

**IS 'BREAKING NEW GROUND' AS A COMPREHENSIVE
PLAN FOR HOUSING DELIVERY, A REALISTIC SOLUTION
TO THE HOUSING PROBLEM FACED IN SOUTH AFRICA?**

by

Ross Karl Trusler

October 2009

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By

ROSS KARL TRUSLER

24048102

Submitted in partial fulfilment of the
preliminary requirements for the

HONOURS DEGREE IN QUANTITY SURVEYING

UNIVERSITY OF PRETORIA
SCHOOL FOR THE BUILT ENVIRONMENT
DEPARTMENT OF CONSTRUCTION ECONOMICS

OCTOBER 2009

DECLARATION

I, the undersigned, hereby confirm that the attached treatise is my own work and that any sources are adequately acknowledged in the text and listed in the bibliography.

Signature of the student

ABSTRACT

Title of the treatise: Is 'Breaking New Ground', as a comprehensive plan for housing delivery, a realistic solution to the housing problem faced in South Africa?

Name of Author: R.K. Trusler

Name of study leader: Mr J.H. Cruywagen

Institution: Department of Construction Economics
School for the Built Environment
University of Pretoria

Date: October 2009-10-19

The national goal, to provide housing opportunities for all South Africans, and to eradicate informal settlements by the year 2014, is a noble one worthy of rallied support by all who can contribute. Breaking new ground as a comprehensive plan for the development of sustainable human settlements has sought to ensure that every South African is granted a housing opportunity along with exposure to economic and social opportunities, and this is to be achieved before the year 2014. Extensive literary studies have been carried out revealing the extent of the task, as well as the aspects pertaining to the provision of services and equality of living standards. There are a vast number of recognised barriers standing in the way of delivery, as well as unforeseen hindrances to achieving this goal.

The results obtained led to the conclusion that the Breaking New Ground policy is achieving their goal in as much as housing is being delivered, but not at the delivery rates required in order to achieve what has been set out.

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CHAPTER 1: A BROAD OVERVIEW OF THE PROBLEM STATEMENT

1.1 INTRODUCTION

The national goal, to provide housing opportunities for all South Africans, and to eradicate informal settlements by the year 2014, is a noble one worthy of rallied support by all who can contribute. While millions of houses have already been provided, approximately 2.4 million still need to be provided at a delivery rate of about 500,000 per annum to achieve the stated goal. (Department of Housing, 2008)

As it heads up the process, the National Department of Housing subscribes to the following vision statement; “A nation housed in sustainable human settlements with access to socio-economic infrastructure”. (Department of Housing, 2008)

The development of the national housing plan found its roots in the following extract taken from a statement made by L.N. Sisulu, the former Minister of Housing, at the occasion of the parliamentary media briefing, Cape Town, 25 May 2004:

“During the election period one of the things that our people complained about most, apart from unemployment, was housing. They complained about inadequate housing, and of the quality and standards of houses. We promised them we would attend to the problem...This was part of our societal contract...we are breaking new ground to house all...”

Subsequently, in September 2004 the National Department of Housing released its Comprehensive Plan for the Development of Sustainable Human Settlements. Entitled ‘Breaking New Ground’, this document “reinforces the vision of the Department of Housing to promote the

achievement of a non-racial, integrated society through the development of sustainable human settlements and quality housing”.

(Breaking New Ground, 2004:7)

Within this broader vision, the Department is committed to meeting the following specific objectives:

- Accelerating the delivery of housing as a key strategy for poverty alleviation
- Utilising provision of housing as a major job creation strategy
- Ensuring property can be accessed by all as an asset for wealth creation and empowerment
- Leveraging growth in the economy
- Combating crime, promoting social cohesion and improving quality of life for the poor
- Supporting the functioning of the entire single residential property market to reduce duality within the sector by breaking the barriers between the first economy residential property boom and the second economy slump.
- Utilizing housing as an instrument for the development of sustainable human settlements, in support of spatial restructuring.

(Breaking New Ground, 2004:1)

1.2 PROBLEM STATEMENT

Is ‘Breaking New Ground’, as a comprehensive plan for housing delivery, a realistic solution to the housing problem faced in South Africa?

1.3 SUB-PROBLEMS

- 1.3.1) What is the perceived housing need in South Africa?
- 1.3.2) What are the problems facing housing Delivery?
- 1.3.3) What is 'Breaking New Ground'?
- 1.3.4) Is 'Breaking New Ground' a solution to the problem?

1.4 HYPOTHESIS

Yes, 'Breaking New Ground', as a comprehensive plan for housing delivery is a realistic solution to the housing problem faced in South Africa.

1.5 HYPOTHESES

- 1.5.1) To provide a housing opportunity for every South African.
- 1.5.2) There are several problems facing housing delivery, to name a few:
 - Social segregation
 - Financial provision
 - Lack of available skills
 - Government protocol inefficiency
 - Lack of interest from the private sector
- 1.5.3) New human settlements plan that reinforces the vision of the department of housing, to promote the achievement of a non-racial, integrated society through the development of sustainable human settlements and quality housing. (Breaking New Ground, 2004:7)

1.5.4) 'Breaking New Ground' is a solution to the housing problem in as much as it is delivering homes to the homeless. With regards to social and economic issues as well as the delivery rates of the housing 'Breaking New Ground' may be falling short of expectations.

1.6 DELIMITATIONS

The terms of 'breaking new ground' and BNG are used in specific reference to the comprehensive plan for the development of sustainable human settlements drafted by the housing department of South Africa in August 2004.

The extent of this research with regards to the effectiveness and realism of this proposed solution to the housing problems faced in South Africa will be in essence a broad overview of its effective implementation in South Africa on the whole. Excluded from this study will be the response of the beneficiaries in their personal capacity; however the general response of the community as a whole will be noted in instances where such responses have been prominent.

1.7 ABBREVIATIONS

The following abbreviations may be encountered in this document;

- BNG refers to, Breaking New Ground
- SHI refers to, Social Housing Institution.
- SHF refers to, Social Housing Foundation.
- SHRA refers to, Social Housing Regulatory Authority (The designated regulatory authority due to be established in the first quarter of 2009).
- NDOH refers to, the National Department of Housing.
- NHFC refers to, National Housing Finance Corporation.
- ME refers to, Municipal Entity.
- UDZ refers to the Urban Development Zone.

1.8 DEFINITION OF TERMS

Breaking new ground is defined as:

A comprehensive plan for the development of sustainable human settlements presented by the Minister of Housing to Cabinet in September 2004 following an intensive review of housing policy and a consultation process.

(Department of housing strategic statement 2004:1)

Social housing is defined as:

A rental or co-operative housing option for low income persons at a level of scale and built form which requires institutionalised management and which is provided by accredited social housing institutions or in accredited social housing projects in designated restructuring zones.

(Social Housing Policy 2005:8)

An accredited project is defined as:

A project, accredited through the designated regulatory body, in which government makes a subsidy contribution in order to make rental units which are provided by a private sector actor affordable to those eligible for social housing.

(Social Housing Policy 2005:9)

Low-income persons are broadly defined as:

Those whose household income is between R1,500 and R7,500 per month.

(Social Housing Policy 2005:9)

Designated restructuring zones are defined as:

Those geographic areas identified by local authorities and supported by provincial government for targeted, focused investment. (Social Housing Policy 2005:10)

1.9 ASSUMPTIONS

All delivery dates and numbers of houses reflected in reports drafted by the Department of Housing South Africa are accurate.

1.10 IMPORTANCE OF THE STUDY

South Africa's 'new look' government has made many promises regarding housing delivery to low income persons preceding and since their induction in 1994, in this study one would attempt to reconcile the number of dwellings delivered to the objectives set by government. In this reconciliation it should become apparent to what extent the BNG comprehensive plan for housing delivery has been a success and whether

or not it is a realistic solution to the challenges that we as South Africans face regarding the housing shortage.

The studies relevance to the construction industry is observable in as much as it should provide a platform for the development of the industry with regards to training opportunities as well as providing economic opportunities to the private sector. The studies hypothesis as a point of analysis presents an opportunity for the evaluation as to what extent BNG as a comprehensive plan for housing delivery has succeeded in providing this platform.

There are many components of BNG as a comprehensive plan for housing delivery; this study should shed light on which components can and have been successfully implemented in South Africa, their success measured in terms of economic, social and spatial factors. In revealing the strengths and weaknesses of the individual branches of BNG as a comprehensive plan for housing delivery further analysis and proposals can be made on the adaptation of the plan as The South African Housing department move forward in their quest to put a roof over the head of every South African.

1.11 RESEARCH METHODOLOGY

In an attempt to produce a clear and concise answer to my main statement or question, the intention is to do extensive research on literature that is currently available to me in the form of books, and both academic and media articles. There are plans to explore the internet for relevant information pertaining to the housing issues and solutions in South Africa, as well as similar situations worldwide that give insight into the situation we are currently dealing with in South Africa. There are intentions to conduct sufficient informal interviews with persons that are knowledgeable in the field or on the subject of 'Breaking New Ground'.

CHAPTER 2: THE PERCEIVED HOUSING NEEDS IN SOUTH AFRICA

2.1 INTRODUCTION

To obtain the actual numbers with regards to the amount of houses needed in South Africa is a task requiring more than the research material that is currently available for this treatise. Due to fact that the population is growing at an exponential rate, the deliverables could be revised at almost a consistent rate. The fact at hand regarding 'Breaking new Ground' is that the plan was put into motion with the prime objective being the eradication or upgrading of all informal settlements in the country by 2014 and providing a housing opportunity for every South African.

This chapter will deal with the progressions on the delivery side as well as the progressions on the demand side in an attempt to establish the current situation with regards to the perceived housing needs in South Africa.

2.2 STATISTICAL PROFILE OF HOUSING IN SOUTH AFRICA DONE IN 1995

2.2.1 Demographic profile of South Africa

South Africa has a rapidly increasing and urbanising society but population growth will result in a numerically stable rural population. Coupled to this is a large existing and increasing housing backlog, due to very low rates of formal housing provision.

South Africa's population is projected to be almost 42.8 million in 1995. The projected average annual growth rate of 2.27% per annum between 1995 and 2000 will increase the total population to approximately 47.4 million by 2000. This implies an average increase of approximately one million people per annum over this period.

There will be an estimated 8.3 million households in South Africa in 1995. The average household size nationwide is 4.97 people, and it is estimated that there are approximately 2.0 million single people. Given the projected rate of population growth, an average of 200,000 new households will be formed annually between 1995 and 2000. The phenomena of extended households and circulatory migration further add to the complexity of dealing with the housing issue. (A New Housing Policy and Strategy for South Africa 1994:5)

It is estimated that over 28.0 million people (66%) of South Africa's population are functionally urbanised. This implies that approximately 14.5 million people (34% of the total population) reside in rural areas, many of whom will spend part of their working lives in the urban areas. (A New Housing Policy and Strategy for South Africa 1994:5)

2.2.2 Income Profiles

The low incomes earned by many South Africans are a major consideration in the formulation of future housing strategy. Table 1 outlines the proportion of households falling into certain income categories.

	Income category	% of households	Approximate no. of households
1	R 0 - R 800	39.70%	3.30m
2	R 800 - R1500	29.00%	2.41m
3	R 1500 - R 2500	11.80%	0.98m
4	R 2500 - R 3500	5.60%	0.46m
5	R 3500 and more	13.90%	1.15m

Table 1: Projected monthly household income distribution figures. (A New Housing Policy and Strategy for South Africa 1994:5)

2.2.3 Living Conditions, Existing Housing Stock and Rate of Supply

A relatively small formal housing stock, low and progressively decreasing rates of formal and informal housing delivery in South Africa have resulted in a massive increase in the number of households forced to seek accommodation in informal settlements, backyard shacks and in overcrowded conditions in existing formal housing.

Urban Formal Housing

Approximately 61% of all urban households live in formal housing or share formal housing with other families. The total formal housing stock in South Africa is estimated to be 3.4 million units. This includes formal houses, flats, townhouses and retirement homes. Formal housing provision for low-income households (houses costing below R45, 000) is estimated to have decreased to under $\pm 20,000$ units during the 1993/94 financial year, from levels of around 45,000 in 1989/1990. (A New Housing Policy and Strategy for South Africa 1994:5)

Urban Informal Housing

Approximately 1.5 million urban informal housing units exist in South Africa at present. These include around 620,000 serviced sites delivered by the old Provincial Authorities and through the Independent Development Trust's (IDT) Capital Subsidy Programme, as well as almost 100,000 unused (sterilised) serviced sites. Delivery of serviced sites through the IDT's Capital Subsidy Scheme and by the four (old) Provincial Authorities is estimated to have reached levels in excess of 120,000 per annum over the last three years, but has declined this year. (A New Housing Policy and Strategy for South Africa 1994:5)

Hostels

An estimated 5.2% of all households presently reside in private sector, grey sector and public sector hostel accommodation. No new hostel accommodation has been constructed over the last five years. Approximately one third of all public sector hostels (58 in all) housing approximately 100,000 people have been or are in the process of being upgraded. (A New Housing Policy and Strategy for South Africa 1994:5)

Squatter Housing

Approximately 13.5% of all households \pm (1, 06 million) live in squatter housing nationwide, mostly in free-standing squatter settlements on the periphery of cities and towns and in the back yards of formal houses. Low rates of formal housing delivery coupled with high rates of new household formation have resulted in a massive growth in the number of people housed in squatter housing. This form of housing remains the prevalent means through which urban households are accessing shelter in South Africa at present. It is estimated that approximately 150,000 new households per annum house themselves in this way. The recent rapid

increase in the number of land invasions is a further indication of this. In the short-term particularly, policy responses from all tiers of Government will have to be pro-actively responsive to this fact. (A New Housing Policy and Strategy for South Africa 1994:5)

Rural Housing

Two thirds of the 17.1 million people estimated to live under the poverty datum line (PDL) live in the rural areas. Of the 14.5 million people estimated to live in the rural areas, the far greater part reside outside the commercial farming areas. There is a mix of both formal and informal house structures but what they generally share in common is inadequate access to potable water and sanitation, and a general insecurity of tenure. (A New Housing Policy and Strategy for South Africa 1994:5)

Farm worker Housing

The estimates on Farm worker households vary considerably between one to one and a half million households. Since 1990 farm owners received subsidies towards the building of 20,140 approved Farm worker residences. Farm workers do not have security of tenure, and are therefore reluctant to put earnings into housing. Consequently, the living conditions of Farm workers are among the worst in the country especially the hostel-type accommodation for seasonal workers. (A New Housing Policy and Strategy for South Africa 1994:5)

2.3 HOUSING DEMAND

The nature of demand for government-assisted housing in South Africa has changed significantly over the last five years:

- An average population growth of 2.1% per annum has resulted in the population increasing by 10.4% or over 4.2 million people between 1996 and 2001. If this growth has been sustained since 2001, the extrapolated population for 2004 is 47.5 million people. ('Breaking new ground' 2004, 3)
- In addition, the country has experienced a 30% increase in the absolute number of households, where only a 10% increase was expected. This has been caused by the drop in average household size from 4.5 people per household in 1996 to 3.8 in 2001. ('Breaking new ground' 2004, 3)
- Urban populations have increased as a result of both urbanisation and natural population growth. One fifth of urban residents are relative newcomers to urban areas (i.e. first generation residents) and urban areas are expected to continue to grow at a rate of 2.7% per annum. ('Breaking new ground' 2004, 3)
- Population growth trends however reveal significant regional differences and increasing spatial concentration. Thus, Gauteng has a significantly higher population growth rate, growing at twice the national average. The Western Cape, KwaZulu Natal and Mpumalanga also have population growth rates above the national average. Over a quarter of the households in the country's nine largest cities (around 1.2 million in total) continued to live in informal

dwellings in 2001. This is equivalent to over one-third of all informal dwellings nationally. The greatest growth is however occurring in South Africa's secondary cities. ('Breaking new ground' 2004, 3)

- Unemployment, on the official definition, leapt from 16% in 1995 to 30% in 2002, placing pressure on household incomes. Growing unemployment is a feature of the increased size of the labour pool, and slow job creation. Whilst the economy has created 12% more jobs over the last five years, the number of potentially economically active individuals has increased threefold. Thus the Towards a 10 Year Review notes a dramatic increase of 4% in the economically active population in the country. ('Breaking new ground' 2004, 3)
- As a result of high rates of unemployment, housing and service provision has not kept pace with household formation, and a range of other factors have had negative impact on social coherence and crime, particularly contact crimes. This has a human settlement dimension in that many of these crimes typically take place in private, domestic spaces where public policing has limited impact. Moreover informal settlements have been associated with high levels of crime. ('Breaking new ground' 2004, 3)
- Despite scale delivery, the changing nature of demand and the pace of urbanisation has meant that the size of the backlog has increased. Current figures indicate that there are over 1.8 million dwellings which can be classified as inadequate housing. The number of households living in shacks in informal settlements and backyards increased from 1.45 million in 1996 to 1.84 million in 2001, an increase of 26%, which is far greater than the 11%

increase in population over the same period. ('Breaking new ground' 2004, 3)

- Delivery at scale, in both high, medium and low cost housing, has also not created a functionally balanced residential property market. The repeal of the Group Areas Act created an increased demand in historically well serviced and located neighbourhoods – fuelling demand and increasing prices and sale and property investment. By contrast, investment in large parts of the middle to lower end of the property market i.e. historically working class neighbourhoods has declined. The consequent uneven investment in housing has skewed the growth of the residential property market – bringing windfalls to approximately 30% of the market, whilst continued stagnation thwarted property value appreciation in marginalized areas. This has been exacerbated by the practice of “red lining” by financial institutions barring housing investment and sales in inner city areas and traditional black townships. ('Breaking new ground' 2004, 3)

2.4 CONCLUSION

The main goal of the 'Breaking New Ground' plan is the eradication or upgrading of all informal settlements in the country by 2014.

Some key developments have been made according to Minister Tokyo Sexwale; Expenditure on housing service delivery has increased from R4.8-billion in the 2004/2005 financial year, to R10.9-billion in the 2008/2009 financial year, increasing at an average rate of 23 percent. Nationally, over 570 housing projects have been approved and a housing grant of R12.4-billion has been allocated for the 2009 financial year. This is allocated for expenditure on the construction of 226 000 new housing units across all nine provinces.

The number of subsidised homes delivered by government from 1994 to June 2009 is a total of 2, 3 million, accommodating approximately 13 million people.

Although the housing grant allocation has been increased over the 2009 financial period, the previous studies by the Department concluded that continuing with the current trend in the housing budget would lead to a funding shortfall of R102 billion in 2012 which could increase to R253 billion by 2016.

As at June 2009 South Africa still requires in the region of 2, 1 million housing units to satisfy the countries housing needs. (Sexwale, 30/06/09).

2.5 TESTING OF HYPOTHESIS

To provide a housing opportunity for every South African.

The hypothesis is correct in as much as it does reflect the goal set by the 'Breaking new ground' housing policy in 2004. However in more recent evaluation by the human settlements minister Tokyo Sexwale, the minister has reiterated that patience on behalf of the public is necessary as the road is to be longer than expected, and that constant revision of the perceived housing needs are to be carried out.

CHAPTER 3: PROBLEMS FACING HOUSING DELIVERY IN SOUTH AFRICA

3.1 INTRODUCTION

Despite the achievements of the first ten years in providing shelter to the poor, according to the Department of Housing (2004: 4), there are a number of constraints hampering the provision of housing that has added to the decline in the number of units constructed per annum since 2000. The Department of Housing (2004: 4) has acknowledged several such obstacles, which will be discussed in the section below. Thereafter, additional important barriers influencing the speed of housing delivery in South Africa will be addressed.

3.2 OBSTACLES IDENTIFIED BY THE DEPARTMENT OF HOUSING

The past few financial years have seen a decline in the actual numbers of houses produced annually. Since 2000/01, annual rollovers have increased to above

10% of the voted amounts (5% to 10% rollover is considered acceptable for major capital budgets and program). Table 1 shows the rollovers for 2000/2001 to the 2003/04 financial years. (A New Housing Policy and Strategy for South Africa 1994:4)

Table 2: Rollovers as percentage of allocation (A New Housing Policy and Strategy for South Africa 1994:4)

	2000/01	2001/02	2002/03	2003/04
Total allocation of SA Housing Subsidy Grant (R'm)	2 998	3 226	3 801	5 245
Total Provincial rollovers on SA Housing Subsidy grant (R'm)	519	458	885	560
Percentage of total allocation	17%	14%	23%	11%

The slowdown in delivery and the under-expenditure of provincial budgets has been attributed to a variety of factors:

- Declining delivery linked to the withdrawal of large construction groups from the state-assisted housing sector due to low profit margins. The withdrawal of these groups has left capacity gaps in construction, project management, financial management and subsidy administration. These gaps have not been filled through the introduction of emerging contractors due to insufficient delivery capacity, limited technical and administrative expertise and inadequate access to bridging finance. (A New Housing Policy and Strategy for South Africa 1994:4)
- Since 1994, it has been government's intention to facilitate increased private lending for - and investment in – low and medium income housing whilst eliminating geographic discrimination (redlining) in the origination of housing loans. To give concrete expression to these principles the Department of Housing proposed

that a specific quantum of private funds should be committed to investment in low and medium income housing, first through the Record of Understanding with the banks, and later through the proposed community reinvestment legislation. The Financial Services Charter has since identified new lending for affordable housing as one of four targets to be achieved. The financial services sector is developing a strategy to articulate and achieve the affordable housing lending target. The critical issue between the financial sector and government remains the definition of non-financial risks in the low and medium income segments of the residential property market, and the question of how these risks are to be allocated between the public and private sectors. In addition the Financial Services Charter process does not deal with the issue of red lining, which still requires some form of regulatory intervention by Government. (A New Housing Policy and Strategy for South Africa 1994:4)

- The identification, acquisition, assembly and release of state-owned and private land in terms of the revised procurement framework has proved to be a slow and complex process. (A New Housing Policy and Strategy for South Africa 1994:4)
- Gaps have arisen between the introduction of new policy measures, legislation, guidelines and procedures and their application, including a lack of institutional coherence around key aspects such as the introduction of beneficiary contributions. (A New Housing Policy and Strategy for South Africa 1994:4)
- In some instances severe disruptions have been caused by policy shifts and the uneven application of policy. It is acknowledged that the introduction of policy amendments/changes may cause

temporary slow downs in delivery as the amendments/changes are implemented and systems developed. The subsequent alignment resulting from revisions to policy and legislation may lead to uneven expenditure patterns. There is a need to bring policy instruments and their implementing agencies into greater alignment to enhance funding flows and delivery. (A New Housing Policy and Strategy for South Africa 1994:4)

- The uneven application of policy in different provinces and regions and the resultant and inadequate enforcement of policy directives at local level (partly due to uneven capacity) has had an impact on delivery. As a result there is considerable diversity of approach and attempts to take corrective remedial action are both complex and difficult. (A New Housing Policy and Strategy for South Africa 1994:4)
- Capacity constraints exist in all spheres of government, but have been experienced most acutely local government level. The ability of local government to facilitate the establishment of sustainable housing environments is threatened by a lack of capacity to effectively package and align departmental funding streams, employ innovative planning principles, acquire affordable land and sustain a dedicated group of officials. (A New Housing Policy and Strategy for South Africa 1994:4)

3.3 SOUTH AFRICA'S HISTORY AFFECTING HOUSING

Other factors contributing to the delivery or non-delivery of houses stem mainly from a legacy of the apartheid system, where housing was supplied and used as a mechanism of social segregation. The disproportionate distribution of wealth together with the class separation, make for great

resistance to low-income housing projects by neighboring communities, as new housing projects are perceived as (and often are) dysfunctional ghettos (Department of Local Government and Housing, 2005: 17).

The restructuring of apartheid spatial and socio-economic patterns of exclusion appear to be the aim and attainable objectives of the 'Breaking new Ground' housing plan. Despite the full scale housing delivery and development since 1994, it is apparent that this legacy cannot be removed without the political resolve to confront and defeat resistance to integration of the city as it is apparent in the "not-in-my-backyard" (NIMBY) syndrome. "NIMBYism" mainly manifests itself in the form of resistance to low-income housing in close proximity to higher-income (and often well located) neighbourhoods (Department of Local Government and Housing, 2005: 17).

3.4 UBBANISATION AND MIGRATION

South Africa has become progressively more linked to the rest of the world, since the emergence of a democratic and inclusive government in 1994, which has seen the country affected by the opportunities and challenges of an increasingly accessible world. In terms of human settlement, the greatest international trend that is and will continue to affect South Africa is that of urbanisation. Urbanisation is defined as "the increase in the urban population of a country or area due to the following components of urban growth: (a) urban natural growth, (b) urban net migration, and (c) the reclassification of parts of the rural population into the category 'urban', due to the sprawl of existing urban areas into their rural surroundings or the development of new towns in formal rural areas" (Lehohla, 2006: 17). According to a report presented by the Department of Housing (2004: 27) at the Commission for Sustainable Development, urbanisation in South Africa is characterised by not only internal

movements of migrants, but increasingly by immigrants from Africa and other parts of the world. Increased pressure is placed on the resources available in South African cities and therefore on the country's ability to offer shelter and service needs.

As a result, South African cities, as part of the continent and the globe, experience comparable urbanisation challenges faced by those throughout the world. According to South Africa's former Housing minister, Lindiwe Sisulu (2006: 1), South Africa's urbanisation rate is increasing at 2.09% per annum. South Africa's major cities contribute about 36% to the overall national population and it is estimated that 70% of the people will be residing in urban areas by 2030. This is despite the fact that South Africa is actually ahead of this world trend and according to Boraine (2004: 4), in 2000 the country was already 58% urbanised.

Table 3 below indicates that increased access to economic opportunities coupled with perceived better standard of life in urban areas will persist in drawing migrants to urban areas. Migration is defined by Lehohla (2006: 7) as “the crossing of the boundary of a predefined spatial unit by persons involved in a change of residence”.

Table 3: Urbanisation Levels for the Nine Provinces in South Africa (2001)

Province	Urbanisation Level (%)
Gauteng	96
Western Cape	90
Northern Cape	80
Free State	75
KwaZulu – Natal	45
North West	41
Mpumalanga	39
Eastern Cape	38
Limpopo	10
South Africa	56

It is clear from Table 3, that the provinces of Mpumalanga, Eastern Cape and Limpopo exhibit very low levels of urbanisation. The extremely high levels of urbanisation evident in the provinces of Gauteng, the Western Cape, the Northern Cape and the Free State, can be attributed to in-migration of people from other provinces, seeking employment, improved services and infrastructure, amongst others.

3.5 FINANCIAL CONSTRAINTS TO HOUSING

Problems with the housing finance subsidy scheme include an insufficient and uneven flow of funds; uncoordinated and inequitable subsidization; the value of the subsidy not keeping pace with inflation; and the complicated subsidy approval and payout mechanisms. There are also problems with targeting and with the affordability of the ongoing costs of subsidized housing.

3.5.1 Insufficient funding

In 1994 the National Housing Goal of increasing expenditure on housing to 5% of total government expenditure, from approximately 2% at the time, was set. In reality, the housing budget steadily decreased over the years following this goal being set, dropping to a low of 0, 7% for 1995/96, after which it grew to an average of 1, 5% for the years 1999 through 2004 (National Treasury, 2001). Although the housing budget as a proportion of total government expenditure increases slightly to 1, 7% in 2008/9 this still falls short of the National Housing Goal.

It is generally accepted that housing delivery since 1994 has been insufficient to decrease the housing backlog (Department of Housing, 1999). Many critical analysts and observers primarily attribute this to government's macro-economic policy, which necessitates controlling state expenditure in order to reduce the budget deficit. The housing budget is particularly vulnerable to cuts as over 90% of it typically comprises capital expenditure, whereas other budget lines, e.g. health and education, are over 95% operational expenditure (mainly salaries) and are consequently considerably more difficult to cut.

Expenditure on housing can have dramatic effects on job creation and the quality of life of the poor, as housing policy is closely linked to both the macro-economy and to social welfare. Increased investment in housing can contribute to economic growth and job creation. For every increase of one house per year in the housing delivery rate, it is estimated that one permanent job and three temporary jobs are created (Robinson, 1999). In other words, increasing the delivery rate of subsidised housing from 400 000 to 500 000 units per year could result in an additional 100 000 permanent jobs and 300 000 temporary jobs. It has also been estimated that investment in the building industry can create 2.8 times as many jobs as an equivalent investment in the commercial sector (NHF, 1994). Low-income housing uses more unskilled labour and imports than other types of construction. For example, studies in Kenya have shown that the labour-to-materials ratio is 45:55 for low-income housing, whereas it is 30:70 for high-income housing and for an equivalent amount of expenditure low-income housing provides 50% more wages than high-income housing (ILO/UNCHS, 1995).

Expenditure on housing is also strongly linked to expenditure on health. Many illnesses, especially diarrhoea and tuberculosis, are linked to inadequate housing conditions such as dampness, overcrowding, and lack of access to clean water and adequate sanitation. Investment in housing can greatly reduce ill health, thus reducing health expenditure in the long term. Diarrhoea, for example, is the major killer of children aged 1-5 in most parts of South Africa (Seager et al, 1998). Households storing water are 4.6 times more likely to have diarrhoea than those who do not store water, and the provision of adequate water supply and sanitation is estimated to be able to reduce instances of diarrhoea by almost 50% (Thomas, 1998; Bond et al, 1998).

3.5.2 Uneven flow of funding

The funding available for housing has also been uneven from year to year. The Provincial Housing Development Boards (PHDBs) have often run out of money and frozen approval of new projects, sometimes for years at a time. The delivery rate has therefore been very uneven, which has had a negative effect existing (and building additional) capacity in the housing sector. Part of the reason is because many subsidies have been approved for proposed projects that were not ready for implementation or were “unimplementable”. Another reason is the lack of capacity of many provincial housing departments to spend, within allotted time frames, the housing funds allocated to them (for example, there is a widespread lack of capacity to effectively support the initiation and packaging of suitable housing projects). (Housing finance policy, 2000)

3.5.3 Poorly coordinated and inequitable subsidization

There are a bewildering variety of subsidies for housing from a variety of sources. There is little coordination between subsidies from different sources, resulting in huge inequities in the amount of funding received by similar beneficiaries in similar projects in different areas. Apart from the housing subsidies, there are also facilitation grants and People’s Housing Process (PHP) establishment grants; start-up grants for housing institutions from the Social Housing Foundation; Consolidated Municipal Infrastructure Programme (CMIP) subsidies of up to R3 000 per housing unit for bulk infrastructure; and National Energy Regulator subsidies for electricity connections. In addition, the Department of Land Affairs has a grant of R15 000 for households to use for land acquisition, infrastructure, housing and/or agricultural equipment in rural areas.

There are also a variety of local authority grants and subsidised loans and hidden subsidies. Many local authorities subsidize the cost of land and /or

internal infrastructure, and some local authorities provide grants and /or soft loans to non-profit developers and housing institutions.

3.5.4 Value of subsidy not keeping pace with inflation

The value of the subsidy has been steadily eroded by inflation, despite a R1000 increase in the maximum subsidy in 1999. The real value of the maximum subsidy decreased by 23% from mid-1995 to mid-2003. This decline in the value of the subsidy has meant that whereas it was possible to produce a two-room core house on an adequately serviced site in 1995/1996, it is extremely difficult to do that today without any additional subsidisation. Indeed, it is virtually impossible to comply with the *Norms and Standards for Permanent Residential Structures* without additional subsidization (Robinson, 1999). The need to achieve a 30m² house within severe constraints usually results in poor standards of construction, typically houses with no ceilings, no insulation, inadequate ventilation, no plastering and inadequate roof overhangs. As a result, local government is being forced to subsidise projects in a variety of ways, e.g. subsidising the cost of land and infrastructure or providing subsidized loans. Only a few local government bodies have been able to afford this, and it is doubtful how sustainable this is.

3.5.5 Lack of affordability of ongoing costs of housing

Many households receiving subsidised housing are unable to pay rates, water charges or electricity charges, and risk being disconnected from services or even losing their properties. It has been found that 56% of households in Cape Town are unable to afford the typical minimum monthly rates and service charges of R100 to 150 per month (CMC, 2000).

3.6 LACK OF SUITABLE LAND AND BUILDINGS

Both formalised and informal low cost housing developments are often poorly located on the margins of cities. The availability of appropriate land is a main concern, as the majority of South African citizens live in inadequate housing that is badly located and often without land tenure.

Land on the periphery is cheaper and therefore more 'affordable' for low income development. The subsidy does not adequately provide for land costs, typically only up to about R1000 of the subsidy amount can be used for the cost of raw land, whereas the actual cost of raw land for subsidy housing, even in peripheral locations and for small plots less than 100m², has been up to R3000 per beneficiary (Department of Local Government and Housing, 2005: 17). These developments are usually mono-functional settlements, removed from employment, economic, social and transport opportunities. This has a range of implications with regard to time spent away from home, time travelling to and from opportunities, and the related cost implications thereof (Department of Local Government and Housing, 2005: 17).

The Department of Local Government and Housing (2005: 17), lists three of the many major cost implications. Firstly, unbearable burdens on low-income households in the form of high travelling costs and unnecessarily long travelling times. Second, the extreme costs on authorities for providing bulk services to remote areas, and lastly, high environmental costs relating to wasteful land utilisation patterns and an excessive transportation sector (Department of Local Government and Housing, 2005: 17). For the poor, location is often more important than housing quality, as it directly impacts on the accessibility of urban opportunities and underpins social networks critical for survival (Department of Local Government and Housing, 2005: 17). Residential areas also continue to be isolated on the basis of social class or status, which encourages low-

income housing on the periphery of the city. Furthermore, “NIMBYism” is rife in the most parts of South Africa and this stands in the way of realizing functionally and physically integrated human settlements where the poor and vulnerable are located on land which improves access to opportunities (Department of Local Government and Housing, 2005: 17). Municipalities do not have consistent strategies for acquiring land for housing, partially because they have only been responsible for housing land acquisition since 2000, and partially because of a disjuncture between spatial plans and housing strategies (Department of Local Government and Housing, 2005: 17). “Public land is particularly difficult to acquire, partially because only 12.6% [in 2003] of national and provincial state land has been *vested*, i.e. determined to which particular government department it belongs, partially because disposal of state land is driven by market forces, and partially because a considerable amount of public land is now owned by parastatals such as Transnet” (Department of Local Government and Housing, 2005: 17).

3.7 CONCLUSION

It is clear that the housing policy is fraught with challenges and constraints, in attempts to align policy with practice. Issues such as urbanisation and migration increase the difficulties faced by government in addressing the housing backlogs. Many households are not able to purchase a house independently and require assistance in the form of subsidies and/or support from the People’s Housing Process. Additionally, emphasis was placed on the role that apartheid policies played in creating unequal access to housing finance as well as the impact these policies have on the location of new housing projects, usually on the periphery of urban settlements. Attention was drawn to the urgent need of viable, social and economically integrated communities with access to resources and facilities.

These challenges and constraints faced by the National Housing Policy, undoubtedly affect and influence housing allocation and ultimately, housing delivery in South Africa. Furthermore, the process of allocation and delivery itself is also a highly contentious and controversial issue, inherently plagued by similar difficulties. The concerns highlighted by the Department of Housing include the following: withdrawal of large construction groups from the state-assisted housing sector due to low profit margins, red lining in terms of availability of finance, identification and release of state-owned land, lack of institutional coherence around key aspects of new policy measures and procedures, policy shifts and uneven application of the policy, inadequate enforcement of policy directives at local level, capacity constraints in all spheres of government. Furthermore, South Africa's historical situation, urbanisation and migration, financial constraints and a lack of suitable, available land and buildings, were discussed as additional challenges influencing housing delivery.

3.8 TESTING OF HYPOTHESIS

There are several problems facing housing delivery, to name a few:

- Social segregation
- Financial provision
- Lack of available skills
- Government protocol inefficiency
- Lack of interest from the private sector

Evaluation of the perceived problems hindering housing delivery in South Africa has confirmed that the stated hypothesis is correct, although it is not a comprehensive list. However Comprehensive evaluation of the major hindrances facing housing delivery has been carried out in this chapter.

CHAPTER 4: WHAT IS 'BREAKING NEW GROUND'?

4.1 INTRODUCTION

Cabinet approved the Comprehensive Housing Plan for the Development of Integrated Sustainable Human Settlements and has a framework for housing programmes that aims to eradicate informal settlements in South Africa in the shortest possible time.

The plan provides for comprehensive oversight by government in promoting the residential property market. This includes the development of low-cost housing, medium-density accommodation and rental housing; stronger partnerships with the private sector; social infrastructure; and amenities.

The plan aims to change spatial settlement patterns by building multicultural communities in a non-racial society. The Comprehensive Housing Plan is being implemented through a pilot project in each province, which will improve the living conditions of 103 000 households in informal settlements. The informal-settlement upgrading projects provide for phased, area-based development, and fund community participation and project management as an integral part of housing projects. Eradicating or upgrading all informal settlements by 2014/15 is the prime target.

The plan's strategic focus includes ensuring the delivery of affordable housing in sustainable and habitable settlements. Its strategic priorities are to: (Breaking New Ground, 2004:1)

- accelerate housing delivery
- improve the quality of housing products and environments to ensure asset creation

- ensure a single, efficient formal housing market
- restructure and integrate human settlements.

4.2 SUPPORTING THE ENTIRE RESIDENTIAL PROPERTY MARKET

4.2.1 Expanding the scope of the housing mandate

The National Department of Housing established the National Housing Finance Corporation Limited (NHFC) as a Development Finance Institution in 1996 with the principal mandate of broadening and deepening access to affordable housing finance for the low to middle income households.

The Corporation achieves that mandate by:

- Making housing finance accessible and affordable for the low to middle income households;
- Supporting the Breaking New Ground (BNG) Strategy by facilitating the development of sustainable human settlements; and
- Facilitating the development of a viable and sustainable low to middle income housing finance market.

(National Housing Finance Corporation Annual Report, 2008:3)

The 'Breaking new ground' housing plan envisages the expansion of the mandate of the Department to encompass the entire residential housing market. This expanded scope is required to address increased integration between the primary and secondary housing market. (Breaking New Ground, 2004:7)

4.2.2 Shifting from product uniformity to demand responsiveness

The plan envisages a multi dimensional approach to housing delivery, instead of having one set formula for the production of the houses the plan should encompass the flexibility required to carry out project specific solutions to the unique barriers faced in each separate undertaking. The dominant production of single houses on single plots in distant locations with initially weak socio-economic infrastructure is inflexible to local dynamics and changes in demand. The new human settlements plan moves away from the current commoditised focus of housing delivery towards more responsive mechanisms which address the multidimensional needs of sustainable human settlements.

In as much as 'Breaking new ground' being flexible in terms of housing type and procurement options may highlight the positives of the new plan being able to accommodate project specific requirements of the end user, it naturally poses the question of the equality regarding uniform subsidy payments and in this may cause tension between beneficiaries and government.

4.2.3 Enhancing the role of the private sector

The new plan envisages a continuation and deepening of the partnership between government and the private sector. (Breaking New Ground, 2004:8)

The government's view on the involvement of the private sector in social housing is well expressed in the following statement taken from, Department Of Housing, (2003:3):

"The Government has acknowledged that the development of acceptable and sustainable medium density rental housing can only be realized

through sustainable social housing institutions and adequate private sector involvement.”

The private sector comprises of the commercial banks, business organizations, investors, developers, service organizations, and religious organizations, etc., who are able to contribute funds, resources, expertise, services and experience towards the achievement of the objectives of the social housing program. The extent of involvement of the private sector would depend largely on the financial viability and sustainability of social housing projects.

A project is financially sustainable when, over a given period of time, it consistently achieves the explicit objectives envisaged at the inception of the project. What was originally perceived as a having a potential for success, has become an enduring success in real terms, over the life time of the project.

The envisaged role of the private sector for-profit entities is to provide much sought after experience in terms of project initiation, development and management, and to mobilise resources such as private sector funding and equity that could see projects delivered at scale, thereby assisting the social housing sector to achieve its objectives

The withdrawal of large construction firms from the state-assisted housing sector has meant that the conditions for reproducing public-private partnerships for housing construction in the primary market have been reduced and the rate of construction has accordingly dropped. In order to promote the participation and contribution of the private sector in housing construction, the existing 3 subsidy bands are to be collapsed to enable households earning below R3500 to access a uniform subsidy amount. This mechanism will address housing bottlenecks in respect of households

earning above R1500 and will also substantially increase the number of households who qualify for a full housing subsidy.

This increased demand for housing, coupled to the removal of key bottlenecks, will create new opportunities for private sector participation in the housing programme. (Breaking New Ground, 2004:8)

Housing finance from financial institutions is vital to the development of the primary and secondary housing market. The new human settlements plan will introduce the following interventions to support lenders to meet their commitments under the Financial Sector Charter including:

- Mechanisms to overcoming the down-payment barrier: The expansion of the subsidy instrument to medium-income households (earning R3500 to R 7000 p.m.) by providing a mechanism to overcome the down-payment barrier and will enhance lending by financial institutions. This aspect is discussed in greater detail under Financial Arrangements. (Breaking New Ground, 2004:9)
- Funding for Social Housing: Funding is to be provided for social housing institutions through public private partnerships and/or Special Purpose vehicles. This aspect is discussed in greater detail under the Social Housing Instrument. (Breaking New Ground, 2004:9)
- Loss Limit Insurance: Government may investigate the introduction of a risk sharing mechanism to limit the lender's loss to a more normal proportion of loan value in the event of default. (Breaking New Ground, 2004:9)
- Fixed Interest Rates: The Department will work with the financial sector to develop mechanisms to address volatile interest rates

including the development of fixed rate loan products. (Breaking New Ground, 2004:9)

- New Product Development: While significant attention has gone into extending the mortgage loan product down market for the benefit of low income earners, this product is not appropriate for everyone. Specifically, no appropriate loan products exist to service secondary transactions in an incremental residential property market. A significant proportion of households in this sub-market lack the formal employment and levels of income necessary to support medium to long-term instalment mortgage loans. Alternatives linked to savings/insurance products, which generate cash endowments are accordingly to be developed in conjunction with the financial sector. (Breaking New Ground, 2004:9)
- Monitoring lending trends and enforcing the Financial Services Charter: The Department will increase lending transparency through the establishment of the Office of Disclosure under the Home Loan and Mortgage Disclosure Act. This will facilitate the monitoring of lending trends. The Department will, in addition, engage with the Reserve Bank to establish instruments to enforce the targets contained in the Financial Services Charter targets vis-à-vis participation in the state-assisted housing programme. (Breaking New Ground, 2004:9)

4.2.4 Creating linkages between the primary and secondary residential property market

With the view to take into account that in most cases families that invest in housing do so with significant effect in as much as it will usually represent their only provision for long term security. The secondary property market

provides the platform upon which the capital value of the dwelling is realised, and it has been recognised that the secondary property market is in fact dysfunctional at the lower end of the market. This in essence defeats the objective of government attempting to implement a system of sustainable human upliftment, thus 'Breaking new ground' as a comprehensive housing plan has introduced mechanisms to support the development of a functioning residential property market and to enhance the linkages between the primary and secondary residential property market.

The new human settlement accordingly introduces the following inter-related interventions:

- Supporting individual housing demand: The operation of a secondary market is dependent upon the existence of effective housing demand i.e. purchasers with the necessary funds to acquire property. The existing subsidy scheme is presently associated with a supply side delivery model in which subsidies are accessed through new housing projects. This makes it difficult for people to acquire housing in other circumstances. In response, the Department will now reintroduce and promote the demand-side individual subsidy instrument which will enable individuals to purchase properties on an individual basis. Due to previous abuses of this mechanism, this subsidy will only be available to support secondary market transactions. (Breaking New Ground, 2004:10)
- Removing barriers to housing trade: Section 10A of the Housing Act prohibits the sale of government-subsidised property for a period of eight years. This section was enacted to protect subsidy beneficiaries from downward raiding. The provision has also had the unintended consequence of undermining beneficiary choice and housing mobility and has created a significant barrier to formal

secondary transactions. For this reason, an amendment to Section 10A of the Housing Act, 1997, is to be introduced to reduce the prohibition period following occupation to five years. (Breaking New Ground, 2004:10)

- Focusing on the local level: The supply of state-assisted housing must respond to housing demand. This relationship is best packaged at local level. Municipalities must accordingly take the lead role in negotiating the location of housing supply to facilitate spatial restructuring. Municipalities must also facilitate a greater match between the demand and supply of different state-assisted housing typologies. This approach envisages that municipalities will play a significantly increased role in the housing process. This will help to build linkages between housing delivery, spatial planning, and transportation systems and will also support the integration of housing into Municipal Integrated Development Plans, ensuring greater budgetary coherence. (Breaking New Ground, 2004:10)
- Enhancing access to title: Access to title is a fundamental principle of national housing policy. While security of tenure has been achieved in principle, a significant proportion of public housing stock has not yet been transferred into the names of the entitled individuals. In addition, a large number of houses constructed under the existing housing programme have not yet been transferred to households. In order to address these problems, the Department will implement a range of measures to stimulate a renewed uptake in the Discount Benefit Scheme in order to transfer the balance of the free-standing public housing stock. The Department will also establish a high priority focus to complete the registration of transfer in respect of houses constructed under the existing housing programme. (Breaking New Ground, 2004:10)

4.3 FROM HOUSING TO SUSTAINABLE HUMAN SETTLEMENTS

A determined aspect of 'breaking new ground' as a comprehensive plan for the development of sustainable human settlements is poverty alleviation. Poverty is understood to involve three critical dimensions: income, human capital (services and opportunity) and assets (Towards a 10 year Review, 2003:17). A composite analysis of indicators in these three categories assists in compiling a broad picture of the experience of poverty in terms of deprivation of basic needs and the vulnerability, powerlessness and experience of exclusion which accompanies lived poverty. Housing primarily contributes towards the alleviation of asset poverty. This contribution is to be strengthened in the new human settlements plan through supporting the development of sustainable human settlements and the development of housing assets. (Breaking New Ground, 2004:11)

After the 1994 elections, Government committed itself to developing more liveable, equitable and sustainable cities. Key elements of this framework included pursuing a more compact urban form, facilitating higher densities, mixed land use development, and integrating land use and public transport planning, so as to ensure more diverse and responsive environments whilst reducing travelling distances. Despite all these well intended measures, the inequalities and inefficiencies of the apartheid space economy, has lingered on. (Breaking New Ground, 2004:11)

The Cabinet has adopted the National Spatial Development Perspective (NSDP) as an indicative framework to inform decisions on infrastructure investment and development spending. This perspective has noted that several development programmes, including the housing programme, is not addressing the distortions of the inherited apartheid space economy. The Department of Provincial and Local Government has furthermore prepared the Draft National Urban Strategy (2004), which proposes a

vision for South African towns and cities where they will be spatially and socially inclusive, well-designed and developed in an environmentally efficient way.

Through this new plan, the Department will shift towards a reinvigorated contract with the people and partner organizations for the achievement of sustainable human settlements. (Breaking New Ground, 2004:11)

At the heart of this initiative is the move beyond the provision of basic shelter towards achieving the broader vision of sustainable human settlements and more efficient cities, towns and regions. In line with the NSDP and the Draft National Urban Strategy, the Department will enhance its contribution to spatial restructuring by:

4.3.1 Progressive Informal Settlement Eradication

Informal settlements must urgently be integrated into the broader urban fabric to overcome spatial, social and economic exclusion. The Department will accordingly introduce a new informal settlement upgrading instrument to support the focused eradication of informal settlements. The new human settlements plan adopts a phased in-situ upgrading approach to informal settlements, in line with international best practise. Thus, the plan supports the eradication of informal settlements through in-situ upgrading in desired locations, coupled to the relocation of households where development is not possible or desirable. The upgrading process is not prescriptive, but rather supports a range of tenure options and housing typologies. Where informal settlements are upgraded on well-located land, mechanisms will be introduced to optimize the value of location and preference will generally be given to social housing (medium-density) solutions. (Breaking New Ground, 2004:12)

4.3.2 Promoting Densification and Integration

Quite simply the 'breaking new ground' plan envisages a community where more individuals will have unproblematic access to economic opportunities, and where people will have equal rights in terms of their preferred location of residence, where previously excluded groups will integrate into the city and the benefits it offers. The new human settlements plan includes the following interventions:

- Densification policy: Suitable policy instruments and adjustments to promote densification in urban areas are required. The National Department of Housing, in conjunction with the Department of Provincial and Local Government, will investigate the development of suitable policy instruments and adjustments to promote densification. This will interrogate aspects of promoting densification, including planning guidelines, property taxation, zoning, subdivision, and land swaps and consolidation. (Breaking New Ground, 2004:12)
- Residential development permits: The Department will investigate the introduction of mechanisms such as residential development permits. These permits are used extensively in the international context and facilitate income integration by obliging developers either to set aside units within residential developments for lower-income groups or, alternatively developing lower-income residential accommodation in adjacent areas. In this instance it is proposed that 20% of all residential developments would constitute low cost to affordable housing and would be prescribed through the permit. This can be achieved on site or in alternative location initially to overcome negative perception about property value depreciation. It is envisaged that once the programme has been successfully implemented those perceptions will change and on site

development can be achieved in the medium term. (Breaking New Ground, 2004:12)

- Fiscal incentives: The Department, in conjunction with Treasury and SARS, will investigate the development of fiscal incentives to promote the densification of targeted human settlements and whilst introducing disincentives to sprawl. This may require engagement with the Department of Provincial and local Government and municipalities. (Breaking New Ground, 2004:12)

4.3.3 Enhancing Spatial Planning

A collaboration between various planning instruments and economic policies lies at the heart of sustainable human settlements. Namely improved coordination between the National Spatial Development Perspective and the National Urban Strategy will be required.

4.3.4 Enhancing the location of new housing projects

The location of housing projects has been criticized as reinforcing apartheid spatial settlement patterns. The objective of spatial restructuring demands a more decisive intervention in land markets. The new human settlements plan envisages the following interventions:

- Accessing well-located state-owned and para-statal land: An overall strategy to facilitate the release of well-located public land to municipalities will be developed in cooperation with the Department of Land Affairs and the Department of Public Works. Public land and land held by para-statal organisations, where deemed suitable for housing purposes, is to be transferred to municipalities at no cost. The strategy will be coupled to the Public Land Register,

which is expected to enhance the coordination of land assembly at project level. Municipalities, in co-ordination with provincial departments, will request land parcels for vesting and transfer. (Breaking New Ground, 2004:13)

- Acquisition of well-located private land for housing development: A strategy will be developed in conjunction with the Department of Land Affairs to finance and guide the acquisition of private land for housing purposes. All land will be acquired by municipalities in line with Municipal Integrated Development Plans, Spatial Development Frameworks and will be made available for housing development in line with the Housing Chapter of Integrated Development Plans. Private land will only be acquired where there is no appropriate state-owned land and whilst preference will be given to the negotiated purchase of land, land may also be expropriated at market value as a final resort. (Breaking New Ground, 2004:13)
- Funding for land acquisition: The acquisition of land to enhance the location of human settlements constitutes a fundamental and decisive intervention in the Apartheid space economy. This cost should not be borne by the poor, but should be treated as a broader social cost. As a result, funding for the acquisition of land will no longer form part of the housing subsidy. Rather, the acquisition of well-located private land will be funded through a separate funding mechanism. (Breaking New Ground, 2004:14)
- Fiscal incentives: The Department will engage with SARS and Treasury to investigate the introduction of fiscal incentives (and disincentives) to support the development of well-located land. This will also require engagement with the Department of Provincial and

Local Government and municipalities. (Breaking New Ground, 2004:14)

4.3.5 Supporting Urban Renewal and Inner City Regeneration

Urban renewal and inner city regeneration are processes whereby existing dwellings are upgraded; often the existing dwellings are situated in run down parts of town. The problem often faced in this regard is that after the dwellings are upgraded, they become too expensive for the original inhabitants to make use of. These refurbishments provide an excellent platform in allowing previously disadvantaged persons access to economic opportunity, and many municipalities are striving to avoid this by promoting, amongst others, affordable inner-city housing. The new human settlements plan will support this by:

- Encouraging Social (Medium-Density) Housing: Social Housing is generally medium-density and this housing intervention may make a strong contribution to urban renewal and integration. Social housing interventions may also be used to facilitate the acquisition, rehabilitation and conversion of vacant office blocks and other vacant/dilapidated buildings as part of a broader urban renewal strategy. Social housing developments should be dovetailed with other initiatives such municipal redevelopment projects and the urban development zone tax incentive offered by SARS. (Breaking New Ground, 2004:14)
- Increasing effective demand: The introduction of a new incentive to facilitate access to loan finance in the middle income group above the R3 500 income limit and the reintroduction of demand-driven individual subsidies will have the effect of increasing effective demand for existing, well-located property. This is expected to

provide an incentive for the redevelopment of properties within inner city areas. (Breaking New Ground, 2004:14)

4.3.6 Developing social and economic infrastructure

It is recognised that there is a need to not be one dimensional in the approach to providing housing, and that the bigger picture is to be brought into the frame, making provision for social and economic infrastructure as well. The new human settlements plan proposes that:

- Construction of social and economic infrastructure: Municipalities must determine the need for social/community facilities through a community profile and facilities audit to ensure that facilities are appropriately targeted. It is thereafter envisaged that a multipurpose cluster concept will be applied to incorporate the provision of primary municipal facilities such as parks, playgrounds, sport fields, crèches, community halls, taxi ranks, satellite police stations, municipal clinics and informal trading facilities. (Breaking New Ground, 2004:14)
- New funding mechanism: A new funding mechanism will be introduced to fund the development of the primary social/community facilities, which will focus on informal settlement upgrading projects, completed housing projects still lacking social facilities and new housing projects. The programme will provide funding assistance amounting to 50% of the primary, social/ community facility development costs of projects implemented by district councils, while 100% of the development costs of projects implemented by local municipalities will be funded. (Breaking New Ground, 2004:15)

- Municipal implementation: Municipalities will be the primary implementation agencies and will submit business plans for approval to Provincial Housing Departments. (Breaking New Ground, 2004:15)

4.3.7 Enhancing the Housing Product

Housing is to be more suitable to the end users requirements. The new human settlements plan accordingly proposes the following:

- Enhancing settlement design: The Department will investigate the introduction of enhancing measures and incentives to include design professionals at planning and project design stages, and will develop design guidelines for designers and regulators to achieve sustainable and environmentally efficient settlements. This is aimed at promoting the development of dignified size of house that supports morality of family and society. (Breaking New Ground, 2004:16)
- Enhancing housing design: Within the rural context, there is a need to make housing interventions more effective, to enhance the traditional technologies and indigenous knowledge which are being used to construct housing in rural areas and to improve shelter, services and tenure where these are priorities for the people living there. Within the urban context, there is a need to focus on “changing the face” of the stereotypical “RDP” houses and settlements through promotion of alternative technology and design. (Breaking New Ground, 2004:16)
- Addressing housing quality: The Department will undertake an audit of and develop a programme to address the poor quality of houses

built before the introduction of national norms and standards and the National Home Builders Registration Council (NHBRC) Warranty Scheme. Municipalities must also play an increasing role to ensure compliance with building plan approvals and township establishment conditions. The maintenance of construction standards in the face of the shift towards supporting smaller economic interests will be addressed by capacitating municipalities and the NHBRC to monitor quality. (Breaking New Ground, 2004:16)

4.4 EXISTING AND NEW HOUSING INSTRUMENTS

A range of housing instruments were developed to respond to the policy imperatives of the first 10 years of delivery. It is not anticipated that any of these instruments will be discontinued or terminated. Rather, existing instruments will be supplemented by additional instruments to provide flexible solutions to demand-side needs. The new instruments focus attention on sectors which have been previously neglected. These instruments place greater emphasis on flexibility and responsiveness to local circumstances particularly the physical context within which housing is to be delivered. This is a natural consequence of an increased focus on the development of sustainable human settlements as opposed to the delivery of commoditized housing units. There is accordingly a greater emphasis on the process of housing delivery (emphasizing planning and engagement), the quality of the housing product (both in terms of location but also in terms of final housing form) and the long-term sustainability of the housing environment (leading to a focus on institutional capacity). (Breaking New Ground, 2004:16)

4.4.1 The Informal Settlement Upgrading Instrument

There is a need to respond positively and proactively to processes of informal housing development which are taking place across the country. A more responsive state-assisted housing policy, coupled to delivery at scale is expected to decrease the formation of informal settlements over time. There is however a need acknowledge the existence of informal settlements and recognize that the existing housing programme will not secure the upgrading of informal settlements. There is also a need to shift the official policy response to informal settlements from one of conflict or neglect, to one of integration and cooperation, leading to the stabilization and integration of these areas into the broader urban fabric. (Breaking New Ground, 2004:17)

The new human settlements plan adopts a phased in-situ upgrading approach to informal settlements, in line with international best practise. Thus, the plan supports the eradication of informal settlements through in-situ upgrading in desired locations, coupled to the relocation of households where development is not possible or desirable. Several interventions are required to support this process:

- New funding mechanism for informal settlement upgrading: The upgrading of informal settlements must be undertaken in flexible manner to cater for local circumstances. A new funding mechanism is accordingly to be introduced to support upgrading on an area-wide, as opposed to individual basis. This approach will maintain fragile community networks, minimize disruption, enhance community participation in all aspects of the development solution. This funding mechanism will support the upgrading of informal settlements through a phased process:
 1. Phase 1 - The first phase will survey the community, will determine the housing and infrastructural needs of the

community through a process of consultation and will determine the geo-technical and physical suitability of the land for in situ upgrading.

2. Phase 2 - The second phase focuses on the provision of basic services, social amenities and secure tenure to the entire community.
 3. Phase 3 - During the final phase, housing is to be developed in response to community demand and may take a variety of forms including medium-density housing and free-standing houses constructed through mutual aid and community self-help or local contractors. (Breaking New Ground, 2004:17)
- Implementation: Upgrading projects will be implemented by through partnership between National, Provincial government and municipalities with and will commence with nine pilot projects, one in each province building up to full programme implementation status by 2007/8. In order to support these projects, funding will be provided to source external capacity to assist with project initiation, project planning and management. The programme will require the support of the Departments of Home Affairs, Education, Public Works Provincial and Local Government, Environmental Affairs and Health. (Breaking New Ground, 2004:17)
 - Redirecting the People's Housing Process: Housing authorities at all levels are moving in the direction of increased use of the People's Housing Process (PHP). The thinking behind this expansion is however contradictory. One the one hand, PHP is promoted as it provides residents a greater choice over the use of their subsidy. This generates positive housing outcomes, increased beneficiary input, and greatly enhances beneficiary commitment to those outcomes. Thus, the PHP achieves its two main goals of 'more for less' and improved beneficiary commitment to housing

outcomes by increased productivity through 'intellectual equity' (not primarily cost reduction through 'sweat equity'), and by increasing beneficiary 'ownership' through the exercise of considered choice (not by forcing beneficiaries to provide free labour). Other participants view PHP as primarily a vehicle for the mobilization of sweat equity as an alternative to existing beneficiary contributions. This 'sweat equity' approach to the PHP tends to undermine the key benefits of the approach. The current approach towards PHP is thus inherently contradictory. (Breaking New Ground, 2004:18) The new plan introduces the following interventions:

1. Redefining the People's Housing Process: There is a need to redefine the nature, focus and content of PHP in order to build greater consensus and understanding between all stakeholders of the focus and intention of PHP. This is intended to address the emerging programmatic contradictions. (Breaking New Ground, 2004:18)
2. New funding mechanism for PHP: There is a need to establishing a new funding mechanism for PHP, adopting an area-wide or community, as opposed to individual approach. (Breaking New Ground, 2004:18)
3. Institution Building: The existing framework for the development of institutional support for the PHP is insufficient. This aspect is to be addressed during the redefinition phase and consideration will also be given to establishing accreditation and institutional support mechanisms whilst expanding and enhancing the existing facilitation grant in support of PHP. (Breaking New Ground, 2004:18)

4.4.2 *The Social (Medium-density) Housing Instrument*

Enhancing the mobility of people and promoting a non-racial, integrated society is a key government imperative. The emphasis on the need to deliver housing products that provide adequate shelter to households whilst simultaneously enhancing flexibility and mobility typically entails the establishment of institutional mechanisms to hold housing as a public asset over a period of time. The direct objective of the social housing instrument is accordingly to facilitate the production of effectively managed institutional housing in the areas where demand for institutional or managed housing, of all types, exists. (Breaking New Ground, 2004:18)

The new human settlements plan makes provision for the following interventions:

- Redefining the concept of Social (Medium-density) Housing: Social housing may take various forms and it is essential that social housing typologies be conceptualized broadly to ensure the inclusion of all income groups. Social housing must be understood to accommodate a range of housing product designs to meet spatial and affordability requirements. Social housing products may accordingly include multi-level flat or apartments options for higher income groups (incorporating beneficiary mixes to support the principle of integration and cross-subsidization); cooperative group housing; transitional housing for destitute households; communal housing with a combination of family and single room accommodation with shared facilities and hostels. (Breaking New Ground, 2004:18)
- New funding mechanism for social housing: Social housing delivery will be scaled up to 110 000 units over the next 4 years. The existing uniform funding mechanism for social housing is however inadequate to support this enhanced delivery due to, amongst

others, the capital costs of developing medium-density units and the variability of costs between locations and across product types. A new funding mechanism must accordingly be developed. Each project will in future be designed and costed around the actual needs and each project will be costed separately. Funding support will thus shift away from the current emphasis on uniform individual subsidies, towards equity support for social institutions, determined as a percentage of the total capital cost of the project. (Breaking New Ground, 2004:19) For example:

1. *Medium Density Housing:* Initial studies indicated that one bedroom flat in a four level walk-up apartment will cost in approximately R 80 000,00. If Government are to contribute 50% of the cost, the investment will amount to R40 000,00 per unit. (Breaking New Ground, 2004:19)
2. *Communal Housing:* The cost of communal housing options will be less as facilities are shared but it is envisaged that Government will have to contribute 70 % of the total cost of such units. Based on the current consolidation subsidy that provides a 30 square meter house at R 16 581,00 per unit, it could be assumed that communal housing units of 30 square meter could cost in the region of R15 000,00 plus engineering shared services of R1 800,00 totalling at R16 800,00 per unit on average. These diverse rental options cater for the lower end of the income categories (R2 500,00 pm and less). (Breaking New Ground, 2004:19)
3. *Transitional Housing:* Transitional housing comprise rooms and on based on the hostels redevelopment programme the cost of a room amounts to approximately R5 775,00. Government will contribute 100% of the development cost of these units and the income target group would be persons

earning R0 to R800 and less per month. (Breaking New Ground, 2004:19)

4. *Hostels*: The current hostels redevelopment programme provides for R25 800.00 for a family unit and this amount has been applied for hostels. (Breaking New Ground, 2004:19)

- Building Institutional Capacity within the Social Housing Sector: In order to support the anticipated scaled up delivery of social housing, the number of social housing institutions which are able to viably manage this stock will have to increase. A key challenge is accordingly to support the establishment and maintenance of sustainable and viable social housing institutions which are able to develop and manage social housing stock of various forms. (Breaking New Ground, 2004:19) This is to be addressed as follows:

1. A National Social Housing Accreditation Institution will be established through the provisions of the Social Housing Bill which is to be promulgated in early 2005. This institution will be established and operational by April 2005 and will administer the accreditation and monitoring of social housing institutions that wish to apply for capital grant for project execution. Social housing institutions will be invited to apply for accreditation and only accredited social housing institutions will qualify for grant funding and capital funds to undertake projects. (Breaking New Ground, 2004:19)
2. A new establishment grant is to be introduced to enhance capacity building and to operational support for new social housing institutions. The Social Housing Foundation will be responsible for the capacity building requirements of institutions. (Breaking New Ground, 2004:19)

- Research on backyard rental accommodation: Backyard rental accommodation in the form of backyard shacks, student accommodation and granny flats, is increasingly recognized as an important component of the overall private rental sector and is plays a significant role in the residential property market. Little public policy research has however been undertaken in this realm. In order to develop appropriate policies, the Department requires more information on the scale, conditions, rental charges and facilities which are provided within this sector and the linkages between this sector and the broader residential property market. (Breaking New Ground, 2004:19)

4.4.3 Developing a Rural Housing Instrument

The existing supply-side and commoditized housing programme reflects a significant and inherent urban bias. There is a need to address this through a stronger focus on rural housing instruments, whilst acknowledging that rural housing interventions are likely to be strongly directed towards the installation of infrastructure rather than the development housing. (Breaking New Ground, 2004:20) The human settlement plan envisages the following interventions:

- Developing a rural housing programme which is to deal with a comprehensive range of rural housing related issues, such as tenure, livelihood strategies and broader socio-cultural issues. (Breaking New Ground, 2004:20) The programme will also respond to the needs of farm workers and farm dwellers and will consider:
 1. The economic, social, and institutional sustainability of farm worker settlements(Breaking New Ground, 2004:20);
 2. The required institutional framework, the roles and responsibilities of implementing agencies, technical norms

and standards, tenure security, suitable subsidy mechanisms, and legislative amendments. (Breaking New Ground, 2004:20)

- Enhancing traditional technologies and indigenous knowledge which are being used to construct housing in rural areas and to improve shelter, services and tenure where these are priorities for the people living there. (Breaking New Ground, 2004:20)
- Developing appropriate funding mechanisms to support the rural housing programme. (Breaking New Ground, 2004:20)

4.5 ADJUSTING INSTITUTIONAL ARRANGEMENTS WITHIN GOVERNMENT

4.5.1 Redefinition of Roles, Responsibilities and Processes in Government

The key initial requirement for improved institutional arrangements in the sector is to achieve a clear understanding among the three spheres of the appropriate, legislated roles and responsibilities of all spheres of government going forward. To achieve this understanding, expert analytical work is required upon the basis of which an explicit national consensus between the three spheres will be defined, including consensus on the associated reform and capacity building agenda. (Breaking New Ground, 2004:20)

4.5.2 Expanding the role of Local Government

The previous housing programme granted private developers a leading role in the delivery of housing within a supply-driven framework. The new housing plan shifts away from a supply-driven framework towards a more

demand-driven process. The plan accordingly places a substantially increased emphasis on the role of the State in determining the *location* and *nature of housing* as part of a plan to link the demand for and supply of housing. This does not detract from the role of the private sector as the primary vehicle for the delivery of housing.

This approach will enable municipalities to assume overall responsibility for housing programmes in their areas of jurisdiction, through a greater devolution of responsibility and resources to municipalities. It is assumed that municipalities will proactively take up their housing responsibilities given that clear guidelines and resourcing will be forthcoming from the national sphere. (Breaking New Ground, 2004:20) The following interventions are to be undertaken:

- The accreditation of municipalities: The new human settlements plan envisages the accreditation of municipalities particularly the nine metropolitan areas, secondary towns and ultimately to all municipalities. A framework is to be established to address various policy, constitutional and legislative aspects in order to enable municipalities to manage the full range of housing instruments within their areas of jurisdiction. In order to be accredited, municipalities will have to demonstrate their capacity to plan, implement, and maintain both projects and programs that are well integrated within Integrated Development Plans and within the 3 year rolling capital investment programs mandated by the Municipal Finance Management Act (MFMA). In particular, it is envisaged that municipalities will be required to:

1. Establish housing units with staff complements adequate to carry out project and program requirements. (Breaking New Ground, 2004:21)

2. Establish cross-sectoral, Sustainable Human Settlements Planning Committees including senior staff from at least but not limited to the municipal offices for housing, planning, economic development, infrastructure/engineering, MIG PIU, and land reform. (Breaking New Ground, 2004:21)
 3. Submit complete inventories of municipally-owned land including identification of land suitable for low cost housing and justification for exclusion of other municipally-owned land. (Breaking New Ground, 2004:21)
- Building municipal capacity: Capacity building is critical to the success of the new housing plan and there is also a need to develop a comprehensive programme for capacity building in the housing sector as a whole. Priority is to be given to building the capacity of accredited municipalities through the establishment of housing units within accredited municipalities. The programme will be implemented from December 2004, upon approval of the accreditation framework. (Breaking New Ground, 2004:21)
 - Housing and Municipal Integrated Development Plans: The housing chapter of Municipal Integrated Development Plans must be considerably enhanced to include municipal housing needs assessment, the identification, surveying and prioritization of informal settlements, the identification of well located land for housing, the identification of areas for densification, the linkages between housing and urban renewal and the integration of housing, planning and transportation frameworks, and will link these to a multi year implementation plan. Community participation will be a key component of this process. (Breaking New Ground, 2004:21) In this regard:

1. National government should to provide a framework for the housing chapter in the Integrated Development Plans.
2. Additional funding and capacity should be provided to municipalities in order to undertake this task
3. It is also considered vital that local ward councillors be actively involved in the planning process to work with their constituencies. (Breaking New Ground, 2004:21)

4.5.3 National and Provincial Institutional Reforms

- Institutional analysis: As the process of municipal accreditation and accompanying shifts in delivery responsibilities proceeds, the roles and responsibilities of the National Department of Housing and Provinces will increasingly shift to towards policy formation, monitoring, and facilitation. (Breaking New Ground, 2004:22)
- Review of National Housing Institutions: A review of national housing institutions will be undertaken to improve efficiency and oversight and to ensure an improvement of the interface between the institutions, their clients and communities. This will also include revisiting and possibly amending their mandates to ensure that they support new policy directions. (Breaking New Ground, 2004:22)

4.5.4 Promoting inter- and intra-governmental co-ordination and alignment

The new human settlements plan envisages increased inter- and intra-governmental coordination. The following specific interventions are proposed in this regard:

- Integrated development and budget planning: Integrated development planning instruments, provincial housing development

plans and the national housing development plan must be consolidated, and simplified where necessary, to promote integrated delivery, coordinated funding prioritisation (including the Municipal Infrastructure Grant (MIG)) and targeting delivery to meet the unique sets of challenges faced by municipalities and provinces. (Breaking New Ground, 2004:22)

- Intergovernmental co-ordination: There is a need for greater co-operation and information sharing between the Department and municipal government, particularly the nine metropolitan local governments, particularly with regard to the accreditation of municipalities. (Breaking New Ground, 2004:22)
- Bilateral co-operation: In the short term, there is a need to maintain and deepen the current cooperation between the Department, the Social Cluster partner departments and the other spheres of government, particularly municipalities. (Breaking New Ground, 2004:22)

4.6 INSTITUTION AND CAPACITY BUILDING

Institution and capacity building is a critical component of the new human settlement plan. Although capacity building is a cross cutting theme that underpins the other objectives, it is also being articulated as a separate focus area in the new human settlement plan. The comprehensive programme for capacity building does not merely focus on education and training but includes organizational development issues such as the appropriate institutional arrangement support, systems and procedures training and adequate resourcing. (Breaking New Ground, 2004:22)

Capacity building will focus on the following institutions under the new human settlement plan:

- Municipalities: Capacity building for municipalities will be targeted as an initial priority area and will focus specifically on metropolitan municipalities with a view to supporting the accreditation process. (Breaking New Ground, 2004:23)
- Social Housing Institutions: Institution building is to be facilitated through the introduction of the new establishment grant which will provide operational support and through the establishment of a focused support institution in the form of the Social Housing Accreditation Institution. (Breaking New Ground, 2004:23)
- PHP Institutions: The existing framework for the development of institutional support for the PHP is insufficient. This aspect is to be addressed during the redefinition phase and consideration will also be given to establishing accreditation and institutional support mechanisms whilst expanding and enhancing the existing facilitation grant in support of PHP. (Breaking New Ground, 2004:23)
- Financial institutions: This will specifically include a broad consumer education and support campaign to build the financial literacy of low income earners. (Breaking New Ground, 2004:23)
- Communities: It is important that the programme respond to the capacity needs of communities, ensuring that they are empowered to constructively engage with municipalities in identifying and fulfilling their housing needs. (Breaking New Ground, 2004:23)

4.7 FINANCIAL ARRANGEMENTS

In order to address increased demand and accommodate greater responsiveness to demand, several amendments will be effected to the existing housing subsidy scheme:

4.7.1 Restructuring the subsidy instrument

The existing subsidy instrument will be adjusted as follows:

- Collapsing of subsidy bands: The existing 3 subsidy bands are to be collapsed so that all households earning below R3500 will be able to access a uniform subsidy amount. This mechanism will address housing bottlenecks in respect of households earning above R1500 who are currently unable to access a complete housing structure under the existing subsidy, but also lack the means to raise finance for the balance required. (Breaking New Ground, 2004:23)
- Extending the subsidy limit: The housing subsidy scheme is to be extended to provide a credit & savings-linked subsidy for households falling within the income category R3 501 to R7 000 per month. This mechanism is intended to unblock the provision of housing finance towards these households and is accordingly expected to stimulate the secondary residential property market. Approximately 108 000 additional households will be able to access housing as a result. (Breaking New Ground, 2004:23) The details of this programme will be finalized under the umbrella of the Financial Services Charter but it is anticipated that households will be supported through:

1. The introduction of systems for keeping records of informal savings;
 2. The introduction of a government subsidy of approximately R10 000 as deposit support to acquire a bond, to be linked to individual savings;
 3. The possible introduction of financial instruments with a variable as well as 20 year fixed interest rate;
 4. The potential introduction of loss limit insurance; and
 5. The introduction of the Rent to Buy programmes and systems.
- Inflation-linking the subsidy: One of the contributing factors to the slow-down in housing delivery has been the maintenance of the subsidy level without adjustments for inflation. As a result, developers have not been able to sustain their profitability in the sector and have accordingly left. This problem is to be addressed in future by automatically adjusting the housing subsidy for inflation. (Breaking New Ground, 2004:24)

4.7.2 Adjusting Beneficiary contributions and criteria

As a result of and in line with the adjustments to the subsidy bands and the extension of the subsidy to higher income groups, the following interventions will be introduced:

- Beneficiary contributions: The subsidy scheme currently makes provision for the payment of a beneficiary contribution of R2479, which is payable by all beneficiaries. This provision has impacted negatively on delivery, and, in combination with the collapsing of the subsidy bands may have the effect of shifting housing delivery towards higher-earning beneficiaries who are more likely to have the necessary savings. Ongoing discussions will be held with

stakeholders to review exclusions in order to address existing and potential problems. (Breaking New Ground, 2004:24)

- Adjusting Beneficiary criteria: The qualification criteria for housing subsidies has been made more flexible to cater for the diverse needs at community wide level, to accommodate people in social housing and emergency circumstances and to support the upgrading of informal settlements. These programmes shift the focus of housing provision to a community/ area-wide or institutional approach. Several key parameters for exclusion including citizenship however remain. (Breaking New Ground, 2004:24)

4.7.3 Enhancing Funding Flows

- Accredited municipalities: In order to reduce transaction costs and unnecessary administration, funding for accredited municipalities is to flow directly from the Department to those municipalities. It is envisaged that municipalities will however submit reports to both national and provincial government with regard to the usage of these funds and in order to interface with provincial planning processes. (Breaking New Ground, 2004:24)
- Operations costs: Accredited municipalities will receive operational funding support from the Department in order to sustain the operational costs of municipal housing units. Discussions will also be required with DPLG to harmonize transfers linked to the long-term operational costs of the social and economic infrastructure which is to be provided. (Breaking New Ground, 2004:24)
- Enhancing cash flow management: The Department will review existing payment cycles and progress payments to private

developers in order to streamline contract management. Where possible, progress payments will be shortened and restructured in order to ensure that funds are released at points which balance project risks in an appropriate manner. (Breaking New Ground, 2004:24)

- Bridging finance: The Department will work through NURCHA and private financial institutions to implement support programmes for the provision of bridging finance to emerging contractors. (Breaking New Ground, 2004:25)

4.7.4 Addressing Fraud, Corruption and Maladministration

To address the government's call for fighting corruption, the Department will initiate the following steps to addressing corruption within the housing delivery system:

1. Establish a Special Investigative Unit to deal with fraud and corruption and commission forensic investigations where necessary;
2. Establish a toll free whistle blowing hotline;
3. Consolidate the legislative framework governing aspects relating to corruption by drafting Department's specific strategies such as Risk and Fraud management.

The stakeholders involved in the implementation of the plan will be the Provincial Departments of Housing, Department of Provincial and Local Government, Municipalities, Housing Support Institutions and Special Investigative Unit (SIU). (Breaking New Ground, 2004:25)

4.8 JOB CREATION AND HOUSING

Housing delivery also contributes towards alleviating income poverty by providing direct and indirect jobs within the construction sector. The Expanded Public Works Programme (EPWP) is a nationwide programme that includes government interventions in four sectors, namely: infrastructure, economic, social, environment and culture. The Department of Housing's programmes are part of the scope of the infrastructure sector in line with the EPWP. The new human settlements plan will maximize job creation as follows:

- Job Creation Strategy: A Job Creation Strategy will be developed to encourage the creation of increased job opportunities through the installation of infrastructure, the construction of houses, the construction of social/economic infrastructure and the management and maintenance of housing stock. (Breaking New Ground, 2004:25)
- Labour intensive guidelines: Labour-intensive construction methods will be incorporated into the provision of housing. Specifically, Provincial Housing Departments and accredited municipalities will be required to use the "Guidelines for the implementation of labour intensive infrastructure projects under the EPWP" agreed upon between SALGA, National Treasury and the Department of Public Works' EPWP for identification, design and construction of projects. (Breaking New Ground, 2004:25)
- Suitability assessments and targets: A suitability assessment of the housing delivery programmes will be undertaken to identify work activities that have potential of drawing in as many people as possible through labour-intensive construction and it is anticipated that a 70% target for labour intensity in relation to the construction

of state assisted housing will be implemented. (Breaking New Ground, 2004:25)

- On-site materials production: Labour absorption and job creation throughout the housing supply chain will also be facilitated through the establishment of on-site housing materials production activities. (Breaking New Ground, 2004:25)
- Capacity building for job creation: In the short- to medium-term, there will be a need to mobilise external capacity to enable provincial governments and municipalities to develop the required capacity to plan, implement and manage the labour-intensive housing programmes. This is to be undertaken in close co-operation with the Department of Public Works. (Breaking New Ground, 2004:25)
- Enhancing capacity: The Department will focus increasing attention on the development of local contractor capability, including the growth of construction Small to Medium Enterprises and black economic empowerment within the construction sector. (Breaking New Ground, 2004:26)

4.9 INFORMATION, COMMUNICATION AND AWARENESS BUILDING

Several inter-related strategies are required to provide housing related information to sector stakeholders and communities. This information and communication process is however no longer restricted to information on the subsidy, but has been broadened to focus on the broader residential market and now encompasses a greater emphasis on community mobilization. (Breaking New Ground, 2004:26)

4.9.1 Improving market information and transactional support

One consequence of the dual economy is that the regular residential property market information and transactional support that exists in upper income segments of the market does not exist for lower income earners.

The new human settlements plan will accordingly focus on:

- Estate Agents and property brokers: In conjunction with the relevant players, the Department of Housing will spearhead a national programme to actively improve market information and transaction support in the low income residential property market. The focus of this intervention will be on integrating the estate agency sector in the housing subsidy delivery process (both credit and non-credit linked), on an affordable and sustainable basis, so that the participation of estate agents and other property brokers in low income communities is encouraged. (Breaking New Ground, 2004:26)
- Municipalities: Residents in townships, in peri-urban and in rural areas do not have easy access to financial institutions and struggle to reach the provincial subsidy office to apply for their housing benefit. Residents are also unaware of rental housing opportunities within their area. To overcome these problems, the Department, in cooperation with local municipalities and local private sector bodies will establish housing information centres, initially on a pilot basis, in areas that have had little access to such services. These centres would offer housing availability and subsidy information, application facilities and housing consumer protection resources.

4.9.2 Mobilizing communities

It is essential that communities and the beneficiaries of government housing programmes be mobilized to partner the Department in the

implementation of the new human settlements plan. Upon approval of the new plan, several processes will be implemented including:

- **Communications strategy:** A comprehensive mobilization and communication strategy will be developed to clarify the intentions of the policy and to raise awareness on the implications of the policy. (Breaking New Ground, 2004:26)
- **Letsema campaign:** A “Letsema” campaign will be launched to encourage communities to work together to improve each other’s lives. (Breaking New Ground, 2004:26)

4.10 SYSTEMS, MONITORING AND EVALUATION

The following interventions are to be undertaken in order to enhance data collection, management information, monitoring and evaluation and performance measurement:

- Housing Subsidy and Expenditure Data: Limitations in the ability of the Department of Housing and the National and Provincial Treasuries to reconcile monitoring of monies spent against products delivered mean that there is not sufficient confidence in monitoring information. These problems are partially derived from the increasingly complex environment and resultant inadequacies within existing systems and procedures. (Breaking New Ground, 2004:27) A strategy to improve data input and interpretation must be developed and the following steps are to be taken in this regard:
 1. The existing systems of the Department and provinces must be brought up to date and confirmed.

2. New systems and procedures must be instituted in order to enhance the existing management information systems of the Department, provinces and municipalities.
 3. A report should be compiled to reflect the allocation of houses to beneficiaries who have been registered on the National Housing Database but who did not take occupation of the houses.
- Performance Measurement: A comprehensive housing sector monitoring, information and reporting system based on key performance indicators must be developed. This system must be capable of regular, structured reporting on the performance (quantitative as well as qualitative) of the various housing programmes and housing institutions. (Breaking New Ground, 2004:27)

4.9 CONCLUSION

Key focus areas identified by the Comprehensive Housing Plan include:

- accelerating housing delivery as a key strategy for poverty alleviation
- using housing provision as a major job- creation strategy
- ensuring that property can be accessed by all as an asset for wealth creation and empowerment
- leveraging growth in the economy, combating crime and promoting social cohesion
- using housing development to break down barriers between the First Economy residential property boom and the Second Economy slump
- using housing as an instrument for the development of sustainable human settlements in support of spatial restructuring

- diversifying housing products by emphasising rental stock. (Breaking New Ground, 2004:1)

The Breaking New Ground (BNG) Programme is aimed at improving overall housing delivery. A BNG house is a state-subsidy house given to qualifying beneficiaries. BNG builds on existing housing policy articulated in the White Paper on Housing (1994), but shifts the strategic focus from simply ensuring the delivery of affordable housing to making sure that housing is delivered in settlements that are both sustainable and habitable. Unlike the previous 20-34 square metre subsidy houses, the BNG house is 40 square metres in size and has two bedrooms, a lounge, an open plan kitchen and a fitted bathroom. This house is also equipped with electricity. The BNG Programme is being implemented through the informal-settlement upgrading programme.

The Government and the private sector, including banks and property developers, signed the Social Contract for Rapid Housing Delivery in 2005 in an effort to accelerate housing delivery to address the housing backlog.

The contract binds signatories to work together to remove bottlenecks in housing delivery, invest more resources in low-cost housing and fast-track delivery. This has brought on board players from the financial construction sectors, and many other stakeholders.

By October 2008, the four major banks had informed the Minister of Housing that they had spent R38 billion of the R42 billion they committed to as part of the Finance Services Charter. These funds are directed to those people who earn between R3 000 and R8 000 a month.

4.10 TESTING OF HYPOTHESIS

New human settlements plan that reinforces the vision of the department of housing, to promote the achievement of a non-racial, integrated society through the development of sustainable human settlements and quality housing. (Breaking New Ground, 2004:7)

The evaluation of the different segments of the 'Breaking new ground' comprehensive plan for the development of sustainable human developments confirms that the stated hypothesis is correct.

CHAPTER 5: 'BREAKING NEW GROUND' AS A SOLUTION TO THE PROBLEM

5.1 INTRODUCTION

'Breaking new ground' has achieved a lot since its inception in 2004, whether or not it will deliver all it has promised is non-the-less doubtful. This chapter evaluates the positive and negative aspects of the implementation of the comprehensive plan for the development of sustainable human development.

From 2004, government's housing expenditure increased from R4, 8-billion, to R9-billion, in 2007 and 2008, representing an average growth of 23, 2% a year.

The housing budget is projected to grow from R9-billion last year to R10,6-billion in 2008 and 2009, and R15,3-billion by 2010 to 2011, at an average of 19,4% a year. (Dennis Ndaba, 2008:1)

The target remains the eradication of all slums, or informal settlements, by 2014. For this to happen, some 500 000 new units a year must become available, according to the Department of Housing's Strategic Plan 2008 to 2011. (Dennis Ndaba, 2008:1)

The focus has also changed from building housing stock to the notion for integrated settlements, based on an acknowledgment that, while RDP houses were the first step towards housing millions of South Africans who had been left without adequate shelter, the outcomes were flawed.

The early-generation policy led to building rows of houses on the outskirts of towns and cities, which merely replicated apartheid-style housing.

Following Cabinet approval, the Breaking New Ground (BNG) initiative kicked off in September 2004. It was launched to establish integrated, sustainable human settlements and is being implemented in all nine provinces.

BNG aims to create non-racial, diverse communities and offer a choice of housing, from government-subsidised housing; affordable bonded houses with a supply of rental accommodation for those not yet ready to buy a home or people who have left behind a BNG home in another city or province.

An evaluation of the impact of BNG, which was undertaken in 2006 by KPMG, concluded that continuing with the current trend in the housing budget would lead to a funding shortfall of R102-billion in 2012, which would increase to R253-billion in 2016 to eradicate the housing backlog. (Dennis Ndaba, 2008:1)

BNG approached housing delivery in a more sophisticated way. The economic benefits were no longer merely limited to the job-creation spin-offs. The emphasis shifted to assert the role of houses as assets, with title deeds assisting in the development of the secondary market.

This approach means that houses can be traded or used to ensure the security of a family. Either way, the house becomes a tool in poverty alleviation. This shift is fundamental as a home is at the heart of every community, of every society.

Flexibility and mobility are also key ingredients, which is why it is now also permissible to sell a subsidised house after five years.

The current policy also saw the size of the house raised to 40m², up from 28m²

5.2 LOCATION

At the heart of 'Breaking new ground' there has been a lot of talk about integrating society, and placing previously disadvantaged persons nearer economic opportunity. Generally this has not been achieved.

During Apartheid, South African cities developed in a pattern very much dictated by policies with the intention of racial segregation. White suburbs were located around the Central Business District (CBD) and were buffered from black townships by 'gaps', which consist of large tracts of land used as major highways or industrial areas. The black townships were isolated from the city but close enough to supply it with cheap labour.

After Apartheid the CBD has largely been abandoned by white owned businesses which moved into new centres in the suburbs and blacks took over the inner cities. Yet, the structure of the city remains unchanged and fragmented; the result is difficult access to work and services (disabling locations), bland landscapes and environmental degradation. This fragmentation also does not make sense economically as it causes dislocated or missed market opportunities. The CBD, new commercial centres, transport routes, the 'gaps' of land and the townships themselves should be connected so as to maximize the economic strength of the city.

The cost and availability of well-located, suitable land for housing remains a key challenge. It is not in the interest of overcoming South Africa's past inequalities to continue apartheid era town planning. It's vital that the poor are not left on the margins, but are integrated into society, near to work opportunities, schools and health and leisure facilities.

The issue here is not simply about delivering housing for the poor, but also about where this new housing is being located. Local research is

increasingly showing that the socio-economic implications of relocation to the margins of the city are serious and should not be underestimated. (Development action group, 2006)

5.3 CONSTRUCTION MATERIALS

Another area of serious concern is building materials inflation, where government has already indicated that it plans to get tough through competition policy. But it could also seek to combat the inflation of construction materials by using its buying power in a more concerted way.

The BNG housing programme alone is by far the largest supplier of residential property in South Africa and, therefore, there is a considerable demand base for material supply.

The Department's affordable housing programmes alone provide about 260'000 dwelling units a year. Home enrolments by the National Home Builders Registration Council show that the delivery by the private sector is about 78 000 houses a year. (Dennis Ndaba, 2008:4)

PPC's projections for cement demand indicate that the BNG housing programme demands more cement than the Gautrain, and 2010 FIFA soccer World Cup, Airports Company South Africa and Department of Water Affairs and Forestry infrastructure projects combined.

Housing Minister Lindiwe Sisulu stated on 11 July 2008 that:

“On overall construction material prices, deflation is not likely to happen in the near future. The average building material inflation recorded was 11% in 2007, from 7% in 2006. Demand for construction material is expected to remain strong. The housing delivery under the BNG programme is ready to accelerate to deal with the backlog and other government infrastructure projects, which are expected to be implemented beyond 2014. The

housing property market is also projected to regain momentum in 2009".
(Dennis Ndaba, 2008:4)

She believes that if the substantial hikes in the cost of conventional building materials are not dealt with appropriately, they will pose a serious threat to the sustainability of government's interventions to deal with the housing challenge.

Lindiwe Sisulu further stated that:

"In order to tackle this issue, my department is undertaking investigations in respect of the use of alternative building technologies which will meet all the requisite standards for quality, norms and standards and still facilitate rapid housing delivery. The interventions will start with appropriate measures to popularise and destigmatise some of the technologies, which have now been tested and implemented at scale in other countries."

(Dennis Ndaba, 2008:4)

5.4 CONCLUSION

'Breaking new ground' has in many respects been used as a platform by the housing ministry in as much as project specific requirements have forced role players to reach outside the scope of its framework. None the less if the objectives of the comprehensive housing plan are evaluated the plan has fallen well short of expectations.

Financially government has not in many cases achieved the delivery objectives expected from the budgeted allowances, mainly due to poor fund management. However constraints have come to the foreground with regards availability of finance towards the end of 2008 and into 2009, as government has been giving soccer world cup projects preference with regards to resources in order for them to achieve delivery by 2010. The other factor that has played a large role contributing to the finance

shortage is the global recession causing spending to reduce, and taxable incomes have not risen as was initially expected.

The delivery goal of alleviating all informal settlements by 2014 has become almost unrealistic, as it would require delivery of over 500'000 houses per annum, currently the department can within its manpower and financial capacity only realistically deliver in the region of half this number.

Integration of previously disadvantaged people into sustainable developments which provide economic opportunity as well as eliminating social segregation has been an issue which has hampered the success of most housing projects. One of the main issues dealt with is that the beneficiaries are hesitant to be relocated as; even though they might not have a formal dwelling they are reluctant to move from the comfort zone of being familiar with their location and surroundings. This has led to the predominant portion of housing projects adapting to provide an in-situ upgrade, which in essence keeps most of the beneficiaries happy, but definitely does not place them any nearer to economic opportunity and leaves the unacceptable social footprint induced by apartheid.

5.5 TESTING OF HYPOTHESIS

'Breaking New Ground' is a solution to the housing problem in as much as it is delivering homes to the homeless. With regards to social and economic issues as well as the delivery rates of the housing 'Breaking New Ground' may be falling short of expectations.

In the evaluation of the 'Breaking new ground' comprehensive plan for housing delivery, it is clear that there are many shortfalls and thus the stated hypothesis is correct.

CHAPTER 6: SUMMARY AND CONCLUSION

6.1 INTRODUCTION

Is 'Breaking New Ground', as a comprehensive plan for housing delivery, a realistic solution to the housing problem faced in South Africa?

To even attempt to answer the main hypothesis stated above, extensive literary studies were carried out, evaluating the different components of 'Breaking New Ground' as a comprehensive housing plan. It has been extensively discussed within the structure of the four sub-hypothesis, stated below;

- What is the perceived housing need in South Africa?
- What are the problems facing housing Delivery?
- What is 'Breaking New Ground'?
- Is 'Breaking New Ground' a solution to the problem?

Each of these sub-hypothesis have successfully bisected the housing situation faced in South Africa, and further more shed light on how they may be encompassed by the 'Breaking New Ground' housing policy. This chapter will summarise the findings within the sub-hypothesis and discuss there results as compared to the question posed in each chapter, this will allow for a comprehensive analysis and furthermore the testing of the main hypothesis.

6.2 SUMMARY

Sub-hypothesis 1: To provide a housing opportunity for every South African.

To date the Department of human settlements (formerly the Department of housing) has provided about 2, 3 million homes, which is a first-class step in the right direction. There is still a shortfall of about 2, 1 million homes at current, so it is very clear that allot still needs to be done in order to achieve the goal set in the 'Breaking new ground policy' of providing every South African with a housing opportunity.

Sub-hypothesis 2: There are several problems facing housing delivery, to name a few:

- Social segregation
- Financial provision
- Lack of available skills
- Government protocol inefficiency
- Lack of interest from the private sector

The barriers to housing delivery in South Africa run thick and fast and have been underestimated in terms of the effect they have on delivery rates and costs involved. The Department of human settlements (formerly the Department of housing) has taken great strides towards alleviating poverty in South Africa, but has fallen subject to various problems in the process. These challenges and constraints faced, undoubtedly affect and influence housing allocation and ultimately, housing delivery in South Africa. Furthermore, the process of allocation and delivery itself is also a highly contentious and controversial issue, inherently plagued by similar difficulties. The concerns highlighted by the Department of human settlements (formerly the Department of housing) include the following:

withdrawal of large construction groups from the state-assisted housing sector due to low profit margins, red lining in terms of availability of finance, identification and release of state-owned land, lack of institutional coherence around key aspects of new policy measures and procedures, policy shifts and uneven application of the policy, inadequate enforcement of policy directives at local level, capacity constraints in all spheres of government. Furthermore, South Africa's historical situation, urbanisation and migration, financial constraints and a lack of suitable, available land and buildings, were discussed as additional challenges influencing housing delivery.

Sub-hypothesis 3: New human settlements plan that reinforces the vision of the department of housing, to promote the achievement of a non-racial, integrated society through the development of sustainable human settlements and quality housing. (Breaking New Ground, 2004:7)

The plan provides for comprehensive oversight by government in promoting the residential property market. This includes the development of low-cost housing, medium-density accommodation and rental housing; stronger partnerships with the private sector; social infrastructure; and amenities.

The plan aims to change spatial settlement patterns by building multicultural communities in a non-racial society. The Comprehensive Housing Plan is being implemented through a pilot project in each province, which will improve the living conditions of 103 000 households in informal settlements. The informal-settlement upgrading projects provide for phased, area-based development, and fund community participation and project management as an integral part of housing projects. Eradicating or upgrading all informal settlements by 2014/15 is the prime target.

The plan's strategic focus includes ensuring the delivery of affordable housing in sustainable and habitable settlements. Its strategic priorities are to:

- Accelerate housing delivery.
- Improve the quality of housing products and environments to ensure asset creation.
- Ensure a single, efficient formal housing market.
- Restructure and integrate human settlements.

Sub-hypothesis 4: 'Breaking New Ground' is a solution to the housing problem in as much as it is delivering homes to the homeless. With regards to social and economic issues as well as the delivery rates of the housing 'Breaking New Ground' may be falling short of expectations.

'Breaking new ground' approached housing delivery in a more sophisticated way. The economic benefits were no longer merely limited to the job-creation spin-offs. The emphasis shifted to assert the role of houses as assets, with title deeds assisting in the development of the secondary market.

This approach means that houses can be traded or used to ensure the security of a family. Either way, the house becomes a tool in poverty alleviation. This shift is fundamental as a home is at the heart of every community, of every society.

'Breaking new ground' has in many respects been used as a platform by the housing ministry in as much as project specific requirements have forced role players to reach outside the scope of its framework. None the less if the objectives of the comprehensive housing plan are evaluated the plan has fallen well short of expectations.

The delivery goal of alleviating all informal settlements by 2014 has become almost unrealistic, as it would require delivery of over 500'000

houses per annum, currently the department can within its manpower and financial capacity only realistically deliver in the region of half this number.

6.3 CONCLUSION

Main Hypothesis: Yes, 'Breaking New Ground', as a comprehensive plan for housing delivery is a realistic solution to the housing problem faced in South Africa.

The Breaking New Ground policy has not failed in terms of providing homes to the previously disadvantaged sector of the South African public. The fact remains however that the delivery rates are well below what would be required in order to achieve the eradication of all informal settlements by the year 2014. Fulfilling the desires of the beneficiaries in terms of economic and social positioning is an ever varying issue, as individuals have their own expectations and needs that don't always align with those of the community and those offered by government.

Housing the homeless is a task requiring consistent flexibility, and adaptability right down to project specific level, while at the same time ensuring consistency which provides equality. Breaking New Ground is a solid base upon which an effective and efficient framework of system can be built, and all informal settlement can be eradicated.

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