

CHAPTER 7: SUMMARY AND CONCLUSION

Housing is one of the greatest challenges facing the South African Government. A backlog estimated to be about 4 million units coupled with a population growth rate of approximately 2,27 percent, resulting in \pm 200 000 new households being formed annually, places government under pressure to deliver mass housing projects/programmes.

It became clear in the early 1990s that the then housing policy of South Africa was unable to address the housing crisis. Lengthy negotiations culminated in the White Paper on Housing in December 1994, which provides for a uniform, national housing programme.

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

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

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

Budgetary constraints necessitate that delivery takes place through the widest possible variety of mechanisms including *inter alia* social housing. It is acknowledged

in the White Paper on Housing that social housing is an area of housing opportunity that has long been neglected in South Africa.

Social housing programmes usually entail the establishment of non-profit social housing institutions (SHIs)/housing associations whose primary purpose is to provide the essential service of housing at cost to people with limited financial means. Social housing programmes are thus underpinned by the philosophy that the responsibility of housing production is divided between the public and non-governmental sectors. This is done through the provision of rental stock or rent-to-buy stock. The advantages of social housing include *inter alia*:

- Standardised planning, design and organisational administration of collective construction;
- Joint procurement, disbursement and repayment of construction loans;
- More efficient use of technical skills;
- Proper maintenance and upkeep of housing and neighbourhoods;
- Members can gradually assume the management and administration of SHIs;
- Internal control can be exercised to prevent speculation and illegal sale, subletting or transfer of dwellings;
- SHIs have the potential to promote integrated and viable urban communities and to mobilise self-help sources and group dynamics; and
- SHIs offer an integrated framework, not only for the construction and management of housing, but also for a variety of other social and economic activities.

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

The National Department of Housing acknowledged in the White Paper on Housing (1994), that the development of policy in this area (social housing), will require significant engagement with international expertise and experience. As far as could be determined only one institution namely the Social Housing Foundation (SHF) founded in 1997 has thus far been established to assist in providing capacity building and technical support to housing institutions involved in the delivery of social housing. Mandated by the Minister of Housing the SHF appointed a policy task team in August 1997 to develop a policy framework for the social housing sector. In spite of the progress made in the policy formulation for the social housing sector the Department of Housing acknowledged in their 1999 Annual Report that the policy and funding frameworks within which the social housing sector currently operates in South Africa are still not fully developed. Given firstly, the advantages of social housing, secondly, its identification as an alternative strategy that could be utilised to improve housing delivery in South Africa and thirdly, the acknowledgement by the Department of Housing that policy development on social housing will require significant engagement with international expertise and experience the problem statement of this study has been: What are the lessons to be learnt from the international experience in social housing, and how can it be applied in the South African context?

The aim to the study was therefore to analyse the provision of social housing in Europe, South America and Africa with a view to identify the particular ways and means in which it is undertaken in those particular situations and also, to identify the lessons that can be learnt from such experiences for the emerging South African social housing sector.

Since the concept of social housing in the form of SHIs/housing associations is a relatively new field of study within the housing sector of South Africa, this study may provide useful information on the basic terminology, the history and structure/organisation of the sector and the problems/challenges currently facing social housing institutions worldwide. Given the fact that this study highlighted the potential pitfalls, problems and opportunities manifesting itself worldwide within the social housing sector this study may also contribute towards the finalisation of the South African social housing policy framework. The study can be described as a document study/literature review study that is descriptive in nature. The study mainly relied on the interpretive findings of previous studies. A qualitative research methodology was followed to record the international experiences in the social housing sector. Caution was exercised in the interpretation of the available material and every effort has been made to contextualise all case studies and/or references made to international examples. Different publications were furthermore compared with each other in an effort to overcome concerns regarding the reliability and validity of document studies.

Social housing can be described as the third arm of housing provision, the first being the owner-occupier/private market and the second public housing efforts whereby rented homes are made available by the state for those unable to enter the market. The primary goal of social housing is to provide the essential service of housing at cost to people with limited financial means. It is important to note that social housing provision is not undertaken through statutory duty but is the result of volunteers who combine to form SHIs/housing associations to meet their perceived housing needs through their own energy and commitment. Social housing is thus a strategy whereby communities rather than individuals make sure that they can cover the cost of their housing option be that flats, houses, townhouses, new or existing housing stock. The provision of housing stock is achieved by leveraging private finance at preferential rates to top up limited public funds.

Social housing from its inception was limited to being a supplementary form of housing provision rather than a perceived alternative to the private market. This view is substantiated by the fact that three models namely the residual and mass provision models as well as the worker co-operative model have thus far dominated the provision of social housing worldwide. The residual model of social housing provision - involving small-scale building programs focusing almost exclusively on the poor - dominated with two brief exceptions throughout the history of the movement in industrialised countries. The mass model - targeting a broad range of lower and middle-income groups - emerged briefly in Europe after the First World War and again after the Second World War. In terms of the worker co-operative model housing stock is provided through bottom-up grassroots efforts of working and middle class organisations that founded a wide range of self-help or mutual aid organisations to build housing stock. This model was, however, repressed or absorbed within the structures and practices of state regulated and mass housing programmes.

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

Social housing institutions (SHIs) are the bodies or institutions through which social housing projects are undertaken. The term SHI is a collective term used for all the different types of housing associations. Housing associations are characterised by the diversity they encompass with regards to their aims, philosophies, functions, sizes and organisational structures. The definition of a housing association most often quoted in the literature is found in the British Housing Act of 1974. In terms of this Act, in order to qualify as a housing association the society's body of trustees or company's objectives must include the construction, improvement or management of houses or hostels or the facilitation of those activities. Secondly, it must not trade for profit or, if

it does, its constitution or rules must prohibit the issue of any capital or interest or dividend exceeding prescribed levels.

Due to the inherent diversity of housing associations there are numerous characteristics that can be used to classify housing associations into various sub-categories. The characteristics most often used in the classification of housing associations include: legal status, motivation, size, general status, geographical scope, function and time-period of existence.

- Legal status divides housing associations into two broad categories: those that provide housing for others and fully mutual associations or co-operative housing associations (housing co-operatives). The operation of fully mutual associations or housing co-operatives as they are more commonly referred to are based on co-operative principles that have been debated and discussed since the first co-operative society was formed in Rochdale in 1844. Fully mutual associations or housing co-operatives can furthermore be sub-divided into five sub-categories namely:
 - In par value or common ownership associations property is held in common. The individual members are the tenants but also the common owners of the par value association, only without an individual stake in the equity. Members of the par value of common ownership associations have no rights whatsoever in the assets of the association beyond the right, in some cases, to the return of the nominal amount of shares held in the event of the dissolution of the association;
 - In the case of co-ownership societies/co-operatives the tenants own nominal shares in the landlord association but the association being a corporate body separate from, although controlled by its members, is the only “owner”. The ownership of co-ownership co-operatives as a whole vests with the occupants, each owning a £1/R1 share in the nominal

capital – which amounts to as many pounds or rands in total as there are dwellings;

- Tenant management co-operatives refer to groups of tenants who take over the management and maintenance of the homes they occupy from the existing landlord who retains ownership;
- Shared ownership co-operatives that offer a variable proportion of the dwelling as individual ownership and in addition allows such “owners” to buy further proportions as and when they are able; and
- Self-built co-operatives are established to develop housing for its members through the collective labour of its members. The co-operative can after construction is completed, either sell the units to the members or conclude lease agreements with the members.

As the name indicates non-mutual associations provide housing to others, not only to its members. Non-mutual associations include for example charities/trusts as well as industrial associations.

- Charities or trusts refer to associations whose aims and objectives must be restricted to the provision of housing of persons in necessitous circumstances; and
- Industrial associations refer to firms or companies which establish/set up a body/institution separate from the sponsoring firm. This newly established institution then puts up/utilises the whole or the bulk of its share capital for the building of houses, in which it will have a controlling interest.

- The motivational characteristic divides housing associations into four broad categories namely: philanthropical associations that include charities and tenant investment associations, non-philantropical associations that include housing co-operatives, industrial associations and self built associations, cost associations and co-ownership associations.

- Tenant investment associations refer to associations that aim to provide retired people with sheltered accommodation. The building costs are met by the initial tenants, usually from the proceeds obtained from the sale of owner-occupied houses. The premium purchased can take the form of a life lease or a 50-year lease with the provision that surrender of the property in question will result in a return of the premium.
 - Cost rent associations refer to associations that build unsubsidised dwellings i.e. dwellings that are let at rents sufficient to cover outgoing costs e.g. maintenance, loan repayment charges and property taxes and no more – with money borrowed to them by local authorities or central governments
- If size is taken as the classifying characteristic housing associations can be classified as small if it has fewer than 250 housing units under its management or as medium to large if it has a housing portfolio of more than 250 housing units
- With regards to geographical scope housing associations can be classified as limited associations or expansionist associations. Limited associations refer to the housing associations that confine or restrict their operations to strictly limited areas, with the opposite being true for expansionist associations. Expansionist associations tend to acquire sites or existing homes where and when they can.
- In accordance with general status housing associations can be classified as registered

Main lessons

Upon considering the reasons for classification internationally it became clear that classification is used as a tool to distinguish between the SHIs/housing associations that qualify for public assistance and those that do not.

or unregistered associations. Housing associations in developed and developing countries usually operate within particular legal frameworks. In most cases these frameworks require the SHIs/housing associations to register with some or other national body. Registration is usually accompanied by certain benefits e.g. monetary support from the public sector. Unregistered associations in turn are usually not able to qualify for such benefits.

Housing associations can lastly be classified according to the function or type of accommodation it supplies. General needs associations usually provide dwellings suitable for households of three or more persons. Specialist associations in turn strive to meet the needs of a particular group e.g. senior citizens, single parents and other one or two person households as well as physically or mentally disabled people.

A country such as South Africa should carefully consider which characteristic(s) would most accurately capture the type of SHI it would like to support or assist. From all the above-mentioned characteristics legal status, which in essence encompass both motivation and general status, seems to be best suited to fulfil such a role. It is, however, important to note that for such a classification system to fulfil the role of distinguishing between SHIs deserving of public support/assistance and non-deserving ones it should be supported by a capacitated monitoring or registration agency created through national, social housing specific legislation.

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

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

The type and nature of these organisational levels will depend on the degree of integration that is envisaged between the different levels.

In most countries the planning and decision-making powers are distributed in one way or another between these different organisational levels. Integration in this context refers to the co-ordinated distribution of tasks and functions amongst the various levels and organisations, thus lending itself to a situation where each level or organisation takes over all those tasks and functions that can best be executed by that unit/level in a rational manner and at minimal cost.

Integration is, however, approached in various ways as a result of the unique circumstances to be found in each country. Although integration in

Lessons

Careful consideration needs to be given to the way in which integration is approached. If the system employed/utilised leans too much towards decentralisation, no powers are shared or delegated and primary associations retain all functions, the country in question is sure to encounter considerable capacity problems. These capacity problems will be caused by the necessity to duplicate expertise in every primary association/SHI. For a country such as South Africa in which social housing is a relatively new field a totally decentralised system could overwhelm the limited capacity available in this sector.

For the benefits of integration e.g. flexibility

practice, at least to some extent, has been occurring spontaneously in South Africa, synergy is being lost as a result of the fact that there is at present no legislative or policy imperative that enforces or guides integration.

and reduced costs to be realised fully it needs to take place in a planned and consistent manner within a comprehensive housing policy framework. The fact that the social housing sector in South Africa presently has no legislative or policy imperative that enforces or guides the integration of the sector can be considered as an obstacle that needs to be addressed as soon as possible.

Most countries with an active social housing movement found it necessary to create - often through national legislation - national sponsoring agencies to accept responsibility for policy development, registration of approved institutions (regulation of the social housing movement), monitoring of the sector's performance and providing financial assistance to qualifying SHIs. An example of such an agency is the Housing Corporation in Britain. These sponsoring agencies are frequently created to be separate from the national department responsible for housing, but can also, depending on historical circumstances, be located in-house e.g. the Netherlands. Currently the Social Housing Foundation, created through the Housing Amendment Act, 1999 (Act 28 of 1999) partly fulfils the role of a national sponsoring agency in

Lessons

Given the functions that are generally performed by the national sponsoring agencies it was concluded that the establishment of such an institution is necessary for the development of an organised and structured social housing movement that makes optimal use of the public resources allocated to it.

It is important to realise that the functions and responsibilities of national sponsoring agencies tend to grow and evolve with the social housing movement itself. Initially it might focus primarily on the

South Africa. The stated aim of the SHF currently is to facilitate, promote and develop the social housing sector in South Africa through providing:

- training;
- programme management functions through providing technical support and assistance to emerging SHIs;
- mapping and mobilising donor funding; and
- research and policy development.

It should be noted that the registration of approved institutions (regulation of the social housing movement), monitoring the sector's performance and providing direct financial assistance are currently not part of the SHF's direct functions. It could be argued that this is a result of the fact that South Africa does not currently have social housing specific legislation to govern the growth and development of the sector. The sector is currently being governed by a range of existing laws that also apply in other contexts.

development of primary societies and financing, but at a later stage functions like monitoring, enforcing standards and providing guidance on issues like best management practises might begin to dominate. It is thus recommended that the role/function of the SHF in South Africa be expanded to ensure that functions like the monitoring of individual SHIs and enforcement of sectoral standards are taken up in a consistent and planned manner to bring South Africa on par with international best practices.

Once a social housing movement is well established within a country it is quite routine for a representative body to emerge spontaneously from amongst the ranks of the movement itself. Such representative bodies

Lessons

As a result of the relative newness of a committed social housing sector in South Africa a sectoral representative body has not yet been established. The emergence of a sectoral representative body in South Africa should thus be supported and facilitated through inter alia

e.g. AEDES (Latin for house with many rooms) in the Netherlands serves as a platform for its members to safeguard the movement's interests, it provides advice and information to its members and undertakes research on behalf of the movement.

financial assistance in its initial stages of development. It provides a useful forum for housing associations and co-operatives to exchange information, learn from one another and reflect on policy proposals that might be beneficial to the sector as a whole.

The national sponsoring agency and the sector's representative fulfil separate but complementary functions which together form a support network at national level that ensures the orderly development and expansion of the non-profit making social housing sector.

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

In order to address the above situation the Social Housing Task Team appointed by the Minister of Housing in 1997 to establish a policy framework for social housing has recommended that South Africa adopt a second level registration process to be carried out by provincial departments responsible for housing and local government. These particular departments were chosen because they are also the departments

that in most provinces are responsible for the approval of the LDO/IDPs of local authorities as well as the compilation of provincial growth and development strategies. Given the interventionist nature of the powers of this proposed regulator, the SHTT furthermore recommended that the regulatory function should be established through primary (national) legislation in the form of a social housing act.

Secondary societies or technical service organisations as they are also known, fulfil a very important role in the establishment and progressive expansion of social housing movements worldwide. TSOs fulfil *inter alia* the following functions:

- Provide technical assistance to primary SHIs/housing associations e.g. preparation of project implementation plans and carrying out preliminary feasibility studies;
- Form a channel through which private, philanthropic and even government funding can be distributed to primary SHIs/housing associations; and
- Encourage the formation of new primary or daughter SHIs/housing associations.

TSOs can thus be seen as the centres of knowledge and experience that can be utilised on an *ad hoc* or continual basis by primary societies in need of assistance. Even though there are no formal policies in place in South Africa to facilitate/stimulate the emergence of TSOs/secondary societies, a few have none the less developed. Examples include the Urban Sector Network (USN) and Cope Housing Association.

In the absence of a proper national sponsoring agency these TSOs have fulfilled an invaluable service in the social housing movement. It would, however, be prudent to put in place measures to

<p><i>Lesson</i></p> <p><i>TSOs are responsible for capacity building within the social housing movement and as such should be supported</i></p>
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stimulate the emergence of more TSOs and to consider providing additional financial assistance to the ones already in existence.

and promoted, especially in countries with young/emerging social housing sectors such as South Africa.

Primary/daughter societies refer to housing co-operatives or housing associations at project level and as such can be seen as the building blocks of a successful social housing movement. These societies are responsible for the actual construction or development of the housing units and remain the owners after construction/development phase has been completed. Primary societies if registered with the national sponsoring agency have to operate within the policy framework established by the national sponsoring agency. It is furthermore not unusual for primary societies to have close ties with the local authorities in their area of operation. These two institutions then work together to develop an integrated housing strategy to address the unique housing problems that may occur within that particular area.

Lesson

Rapid development of primary/daughter societies in the absence of a comprehensive, coherent social housing policy and legislative framework have the potential to increase the complexity of the policy and regulatory framework to be established at a later stage, simply because the diversity that will have to be accommodated will be so much greater. Such a situation should, if at all possible, be avoided in South Africa since it makes the tasks of monitoring and integration that much more difficult and expensive to achieve at a later stage..

Lesson

International social housing organisations

The emergence of international social

or societies emerge when there are a few countries with strong social housing movements situated near to one another or in cases where increased integration in other spheres encouraged the social housing sector to follow suit. Such bodies once established then ensure that the knowledge and experience is exchanged on a regular basis in an organised manner.

housing organisations is dependent on the existence of committed social housing movements in two or more adjacent countries or upon the social housing sector latching onto a history of integration in other spheres. The establishment of such an international social housing organisation usually happens gradually as the initial, informal contact between the social housing movements of the different countries proves to be beneficial. It might thus be worthwhile for the South African social housing sector to investigate the possibility of creating alliances with other social housing sectors in Africa to facilitate the exchange of knowledge and experience in the field of social housing.

The emergence of social housing sectors in developing countries is often hampered by a lack of financial resources as well as a shortage in skills in *inter alia* the procurement of loans and the development of appropriate legislative frameworks for the social housing sector. International aid agencies e.g. the German Development Association for Social Housing (DESWOS) and the International Co-operative

Lesson

It is important for countries such as South Africa receiving aid to ensure that international aid agencies adopt an institutional building approach, with emphasis being placed on working in close collaboration with national government to create/establish capable, knowledgeable national sponsoring agencies through the transfer of skills.

Housing Development Association (ICHDA) try to address these problems by providing training opportunities to enable skills transfer and establishing temporary or permanent offices in some developing countries – hoping that it will become centres of expert advice and assistance.

South Africa thus far has been very fortunate in that numerous international aid agencies are supporting the development of the social housing sector/movement. The SHF has entered into agreements with the social housing organisations of Netherlands and the UK. The social housing organisations from these two countries assist South Africa through the secondment of technical advisors to South Africa. The placing of these technical advisors is co-ordinated by the SHF. Other countries like Sweden and Norway have also rendered assistance to the development of social housing in South Africa through the Swedish Association of Social Housing Organisations and the Norwegian Federation of Co-operative Housing Associations.

National legislation is one of the most important mechanisms that governments

Lesson

National legislation represents an important opportunity for the South

(including the South African government) have to establish or create the hierarchy or levels of a mature social housing movement discussed above. It enables government to clearly set out:

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

African Government to stimulate and support the development of a strong and socially conscious social housing movement in South Africa.

Main lessons

The development of an integrated and effective social housing movement depends on a range of factors which all have to be in place if synergy is to be achieved between the various levels of the social housing movement. National legislation and policies create the framework, norms and standards within which all actors in the sector have to fulfil their functions. Institutional support in the form of a national sponsoring agency, TSOs as well as international aid agencies are essential for the development of a diverse range of primary societies that are responsive to a wide range of accommodation needs.

Regulation and monitoring mechanisms are essential to ensure that the sector uses the public resources allocated to it in a responsible and accountable manner.

The financing of social housing is inherently complex and forever changing. A successful social housing programme is to a large extent dependent on the availability of funding from public sources as well as the sector's particular ability to mobilise private resources. The underlying issue, however, always remains that of the nature of the relationship between housing costs and consumer income and to what extent government is prepared to subsidise the cost.

Government involvement in the financing of social housing is motivated by a desire to firstly, improve the housing conditions of the underprivileged secondly, to stimulate the process of rehabilitation/modernisation of the inner city areas thirdly, to encourage/support the provision of affordable housing and lastly, to demonstrate to

the private sector that the risks involved in financing social housing are in fact lower than what is perceived by the commercial banking sector.

Lesson

Government involvement in the financing of social housing is for the most part motivated by a desire to come to the aid of selected groups of the population and to assist those who, for whatever reason, cannot secure housing on the open market. In view of the limited resources available in South Africa and the ever increasing dependence of SHIs on private financing worldwide the South African Government in its involvement in the financing of social housing in this country needs to pay particular attention to the perceived risk profile that SHIs in the country have. Furthermore given the fact that financial institutions in South Africa are at this stage not very enthusiastic about financing SHIs the management of the risk profile of SHIs needs particular attention to maintain and increase investor confidence over time.

There are as many methods to subsidise/financially assist the social housing sector, as there are countries in the world. Each country has developed a system that is uniquely adapted to their internal realities, priorities and financial means. Conceptually the extent of government involvement/assistance forms a continuum. The social housing sectors in some countries, e.g. Kenya, Switzerland and the Netherlands receive very little, if any, government support, whilst others, e.g. Sweden and the former USSR, receive subsidies that cover almost 100 percent of the development costs. It is, however, apparent that most central governments worldwide are trying to disengage/withdraw from providing direct financial support to the social housing sector. Approaches of disengagement, privatisation, cost containment and greater dependency on private finances are vigorously pursued. This trend/phenomenon is causing the sector to become more dependent on private sector funding with each passing year.

Lessons

The price that government pays for disentangling/withdrawing from providing direct financial support to the social housing sector is that it loses the ability to dictate where, when, how, to what standards and at what unit price the social housing units are to be built/constructed.

Some governments e.g. Britain are, however, of the opinion that less public support acts as an incentive to SHIs to produce more cost effective solutions and furthermore encourages the development of entrepreneurial skills in the sector. It is, however, important to realise that securing private sector investment is a difficult and challenging undertaking. The social housing sector will have to be able to demonstrate that it is a sound and relatively low risk investment.

In the final analysis each country adopts an approach relevant to its internal realities and challenges. Such approaches are, however, subject to change should the reality or context change.

The South African social housing sector receives financial assistance from government in the form of institutional subsidies. These, however, rarely cover more than 25-30 percent of the capital costs of a social housing project. The approach adopted in South Africa can thus be described as an assisted private market approach, seeing that the social housing sector in South Africa combines government subsidies and loans from the commercial/private sector to secure enough funding to undertake new development projects. Private financial institutions in South Africa are not very enthusiastic about the financing of SHIs, since quite a few have had bad experiences with financing low-income housing. It does, however, seem as if the South African Government is intent on pursuing an approach that includes as one of its core components a long-term focus on encouraging private sector investment in social housing. For such an initiative to succeed, the social housing sector needs to prove/demonstrate that it is a sound

Lesson

It is important for the South African Government to note that the repayment of loans that cover ±65 percent of the capital costs of social housing projects obtained from the private sector at market related interest rates becomes a daunting task within the South African context. Firstly, the institutional subsidy covering 25-30 percent of the development costs will only be payable if the SHI rents out the accommodation to people earning less than R3 500 per month. With some exceptions e.g the Presidential Job Summit Pilot Project mixed income projects that are advantageous in that they by including higher income households contribute/improve the financial feasibility and stability of projects are thus not encouraged as a general rule. It can also be speculated that unless the national housing budget is increased significantly government will not be able to increase its contribution to the sector in the form of institutional subsidies. Secondly, South Africa does not have a broad based social security system that can supplement the income of tenants should they loose their jobs. All these factors if taken together increase the risk that a significant proportion of tenants might at one stage or another be unable to pay their rent which in turn would

and relatively risk free investment.

cause the SHIs to default on their mortgage payments. This would increase the sector's risk profile with private financial institutions who are already less than enthusiastic about supporting the sector. It is thus vitally important, if the assisted private market approach is to succeed, for the viability and sustainability of each project to be carefully considered. Mistakes in this arena can prove to be very costly in terms of undermining investor confidence.

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

Lessons

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

SHIs in South Africa should furthermore consider actively/aggressively marketing themselves to increase interest in the sector, especially amongst public spirited non-institutional bodies/organisations.

The above-mentioned funders and SHIs use the following mechanisms/instruments

alike to fund new projects and to manage and upgrade existing projects/estates:

- Loans, subsidised or at market interest rates;
- Grants referring to firstly, bricks and mortar/production subsidies, a large once-off cash payment and secondly, consumption/demand side subsidies which can also be described as income supplements payable to individuals/households exhibiting particular characteristics or experiencing a difficult set of circumstances;
- Public-private partnerships to develop and manage SHIs;
- Incentives (excluding tax incentives) which includes *inter alia* local authorities that subsidise or provide land free of charge to SHIs and linkage programmes in terms of which developers wanting to secure development rights in down town areas have to contribute money into a neighbourhood trust fund for affordable housing development;
- Directives to secure funding for SHIs through a forced/compulsory savings system whereby employers are compelled to channel a percentage of their monthly wage costs into a housing trust fund;
- Tax incentives through *inter alia* tax rebates/concessions made to SHIs;
- Guarantees often used by government to motivate financial institutions to provide loans to SHIs at lower interest rates, since the perceived risk is lower/less and to increase the borrowing capacity of SHIs;
- Bridging finance referring to the funding needed by SHIs to finance the activities that precede actual construction;

- Cross subsidisation is achieved through the development of mixed income developments that also provide for a diversity of tenure options. The income generated from the sale of the higher and medium-income units help fund the construction of low-income units. Cross subsidisation can also be achieved through a system whereby debt free social housing stock is used as collateral for securing funding for subsequent projects/developments; and

- Sources of additional income can be secured if social housing estates include land uses like shops and community halls. These can then be rented out to private individuals/enterprises to generate additional income.

The above listed instruments are usually used in combination and in mutual support of each another.

In the South African context some of listed instruments, e.g. tax incentives, cross

Lessons

All the above-mentioned instruments together form a comprehensive framework within which each instrument has a particular niche or function to fulfil.

The financing of social housing has become a complex field that forces SHIs to develop sophisticated financial management systems. Asset and risk management are thus becoming very important skills that every SHI should have at its disposal in order to make a success of its activities, accomplish financial co-ordination and deliver the service of providing good quality housing at reasonable prices.

Lesson

In view of the fragmented financial framework in which SHIs in South

subsidisation, incentives excluding tax incentives and securing additional sources of income are not being used to the fullest extent possible, whilst one, namely directives to secure funding for SHIs, is not being used at all. The current tax dispensation as it applies to SHIs is distorted and discriminatory, undermining the affordability of rental accommodation. This situation needs to be addressed as a matter of urgency if the South African government is really intent on promoting the involvement of the private sector in the funding of social housing. This fragmented financial framework within the context of high poverty and unemployment figures in South Africa seriously hampers the extent to which the development of social housing can be seen as a viable alternative towards providing accommodation for people of limited financial means. SHIs are forced through the extent of the market related loans that they have to take out to cover their development costs, covering up to 65 percent of the capital costs, to ask rents which are unaffordable to people earning less than R2 000 per month. The social housing sector currently addresses the accommodation needs of households that are earning between R2 000 and R4 000 per month. The lowering of this threshold of affordability will thus in the absence of a social security system paying income supplements to

Africa are forced to operate it is recommended that a periodic, comprehensive review of all funding instruments/mechanisms in use must be conducted regularly with a view to determine:

- *The stumbling blocks that prevent the optimal utilisation of some funding instruments;*
- *Whether or not the motivations for not using a particular instrument are still relevant; and*
- *The particular role/function that each instrument could fulfil/play within a particular country's social housing context.*

Once the above information is available it can be used to compile a relevant and comprehensive financial framework for the funding of SHIs. In the absence of engaging creatively with other funding mechanisms e.g. supporting mixed income projects and concluding public-private

qualifying households depend on the extent that SHIs can creatively make use of the other funding mechanisms/instruments discussed.

partnerships with local authorities/municipalities to obtain well located land at reduced prices or free of charge social housing in South Africa will not be accessible to the poorest of the poor. Asset, financial and risk management skills are core competencies without which SHIs in this country and elsewhere will have difficulty succeeding.

Main lessons

SHIs are operating/functioning within a complex financial environment that is forever changing/shifting. SHIs need to keep abreast with all institutions/bodies/individuals willing to finance social housing projects and should subsequently formulate innovative/aggressive marketing strategies to secure funding from such sources. Internationally the public sector is withdrawing from providing extensive financial support to the social housing sector. It is thus important for the sector to position itself as a sound and relatively low risk investment. Asset, financial and risk management are skills that SHIs cannot do without. The sector itself should thus consider making available opportunities to their staff to qualify themselves within these fields of expertise. Lastly, it is important for each country with an active social housing sector to develop a comprehensive financial framework that makes use of all the financial mechanisms/instruments available to the social housing sector within that country.

Housing management is one of the most important factors determining whether or not social housing estates will flourish or decline. The approach to social management has undergone numerous changes over the years. Octavia Hill (1838-1912) is often

cited as the founder of the philosophy underpinning social housing management. She believed that a certain style of management, often described as paternalistic and authoritarian could be used to improve the moral welfare of the poor. In the early 1920s the social housing sector adopted a property-orientated approach, an approach that focused only on the property itself and included no social element. The 1930s saw a return to a more intensive management style where the managers once again acted as advisors to tenants experiencing difficulties. From the 1950s onward to the early 1970s housing managers moved away from close personalised contact with tenants as housing management became more remote and impersonal.

In the early 1970s unprecedented managerial problems including *inter alia* high resident turnover rates and increased vacancy levels created an environment within which a property orientated management approach was not enough. These problems were partly created as a result of the changed clientele of SHIs. The resident populations changed from predominantly working class members to a disproportionate number of low-income, unskilled and semi-skilled, unemployed people dependent on some form of government or public support. This led to the emergence of the so-called socio-economic accompaniment approach that is associated with a broadening of the activities associated with housing management to include initiatives aimed at enhancing the quality of life on social housing estates as well as in the surrounding areas. Key characteristics of this

Lessons

The adoption of a socio-economic accompaniment management approach in South Africa could lead, if too ambitious, to the scope of management activities literally becoming limitless/endless. Such a situation could lead to the failure of the SHIs in question since costs cannot be contained.

It was thus concluded that it might be better for South African SHIs to undertake audits of the community service organisations operating in the vicinity of their estates and to conclude partnership agreements with these service providers to make their services available to the SHIs in question. In this way the SHIs still adopt a socio-economic

approach include enhancing tenant participation, the decentralisation of management functions and physical alterations to building to reduce the impact of crime.

It is, however, important to note that there are three factors that affect the relative ease or difficulty of social housing management, no matter which management approach is adopted, they are:

-The quality of rehabilitation or construction work. If either one of these two were not done to an acceptable standard, future management structures inherit ongoing problems, which will put pressure on the budgets of the SHIs and furthermore lead to tension with and amongst tenants;

-The choice of the site or location of the social housing estate. The location of social housing estates are generally regarded as very important since it determines the local environment within which people will live. Locational factors determine the desirability and hence the value of the land. It is thus important to weigh the financial advantage that can be gained from acquiring cheap land

accompaniment approach but do so in partnership with other specialised organisations and service providers.

Lessons:

South African SHIs should try their best to get the following three factors correct, since it will ease their management task quite considerably:

-Ensure that the quality of construction or rehabilitation work is carried out to an acceptable standard;

-Upon considering whether or not it is desirable to build a social housing estate/accommodation in a particular area it is vital to consider how it will be for people of few resources to reside there. It is thus important to build homes where they can readily be serviced by schools, shops and transportation facilities even though

for development against its desirability as a place to live. Some of the worst residualised social housing estates characterised by *inter alia* unpopularity, vandalism, appearance of decline and decay, high turnover rates and vacant dwellings internationally can be found on the outskirts of towns and cities – away from shopping, health, entertainment and recreational facilities.

It is furthermore important to realise that the location of social housing estates will have an impact upon existing local communities since social housing estates will out of necessity place extra demands on schools, health and social services;

-Size/scale and configuration of social housing estates. Experience elsewhere have indicated that most stigmatised/residualised social housing estates are large, a fact that presents a powerful argument for social housing institutions to keep their developments small. Small estates firstly minimise the effect that large numbers of uniformly poor people could have on an area. The reason being that poverty, large numbers

the land might be more expensive in such localities.

The ability of existing/receiving communities to deliver the social services that will be required when a social housing scheme is completed also needs to be taken into account/considered to avoid overburdening of existing service providers.

From the above it can thus be concluded that tempting as it may be to acquire inexpensive large sites in peripheral areas to construct social housing the acquisition will be a poor one if it leads to inconvenient and isolated developments.

- Instead of large social housing estates South African SHIs might opt for an approach aimed at integrating vulnerable /disadvantaged people through small developments into the wider community in which they are more likely to find support instead of amongst people that are equally disadvantaged or vulnerable.

In view of the above statement It is,

of children and a concentration of people under stress in large estates can contribute to an estate entering the spiral of decline or residualisation. Secondly, experience elsewhere have shown that the management structures of the bigger/larger social housing estates find it more challenging as a result of the sheer numbers involved to provide sensitive solutions to the problems being experienced by the residents. Size can thus make the task of adopting a socio-economic approach that much more daunting given the fact that social housing estates in most instances provide a refuge for people of limited financial means that might have been homeless or traumatised in some other way on top of experiencing difficulty in finding stable employment.

however, important to realise that economies of scale can still be achieved from volume builders/contractors by arranging serial contracts on a number of small developments which can be readily absorbed into existing communities. If for whatever reason it is necessary to construct large social housing estates it is vital to note that the presence of so many households with few resources on large social housing estates necessitate well resourced community development programmes if a socio-economic management approach is adopted.

Housing management can be accomplished through self-management, self-management with professional assistance or leaving the management function up to professional management consultants/personnel/firms.

Lessons

South African SHIs should realise that the decision on how housing management within a particular estate should be accomplished will depend on the skills available amongst the tenants as well as the willingness of the tenants to contribute/volunteer their free time towards the fulfilment of management functions.

If professional staff is, however, appointed to accept responsibility for carrying out the management function it is important to have a mechanism through which SHIs can regain control of their affairs in times of crisis.

Small SHIs usually manage their estates through the general meeting, or gathering of all residents older than 18 years. If residents are, however, too numerous for a general meeting to make decisions through consensus, a management committee is elected from amongst the general meeting members. In situations where suitably qualified people cannot be found from amongst members of the general meeting, people not affiliated with a particular estate who are in possession of particular skills or valuable experience can be invited to serve on the management committee. The committee is then responsible for all aspects of the estate management.

In cases where SHIs have numerous estates to manage collectively under one management policy/strategy they usually adopt a model that has a supervisory and/ or a management board. The supervisory board's main task is to set the general policy framework for the SHI and to monitor the activities of the management board. The management board controls the business activities and the overall administration of the SHI.

The managing board usually appoints a managing director or a chief executive who takes responsibility for the day-to-day management of the SHI that includes e.g. the recruitment of professional staff. Tenants on the larger estates

Lesson

The size and complexity of the SHI's portfolio will in the absence of legislative or policy directives, determine which structure and what variation thereof will be

often form tenant management committees that are, depending on the byelaws of the SHI, entitled to nominate persons to represent the interests of tenants on the management and or supervisory boards.

adopted.

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

Unit allocation is the practice of matching the size and nature of property with the requirements of the prospective tenant. When SHIs are formulating their allocation policies they often take into account considerations like: a desire to give priority to those in the greatest housing need, a desire to reduce future management problems and the need to create balanced communities. The allocation process itself and the policies it is based upon, strive to create balance between these often conflicting objectives. If a SHI gives priority only to those with the greatest housing need it leads to a concentration of deprived and disadvantaged groups in social housing estates, which creates a lot of management problems. SHIs in *inter alia* Britain, USA, France and Denmark are moving away from allocation policies solely based on wanting to help those in need, to policies striving to create balanced communities. Although SHIs in South Africa endorse the concept of balanced communities their dependence on institutional subsidies usually have the effect of excluding people earning more than R3 500 per month. Proposals made to government by the SHTT recommended that new criteria be introduced in the evaluation of institutional subsidy applications in order to ensure that diverse family types and income levels can be accommodated in social housing estates. From a financial point of view the adoption of such an approach can contribute towards the stability and long term feasibility of social housing projects in the country.

Some of the most frequently used allocation and selection methods include: concluding referral agreements with various other voluntary agencies or specialist interest groups to accept referrals from them on a priority basis, waiting lists based on a points system through which the extent of personal or family need is quantified and the Delft model which is an applicant led allocation tool or model. In terms of this model SHIs advertise all vacant dwellings in a special newspaper delivered from door to door. Prospective applicants apply only for the specific units they are interested in or suit their particular needs.

Lesson

The creation of viable communities in social housing depends to a large extent on the allocation/selection policies and practices. The specific allocation or selection method will depend upon the capacity within SHIs to undertake complex and time-consuming procedures as well as the approach (should SHIs only help those in need or should they strive to create balanced communities) adopted by the country in question. If the proposal of the SHTT to introduce new criteria into the evaluation of institutional subsidy applications to ensure that diverse family types and income levels can be accommodated in South African social housing estates is adopted, South African SHIs should purposefully create the internal capacity to develop and manage allocation systems that will lead to the creation of balanced communities. South African SHIs, however, need to realise that the objective to create balanced communities will be much more demanding in terms of capacity than an approach which simply gives preference to all applicants with an income below a particular limit.

The purpose of maintenance is to maximise the life span of assets, in this case social housing units. It is important not to defer maintenance activities, as it will result in premature decay of social housing stock.

Maintenance is furthermore a crucial function in ensuring the continual popularity of social housing estates. The result of neglected maintenance is clear for all to see and often result in increased vandalism and tension between landlord and tenants. Tenancy /lease agreements usually set out the maintenance responsibilities of each party. Tenants are usually responsible for small or minor repairs while the landlords assume responsibility for unplanned maintenance in response to complaints lodged by the tenants and planned maintenance that is cyclical in nature. In South Africa the relations between landlords and tenants are regulated by the Rental Housing Act, 1999 (Act 50 of 1999).

Lessons

The size and configuration of the specific SHI's portfolio will determine whether or not it is feasible to have an in-house maintenance department. Smaller SHIs are usually not able to afford in-house maintenance departments and as a result they outsource this function to specialist maintenance firms. On the other hand, SHIs with large property portfolios might find it cheaper in the long-term to have an in-house maintenance department than to pay the hourly tariffs of specialist maintenance firms.

Cash strapped SHIs in South Africa should consider appointing carefully selected caretakers that can save such institutions a lot of money by carrying out small repairs themselves.

Rent collection is central to ensuring the financial viability of SHIs since it

Lessons

It is important for each South African SHI to develop a rent collection policy that works

more often than not represent their sole source of income. Effective arrears control is vital to prevent SHIs with long-term loans from falling behind with their mortgage payments. The implementation of an effective arrears control policy depends on having access to accurate and up to date information on any arrears that occur. SHIs in general try to keep rent arrears and voids (vacant units) down to between four and five percent of the expected rental income.

wel.l Such policies can, and usually do, encompass a combination of several rent collection strategies e.g. imposing penalties for arrears, providing debt counselling services and providing convenient pay points like local offices and banks. South African SHIs should furthermore also be willing to adapt/change their rent collection strategies if their arrears increase. Rent collection statistics can be seen as a measurement/barometer of the health of the SHI. If it is not up to standard it is a sure indication of some underlying problem that needs to be identified and addressed quickly and efficiently.

Experience elsewhere have indicated that the traditional door-to-door method of rent collection still renders the lowest levels of rent arrears. Smaller and medium size SHIs internationally use the door-to-door collection method also as an opportunity to observe the condition of the units on a regular basis. This meeting between the collector and tenant also presents tenants with regular opportunities to raise any complaints and or concerns they might have. Given the cash constraints under which South African SHIs in general operate implementing a door-to-door collection method over the short term until a culture of payment have been firmly established should

be carefully considered.

The importance of tenant participation in the last few years has increased dramatically since the benefits of tenant participation e.g. its capacity to improve tenant/resident satisfaction became apparent. Tenant participation can be enhanced by initiatives to provide tenants with clear information regarding their rights and duties and through the creation of a legitimate system through which they can influence SHI policy and practices. There are three models/approaches to tenant participation, the co-operation model/approach, the negotiation model/approach and the self-management model/approach. In terms of the co-operation model tenant representatives do not have formal decision-making powers. The representatives are either in the minority in decision-making bodies or else proposals made by them must be formally ratified by other management structures/bodies.

The motivation for tenant participation in terms of the co-operation model is thus the desire to create harmony between the interests of the tenant and the SHI. The negotiation model in turn is based upon an assumption of tension between the tenant and management structures. The said assumption implies that both sides will build up their respective organisations in anticipation of meeting each other around the negotiation table to sort out an agreement acceptable to all. Lastly, in terms of the self-management model or approach tenants have autonomous decision-making powers on either all management issues or only in regards of specific issues delegated to them.

Lesson

The policy frameworks, legislative requirements, the unique political and socio-economic circumstances as well as the general attitude in the social housing sector within a particular country will determine which model will be adopted.

Once tenants realise that their efforts and initiatives can improve the conditions of their immediate surroundings and that management supports and encourages such initiatives they tend to take better care of the

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

It is furthermore vital to create the right conditions/environment for tenant participation and/or consultation to develop and flourish. This can *inter alia* be achieved through information sharing, the promotion of the establishment of tenant participation committees/tenant associations and allowing tenants to contribute their experiences and expertise.

units and facilities provided on the social housing estate. South African SHIs should thus realise that participation in the final analysis, can be seen as a strategy through which SHIs can firstly, become more cost effective and secondly improve tenant satisfaction.

Lesson

It is important for South African SHIs to realise that universal participation is an unrealistic goal. Opportunities for tenants to participate, if they wish to do so, should always be present and well publicised. SHIs that respect the views of tenants and treat all people fairly will create good will that will result in financial dividends. In contrast, a paternalistic and/or authoritarian treatment of tenants will create unresponsive and apathetic tenants who add to the difficulty of managing such estates effectively and economically.

Main lessons

Housing management is literally the end all with regards to social housing. All

the good intentions in the world to assist those in need of housing within a supportive environment can fail if housing management is not done sensibly and transparently. A lot of benefit can be gained from treating residents or tenants as partners with a view to ease the task of management. Successful social housing estates are created partly through design, but even more importantly through good management practices aimed at creating homes and not merely accommodation.

In view of the lessons outlined above it can be concluded that well planned and located social housing estates can make a contribution towards addressing the housing crisis in this country. It should, however, be remembered that social housing from its inception was limited to that of a supplementary form of housing provision rather than an alternative to other housing programmes. The social housing sector currently addresses the accommodation needs of households earning between R2 000 and R4 000 per month. Lowering this threshold of affordability will be challenging in the South African context given the fragmented financial framework within which SHIs currently operate, high poverty and unemployment figures and the absence of a broad based social security system that can supplement the income of tenants over the long term should they lose their jobs and thus the regular source of income necessary to pay the rent. All of these factors combined seriously hampers the extent to which the development of social housing in South Africa can be seen as a viable alternative towards providing accommodation to the poorest of the poor. This does, however, not imply that social housing cannot play a role in addressing the housing crisis in the country. The lessons outlined in this document highlight some problems and challenges that can be overcome if they are addressed in a systemic and consistent manner. It is thus believed that the lessons highlighted in this document can contribute towards the finalisation of a comprehensive and supportive policy framework within which SHIs will be able to grow, multiply and flourish.