



Annexure A

For Outcome 8 Delivery Agreements:
Sustainable Human Settlements and
Improved Quality of Household Life

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GLOSSARY

BNG	Breaking New Ground
CIP	Comprehensive Infrastructure Plans
COGTA	Department of Cooperative Governance and Traditional Affairs
CoP	Community of Practice
CRU	Community Residential Unit
DBSA	Development Bank of Southern Africa
DFI	Development Finance Institution
DLA	Department of Land Affairs
DoH	Department of Housing
DORA	Division of Revenue Act
DPLG	Department of Provincial and Local Government
FLISP	Finance Linked Individual Subsidy Programme
HDA	Housing Development Agency
HH	Households
IDP	Integrated Development Plan
IGRFA	The Intergovernmental Relations Framework Act, 2005 (Act 13 of 2005)
ISRDP	Integrated Sustainable Rural Development Programme
MHDP	Municipal Housing Development Plans
MI	Mortgage insurance
MIG	Municipal Infrastructure Grant
MDGs	Millennium Development Goals
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
NDHS	National Department of Human Settlements
NPM	New Public Management
NHFC	National Housing Finance Corporation
NHBRC	National Housing Builders Registration Council
NSDP	National Spatial Development Perspective
NUSP	National Upgrading Support Programme
PGDS	Provincial Growth and Development Strategy
SOEs	State Owned Enterprises
RDP	Reconstruction and Development Programme
UISP	Upgrading informal settlements programme
URP	Urban Renewal Programme
PGDS	Provincial Growth & Development Strategy
SHA	Social Housing Associations
SHI	Social Housing Institutions
SHRA	Social Housing Regulatory Authority
SLA	Service Level Agreement

INTRODUCTION

Government has agreed on 12 outcomes as a key focus of work between now and 2014. Each outcome has a limited number of measurable outputs with targets. Each output is linked to a set of activities that will help achieve the targets and contribute to the outcome. Each of the 12 outcomes has a delivery agreement which in most cases involves all spheres of government and a range of partners outside government. Combined, these agreements reflect government's delivery and implementation plans for its foremost priorities.

The outcomes apply to the whole of government and are long term. While the delivery agreement may contain longer term outputs and targets, it also includes outputs and associated targets that are realisable in the next 4 years. It also considers other critical factors impacting on the achievement of outcome 8, such as the legislative and regulatory regime, the institutional environment and decision-making processes and rights, the resources needed and re-allocation of resources where appropriate.

The results chain which is derived from the delivery agreement will be used to monitor and evaluate progress of the delivery agreement. The Programme of Action (2010-2014) will emanate from the results chain.

1. IDENTIFICATION OF DELIVERY PARTNERS

The delivery agreement is a negotiated charter which reflects the commitment of the key partners involved in the direct delivery process to working together to undertake activities effectively and on time to produce the mutually agreed-upon outputs which in turn will contribute to achieving outcome 8. The delivery agreement for outcome 8 was developed and agreed with key partners. There are delivery agreements with each of the relevant partners:

Outputs	Delivery Agreements
Output 1: Accelerated Delivery of Housing Opportunities	Between the Minister and provincial MEC's as per the IGR Act.
Output 2: Access to basic services	Between Minister of Human Settlements and the Minister of Cooperative Governance
Output 3: Output 3: Efficient Utilisation of Land for Human	Between the Minister of Human Settlements and the Ministers of Public Works, Public Enterprises

Settlements Development	and Rural Development and Land Reform
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For output 4 on Improved Property Market the Department of Human Settlements will work closely with the National Treasury.

This document is the detailed information attached to the delivery agreements. It describes the outputs, targets, indicators and key activities to achieve outcome 8, required inputs and clarifies the roles and responsibilities of the various delivery partners.

2. HIGH LEVEL PROBLEM STATEMENT

The apartheid legacy of spatially and economically marginalising the poor has meant that people live far from job opportunities and major services, typically in “dormitory” type residential areas. Many of our people continue to survive without basic services in the many informal settlements. Even those of our people who have jobs and a consistent salary find it difficult to sustain a decent quality of life, as they fall outside of the subsidy bracket but at the same time are unable to afford and access the mortgage products available from commercial banks.

The current housing development approach with a focus on the provision of state subsidised houses will not be able to meet the current and future backlog and there are questions related to its financial sustainability. We need to diversify our approach to include alternative development and delivery strategies, methodologies and products including upgrading of informal settlements, increasing rental stock, and promoting and improving access to housing opportunities in the gap market. The core subsidised housing product must be but one of many approaches.

The low estimate of need for adequate shelter is 2, 100,000 (2.1 million units) and the high estimate of need for adequate shelter is 2,195,000 (2.2 million units). These include 1,214,236 million in informal settlements and 590,194 in informal dwellings in backyard (National Department of Human Settlements, 2010).

While new household formation continues to grow at approximately 3% p.a., large numbers of households continue to have no access to inadequate shelter.

The key challenges include:

- As a consequence of rapid urbanisation, new household formation and past racially-based planning, South Africa faces a significant challenge in providing affordable, suitable accommodation to poor households
- 1.2 million poor households are in approximately 2700 informal settlements across the country, but largely concentrated in the major metropolitan areas
- In addition to living in poor accommodation, many households still do not have access to basic services in respect of water, sanitation, refuse removal and electricity
- Annual household formation continues at some 3% (350,000 households) per annum, further contributing to housing shortages

- The national housing programme has been delivering approximately 220,000 housing opportunities per annum (which include 160 000 housing units and 60 000 serviced sites),
- Some 17% of households considered to be living in inadequate housing earn between R3,500 and R12,800 per month and are excluded from the fully-subsidised as well as mortgage-financed housing market
- This market weakness is a consequence of a number of complex inter-related issues including: inadequate supply of suitable land, slow township establishment procedures, delays and costs associated with the provision of bulk infrastructure, a mismatch between affordability and product (both financial and housing) and distortions introduced by the current norms and standards applicable to fully-subsidised housing
- Poor planning has resulted in a proliferation of marginalised and disconnected settlements
- Many informal settlements, by way of contrast, are well located with respect to social amenities and economic opportunities, but lack security of tenure and/or access to adequate basic and social services
- Urban sprawl and low densities contribute to unproductive and inefficient cities as poor households continue to be marginalised by distance and transportation costs and the lack of agglomeration in many urban centres undermines economic development and efficiency.

3. LINKING OUTPUTS TO OUTCOME 8

This section provides a high level problem statement for each output. It explains how the outputs relate to outcome 8 and how each of the sub-outputs relates to their associated output.

Building on the foundation of aspirations recorded in the Freedom Charter, the White Paper on Housing, the Housing Act and the Comprehensive Plan for the Creation of Sustainable Human Settlements, President JG Zuma in the State of the Nation Address of 3rd June 2009 confirmed that the human settlements future in South Africa must at least consist of:

- Development of suitably located and affordable housing (shelter) and decent human settlements
- An understanding that human settlements is not just about building houses
- Transforming our cities and towns (moving towards efficiency, inclusion and sustainability); and
- Building cohesive, sustainable and caring communities with improved access to work and social amenities, including sports and recreation facilities (community development and optimal access/ inclusion).

In the main, the future development of human settlements in South Africa is to be principle based and outcome driven. The principles are outlined in the Housing Act while the outcomes are the subject of the Mandate of Government resulting from the election manifesto of the ruling party as expressed in the Medium Term Strategic Framework.

Sustainable human Settlements and improved quality of household life are defined by:

- Access to adequate accommodation that is suitable, relevant, appropriately located, affordable and fiscally sustainable
- Access to basic services (water, sanitation, refuse removal and electricity)
- Security of tenure irrespective of ownership or rental, formal or informal structures
- Access to social services and economic opportunity within reasonable distance.

The outcome is of critical importance for various reasons. Firstly, it is a requirement of the Constitution and Bill of Rights. Secondly, it is core to human dignity and social stability and is a key enabler of health, education and social cohesion outcomes. Lastly, with good planning, it can also serve as a catalyst for economic development and job creation. Ultimately, the outcomes of the national effort around human settlements must be seen in the context of social development and transformation as well as meeting the objectives of rolling back under-development.

2.1 OUTPUT 1: ACCELERATED DELIVERY OF HOUSING OPPORTUNITIES

Upgrading of 400000 HH in well located informal settlements with access to basic services and secure tenure

Many of the approximately 2 700 informal settlements are in good locations (i.e. well-located close to metropolitan areas and basic services), have high densities and, in 2008, housed approximately 1.2 million households. The key challenge is providing these households with adequate basic services and an improved shelter.

National Upgrading Support Programme (NUSP)

Many municipalities do not have the knowledge and/or resources (capacity) to implement informal settlement upgrading. The inter-related shortcomings in the prevailing approach to informal settlement upgrading:

- Inconsistency – although Breaking New Ground identified the need for informal settlement upgrading, and the UISP was put in place, the NDHS and most provincial departments did not pursue its large-scale application. Relatively high profile messages on participatory upgrading, such as the Durban Declaration, have not translated into development activity.
- Misalignment – many provincial departments lack programmatic approaches to informal settlement upgrading, choosing instead to focus on project-linked subsidy interventions. These have often proved to be ad-hoc, responsive rather than pro-active, and influenced by provincial political priorities.
- Weak communication – housing sector officials generally lack familiarity with the UISP and Part 3 of the National Housing Code. The NDHS and its provincial counterparts have been inconsistent in promoting and refining the use of the programme and its associated instruments. Simplistic interpretations of the ambition to ‘eradicate’ all informal settlements by 2014 have consequently come to dominate official thinking.
- Critical mass – incremental upgrading has not been pursued at scale, being seen as second-best to formal housing provision. Meanwhile, informal settlements have mushroomed to over 2 700 nationally, and at current rates of delivery the oft-stated 2014 eradication target will not be met until the 2030s.
- Weak engagement with municipalities and communities – although the UISP envisages municipalities as developers in informal settlement upgrading, this has so far not taken place at scale. Engagement and encouragement of municipalities to become more pro-active is essential to harness resources, broaden the base of experience and innovation, and achieve large-scale implementation. Furthermore, community participation in project planning and implementation has generally been structured through Ward Committees, and been limited to procedures rather than encouraging flexibility of shelter and services solutions.

In response, the National Upgrading Support Programme (NUSP) seeks to bring about change in these strategic areas in the following ways:

- **Consistency:** The programme advances a consistent message in promoting the UISP and applying Part 3 of the National Housing Code across the NDHS and sub-national governments. It raises the profile of informal settlement upgrading and at the same time seeks to provide tools, capacity support and technical assistance for its implementation. Consistency will be achieved through the production and use of the Upgrading Resource Kit to complement Part 3 with examples of implementation solutions and good practice, and a modular capacity building programme for provinces, municipalities and beneficiary communities.
- **Alignment:** The NUSP supports the implementation of the UISP at national, provincial and local level, through the national Upgrading Forum and provincial counterpart structures that involve target municipalities. The requirement for provinces to have prioritised programmes for upgrading informal settlements, and for municipalities to have transformational project plans will ensure alignment across the national programme and focus on the national objective.
- **Communication:** The NUSP will improve communication across the programme through the activities of the National Upgrading Forum and provincial counterpart structures, and the establishment of an active community of practice among government officials, practitioners and communities.
- **Critical Mass:** The delivery target of 400 000 households represents 33% of the estimated 1.2million households living in informal settlements. To support the UISP in achieving the necessary scale of delivery, the NUSP will work with the NDHS, all provinces and an initial target group of 49 municipalities across the country. This group has already been identified, and the majority of municipalities briefed on the programme. These municipalities account for around 75% of all informally settled households in the country.
- **Engagement:** The NUSP recognises that active management and engagement are essential to support the transition to increased incremental upgrading and overcome resistance to change. The NUSP is located within the NDHS, and will operate through the Secretariat to the National Upgrading Forum and the provincial counterpart structures. Direct engagement through the programme will be achieved through:
 - Participation of officials and community members in the NUSP capacity building programme and community of practice
 - Participation of NUSP partner organisations (including Urban Landmark, DBSA and the World Bank Institute) in relationships with the programme and municipalities in providing information and experience to support implementation
 - Provision of technical assistance to provinces and municipalities to support the UISP and encourage innovation and flexibility in project solutions. This will include, where

necessary, the re-orientation of existing professional resource teams contracted to work on provincial human settlement programmes.

Affordable Rental Housing

A key additional output is the increased provision of well located and affordably priced rental accommodation. The target is to deliver at least 20 000 units per annum over the next four years.

Rapid urbanization has resulted in demand far outstripping supply and the challenge is to rapidly increase sustainable and affordable rental housing supply.

The Affordable Rental Housing Programme in the Department of Human Settlements is one of the initiatives towards eradication of housing backlogs, through provision of rental housing for low income persons who cannot be accommodated in the formal private rental market. Although the scale has been limited, two rental housing programmes have been introduced in the form of Community Residential Units and Social Housing.

The affordable segment of the private sector delivery has not been fully harnessed to contribute to policy objectives of city restructuring, local economic development and improving the quality of life of urban households.

Table 1: Tenure status of households

Tenure Status	Total	Percentage
Owned and fully paid off	6 211 001	50%
Owned but not yet paid off	1 486 609	12%
Rented	2 312 672	19%
Occupied rent-free	2 343 467	19%
Other	103 832	1%
Grand Total	12 457 581	100%

Households that rent are spread across all income bands with the majority earning less than R7500.

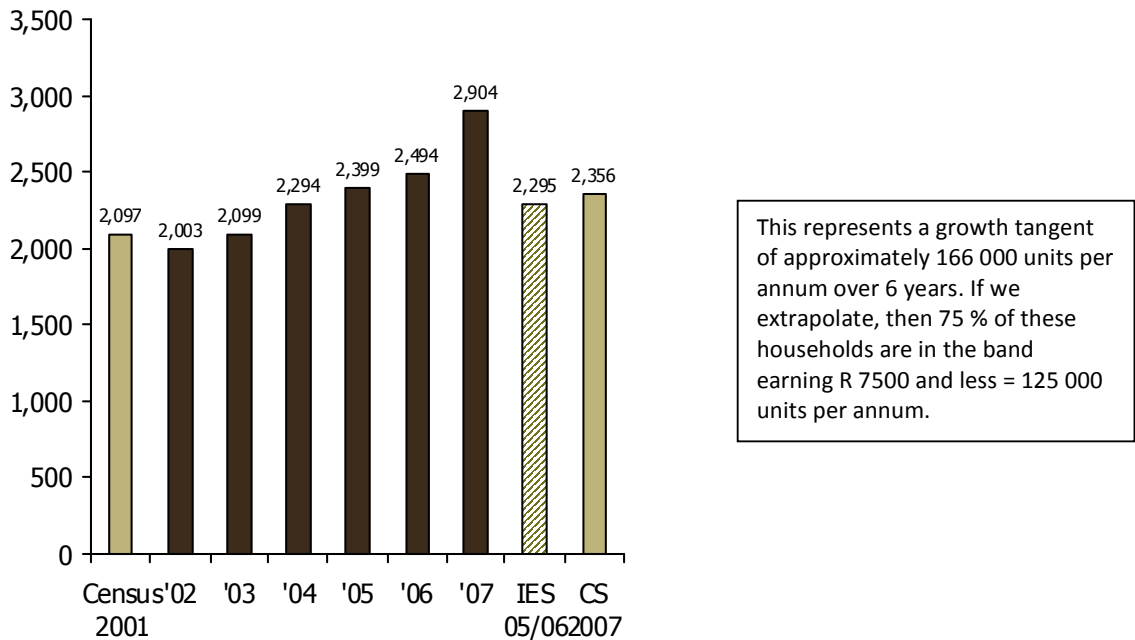
Table 2: Number of households that rent in relation to income band

Banded Monthly Income	Total number of households	Number of households that rent
<850	2 532 053	355 796
850-1500	2 273 981	303 958
1500-3500	3 436 947	662 609
3500-7500	1 906 039	493 731
7500-10000	537 583	182 068
10000+	1 770 978	340 289
Grand Total	12 457 581	2 312 672

Below R7,5

Comprises 75% of people who rent

The General Household Survey further indicates that the demand for rental grew by almost a million between 2002 and 2007 (others show slightly less: IES, CS):



2.2 OUTPUT 2: IMPROVE ACCESS TO BASIC SERVICES

This output is the primary responsibility of the Department of Cooperative Governance and Traditional Affairs. The Department of Human Settlements will play a supportive role in the achievement of the following targets related to universal access to basic services. The targeted increases in access are:

- Water from 92% to 100%
- Sanitation from 69% to 100%
- Refuse removal from 64% to 75%
- Electricity from 81% to 92%.

To deliver on these basic services, consideration must be given to the establishment of an Integrated Bulk and Link Services Infrastructure Fund to unlock delivery of bulk and link reticulation services and align the Provincial Infrastructure Grants and Municipal

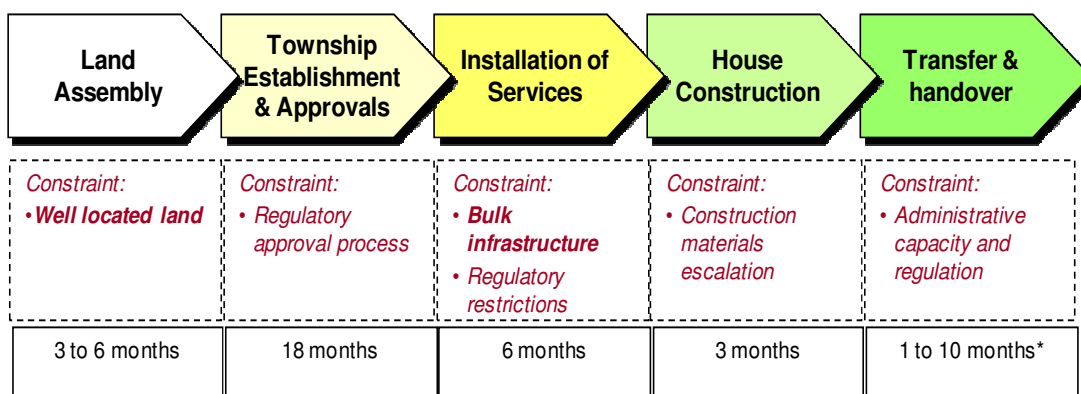
2.3 OUTPUT 3: MOBILISATION OF WELL LOCATED PUBLIC LAND FOR LOW INCOME AND AFFORDABLE HOUSING

New settlements are often located on the periphery of an urban area due to the lower cost of purchase and higher availability of land for settlements. This undermines urban agglomeration and often provides poor access to social amenities and job opportunities. It also results in substantial cost implications for local government that result from having to provide basic services to the new settlements.

Furthermore, state owned entities and enterprises such as Transnet are known to own several pieces of land that are close to urban centres and unutilised. These would be ideal for new settlements, but are currently not being considered. If the current situation continues, the marginalisation of these settlements will continue due to their isolation from services and employment opportunities.

An agreement with national, provincial and municipal landowners to release 6250ha of land over the next four years and utilise densities of 60 units per ha can only be achieved through proper planning at a provincial and municipal level.

Furthermore is a proper functioning of the land use management system to improve development and zoning processes and systems. In this regard the department will participate in the process currently coordinated by The Presidency to fast-track the development of new comprehensive land use development and management legislation.



Category of housing	Plans passed			Buildings completed		
	Number year ago	Units		Number year ago	Units	
		Number	% change		Number	% change
Houses of <80m ²	33 813	28 836	-14.7	25 555	21 500	-15.9
Houses of ≥80m ²	30 083	20 237	-32.7	20 427	18 894	-7.5
Flats & townhouses	30 951	28 925	-6.5	24 784	24 079	-2.8
Total	94 847	77 998	-17.8	70 766	64 473	-8.9

Source: Stats SA

2.4 OUTPUT 4: IMPROVED PROPERTY MARKET

The target is to facilitate with the private sector, related Development Finance Institutions (DFIs) and spheres of government, the improvement of financing of 600 000 housing opportunities within the gap market for people earning between R3 500 and R12 800.

Evidence suggests that private housing delivery, especially at the affordable end of the market, is declining due to the impact of low affordability / access to finance, high input costs (land and servicing) and poor margins on new developments.

The establishment of a guarantee scheme to provide underwriting and first loss cover to commercial lenders for housing finance and related housing development, and resolving the optimal role of housing DFIs is critical in mobilising efforts to realise this target and facilitate the delivery of the necessary housing opportunities.

3. ACTIONS NEEDED TO ACHIEVE EACH OUTPUT

This section highlights interventions and changes required to achieve each of the outputs.

3.1 OUTPUT 1: ACCELERATED DELIVERY OF HOUSING OPPORTUNITIES

3.1.1 Sub Output 1: Upgrade 400 000 Households in well located Informal Settlements with access to basic services and secure tenure

What will need to be done differently?

The target is to provide at least 400 000 households in well-located informal settlements with tenure, basic services and access to amenities over the period May 2010 to April 2014. This embraces the provision of tenure and services in well-located informal settlements as the first step in an incremental process of their transformation to sustainable human settlements. Consequently, integrated development planning, coordinated municipal and provincial service delivery and good urban management are essential complementary activities in achieving the transformational objective.

The key instrument for delivery against the target is the Upgrading Informal Settlements Programme (UISP). Part 3 of the National Housing Code (2007) sets out the main objectives of the UISP as follows:

- Facilitate structured in situ upgrading of informal settlements as opposed to relocation
- Recognise and formalise the tenure rights of residents within informal settlements
- Provide affordable and sustainable basic municipal engineering infrastructure, that allows for scaling up in the future
- Address social and economic exclusion by focusing on community empowerment and the promotion of social and economic integration. Build social capital through participative processes and address broader social needs of communities.

More details of the UISP and other relevant instruments are set out in Appendix B.

Other subsidy programmes, including the Integrated Residential Development Programme (IRDP) and social and rental interventions, may also be applied in an integrated fashion at individual project level.

Output 1 is a shift away from the current paradigm of exclusively state-provided housing for the poor. It explicitly includes improving livelihoods through the provision of different forms of tenure, and provides for alternative methods of housing delivery. It is the first large-scale programmatic response to incremental upgrading of informal settlements in the country.

The programme will be tightly focused and strictly defined to avoid diminishing the purpose of meeting the overall target and its objectives (see Appendix A for definitions). All provinces will be required to have in place informal settlement upgrading programmes, and project plans will need to demonstrate the eventual transformation of the informal settlement into a sustainable human settlement (see Appendix B for requirements of provincial programmes and project plans).

These integrated and comprehensive development plans will be included in Municipal IDP Housing Chapters, Multi-Year Delivery Plans and Medium Term Expenditure Frameworks. The requirement for comprehensive provincial programmes and project plans will ensure that the qualitative and livelihoods aspects of the upgrading programme are not squeezed out by the quantitative and service delivery emphasis inherent in the delivery target. It ensures that these programmes and plans also act as a key performance indicator in the early establishment of the upgrading programme.

This new approach will involve close coordination between the NDHS and provinces to ensure compliance with their share of the overall national target. The provincial household targets are derived from their respective conditional grant allocation percentage. The annual plans submitted by provinces to secure their conditional grant allocations will be monitored, and required to show viable programmes that meet the annual component of the provincial target.

Evaluation of the legislative environment

The Housing Act clearly stipulates the mandates of each sphere of government in respect of housing delivery. Housing is a concurrent function and therefore the provinces contribution to the 400 000 household targets are derived from their respective conditional grant allocation percentage.

Provincial Departments	Provincial % Allocation Formula	Number of Informal Settlements Households
EC	14.86	59440
FS	6.60	26400
GP	24.19	96760
KZN	19.05	76200
LP	7.80	31200
MP	6.62	26480
NC	2.33	9320
NW	7.21	28840
WC	11.34	45360
Total	100	400000

The UISP is instituted under the Housing Act 1997. The UISP lies within Government's current national housing policy and programmes, forming part of South Africa's commitment to the UN Millennium Development Goals, and the target to achieve a significant improvement in the lives of at least 100 million slum dwellers by 2020.

Breaking New Ground – the Comprehensive Plan for the Development of Sustainable Human Settlements (2004) provides for the progressive eradication and upgrading of informal settlements. It emphasises the importance of spatial restructuring and integration in the statement that: *informal settlements must urgently be integrated into the broader urban fabric to overcome spatial, social and economic exclusion.*

The Division of Revenue Act (DORA) provides for the Integrated Housing & Human Settlement Development Grant (Conditional Grant) for housing programmes against the submission of approved national and provincial business plans.

Evaluation of the existing regulatory framework

The regulatory framework for upgrading informal settlements under the UISP is set out within Part 3 of the National Housing Code 2009.

The provision of community residential units (CRUs) as an option under Phase 4 of the UISP falls under Social & Rental Interventions of the National Housing Code 2009.

The Enhanced People's Housing Process as an option under Phase 4 of the UISP falls under the National Housing Code 2009.

Individual and consolidation subsidies as an option under Phase 4 of the UISP fall under the National Housing Code 2009.

Temporary shelter can be made available to households while services are being installed or formal houses are being built on sites previously occupied by informal structures. Such provision falls under the Emergency Housing Assistance Programme of the National Housing Code 2009.

The National Housing Code 2009 requires municipalities to include a Housing Chapter in their Integrated Development Plans (themselves mandatory under the Municipal Systems Act 2000).

Evaluate the existing institutional arrangements

UISP project implementation will be carried out by municipalities, with support from provinces as appropriate. Where municipalities are unable to act as developers, provincial departments of human settlement are empowered to take over that role.

Evaluate the management systems, processes and skills

There are major human resources needs at provincial and local level – provincial informal settlement units are generally small and under-staffed. They will require increased capacity

to implement the large-scale programmatic approach required to achieve the delivery target, particularly where partner municipalities are weak. Provincial support for municipalities, especially in relation to planning and packaging of projects, and monitoring and feedback, remains an essential role for provinces. Technical support will be provided from existing provincial consultant teams and project management offices, although these may need to be expanded or redirected to the UISP.

Municipalities face the challenge of implementing UISP projects as part of transformation towards sustainable human settlements. Officials are likely to need regular and consistent project management support as most will be unfamiliar with incremental upgrading processes. They will need to embrace qualitative aspects of this process including:

- Incremental tenure within informal settlements
- Adopting livelihoods- based approaches
- Integrating human settlement planning and housing activities
- Participatory planning

The NUSP has been designed to assist and build capacity on both quantitative and qualitative aspects at provincial and local level (see Sub-Output 2).

Funding framework

The cost of providing 400 000 well-located informally settled households with tenure and basic services is R12 212 432 000; this is based on the 2010/2011 UISP grant quantum of R30 531.08, and excludes relocation costs and emergency housing provision.

Delivery costs vary in practice. The cost of providing a fully serviced site may go up to R33 000, with an average per household of R10 000 for bulk services and R 5 000 for electricity supply. In this case, the total cost of the programme would be around R19.2 bn.

Through the delivery agreements, the provinces will be expected to reprioritize their budgets to meet the provincial targets and therefore to contribute to the target of 400 000 households with access to basic services and secure.

3.1.2 Sub Output 2: National Upgrading Support Programme (NUSP)

What will need to be done differently?

The National Upgrading Support Programme will focus initially on municipalities which have some human resources and where there is a political will and endurance to implement the programme. Initially, some 49 municipalities will be targeted in such a way as to focus on as many informal settlements as possible – possibly up to 60 to 65% of all informal settlements.

The NUSP has been designed to improve the state's performance and results in informal settlement upgrading via the UISP in two ways:

- First, by increasing the emphasis on incremental in-situ upgrading as an objective of the UISP, and stressing the requirement for plans to be in place for the transformation of informally settled communities into sustainable human settlements
- Second, by working to overcome the prevailing orthodoxy of state-subsidised provision and greenfield site development and changing the behavior, attitudes and organisational culture of housing officials and professionals to embrace incremental upgrading, participatory planning and livelihoods-based approaches.

The NUSP will provide the following streams of support to provinces and municipalities engaging in the UISP:

- Coordinated and focused technical assistance at programme and project level
- Design and implementation of combined mandatory and demand-driven training programmes for officials and community members
- Production and dissemination of materials and resources on upgrading
- Development and maintenance of an active community of practice
- Development and maintenance of an information technology platform for information dissemination and knowledge services.

More details of the NUSP activities are included in Appendix B.

Evaluation of the legislative environment

The NUSP supports the implementation of the UISP, the legislative requirements for which are described under Sub-output 1.

Evaluation of the existing regulatory framework

The regulatory framework for upgrading informal settlements under the UISP is set out within Part 3 of the National Housing Code 2009. This allows for the NDHS to provide implementation assistance to provinces and municipalities, and for provinces to support implementation where municipalities do not have capacity. The NUSP is therefore covered under these provisions.

Evaluate the existing institutional arrangements

The NUSP establishes the following institutional arrangements to complement and support the UISP:

- **National Upgrading Forum:** The National Upgrading Forum will provide guidance, inputs, and oversight for the NUSP, as well as monitoring and evaluating the effectiveness of the programme. Its overall aim is to promote cooperation, information sharing and partnerships among upgrading practitioners and NUSP partner organisations. The Forum's terms of reference are laid out in Appendix B.

- **Secretariat:** The Secretariat will administer the activities of the Forum.
- **Provincial Upgrading Forums:** Provincial Upgrading Forums (started up specifically, or adapted from existing provincial consultation structures) will be put in place, involving those municipalities who are members of the NUSP. Their terms of reference will be similar to the National Forum, with an added line of accountability and responsibility to report to national level.
- **Local Groups:** In addition, there is the likelihood that local groups and platforms will emerge as the programme progresses. These could be geographic – for example, a groups of municipalities in close proximity – or thematic. Mining towns are a thematic possibility, with municipalities in mining areas in the Free State, North West, Northern Cape and Limpopo coming together to formulate approaches to upgrading that respond to the nature of informal settlement in their areas, which are likely to involve rental options in shelter provision.
- **NUSP Team:** The NUSP requires a dedicated core team to coordinate and drive its implementation from the centre. At this stage in the programme’s development, the team would comprise:
 - Programme Coordinator
 - Capacity Building & Knowledge Services Specialist
 - Planning & Urban Design Specialist
 - Engineering Services Specialist
 - Administrative support
 - Pool of short-term specialist assistance.

In addition, given the pace and impact required from the programme, and the likely demand from municipalities, it will be necessary to deploy NUSP coordinators at provincial level.

The NUSP team would be aligned to the UISP counterparts and NUSP Secretariat in the NDHS, and account through NDHS structures to the Implementation Forum when it is established and operational.

- **Community of Practice:** The formation of a collective professional mindset and approach to incremental upgrading is essential if the transformation to sustainable human settlements is to be delivered at scale. The new approach must be embedded in provincial and municipal planning and implementation practice. Setting up a new community of practice (CoP) is a fundamental thrust of the NUSP. The CoP has the following objectives:
 - Establishing an active network of practitioners, sharing information, experience and resources

- Acting as an interchange of ideas, experiences and inputs from programme partners
- Generating demand for targeted training and support
- Collectively building a new ‘mindset’ for informal settlement upgrading

The CoP will comprise members from the municipalities and provinces engaged in informal settlement upgrading, along with the NUSP partner organisations. Connecting this community together – through the IT platform, dissemination of information, the national and provincial forums and training events – will build professional relationships, expand access to a shared repertoire of resources and good practice, and create a platform for innovation.

Evaluate the management systems, processes and skills

Training Programme

The NUSP will implement a training programme to build capacity among officials, professionals and community members, and institute a collaborative effort in project design and implementation. All three groups are vital partners in designing and implementing UISP projects, given its emphasis on locally negotiated service levels, collaborative plans and implementation arrangements.

The programme has two main streams – mandatory and demand-driven. Mandatory modules provide a common foundation to the programme for all three groups, whatever their perspective. These are:

- The UISP and its procedures
- Creating sustainable human settlements
- Producing effective programmes and their implementation
- Producing effective project plans and their implementation
- Participatory planning approaches
- Establishing effective partnerships.

Demand-driven modules are supplied according to the particular needs in each municipality/project as expressed and agreed by the participants. These are selected from a basket of modules including:

- Service levels and alternative forms of provision – water, sanitation, roads, electricity
- Forms of tenure
- Planning for energy and resource efficiency
- Human-centred urban design

- Housing supply alternatives, including consolidation subsidy, People's Housing Process, self-build
- Housing micro-finance
- Approaches to strengthening livelihoods
- Community-led enumeration, analysis, registration and management
- Urban management in upgrading settlements
- Monitoring and evaluation, including the Human Settlement Development Index

The demand-driven modules may also include tailor-made sessions to respond to issues currently not identified in the basket. Most modules will be designed as a one-day training event, with a maximum of 12 events per municipality / project, with the same allocation to provinces. The programme and project planning modules will be designed as two-day events. The training programme will require strong coordination to ensure that capacity building aligns with and supports the achievement of implementation targets. Assuming that there are 15 participants at each event, the programme can deliver 12 390 person days of training.

In addition to this directly provided training programme, the NUSP will encourage planning, housing, built environment professional bodies and higher education institutions to promote the inclusion of incremental upgrading in academic and professional training modules, based on the material from the NUSP training programme.

Resources

The NUSP will secure relevant resources to guide practitioners in the forms and processes of incremental upgrading. Material is already available on many aspects, and requires collating and editing to a form consistent with the UISP and South African approach to developing sustainable human settlements (see Annex B). This material, supplemented with experience and best practice cases from members of the community of practice, will form a modular Resource Kit in both hard copy and electronic formats. The Resource Kit provides the learning material for the training programme modules.

In addition to these resources, the NUSP has accessed the World Bank Institute Core Learning Programme on Upgrading Informal Urban Settlements which serves as a model for distance and electronic-based training on upgrading. Information on the dynamics of informal settlement growth and housing demand will be available from the NDHS Informal Settlement Study Atlas Project.

Funding framework

At this stage, the NUSP costs have been estimated on the basis of outsourced resources added to existing NDHS capacity. The estimated costs for a four year programme, including project level technical assistance, are R407 757 500 (see Table below). The costs of the NUSP

core team, provincial coordinators, technical assistance and the capacity building programme should be covered from national and provincial budgets. Larger municipalities may be able to cover costs of project level support in whole or in part.

As the NUSP is refined further, certain costs could be covered by programme partners, and should be agreed in memoranda of understanding covering programme roles and contributions. For example, the Housing Development Agency is currently active in the Northern Cape informal settlement upgrading programme, and it may be possible that the agency could take on the role of provincial NUSP coordinator.

Annual business plans will be produced to determine detailed activities and budgets for subsequent years, in line with NDHS planning and budget cycle practices.

The training programme is planned to take place over three years – by the final year capacity building should be complete and implementation happening. Depending on the nature and distribution of projects, it is possible that there will be a shift in balance of training participants, with more community members drawn from new projects whereas municipal officials will have been on training in previous projects.

Project level technical assistance is concentrated in the first half of the programme, when detailed planning and implementation of identified quick wins takes place.

NUSP Four Year Programme Total Cost

Item	Source	Amount (R)
NUSP Core Team	NDHS operational expenditure	20 160 000
Core Team subsistence, travel, and on-costs	NDHS operational expenditure	3 024 000
NUSP Provincial Coordinators	NDHS and provincial operational expenditure	45 360 000
Provincial Coordinators subsistence, travel and on-costs	NDHS and provincial operational expenditure	6 804 000
NUSP administrative support	NDHS operational expenditure	-
Capacity building and training programme administrative support	NDHS operational expenditure	-
Technical assistance for NUSP establishment to NDHS and provinces	Covered by Cities Alliance grant	-
Resource Kit / Upgrading Manual	Covered by Cities Alliance grant for 2010	-
Action Research	Covered by Cities Alliance grant	-
IT Platform development and initiation	Covered by Cities Alliance grant	-
IT Platform operation	NDHS operational expenditure	-
National Upgrading Forum operation	NDHS operational expenditure	-
Provincial Upgrading Forum operation	Provincial operational expenditure	-
Information dissemination - newsletters, publications production and circulation (mainly electronic)	Covered by Cities Alliance grant / NDHS operational expenditure	400 000
Provincial upgrading programmes	NDHS and provincial operational expenditure	9 000 000
Training Programme	NDHS and provincial operational expenditure	13 009 500
Project level technical assistance	NDHS and provincial	310 000 000

	operational expenditure	
Total		407 757 500

Breakdowns of NUSP item costs are given in more detail in Appendix B, and give an indicative four year cost schedule against projected activities.

NUSP Four Year Cost Schedule

Item	Year 1	Year 2	Year 3	Year 4	Total
NUSP core team	5 796 000	5 796 000	5 796 000	5 796 000	23 184 000
NUSP provincial coordinators	13 041 000	13 041 000	13 041 000	13 041 000	52 164 000
Information dissemination	100 000	100 000	100 000	100 000	400 000
Provincial programmes	9 000 000	-	-	-	9 000 000
Training programme	4 336 500	4 336 500	4 336 500	-	13 009 500
Project level technical assistance	108 500 000	108 500 000	62 000 000	31 000 000	310 000 000
Total	140 733 500	131 773 500	85 273 500	49 937 000	407 757 500

The cost of providing 400 000 well-located informally settled households with tenure and basic services is R12 212 432 000; this is based on the 2009/2010 UISP grant quantum of R30 531.08, and excludes relocation costs.

The estimated total cost of the NUSP is R407 757 000, which is equivalent to 3.33% of the total capital and professional costs of the upgrading programme or an extra R1 007.53 to the UISP grant quantum.

Timeframe

The 2014 target date for the delivery agreement will require a concerted mobilisation of resources and capacity for roll-out and implementation of the UISP at scale. There may be existing projects at advanced planning stage that could be secured as 'quick wins' to kick start the programme.

The NUSP is at an advanced stage of planning and can commence formal operations from the end of July 2010, starting with a two-day session of the National Upgrading Forum. The Forum will confirm the NUSP work programme, partnership arrangements and contributions, and knowledge services.

The NUSP projected timeframe is as follows:

- Briefing of 49 target municipalities complete by end June 2010.
- National Upgrading Forum meets end July 2010
- IT platform operational and dissemination of information underway from July 2010
- Resource Kit produced by August 2010
- Pilot and testing of capacity building programme October 2010
- Capacity building programme roll-out at scale from November 2010

Technical assistance to provinces and municipalities will continue to be provided through the NDHS-Cities Alliance partnership in 2010, but will need to be increased as the programme goes to scale.

The NUSP will run from mid-2010 to the end of 2014, in line with the timeframe of the delivery agreement. Its performance will be reviewed annually against agreed business plans and budgets. By 2014 progress against the objective to bring about a paradigm shift in the approach to informal settlement upgrading will be apparent. A decision on requirement for continuation post 2014 will be taken at that point.

3.1.3 Sub-Output 3: Accreditation

One of the objectives of the Comprehensive Plan for the Development of Sustainable Human Settlements is to expand the role of municipalities, particularly the metropolitan, in the management and development of sustainable and integrated human settlements. Consequently, the NDHS approved a policy framework for the accreditation of municipalities to administer national housing programmes. The municipal accreditation programme is a progressive process that entails incremental delegation and ultimate assignment of housing functions to municipalities. The devolution of the housing function to local government proves to be the way to integrate housing and infrastructure planning and delivery processes at local level. The NDHS prioritised the following eighteen municipalities for accreditation.

Metropolitan municipalities	Local Municipalities	District Municipalities
1. Tshwane	1. Buffalo City	MinMec agreed to <u>pilot accreditation</u> of NC district municipalities:
2. Ekurhuleni	2. Mangaung	8. Pixley ka Seme
3. City of Joburg	3. Polokwane	9. Frances Baard
4. Ethekwini	4. Emalahleni (Witbank)	10. John Taolo Gaetsiwe
5. City of Cape Town	5. Rustenburg	11. Khara Huis
6. Nelson Mandela	6. Sol Plaatje	12. Namaqua
	7. Emthanjeni	

The accreditation of these municipalities will be in terms of the approved municipal accreditation framework.

Six metropolitan, two districts and two local municipalities were assessed for accreditation and recommendations submitted to the MEC for consideration.

What will need to be done differently?

The target of **nine additional municipalities** added by the Cabinet Lekgotla will be managed as follows:

- Selection from the list of municipalities identified under the NUSP based on capacity built
- Development of implementation protocols or delivery agreements (provided for under the Inter-Governmental Relations Framework Act) in the short to medium term (2010/11 to 2013/14)
- Supported through a municipal capacity development programme within the accreditation framework and the priority programme capacity requirements
- Capacity assessment within the municipal accreditation assessment process from 2013/14, based on performance and capacity acquired. This should lead to the ultimate accreditation by the MEC.

Evaluation of the legislative environment

The Constitution of the Republic of South Africa, 1996 establishes housing as a concurrent function between national and provincial government. However, schedule 4, part B the Constitution provides for municipal competence over functions associated with housing development i.e. municipal planning, storm water management systems in built up areas and water and sanitation services limited to potable water supply systems and domestic waste-water and sewerage disposal systems.

Provinces have, in terms of section 125 of the Constitution, the executive authority to administer national legislation within the functional areas listed in Schedule 4 (except where the Constitution or an Act of Parliament provides otherwise) to the extent that a province has the administrative capacity to assume effective responsibility. National government, by legislative and other measures, must assist provinces to develop the administrative capacity required for the effective exercise of their powers and performance of these functions.

Section 156(4) of the Constitution, obliges national and provincial government to assign to a municipality, by agreement and subject to conditions, the administration of a matter listed in Part A of Schedule 4 which necessarily relates to local government if that matter would be most effectively be administered locally and the municipality has the capacity to administer it.

The Housing Act, 1997, Section 10 of the Act deals explicitly with accreditation:

S10 (1) Any municipality may apply in writing to the MEC in the form determined by the MEC to be accredited under subsection (2) for the purposes of administering one or more national housing programmes.

DORA is an annual legislation which accompanies the national budget and sets the framework for financing arrangements between the various spheres of government. DORA 2010 contains specific provisions relating to the accreditation of municipalities for purposes of the administration of national housing programmes. Section 15 of the Act deals specifically with integrated housing and human settlement development allocations, and provides for the provinces to gazette allocation and enter into a payment schedule with accredited municipalities.

Over the years there have been debates about how best to transfer housing functions to local government. There has been a proposal to amend the Constitutional Schedules and allocate housing as a local government area of competency. Another proposal has been in support of the Municipal Systems Act outright assignment of functions to local government. The constitutional amendment process can be lengthy and furthermore the Constitution provides for other mechanisms to transfer powers and functions between spheres of government. There are two ways in which powers and functions can be transferred, namely assignment and delegation.

Delegation is the temporary transfer of the provider role in relation to a specific function. This would ordinarily take place in the form of an agreement. Section 238(a) of the Constitution provides for delegation. Assignment is the transfer of the authority role in relation to a specific function. The legal regime for assignment is regulated in the Constitution, the Municipal Systems Act and the Financial and Fiscal Commission Act. It must be noted that assignment and delegation can be revoked due to none or poor performance. The permanent transfer of powers and functions can be done through the constitutional amendment of schedules.

It is the policy intention of national and provincial human settlements departments to accredit municipalities to administer national housing programmes. The approach to accreditation of municipalities as approved by MINMEC is the progressive delegation of housing functions that would ultimately lead to full assignment. This approach is aimed at assisting the municipalities to acquire the necessary capacity and comply with the requirements to be accredited before the functions are delegated or assigned. In this way, municipalities must prove that they have the capacity required to perform the functions. The National Department has however, recognised that municipalities would not have the required capacity since housing is not their area of competency, therefore a municipal capacity support and enhancement programme was implemented in the past MTEF period to ensure that accreditation municipalities acquire the capacity needed to perform the functions. To date, all six metro municipalities have been assessed to determine compliance and capacity to perform the housing function. The outcomes and recommendations of the assessments are pending the MEC's approval.

Evaluation of the existing regulatory framework

The department is implementing the approved municipal accreditation framework and guidelines to administer national housing programmes. The objectives of the accreditation process are to enhance the abilities of municipalities to:

- Plan for and provide effective and integrated urban management
- Offer a more holistic and effective response to housing demand within urban areas
- Improve forward planning as a result of predictable funding flows
- Facilitate integrated planning
- Speed up service delivery

In addition, this realignment of functions should:

- Improve government capacity as a whole in housing delivery
- Focus national and provincial government monitoring and support functions
- Enhance co-operation across the three spheres as a result of more clearly defined roles and responsibilities

Assignment of the housing function can be achieved through agreement or legislation. Given the urgency to ensure effective, efficient and co-ordinated housing delivery it appears that delegation rather than assignment by way of agreement is the preferred route in the short and medium term. Assignment by way of legislation must be considered in the long term; an amendment of the Housing Act will be necessary to give effect to the latter.

Evaluate the existing institutional arrangements

By locating the decision making authority around the implementation of national housing programmes at the local sphere, municipalities can coordinate these decisions with other decisions that relate to the broader sustainability of human settlements. Municipalities are a logical site for the effective alignment of inter-departmental and inter-governmental funding streams. With the authority to take such decisions, opportunities for the application of innovative planning principles arise and this contributes to the potential for the development of integrated and sustainable human settlements within municipal jurisdictions. This is a key emphasis of the Comprehensive Plan for the Development of Sustainable Human Settlements, "Breaking New Ground", as well as the Intergovernmental Relations Framework Act, 2005.

Housing is a functional area listed in Schedule 4 and therefore a concurrent function of national and provincial governments. The national government is responsible for policy formulation and determining regulatory frameworks including setting national norms and standards, while the provinces are responsible for implementation within the national framework. Therefore, the delegating/accreditation authority in terms of the Housing Act is

the MEC. The MEC has the final authority on granting accreditation as he/she is relinquishing his/her powers and functions to local authority. On considering assignment, the Housing Act would have to be amended to correctly reflect the authority role.

In order to maintain the principle of accreditation, funding must follow function. Efficiencies associated with creating certainty in respect of funding allocations and devolving delivery authority to the local sphere should lead to accelerated delivery and improved expenditure patterns. DORA 2010 compels the provinces to gazette allocations and develop a payment schedule with accredited municipalities which will create funding certainty for the municipalities and enable them to do forward planning, programme and project prioritisation. This should result in a reduced requirement to roll over unspent funds as well as a more coordinated approach to planning approval and implementation.

Evaluate the management systems, processes and skills

Accreditation of municipalities takes into account the capacity of municipalities to deliver infrastructure, housing functions and services. This will allow for a differentiated approach in unlocking the current capacity of government to deliver. While metros and other big cities are prioritised given existing capacity to implement the function, more efforts can be concentrated in supporting the weak performing municipalities.

It is acknowledged that metros face greater problems of housing, which has resulted in growing informal settlement. UISP project implementation will be carried out by municipalities, with support from provinces as appropriate. Where municipalities are unable to act as developers, provincial departments of human settlement are empowered to take over that role.

The capacity enhancement plan supporting municipal accreditation involves three aspects:

- National: establishing the capability within the NDHS to facilitate and support the overall programme
- Provincial support to establish the capability to:
 - manage the processing of municipal accreditation applications and
 - support municipalities in preparing for accreditation
- Municipal capacity support for prioritised municipalities to:
 - Facilitate processes towards accreditation
 - Prepare for accreditation
 - Install necessary systems to manage beneficiaries and monitor delivery progress
 - Enhance personnel establishments and meet training needs in planning, programme and project management, procurement etc. This is unpacked in detail in the priority programmes reflection of capacity needs at local government

- Enhance institutional systems, procedures and operations.

Funding framework

It is envisaged that municipalities prioritised for accreditation will draw up business plans to reflect their capacity needs/enhancement to be accredited at an appropriate level. These business plans will be costed and submitted to the provinces for approval and funding. The estimated costs for the ten municipalities that have been assessed is R165 million.

The detailed breakdown of the budget in terms of municipal capacity enhancement will be informed by other priority programmes' municipal capacity requirements.

3.1.4 Sub Output 4: Increased Provision of Well Located and Affordably Priced Rental Accommodation to 20 000 units per annum (80 000 Units Over 4 Years Up To 2014)

What will need to be done differently?

This output will draw on both government intervention programmes and private sector participation over the next 4 years in the following manner:

Targets per programme

Programmes/Interventions	Target
Social Housing Programme	24 312 units
Community Residential Unit Programme	20 000 units
Institutional Housing Subsidy Programme	8 487 units
Private Sector Rental Housing (including small scale and larger corporate sector landlords)	26 600 units

The approach to the supply of rental housing should recognise and support the role of the different programmes or interventions:

- Public sector rental, mainly through the CRU programme, should provide affordable good quality rental accommodation to a substantial number of the poor and indigent (income range of R1500 to R3500), and relieve slum conditions in existing areas to some extent.
- Social housing provides good quality rental accommodation for the upper end of the low income market (R2500 to R7500), but with a primary objective of urban restructuring, and in doing so it transforms society and creates pockets of sustainability within the urban fabric that have many spinoffs.

- The institutional housing subsidy can be used to provide a range of creative and affordable special needs and niche market options to people on very low incomes (R1 500 to R3500) and promote densification (transitional, communal housing, farm worker and small scale rental for leader towns etc).
- Small-scale private landlords form by far the most significant provider (35,000 units per year) of really affordable rental in relatively well-located areas such as existing suburbs and townships at no discernible direct cost to government. There are some indirect costs to local government.
- Corporate private sector landlords provide well-managed rental in inner cities at quite affordable prices. There is a subset here of smaller entrepreneurs who have been supported with debt funding by organisations such as TUHF to provide up to 17,000 affordable inner city units in recent years in buildings ranging from 10 units to over a 100. These entrepreneurs all put equity into their projects and are therefore committed to good maintenance and property management.

Evaluation of the legislative environment

In support of rental housing development interventions, the legislative framework seeks to create a conducive environment for both delivery and growth of stock, and further provide for the required sustainability of the programme:

- Rental Housing Act, 1999 (Amended) – to develop the necessary mechanisms for growth and development of the rental housing sector
- Social Housing Programme - Policy, Guidelines and Social Housing Act (2008)
- CRU Programme -Policy (approved in November 2006)and Guidelines (draft)
- The National Rental Housing Strategy (approved March 2008) – an approach which sets out mechanisms and support systems for upscaling of rental stock.

Social Housing Programme

The Social Housing Act (SHA) and its related guidelines and regulations need to be amended to accommodate the leveling of the playing fields between the private sector and social housing institutions (SHIs) as well as to deal with the indexation of income bands and subsidies. Additionally the establishment of the Social Housing Regulatory Authority (SHRA) and its operationalisation need to be speeded up to deal with the accreditation, investment programme and regulation. A further issue is to address the projects in distress.

Community Residential Unit Programme

The programme needs to be legislated and must include tightening of the guidelines to include changing the mandate for grant management and regulation to the SHRA and the introduction of a subject subsidy to realize the deep down reach.

Institutional Housing Subsidy Programme

The institutional subsidy of the Housing Code needs to be amended to accommodate the various remodeled uses with clear guidelines on the development, funding, management and regulatory arrangements.

Private Sector Rental Housing Programme

There are a number of instruments that are utilised by the private sector such as the inner city tax incentives etc. Engagement with the private sector will indicate the conditionalities for their scaling up and participation in the affordable rental market and it may lead to a call for incentivisation of some sort.

Evaluate the management systems, processes and skills

Government needs to be responsive to the demand for affordable rental housing and the restructuring of its cities, thus it has to lead the drive to provide affordable rental housing accommodation to its citizens. Critical to the success of this delivery programme are the required institutional and management arrangements. Due to capacity constraints there is a need for a dedicated and well capacitated unit to implement the programme. The unit should have the mandate to (re)act fast and to take decisions with a minimum of bureaucracy.

This programme creates the opportunity to establish long term institutional stability within state funded agencies like the SHRA and also within non-state funded organisations like the National Association of Social Housing Organisations (NASHO).

Social Housing Programme

Generally the system for property management is in place with the exception of maintenance planning and provision. This will be addressed via regulation by the SHRA.

Skills and capacity for project management and property management must be scaled up significantly. This will be achieved through private sector participation, new recruits from universities, retired professionals and a general expression of interest from people in the job market.

Community Residential Unit Programme

The SHF has produced an implementation toolkit that can be used as a basis for programme implementation as well as for capacity building to provinces and municipalities.

Importantly the methodology and systems for tenancy management (tenant regularization) is critical and here the Joshco system can be used to inform the development of such a

system. Alternatively, the property management systems used by Social Housing can be used for CRU Management

Skills and capacity for the programme management and property management must be scaled up significantly; this will be achieved through private sector participation, new recruits from universities, retired professionals and a general expression of interest from people in the job market.

Institutional Housing Subsidy Programme

Once the policy is amended and during the roll out of the pilot, systems will have to be developed for the programme administration, property management and regulation as for the SH and CRU programmes.

Skills and capacity for programme management and property management must be scaled up significantly; this will be achieved through private sector participation, new recruits from universities, retired professionals and a general expression of interest from people in the job market.

Funding framework

We would need to adopt an incremental approach and to commit to delivery of 80 000 units over 4 years (up to 2013/14), with the proviso that all the enabling elements are in place. The estimated capital requirement is R11, 452b and the programme management (PM) component is R1, 034b.

3.2 OUTPUT 2: IMPROVE ACCESS TO BASIC SERVICES

What will need to be done differently?

This is the primary responsibility of the Department of Cooperative Governance and Traditional Affairs (COGTA). The Department of Human Settlements will play a supportive role in the achievement of the following targets related to universal access to basic services:

Water from 92% to 100%

Sanitation from 69% to 100%

Refuse removal from 64% to 75%

Electricity from 81% to 92%.

The key actions that have been identified in Outcome 9 to achieve this target are the establishment of the Bulk Infrastructure Fund and the Special Purpose Vehicle.

In rural municipalities the availability of bulk infrastructure for the distribution of services is a major concern. In metropolitan municipalities and secondary cities there challenges with access to services and bulk infrastructure funding has to be increased to upgrade existing and additional networks to connect to reticulation services. Therefore the consolidated Bulk Infrastructure Fund is being considered to support municipalities outside of the current MIG arrangements. The proposed fund will consolidate the internal bulk infrastructure component of MIG administered by Cooperative Governance and the Regional Bulk Infrastructure Grant administered by Water Affairs.

To deliver infrastructure in urban areas infrastructure is a following sector in that distribution infrastructure has to align with housing developments. Housing is, therefore, the lead sector as it deals with settlement patterns, densities, housing styles and service levels. Internal infrastructure is an integral part of housing and bulk and connector infrastructure must provide for the demand generated through new housing developments.

The capacity and skills for infrastructure provisioning is highly uneven amongst municipalities with many without adequate capability. To ensure effective infrastructure planning and provisioning to ensure improved access to essential services a Special Purpose Vehicle (SPV) is proposed. The SPV will provide specialised technical and financial support to municipalities. In the case of municipalities with weak capacity the SPV will be directly involved in supporting the municipality to structure capital funding and mobilise operational funding to strengthen service provision and the delivery of new infrastructure to eradicate backlogs, rehabilitate existing infrastructure and the effective operation and maintenance of infrastructure (Department of Cooperative Governance, 2010).

Evaluation of the existing institutional and public sector funding arrangements

The framework for conditional grants in the Division of Revenue Act (DORA) does not promote or compel an integrated approach to aligning the funding streams of all conditional grants that impact on the built environment and human settlements, such as the National Housing Subsidy, MIG, Bulk Water, Electrification, Transport, etc. Each individual grant is driven by its own conditions and objectives that do not fit into the implementation logic at project level where integration ought to manifest. There is also no proper sequencing of actions between infrastructure provisioning and building of top structures due to the timing of approvals for different grants.

Conditional grants in their current form are extremely rigid and inflexible making it difficult for departments, provinces and municipalities to allocate resources which meet the unique potential of local areas and to use the grants as an innovative instrument to leverage co-funding and attract private and non-governmental sector capacity and investment for infrastructure and property development.

As much as there are relatively high and increasing funds allocated for the built environment, these government resources on their own are insufficient to deal with the scale of housing and infrastructure investment required. Government resources, especially conditional grants have to be used as a stimulus for crowding in private sector investment in the built environment rather than being utilised as the sole resources to drive integrated human settlement projects. The private sector has a critical role and resources must be harnessed from opportunities such corporate social responsibility programmes.

The strategic use of conditional grants is one of the key instruments that Government has to direct the development of integrated and sustainable human settlements. However, thus far, the conditional grants related to the built environment as a collective have not been adequately harnessed for this purpose.

Funding framework

A financial framework needs to address both the way capital and operating finance work. It is important to note that capital expenditure is not only funded from grants: infrastructure and housing are strongly dependent on access to other sources of funding including:

- Municipal internal funds and borrowing.
- Finance provided by service providers, Eskom in particular.
- Housing finance raised by individual property owners, typically as bonds.

3.3. OUTPUT 4: MORE EFFICIENT LAND UTILISATION FOR HUMAN SETTLEMENTS DEVELOPMENT

The output 4 relates to a target to set aside at least 6 250 hectares of well-located public land for low income and affordable housing.

What will need to be done differently?

This requires that a robust mechanism be introduced to harvest public land from all spheres of government and secure such land for human settlements development purposes. Accordingly, the following actions are collectively essential in achieving the objective of releasing state land.

- (a) Develop and adopt **criteria to inform identification of suitable land and its development**. Such criteria are adopted with the following purpose:
 - i. To define essential parameters for consideration in the determination of optimal location (well located land and landed properties)
 - ii. To outline physical attributes to be taken into account in identifying suitable land and landed properties for acquisition and/or development
 - iii. To set out guidelines for the HDA and other organs of State in addressing conflicting (i.e. incongruent) development priorities as may be encountered from time to time
 - iv. To outline a development vision (in particular, higher densities in urban areas) for land released
 - v. To outline the requirements in terms of identification of the most appropriate land with potential for the development of sustainable integrated human settlement over a short, medium and long term horizon.
- (b) The Housing Development Agency (HDA) undertakes, in consultation with all spheres of government, **the identification of required land and produces a single periodic list of prioritised publicly-owned land** to be released for human settlements. In supporting this action, the HDA is allowed free and full access to databases of immovable assets in the custodianship of all organs of State. The HDA shall ensure the security of such databases in accordance with the requirements and conditions stipulated by the custodian organ of State. For this purpose, the list of prioritised public land for lease shall only be composed of properties that have been appropriately verified and validated for potential, availability and ownership.

- (c) **Undertake an audit of the erstwhile Housing Board land assets** and implement remedial measures where necessary, including the finalisation of its devolution to Municipalities. In view of the unresolved tenure and management responsibilities over immovable assets left over from the dis-established Housing Boards and related bodies, each province must institute an action plan by April 2011 with a view to bringing closure to related outstanding governance and developmental aspects.
- (d) **Develop and adopt a single and seamless state land release procedure:** Such a procedure must enable all spheres of Government to co-ordinate public land prioritisation for release through the HDA. Furthermore, emphasis is placed on the pre-determined timeframes within which key decisions and approvals must be realised.
- (e) Custodian departments of public land process **the approvals to release and transfer identified land** to holding state in the HDA. The HDA secures the land thus released for human settlements development in terms of the Housing Development Agency Act.
- (f) The HDA, in consultation with municipalities and provinces, **prepares the land for human settlements development.**
- (g) **Monitoring and assessment of impact** arising from released public land is to be undertaken within a defined framework by the HDA on the one level (operational), and the National Department of Human Settlements on another (policy).

Funding framework

While publicly-owned land can be released at little cost and transferred/ donated from one organ of state to another, the following funding arrangements are instituted:

- (a) Compensation to state-owned enterprises (SOEs) that surrender immovable assets - consideration be given as to how to compensate SOEs for the loss of asset value on the disposal of such property.
- (b) Capitalisation of the HDA to appropriate levels to support its legislated functions and the actualization of its role. This is to ensure that land feasibility assessments, valuations and legal costs, holding costs etc. are provided for. This may be achieved, inter alia, by the allocation of a portion of the Integrated Housing and Human Settlements Development Grant to the HDA annually.

3.4 Output 4: Improved Property Market

3.4.1 Sub-Output 1: Develop and Implement a Mortgage Insurance Programme in South Africa

The target is to facilitate with the private sector, related DFIs and spheres of government, the improvement of financing of 600 000 housing opportunities within the gap market for people earning between R3 500 and R12 800

What will need to be done differently?

Develop and implement a mortgage default insurance program against a government guarantee of R1bn. Mortgage Insurance program is a new initiative in the housing finance landscape of South Africa, and it is aimed at stimulating market confidence in the housing finance market.

Evaluation of the legislative environment

The current legislations are adequate to support the implementation of a successful MI, however, the following additional legislations may be considered in the future.

- Prohibitions against the paying of commissions for the placement of business by the insured or its agents with a particular insurance firm.
- Prohibition of ownership or control MI firms by lenders who use their services.
- Consideration to introduce a compulsory MI for all high LTV loans, (LTV > 75% or 80% are considered high).

The DHS and NHFC are required to ensure that HLMDA is effective for proper data collection

Evaluate the existing institutional arrangements

The MI will be independent mono-line insurance institutions and also ensure:

- Line of business is limited to underwriting the single line of insurance
- Compliance and monitoring of the underwriting standards to protect against the home loan financial markets against adverse selection risk
- Provide risk-based capital requirement to ensure risk exposure cannot exceed a certain ratio relative to total reserves
- Provide contingent reserve requirement to cover all claims attributable to catastrophic events, such as economic recession

- Administer regulatory capital incentives or a direct mandate to use MI and secondary market mandate to use MI
- Outside regulators and rating agencies to properly evaluate, and model the long term adequacy of capital reserves and in the event of severe economic depressions

Evaluate the management systems, processes and skills

The overall skill set required of an MI program management is quite different from those which apply to other lines of insurance. The management systems, processes and skills required will be validated during the business case, implementation and investment planning phase. We do, however, note that there are adequate skills in the country to manage the MI effectively.

Funding framework

The funding framework is currently being evaluated in the investment plan, against a background of the government guarantee.

Type of Capital	Sources	2011	2012	2013	2014
Risk Based Capital	Government Guarantee	R1bn		R3bn	
	Contingency capital	These will be provided for from the Premiums			
	Loss Event capital				
Operating Capital	MI Set Up costs	R150m			
	Systems and Infrastructure	R50mil			
	FSB Minimum capital	R8mil			
	Human resource related	R72mil	R50m	R90m	R60m
Ongoing costs	Business Developments cost	R20mil	Volume based costs which will be funded from revenues		

Key assumptions:

- Government Guarantee will represent minimum regulatory capital required of 25%

- Other risk related capital requirements, as would be agreed with FSB and the long term capital planning for the MI, would be provided for from premium revenues.
- Additional Government Guarantee of R3bn would be required in Y3 to support the attainment of the target of 600,000 households with access to affordable housing loans
- Human Resources costs, include, Acquisition, training and development and incentives. In Y3, it is envisaged that MI entity would pay retention bonus.
- Operating costs have factored in the accelerated targets towards 2014. Delivery will be ramped up from 20,000 loans to an over 150,000 in the Year 2013 to Year 2014. For the purpose of financial modelling, we assumed that SUPPLY OF HOUSING STOCK is not an impediment.

APPENDIX A: DEFINITIONS

1 INFORMAL SETTLEMENTS

For the purposes of the delivery agreement a site or unit refers to the provision of a serviced site and/or constructed house with secure tenure, to which a household is situated or relocated and/or is upgraded in terms of the projects lists attached to the Delivery Agreement.

Part 3 National Housing Code 2007 identifies characteristics of informal settlements as:

- **Illegality and informality.** Settlements are usually on unproclaimed land, or occupied without permission of the landowner, public or private.
- **Inappropriate locations.** Many settlements are located on marginal sites, where development is inappropriate or even dangerous. These include sites on unsuitable geological conditions (such as dolomite), unsuitable topography (for example, steep slopes at risk of landslip, or sites within floodlines), near heavy industrial infrastructure (such as mine dumps, slimes dumps or within smell zones) or within water, gas or electricity servitudes.
- **Restricted public and private sector investment.** Informal settlements typically have no or only rudimentary levels of services (such as water, sanitation and waste collection). Private enterprises rarely rise above the levels of survivalist activities, spaza shops and the like. The insecure status of informal settlements, coupled with low levels of public investment and lack of tenure, discourages households from investing in their shelter.
- **Poverty and vulnerability.** Informal settlements represent the highest concentrations of poverty in the country. Correspondingly high indices of poor health, unemployment and HIV/AIDs increase the vulnerability of informally settled households to external financial and environmental shocks.
- **Social stress.** Informal settlements exhibit high levels of crime and have recently become focus areas for xenophobic attacks. Social fragmentation leads to intense concentrations of issues such as child abuse, alcoholism and domestic violence.

2 TENURE

This involves the provision of alternative forms of tenure (including permission to occupy, recognition through town planning scheme or by-law) through to formal freehold tenure of a stand in a formally established township.

Incremental tenure mechanisms can similarly be related to the phased approach set out in the UISP, for example:

- UISP Phase Two – tenure can start with administrative recognition (eg basic site plan; list of occupants; letter of occupation; basic rules, rights and obligations; communal levels of service)
- UISP Phase Three – legal recognition (eg detailed site plan; register of occupants linked to stand number; simple lease, planned services with individual connections)
- UISP Phase Four – township establishment (eg approved layout plan, township register as per Deeds Registry Act; title deed; full service levels)

3 SERVICES

This involves the provision of municipal services (both bulk and internal reticulation) from emergency level, basic services (RDP minimum standard – for example, communal standpipes, VIP latrines, gravel roads, communal waste collection) through to full services (on-stand water, water-borne sewerage, household refuse collection, tarred roads, street lights and household electricity connections)

4 AMENITIES

This covers the provision of social facilities including schools, clinics, good standard public open spaces and community halls.

5 UPGRADING

Upgrading is a staged process of improvement of quality of life in informal settlements, based on incremental provision of services and tenure. It should seek to maximise in-situ development in appropriate areas and minimise relocation. An effective improvement process is built on close community participation and cooperation, aiming to strengthen livelihoods strategies of the poor. Housing is provided by a variety of methods, including self-build, People's Housing Process, social housing or affordable rental, individual subsidy or consolidation subsidy.

6 LOCATION

The delivery target refers specifically to upgrading well-located informal settlements. There is no specific standard that applies to what constitutes 'well-located'. In general, poor households make locational choices on the basis of affordability and access to livelihoods assets, rather than the quality of shelter. Given this propensity, then, a well-located human settlement will have fairly good public transport and/or pedestrian access to economic opportunities and social amenities (in particular, schools and health facilities). Where feasible, in-situ upgrading should seek to minimise relocation of households through higher density developments to maintain access to opportunities and amenities for the majority of households.

There are times when wholesale relocations are unavoidable – most likely in situations where the settlement's situation poses risks to public health and safety. In such cases, community consultations, consideration of available alternatives and a negotiated relocation

process are essential. Particular attention must be paid to humane relocation processes which provide for a smooth transition, including where necessary, ensuring that learners have secure places in local schools and that social services (including the use of mobile clinics and scholar transport) are accessible.

7 AFFORDABLE RENTAL ACCOMMODATION

Affordable rental accommodation refers to rental in formal structures that meet the conditions of rental housing legislation, is affordable to households earning R7500 and less and which is subsidized by government. These units must subscribe to prescribed quality, typology and environmental standards.

It must be noted that the income group earning between R7500 and R15000 is currently unable to access bonds. Some in this band are currently renting until their financial situation improves, or lending criteria are adjusted. These individuals will be catered for by the R1billion Guarantee Funds whose sole purpose is to provide security against which banks can provide bonds.

Whilst informal rental is an accommodation provider, these units are illegal, do not conform to minimum standards and thus cannot be accounted for in this document. These units are generally backyard shacks and shacks in informal settlements. It is conceivable that with the relaxation of bylaws and certain town-planning provisions, some of these units may become “formalized” and may thus become a formal delivery opportunity. This should be differentiated from small-scale landlords who provide backyard and other rental opportunities in legal structures without state intervention.

The private sector does provide rental accommodation for households with income of R7500 and less, especially in inner city areas.

APPENDIX B: UPGRADING INFORMAL SETTLEMENTS PROGRAMME (UISP)

The main instruments for delivering the tenure, services and related housing components for upgrading informal settlements are already in place in existing housing programmes. There should be very little lead time required for provinces and municipalities to familiarise themselves with the UISP and relevant policy instruments.

1.1 Upgrading Informal Settlements Programme (UISP)

Part 3 of the National Housing Code (2007) sets out the main objectives of the UISP as follows:

- Facilitate structured in situ upgrading of informal settlements as opposed to relocation
- Recognise and formalise the tenure rights of residents within informal settlements
- Provide affordable and sustainable basic municipal engineering infrastructure, that allows for scaling up in the future
- Address social and economic exclusion by focusing on community empowerment and the promotion of social and economic integration, build social capital through participative processes and address broader social needs of communities.

The UISP is already in place and operational across all provinces, although the extent of its use varies.

Municipalities are required to act as developers for the UISP, and projects are undertaken through a cooperative governance partnership between the relevant municipality, the provincial housing department, and the NDHS. In cases where the municipality has insufficient technical capacity to implement, the provincial housing department may, subject to agreement, supplement that capacity or even act as developer directly.

In brief, the UISP follows four stages:

Phase 1 provides for preliminary planning, land acquisition and interim services and stands as an important first stage in reaching the overall target.

Phases 2 and 3 comprise the detailed planning, tenure and full services component.

Phase 4 is the housing consolidation phase, which takes place after sites have been serviced and registered, and social amenities are in place.

It is important to note that Part 3 of the National Housing Code provides for negotiated agreements with communities on participatory planning, stand sizes and levels of service. This implies a variety of approaches. To reiterate, the instrument is not prescriptive, but instead supports a range of tenure options, service levels and housing typologies. It implies a significant shift in the prevailing orthodoxy of one-house-one-stand that dominates the delivery programmes of most provinces and municipalities. Similarly it requires a change in

the mindset of officials who will now have to engage communities in participatory planning, negotiated programme products and delivery partnerships.

It also implies that project level integrated plans, produced with community participation, are essential to provision of social, economic and environmental facilities in tandem with the upgrading process.

1.2 Social and Economic Amenities

The National Housing Programme: Social and Economic Amenities facility may be utilised to access funding for the construction of basic social and economic infrastructure. In practice, this facility is largely used for the provision of community halls. However, it should only be used as a last resort when funding from a line department is not available. This implies that comprehensive project plans are essential for each upgrading project and must be registered in IDP Housing Chapters.

1.3 Municipal Housing Chapters and Integrated Development Plans

These provide for the integrated planning and development of social, economic and environmental facilities at neighbourhood level concomitant with upgrading activities. The quality of project plans and IDP Housing Chapters needs to be improved to support progressive informal settlement upgrading.

PROGRAMME AND PLAN REQUIREMENTS

1 PROVINCIAL PROGRAMMES

1.1 Programme elements

Each province, in conjunction with municipalities, should develop an informal settlement upgrading programme covering:

- Survey of all informal settlements - numbers of shacks, location and, ideally, growth trajectory
- Categorisation of settlements (which ones can be upgraded, which have to be unavoidably relocated, which have bulk nearby and which need connections, available land)
- Prioritisation for development
- Scheduling, costs and timeframe, including identification of 'quick wins'.
- Project delivery approaches in line with the phased implementation of the UISP
- Explicit incorporation of incremental approaches to tenure, where necessary
- Explicit assimilation of participation at all stages of the process – achieving agreements with communities becomes a significant measurable milestone in the various phases

These provincial programmes are the essential baseline for the UISP and NUSP. Technical and financial assistance will be provided to support those provinces without programmes to quickly develop them. For those provinces which already have programmes in place or in development, the support could be used to kick start project planning and implementation.

1.2 Programme approach

The approach to be taken in developing these provincial programmes is as follows:

- **Determine scope and geographical coverage**

Ideally, the programme should be province-wide, but in some cases a decision may be taken to focus on growth points or areas of greatest housing pressure in the province, in line with Provincial Growth & Development Strategies. If a narrower focus is taken, then the chosen areas must include the majority of the informal settlements in the province, and the province must also demonstrate how it would deal with those communities outside the focus areas.

The programme must at all times bear relation to the provincial share of the national delivery target.

- **Information Scan**

This involves the rapid appraisal of informal settlements in the municipalities to collate and verify existing data and review municipal IDP Housing Chapters. There will be a need to check locations, and identify any hazardous conditions, available land, levels of existing services, any existing plans and ownership.

If necessary, this step may need to be supplemented with aerial photography or satellite imagery to get an accurate shack count.

- **Categorisation**

Each settlement should then be allocated to a set of descriptive categories, for example including:

- Serviced or not serviced
- Services planned (bulk and/or connector services required)
- Non-planned areas with land and bulk services available
- Areas of high vulnerability
- Well-located areas

- **Intervention Strategy**

The intervention strategy should be decided for each settlement, for example including:

- Upgrade in-situ

- Upgrade with densification
- Land acquisition
- Bulk and connector service provision
- Basic or emergency services provision
- Formalisation and incremental provision of tenure
- Relocation

- **Priority Selection**

The final priority project selection will cover those settlements that form part of the national delivery target. This selection should be made against agreed criteria - for example, 'quick wins' (suitable projects already at an advanced planning stage), highly vulnerable settlements (floodlines, geological problems), settlements threatened with eviction, projects which reinforce sustainable human settlements spatial restructuring and land acquisition projects.

The priority selection must be accompanied by timeframe and expenditure flow.

2 PROJECT PLANS

Once the provincial programmes are complete, individual project plans and costs need to be developed, where necessary using NUSP technical assistance. Project plans have to be included in the relevant programme and budgeting cycle, including IDP Housing Chapters, Provincial Multi-Year Plan, and Medium Term Expenditure Frameworks. All project plans under the UISP must include strong participatory planning processes, and show how the informal settlement will eventually transformed into a sustainable human settlement.

The NDHS will provide targeted technical assistance to support officials in provinces and municipalities with the production of such plans. In certain provinces professional consultant teams have already been appointed to housing programmes as Professional Resource Teams (PRTs) or Project Management Units (PMUs). Such teams will also be briefed on the new approach.

OUTPUT 1 - SUB OUTPUT 2: NATIONAL UPGRADING SUPPORT PROGRAMME

NUSP ACTIVITIES

1 Activity Streams

The NUSP has four main activity streams:

- **Policy promotion and refinement**

The programme will encourage and reinforce the use of Part 3 National Housing Code (NHC) which sets out the precepts and requirements to implement the UISP. The UISP and the complementary subsidy programmes in the NHC are explained in step-by-step detail in the Housing Process Guide (produced by the NDHS in 2010). The NUSP will also give feedback to the NDHS on the use of these instruments to allow their refinement and improvement in practice.

- **Network and forums**

The NDHS/Cities Alliance 2009 review of the Informal Settlements Upgrading Pilot Projects found that many practitioners were unaware of the main approaches to incremental upgrading, and generally operated in isolation from up-to-date information and best practice. The NUSP seeks to improve links and information flows by establishing a community of practice, and setting up and supporting forums of practitioners. The overall objective is the creation of a cadre of officials and specialists well-versed in the theory and practice of incremental upgrading of informal settlements, including approaches to improving livelihoods and the transformation of such areas to sustainable informal settlements.

- **Tools and information**

While Part 3 NHC and the Housing Process Guide set out the framework for incremental upgrading, the approach will vary from project to project. To illustrate, stand sizes, service levels, degree of community participation and approaches to implementation are all negotiable and subject to agreement at community level. Practitioners will need to be equipped to deal with issues within a framework of good urban design that leads eventually to liveable human settlements.

The NUSP will provide knowledge services to furnish practitioners with practical information, good practices and shared experiences for the effective implementation of the UISP. These services will include resources, capacity building and demand-responsive training programmes.

- **Technical assistance**

Targeted technical assistance will be essential if the UISP is to be rolled out at scale to meet the delivery target. At present, few provinces and municipalities have developed programmes for informal settlement upgrading. The NUSP will help structure such programmes and provide guidance on how they should be developed and implemented. At local level, project plans generally focus on provision of services and dwellings – there are few examples of integrated plans which set out incremental transformation combined with livelihoods strategies. Again, technical assistance at project level will be required to embed the new approach at scale.

The Resource Kit / Upgrading Manual will be developed in a modular form, and provide information corresponding to the training events. As the table below shows, some materials are already identified and available, which will speed up production. Others will be sourced as the programme is developed, and links through the World Bank Institute to comparable international upgrading programmes will be valuable in this respect. If necessary, action research will be carried out to supplement existing materials and produce up to date modules.

Resource Kit / Upgrading Programme Modules

Module	Resources
Upgrading Informal Settlements Programme (UISP)	Part 3 National Housing Code 2007 (NDHS) National Housing Code 2009 (NDHS)
Housing Programme procedures	Housing Process Guide 2010 (NDHS)
Sustainable human settlements	Breaking New Ground (NDHS) Sustainable Human Settlement Planning 2006 (NDHS) Sustainable Community Planning Guide 2007 (Nelson Mandela Bay Municipality)
Preparing effective programmes and their implementation	Urban Projects Manual 2000 (DFID) Western Cape Upgrading Manual 2005 (Western Cape Provincial Government)
Preparing effective project plans and their implementation	Urban Projects Manual 2000 (DFID) Western Cape Upgrading Manual 2005 (Western Cape Provincial Government)
Participatory planning approaches	Slum Upgrading & Participation 2003 (World Bank)
Establishing effective partnerships	To be developed
Service levels and alternative forms of provision – water, sanitation, roads, electricity	Urban Projects Manual 2000 (DFID) National Housing Code and Red Book
Forms of tenure	Incrementally Securing Tenure 2010 (Urban LandMark)
Planning for energy and resource efficiency	A Place Called Home – Environmental Issues & Low Cost Housing 1998 (UCT)
Human-centred urban design	To be developed
Housing supply alternatives	Low Income Housing 2010 (African Centre For Cities, UCT)
Housing micro-finance	FinMark Trust materials

Approaches to strengthening urban livelihoods	World Bank materials
Community-led enumeration, analysis, registration and management	Materials from Shack Dwellers International
Urban management in upgrading settlements	Materials from Ekurhuleni Metro Council and City of Johannesburg Metro Council
Monitoring and evaluation, including the Human Settlement Development Index	Materials from NDHS

NUSP COST BREAKDOWN

1 NUSP CORE TEAM AND PROVINCIAL COORDINATORS

The costs of a fully outsourced NUSP Core Team and Provincial coordinators are shown in Table 1.

NUSP Core Team and Provincial Coordinators

Item	Rate	Cost (R)
NUSP Core team	4 @ R5 000 x 21 days X12 months	5 040 000
Core team subsistence, travel and on-costs	Estimate 15% of costs	756 000
NUSP Provincial Coordinators	9 @ R5 000 x 21 days x 12 months	11 340 000
Provincial Coordinators subsistence, travel and on-costs	Estimate 15% of costs	1 701 000
Total		18 837 000
Total 4 years		75 348 000

2 TECHNICAL ASSISTANCE

Project level technical assistance will focus on sustainable human settlement planning and implementation. It supplements the technical services provision included within the current UISP and grant quantum. Inputs for an illustrative project of 1 000 households are shown in Table 2, with a total indicative cost for a scaled-up programme of 400 projects.

Sustainable Human Settlement Planning and Implementation Technical Assistance

Item	Rate	Cost (R)
Rapid appraisal	R50 000 per project 10 days @ R5 000k – document	50 000

	review, fieldwork and write up	
Supplementary assistance for socio-economic survey and analysis	R50 per household (project of 1 000 households)	50 000
Project Coordination & Participatory Planning	60 days @ R5 000	300 000
Social Development & Health	25 days @ R5 000	125 000
SMME & Livelihoods	25 days @ R5 000	125 000
Natural Resources & Energy	25 days @ R5 000	125 000
Total		775 000
Total for 400 projects (400 000 households)		310 000 000

3 PROVINCIAL INFORMAL SETTLEMENT UPGRADING PROGRAMMES

Provinces will produce upgrading programmes for informal settlements within their jurisdiction, at a cost of one million rand for each province (see Table 3). For those provinces which already have programmes in place or in development, the allocation should still be made and used to initiate 'quick win' project planning and implementation.

Table 3 Provincial Informal Settlement Upgrading Programmes Budget

Item	Cost (R)
Provincial Upgrading Programme	1 000 000
Total for 9 provinces	9 000 000

4 NUSP TRAINING PROGRAMME

The training programme consists of mandatory and demand-led events for 50 municipalities and nine provinces. Estimated costs are shown in Table 4.

Table 4 NUSP Training Programme Budget

Item	Cost (R)
One-day training event costs	
15 participants @ R250 each (venue, refreshments)	3 750
Facilitation, preparation and recording	10 000
Local travel, disbursements, event materials	2 000
Total per event	15 750

Events	
12 events per municipality (10 one day, 2 two-day)	220 500
12 events per province (10 one day, 2 two-day)	220 500
Training programme	
50 municipalities @ 12 events each	11 025 000
9 provinces @ 12 events each	1 984 500
Total	13 009 500
Outputs and average cost:	
Projected programme outputs - person days training: up to 12 390	
Total average cost per person day training: R1 050	

ANNEXURE C: INCREASED PROVISION OF WELL LOCATED AND AFFORDABLY PRICED RENTAL ACCOMMODATION

PROGRAMME 1: PROVISION OF SOCIAL HOUSING UNITS

The Social Housing output will contribute 24 312 units, which is the highest delivery programme in this output mainly because it is the most advanced at this stage with a solid pipeline of projects that have been tracked (by the PSCs) over the past two years and with a sector that has a good understanding of the delivery conditionalities.

Social housing units per province

PROVINCE	UNITS				TOTAL
	2010 / 2011	2011 /2012	2012 /2013	2013/2014	
Eastern Cape	307	1171	885	1043	3406
Free State	0	130	300	300	730
Gauteng	2261	2331	2807	2542	9941
Kwa Zulu Natal	42	753	1301	1550	3646
Limpopo	0	200	842	600	1642
Mpumalanga	127	200	300	400	1027
North West	0	0	250	250	500
Northern Cape	0	0	111	125	236
Western Cape	180	564	1470	970	3184
TOTALS	2917	5349	8266	7780	24312

The major problems in achieving the delivery of social housing units is providing rental to meet the lower end of the income bands (R3500 and below), availability of the required grant funding, gearing up the capacity to deliver and management of the delivery programme.

The key activities will include land and building release and packaging, stream lined town planning arrangements and infrastructure provision and the demarcation of restructuring zones.

Social housing will contribute to two key principles of creating sustainable human settlements in that it has at its core the restructuring and integration of urban areas and towns and creation of better neighbourhoods, the integration and upliftment of communities and lastly responding to the demand for rental housing (balanced against what is realistic in terms of supply), which means that the provision of CRU and the institutional subsidy programmes (demand 57% in the below R3500 income band) has to be increased significantly in relation to the provision of SH.

The units will be delivered in the following income bands:

Units per income band

INCOME BANDS	Y1	Y2	Y3	Y4	TOTAL
R1500 - R3500	1167	2140	3306	3112	9725
R3500 - R7500	1750	3209	4960	4668	14587
Total	2917	5349	8266	7780	24312

PROGRAMME 2: PROVISION OF COMMUNITY RESIDENTIAL UNITS (CRU)

The **CRU output** will contribute 20 000 units in the period until 2014. Its main focus is addressing the problematic public housing and hostel stock management and to create new public housing that will cater for the R3500 and below income groups.

CRU units

CRU & HOSTELS	UNITS				TOTAL
	2010 / 2011	2011 /2012	2012 /2013	2013/2014	
TOTALS	2917	5349	8266	7780	20 000

This output will also be the most challenging programme to deliver due to three primary reasons. The first is the tenant regularization process which is difficult and cumbersome given the poor track record of management by provinces and municipalities and the resultant culture that it has entrenched together with the lack of political will to support a turnaround of tenant behavior initiatives. The second major challenge is that the current policy as it stands is not robust enough to ensure that the funding element is not abused and used for refurbishment only in isolation of considering the turnaround of the project to sustainability. The third challenge is that the policy assigns the grant management and regulation mandate to provinces who do not have the capacity or skills to undertake such management, and the development role to municipalities who also have the same problems, and interests that are not necessarily aligned to the policy prescripts. Lastly the pipeline of projects is not as stable as the SH pipeline in that it was not driven and tracked over the past two years and therefore much work has to be undertaken to package it for delivery.

The relevant delivery per income band:

CRU delivery per income band

INCOME BANDS	Y1	Y2	Y3	Y4	TOTAL
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R800 – R1500	1 200	1 600	2 400	2 800	8 000
R1500 – R3500	1 800	2 400	3 600	4 200	12 000
Total	3 000	4 000	6 000	7 000	20 000

PROGRAMME 3: PROVISION OF INSTITUTIONAL SUBSIDY 8 487 UNITS

The institutional subsidy output will contribute 8 487 units in the latter half of the 4 year delivery cycle for the sole reason that its use needs to be redefined, so the research and policy redevelopment work is envisaged to take place in the first two years with pilot projects being rolled out thereafter. Current exploratory research and practice gives a strong indication that it will be useful to provide for communal, transitional, farm worker and small scale rental in the leader towns (defined as towns that have high economic growth and where there are no restructuring zones).

The minimum specifications set down by the SH programme do not create an opportunity to provide for communal (shared) facilities or transitional type (per night rooms to let) or the seasonal nature of rental needs in the farming sector or the leader towns that requires rental as an option for small scale rental to workers who come into towns from rural and smaller towns. All of these can be catered for within the institutional subsidy framework. SHIs would be the most likely users and providers of such instruments.

Institutional subsidy units

INSTITUTIONAL	UNITS				TOTAL
	2010 / 2011	2011 /2012	2012 /2013	2013/2014	
TOTALS	513	1 067	2 427	4 480	8 487

The relevant delivery per income band:-

INCOME BANDS	Y1	Y2	Y3	Y4	TOTAL
R1500 – R3500	513	1 067	2 427	4 480	8 487
Total	513	1 067	2 427	4 480	8 487

INCREASE IN PRIVATE SECTOR RENTAL HOUSING

This will deliver 26 600 units over the coming 4 years.

Private sector affordable rental units

PRIVATE SECTOR AFFORDABLE RENTAL	2010/11	2011/12	2012/13	2013/14	Total
Small scale in targeted government facilitated pilots (funded via equity and microloans)	0	3,600	6,000	8,000	17,600
Intermediate size corporate provided with targeted government incentives (funded via TUHF type loans)	0	1,800	3,000	4,200	9,000
Sub-total - government facilitated private	0	5,400	9,000	12,200	26,600

It is important to note that there is no delivery expected from this output in Year 1 due to unpacking and finalisation of the relationship.

Discounting small-scale rental currently being provided without any government subsidy or other intervention, and estimating what could be provided through pilot projects in selected areas where densification is desirable, and infrastructure capacity broadly exists without direct government object subsidy, but rather through collaborations with municipalities and small landlords around incentives (e.g. zoning relaxation, rates rebates, discounted utilities rates), the delivery targets could easily be met, provided the necessary research, policy development, and service agreements are started in the very near future.

Significant private sector affordable rental is provided by small-scale individual landlords on the site of their primary dwelling for supplementing household income (up to 5 additional units per property funded through equity and microloans), as well as those who do it at a somewhat larger scale in inner city multi-unit buildings and funded mainly through small commercial loans from organisations such as TUHF. Larger scale corporate landlords provide substantial unsubsidised rental in the gap market (R7500-R15000 per month) in places such as Johannesburg inner city, but there has not been sufficient engagement with this sector to see how they could contribute to rental in the lower brackets and what the conditions for such participation would be.

The main problem is that government has been unable to substantially harness the potential of these providers to produce even greater unit numbers to soak up the huge demand, and in the process to also contribute to other objectives such as city densification, job creation and local economic development. This would take a large burden off the shoulders of the state, but would also add to issues that local government especially needs to deal with such as slum conditions (health and safety) and lost revenue from unrecorded services rendered. At the same time government has not sufficiently researched this sector to understand its profile (it appears to be somewhat fragmented), motivation, capacity and costs.

Private Sector small scale affordable rental:

Small-scale rental is rental accommodation provided and managed on private land by private individuals or households (excluding therefore, private corporately owned or publicly owned rental) to separate households through private formal or informal rental treaty.

Target market and demand for affordable rental provided by small-scale landlords:

Rapid urbanisation, scarcity of land for housing development in new areas, and the general trend towards smaller households (and therefore, smaller accommodation unit needs), all combine to create demand for this type of accommodation in established urban areas.

Studies show that the profile of households included in the housing backlog group is more or less as follows:

- One third are singles
- One third consists of 2 members
- One third consists of 3 members or more

Supply of small-scale affordable rental:

This form of rental is a considerable contributor to rental accommodation at rentals as low as R300 per month for formal structures and half as much for informal, in suburbs and townships where it leverages off existing property ownership and infrastructure to provide well-located accommodation at scale, while contributing to densification. All of this occurs with some, but not substantial, cost to the state. Where “formal” units with access to basic services are offered, it seldom exceeds five units on a property, and can take different forms, such as:

- Subletting of own formal unit (many RDP houses are being let in whole or in part by the official beneficiary who has either moved elsewhere or to an outside room or shack on the site)
- Sharing own space with another household in same house
- Renting out a backyard informal or formal structure or renting land where the tenant provides his or her own informal structure
- Separate buildings off own property – managed by self or outsourced to a managing agent

Although there are national government and provincial policy and programme initiatives there are no formal grant or other financing mechanisms in place to stimulate this sub sector.

Scale (nationally):

- Significant contribution (scale) to rental accommodation – estimated 1.85m house holds
- 60% (1.1m) in formal structures, 40% (0.75m) informal

- Average income of tenants R1800 p.m.
- Potential for growth high (big demand, and affordable), but not being realized
- Significant source of income (total around R5bn p.a.) – only income for many (especially elderly women in townships)

Products offered:

- Flats
- Rooms with shared facilities
- Backyard outbuildings/shacks:
- Shared outside toilet
- Electricity taken from main house
- Usually no hot water

Pre-conditions for supply:

- Legal title to land
- Owner rights and motivation
- Space on site
- Access to basic services on site

Government response to date:

- Pilots in Gauteng – Orlando East, ARP, etc. These have been small-scale (a few hundred units) where the Institutional Housing Subsidy instrument was used to create up to two formal rooms with shared ablutions in the backyard of an RDP house. They have been problematic in terms of unintended consequences of displacement

Private sector affordable rental by corporate landlords:

- There are initiatives in the centre of Johannesburg where the private sector is providing rental stock in the gap market, possibly with some overlap in the social housing market, without any capital subsidy from government. One of the major factors making this possible is that the historical physical deterioration of the city centre has reduced property prices to such an extent that it was possible to develop and manage this stock within a private business model in an area with very high demand.
- The high level of municipal rates, service and utility charges threatens some of the potential within this sub sector. Based on research into the impact of municipal and utility charges' impact on low income rental stock undertaken by the SHF, the SHF and City of Johannesburg are now undertaking a pilot study to tests mechanisms that can ameliorate this impact through the 'Registered Landlord' concept, and also an extended Social Benefit package that ensures that renters have access to all the indigency payments offered by the City.
- It is worth studying more carefully the conditions for the private sector to develop and manage good basic housing opportunities for low-income households. In such

situations it is necessary to ensure that the municipal utility charges are set within policy at levels that do not undermine affordability levels.

- The small-scale formal (backyard) rental landlords already provide accommodation to some 850,000 households and are adding around 35,000 opportunities per year. The TUHF funded entrepreneurs have delivered some 18,000 units in the affordable market (incomes R1000-R3500) with R1bn of loan funding and some equity, and there is an immediate pipeline of some 3600 units waiting to be funded.

ANNEXURE D: MORE EFFICIENT LAND UTILISATION

Synopsis of key activities to be undertaken

- Criteria for land identification, prioritisation and development
- Enabling procedures for publicly-owned land release
 - National (DPW)
 - National (RD&LR)
 - Provincially-owned land
 - Municipal land
 - Communal land
- Policy and Funding Framework for state land release.

ANNEXURE E: IMPROVED PROPERTY MARKET

BENEFITS OF MORTGAGE INSURANCE – MARKET CONFIDENCE

AFFORDABLE MARKET SEGMENT

- Increase affordability of housing loans by REDUCING monthly instalments
- Facilitation of access to housing loans by STIMULATING lenders to create suitable products target to the affordable market. (GAP)
- Accelerated homeownership

LENDERS (BANKS AND NON BANKS)

- Transfer high LTV risk loans outside the banking system to MI Entity
- Spread credit default risk out of lenders balance sheet
- Offers lenders prudent expansion opportunity into affordable market
- Offers banks Capital relief for lenders with loans carrying an MI
- Increases volumes of profitable home loans and opportunities to retail and/or offer other services
- Rebuild market confidence provide ongoing market assurance
- Standardise and provide discipline in underwriting and risk taking processes
- Offers opportunities to the banks to develop wider variety of products to the markets

CONSTRUCTION AND PROPERTY DEVELOPERS

- Mortgage Insurances increases the volume of households who qualifies for a housing loans, therefore drastically reducing project off take risks, for any well suited development project,
- Reduction in risk of low or no take- up of finished units which orchestrate:
 - Access to construction finance
 - Multiple project developments by large developers
 - Project exit within reasonable times
 - Reliable project and capital planning
- Explore and offer alternative building technologies for top structure

HOUSING POLICY MAKERS

- Consistent access to affordable housing loans by Affordable Market segment;
- Long term harmonization of access by all housing finance market segment;

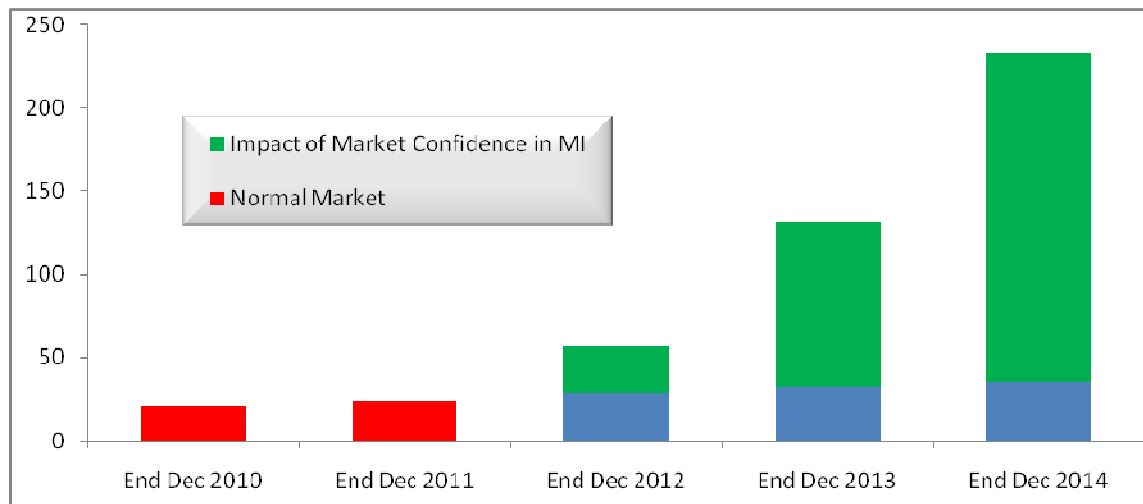
- Stimulating construction related jobs and related economic activities towards 2014

MONITORING MORTGAGE INSURANCE IN THE HOUSING FINANCE MARKET

Mortgage Insurance is implemented to stimulate Market Confidence, to enable lenders, banks and non-banks to lend to the GAP market at scale. The primary market confidence indicator will be the number of applications approved for households in the affordable markets. The MI Entity will monitor this volume when accredited lenders submit applications for insurance to the MI.

STAKEHOLDER	MONITORING INFORMATION	SOURCE DATA
Borrowers	<ul style="list-style-type: none"> • Volume of applications received • Volume of applications approved 	<ul style="list-style-type: none"> • HLMDA • Lenders applications for MI
Lenders	Volume of applications approved New housing loan products	<ul style="list-style-type: none"> • Lenders applications for MI • BASA reports
Developers	Presales	Lenders applications for MI
Capital Markets	Volume of securitisation of insured home loans	MI Entity MBS programs
Policy Makers	<ul style="list-style-type: none"> • Sustained availability of home loans to the target market • Number of housing construction and financing jobs created 	<ul style="list-style-type: none"> • MI Entity performance scorecard • Independent researches from Economists

EXPECTED IMPACT OF MI TOWARDS 2014



These projects assume that all available housing stock and housing stock in the pipeline will be taken up first, and all land which is ear marked for human settlements use, would reach milestones which allows end users to apply for housing finance.

STAKEHOLDER MANAGEMENT PLAN

DHS + NHFC TEAM	STAKEHOLDERS	KEY ACTIONS
<ul style="list-style-type: none"> • Minister for Human Settlements Department • Director General for Human Settlements Department • NHFC Chairman 	South African Reserve Bank <ul style="list-style-type: none"> • Governor 	SARB to provide reasonable capital relief to Lenders on Mortgage Loans originated with government back MI for high LTV Loans.
	BANKING INDUSTRY <ul style="list-style-type: none"> • Chairman of BASA 	<ol style="list-style-type: none"> 1 Government will through the DFI and specifically MI program, provide insurance for default losses to Lenders. 2 Banking Sector to use their data to validate the pricing model assumptions. 3 Banks share data with the MI team 4 Provide detailed end to end process maps to generate minimum underwriting standards, as applied to Home loans.
	Presidency	The Mortgage Insurance is the achievable options to facilitate Access to affordable housing to the GAP market,
	National Treasury	<ol style="list-style-type: none"> 1 The government guarantee required to achieve 600,000 home loans opportunities is circa R4bn, 2 Five years moratorium on dividends repayment for the guarantee 3 Initial capitalization of the MI company of R150m

DHS + NHFC TEAM	STAKEHOLDERS	KEY ACTIONS
<ul style="list-style-type: none"> • Director General for Human Settlements Department • COO in the Department of Human Settlements • CD – Housing Equity • NHFC CEO 	South African Reserve Bank <ul style="list-style-type: none"> • Bank Registrar 	Conditions to qualify as a “investment Grade Insurance provider and timelines
	BANKING INDUSTRY CEOs or duly authorized representatives who manages the Home Loans Portfolio	<ol style="list-style-type: none"> 1 Provide pricing model assumptions to the Banks, to validate using their own data 2 Banking Sector to use their data to validate the pricing model assumptions. 3 Banks share data with the MI team 4 Provide detailed end to end process maps to generate minimum underwriting standards, as applied to Home loans.
	Presidency	<ol style="list-style-type: none"> 1 Progress reporting on “Stakeholders Engagement Plan” 2 Any material changes in the implementation plan
	National DHS	<ol style="list-style-type: none"> 1 Progress reporting on “Stakeholders Engagement Plan” 2 Any material changes in the implementation plan
	National Treasury	<ol style="list-style-type: none"> 1 Progress reporting on “Stakeholders Engagement Plan” 2 Any material changes in the implementation plan
	Provincial and Local Government	Local municipality proposals to:- <ol style="list-style-type: none"> 1 Avail rates and taxes arrears 2 Borrowers education

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