financial mechanisms/instruments available to the social housing sector within that country.

Housing management is one of the most important factors determining whether or not social housing estates will flourish or decline. The approach to social management has undergone numerous changes over the years. Octavia Hill (1838-1912) is often

cited as the founder of the philosophy underpinning social housing management. She believed that a certain style of management, often described as paternalistic and authoritarian could be used to improve the moral welfare of the poor. In the early 1920s the social housing sector adopted a property-orientated approach, an approach that focused only on the property itself and included no social element. The 1930s saw a return to a more intensive management style where the managers once again acted as advisors to tenants experiencing difficulties. From the 1950s onward to the early 1970s housing managers moved away from close personalised contact with tenants as housing management became more remote and impersonal.

In the early 1970s unprecedented managerial problems including *inter alia* high resident turnover rates and increased vacancy levels created an environment within which a property orientated management approach was not enough. These problems were partly created as a result of the changed clientele of SHIs. The resident populations changed from predominantly working class members to a disproportionate number of low-income, unskilled and semi-skilled, unemployed people dependent on some form of government or public support. This led to the emergence of the so-called socio-economic accompaniment approach that is associated with a broadening of the activities associated with housing management to include initiatives aimed at enhancing the quality of life on social housing estates as well as in the surrounding areas. Key characteristics of this

Lessons

The adoption of a socio-economic accompaniment management approach in South Africa could lead, if too ambitious, to the scope of management activities literally becoming limitless/endless. Such a situation could lead to the failure of the SHIs in question since costs cannot be contained.

It was thus concluded that it might be better for South African SHIs to undertake audits of the community service organisations operating in the vicinity of their estates and to conclude partnership agreements with these service providers to make their services available to the SHIs in question. In this way the SHIs still adopt a socio-economic

approach include enhancing tenant participation, the decentralisation of management functions and physical alterations to building to reduce the impact of crime.

It is, however, important to note that there are three factors that affect the relative ease or difficulty of social housing management, no matter which management approach is adopted, they are:

-The quality of rehabilitation or construction work. If either one of these two were not done to an acceptable standard, future management structures inherit ongoing problems, which will put pressure on the budgets of the SHIs and furthermore lead to tension with and amongst tenants;

-The choice of the site or location of the social housing estate. The location of social housing estates are generally regarded as very important since it determines the local environment within which people will live. Locational factors determine the desirability and hence the value of the land. It is thus important to weigh the financial advantage that can be gained from acquiring cheap land

accompaniment approach but do so in partnership with other specialised organisations and service providers.

Lessons:

South African SHIs should try their best to get the following three factors correct, since it will ease their management task quite considerably:

-Ensure that the quality of construction or rehabilitation work is carried out to an acceptable standard;

-Upon considering whether or not it is desirable to build a social housing estate/accommodation in a particular area it is vital to consider how it will be for people of few resources to reside there. It is thus important to build homes where they can readily be serviced by schools, shops and transportation facilities even though

for development against its desirability as a place to live. Some of the worst residualised social housing estates characterised by *inter alia* unpopularity, vandalism, appearance of decline and decay, high turnover rates and vacant dwellings internationally can be found on the outskirts of towns and cities – away from shopping, health, entertainment and recreational facilities.

It is furthermore important to realise that the location of social housing estates will have an impact upon existing local communities since social housing estates will out of necessity place extra demands on schools, health and social services;

-Size/scale and configuration of social housing estates. Experience elsewhere have indicated that most stigmatised/residualised social housing estates are large, a fact that presents a powerful argument for social housing institutions to keep their developments small. Small estates firstly minimise the effect that large numbers of uniformly poor people could have on an area. The reason being that poverty, large numbers

the land might be more expensive in such localities.

The ability of existing/receiving communities to deliver the social services that will be required when a social housing scheme is completed also needs to be taken into account/considered to avoid overburdening of existing service providers.

From the above it can thus be concluded that tempting as it may be to acquire inexpensive large sites in peripheral areas to construct social housing the acquisition will be a poor one if it leads to inconvenient and isolated developments.

- Instead of large social housing estates South African SHIs might opt for an approach aimed at integrating vulnerable /disadvantaged people through small developments into the wider community in which they are more likely to find support instead of amongst people that are equally disadvantaged or vulnerable.

In view of the above statement It is,

of children and a concentration of people under stress in large estates can contribute to an estate entering the spiral of decline or residualisation. Secondly, experience elsewhere have shown that the management structures of the bigger/larger social housing estates find it more challenging as a result of the sheer numbers involved to provide sensitive solutions to the problems being experienced by the residents. Size can thus make the task of adopting a socio-economic approach that much more daunting given the fact that social housing estates in most instances provide a refuge for people of limited financial means that might have been homeless or traumatised in some other way on top of experiencing difficulty in finding stable employment.

however, important to realise that economies of scale can still be achieved from volume builders/contractors by arranging serial contracts on a number of small developments which can be readily absorbed into existing communities. If for whatever reason it is necessary to construct large social housing estates it is vital to note that the presence of so many households with few resources on large social housing estates necessitate well resourced community development programmes if a socio-economic management approach is adopted.

Housing management can be accomplished through self-management, self-management with professional assistance or leaving the management function up to professional management consultants/personnel/firms.

Lessons

South African SHIs should realise that the decision on how housing management within a particular estate should be accomplished will depend on the skills available amongst the tenants as well as the willingness of the tenants to contribute/volunteer their free time towards the fulfilment of management functions.

If professional staff is, however, appointed to accept responsibility for carrying out the management function it is important to have a mechanism through which SHIs can regain control of their affairs in times of crisis.

Small SHIs usually manage their estates through the general meeting, or gathering of all residents older than 18 years. If residents are, however, too numerous for a general meeting to make decisions through consensus, a management committee is elected from amongst the general meeting members. In situations where suitably qualified people cannot be found from amongst members of the general meeting, people not affiliated with a particular estate who are in possession of particular skills or valuable experience can be invited to serve on the management committee. The committee is then responsible for all aspects of the estate management.

In cases where SHIs have numerous estates to manage collectively under one management policy/strategy they usually adopt a model that has a supervisory and/ or a management board. The supervisory board's main task is to set the general policy framework for the SHI and to monitor the activities of the management board. The management board controls the business activities and the overall administration of the SHI.

The managing board usually appoints a managing director or a chief executive who takes responsibility for the day-to-day management of the SHI that includes e.g. the recruitment of professional staff. Tenants on the larger estates

Lesson

The size and complexity of the SHI's portfolio will in the absence of legislative or policy directives, determine which structure and what variation thereof will be

often form tenant management committees that are, depending on the byelaws of the SHI, entitled to nominate persons to represent the interests of tenants on the management and or supervisory boards.

adopted.

Successful SHIs require good management practices in unit allocation, maintenance, rent collection and tenant participation.

Unit allocation is the practice of matching the size and nature of property with the requirements of the prospective tenant. When SHIs are formulating their allocation policies they often take into account considerations like: a desire to give priority to those in the greatest housing need, a desire to reduce future management problems and the need to create balanced communities. The allocation process itself and the policies it is based upon, strive to create balance between these often conflicting objectives. If a SHI gives priority only to those with the greatest housing need it leads to a concentration of deprived and disadvantaged groups in social housing estates, which creates a lot of management problems. SHIs in *inter alia* Britain, USA, France and Denmark are moving away from allocation policies solely based on wanting to help those in need, to policies striving to create balanced communities. Although SHIs in South Africa endorse the concept of balanced communities their dependence on institutional subsidies usually have the effect of excluding people earning more than R3 500 per month. Proposals made to government by the SHTT recommended that new criteria be introduced in the evaluation of institutional subsidy applications in order to ensure that diverse family types and income levels can be accommodated in social housing estates. From a financial point of view the adoption of such an approach can contribute towards the stability and long term feasibility of social housing projects in the country.

Some of the most frequently used allocation and selection methods include: concluding referral agreements with various other voluntary agencies or specialist interest groups to accept referrals from them on a priority basis, waiting lists based on a points system through which the extent of personal or family need is quantified and the Delft model which is an applicant led allocation tool or model. In terms of this model SHIs advertise all vacant dwellings in a special newspaper delivered from door to door. Prospective applicants apply only for the specific units they are interested in or suit their particular needs.

Lesson

The creation of viable communities in social housing depends to a large extent on the allocation/selection policies and practices. The specific allocation or selection method will depend upon the capacity within SHIs to undertake complex and time-consuming procedures as well as the approach (should SHIs only help those in need or should they strive to create balanced communities) adopted by the country in question. If the proposal of the SHTT to introduce new criteria into the evaluation of institutional subsidy applications to ensure that diverse family types and income levels can be accommodated in South African social housing estates is adopted, South African SHIs should purposefully create the internal capacity to develop and manage allocation systems that will lead to the creation of balanced communities. South African SHIs, however, need to realise that the objective to create balanced communities will be much more demanding in terms of capacity than an approach which simply gives preference to all applicants with an income below a particular limit.

The purpose of maintenance is to maximise the life span of assets, in this case social housing units. It is important not to defer maintenance activities, as it will result in premature decay of social housing stock.

Maintenance is furthermore a crucial function in ensuring the continual popularity of social housing estates. The result of neglected maintenance is clear for all to see and often result in increased vandalism and tension between landlord and tenants. Tenancy /lease agreements usually set out the maintenance responsibilities of each party. Tenants are usually responsible for small or minor repairs while the landlords assume responsibility for unplanned maintenance in response to complaints lodged by the tenants and planned maintenance that is cyclical in nature. In South Africa the relations between landlords and tenants are regulated by the Rental Housing Act, 1999 (Act 50 of 1999).

Lessons

The size and configuration of the specific SHI's portfolio will determine whether or not it is feasible to have an in-house maintenance department. Smaller SHIs are usually not able to afford in-house maintenance departments and as a result they outsource this function to specialist maintenance firms. On the other hand, SHIs with large property portfolios might find it cheaper in the long-term to have an in-house maintenance department than to pay the hourly tariffs of specialist maintenance firms.

Cash strapped SHIs in South Africa should consider appointing carefully selected caretakers that can save such institutions a lot of money by carrying out small repairs themselves.

Rent collection is central to ensuring the financial viability of SHIs since it

Lessons

It is important for each South African SHI to develop a rent collection policy that works

more often than not represent their sole source of income. Effective arrears control is vital to prevent SHIs with long-term loans from falling behind with their mortgage payments. The implementation of an effective arrears control policy depends on having access to accurate and up to date information on any arrears that occur. SHIs in general try to keep rent arrears and voids (vacant units) down to between four and five percent of the expected rental income.

wel.l Such policies can, and usually do, encompass a combination of several rent collection strategies e.g. imposing penalties for arrears, providing debt counselling services and providing convenient pay points like local offices and banks. South African SHIs should furthermore also be willing to adapt/change their rent collection strategies if their arrears increase. Rent collection statistics can be seen as a measurement/barometer of the health of the SHI. If it is not up to standard it is a sure indication of some underlying problem that needs to be identified and addressed quickly and efficiently.

Experience elsewhere have indicated that the traditional door-to-door method of rent collection still renders the lowest levels of rent arrears. Smaller and medium size SHIs internationally use the door-to-door collection method also as an opportunity to observe the condition of the units on a regular basis. This meeting between the collector and tenant also presents tenants with regular opportunities to raise any complaints and or concerns they might have. Given the cash constraints under which South African SHIs in general operate implementing a door-to-door collection method over the short term until a culture of payment have been firmly established should

be carefully considered.

The importance of tenant participation in the last few years has increased dramatically since the benefits of tenant participation e.g. its capacity to improve tenant/resident satisfaction became apparent. Tenant participation can be enhanced by initiatives to provide tenants with clear information regarding their rights and duties and through the creation of a legitimate system through which they can influence SHI policy and practices. There are three models/approaches to tenant participation, the co-operation model/approach, the negotiation model/approach and the self-management model/approach. In terms of the co-operation model tenant representatives do not have formal decision-making powers. The representatives are either in the minority in decision-making bodies or else proposals made by them must be formally ratified by other management structures/bodies.

The motivation for tenant participation in terms of the co-operation model is thus the desire to create harmony between the interests of the tenant and the SHI. The negotiation model in turn is based upon an assumption of tension between the tenant and management structures. The said assumption implies that both sides will build up their respective organisations in anticipation of meeting each other around the negotiation table to sort out an agreement acceptable to all. Lastly, in terms of the self-management model or approach tenants have autonomous decision-making powers on either all management issues or only in regards of specific issues delegated to them.

Lesson

The policy frameworks, legislative requirements, the unique political and socio-economic circumstances as well as the general attitude in the social housing sector within a particular country will determine which model will be adopted.

Once tenants realise that their efforts and initiatives can improve the conditions of their immediate surroundings and that management supports and encourages such initiatives they tend to take better care of the

Irrespective of the particular model or variance thereof adopted, tenant participation can either be direct or representative in nature. Small SHIs tend to favour direct participation whilst the large SHIs prefer representative participation through management or supervisory boards.

It is furthermore vital to create the right conditions/environment for tenant participation and/or consultation to develop and flourish. This can *inter alia* be achieved through information sharing, the promotion of the establishment of tenant participation committees/tenant associations and allowing tenants to contribute their experiences and expertise.

units and facilities provided on the social housing estate. South African SHIs should thus realise that participation in the final analysis, can be seen as a strategy through which SHIs can firstly, become more cost effective and secondly improve tenant satisfaction.

Lesson

It is important for South African SHIs to realise that universal participation is an unrealistic goal. Opportunities for tenants to participate, if they wish to do so, should always be present and well publicised. SHIs that respect the views of tenants and treat all people fairly will create good will that will result in financial dividends. In contrast, a paternalistic and/or authoritarian treatment of tenants will create unresponsive and apathetic tenants who add to the difficulty of managing such estates effectively and economically.

Main lessons

Housing management is literally the end all with regards to social housing. All

the good intentions in the world to assist those in need of housing within a supportive environment can fail if housing management is not done sensibly and transparently. A lot of benefit can be gained from treating residents or tenants as partners with a view to ease the task of management. Successful social housing estates are created partly through design, but even more importantly through good management practices aimed at creating homes and not merely accommodation.

In view of the lessons outlined above it can be concluded that well planned and located social housing estates can make a contribution towards addressing the housing crisis in this country. It should, however, be remembered that social housing from its inception was limited to that of a supplementary form of housing provision rather than an alternative to other housing programmes. The social housing sector currently addresses the accommodation needs of households earning between R2 000 and R4 000 per month. Lowering this threshold of affordability will be challenging in the South African context given the fragmented financial framework within which SHIs currently operate, high poverty and unemployment figures and the absence of a broad based social security system that can supplement the income of tenants over the long term should they lose their jobs and thus the regular source of income necessary to pay the rent. All of these factors combined seriously hampers the extent to which the development of social housing in South Africa can be seen as a viable alternative towards providing accommodation to the poorest of the poor. This does, however, not imply that social housing cannot play a role in addressing the housing crisis in the country. The lessons outlined in this document highlight some problems and challenges that can be overcome if they are addressed in a systemic and consistent manner. It is thus believed that the lessons highlighted in this document can contribute towards the finalisation of a comprehensive and supportive policy framework within which SHIs will be able to grow, multiply and flourish.

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