



human settlements

Department:
Human Settlements
REPUBLIC OF SOUTH AFRICA



THE PRESIDENCY
REPUBLIC OF SOUTH AFRICA

DEPARTMENT: PERFORMANCE MONITORING AND EVALUATION

TERMS OF REFERENCE:

**HAS THE PROVISION OF STATE SUBSIDISED HOUSING ADDRESSED ASSET
POVERTY FOR HOUSEHOLDS AND LOCAL MUNICIPALITIES?**

**National Department of Human Settlements
Strategy Chief Directorate**

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1. Background

South African housing policy is anchored in three main ideologies: redistribution, incrementalism and redress; all of which all have to be achieved within a market economic framework. The programme has at its centre the capital subsidy which provides a fully built house to households with incomes of R3500 and less. Responding to the apartheid property ownership biases (in urban areas), the housing programme adopted an ownership model to redistribute wealth and to ensure the participation of the poor (particularly of African and coloured ethnicity who were denied ownership in urban areas) and a means to access and begin to engage with the working of the property market. From the early days of the Housing White Paper (1994), housing was conceptualised as a mechanism to address asset poverty and the capital subsidy an instrument that will enable government to level the playing field by addressing the failings of the market to provide for the poor to achieve equitable access to the property market by all¹.

It is generally accepted that government subsidised housing provision is an effective redistribution strategy as it provides an immovable asset which should grow in value with time (and more investments), can be used to generate income or collateral for more funding or be traded in the market². This echoes the argument by De Soto (2000) that "property is the genesis of the rest of the market economy and that poor people remain poor because they lack assets that can be used as collateral to access finance and can then be used for economic purposes"³. Rust (2008) notes that housing is a valuable asset, both for homeowners and society. She argues that houses can perform as social assets, economic assets, and financial assets. As social assets, houses enhance identity and security, help to build social networks and allow households to access a range of social services and amenities; as economic assets houses can help households to generate income through home based enterprises or by providing rental accommodation; and as financial assets, houses can be used as collateral to access finance or as tradable assets and footholds into the property market⁴.

¹ Department of Housing, 1994. The housing white paper: a new housing policy and strategy for South Africa.

² Department of Human Settlements, 2011. Economic Impact of Government Housing Programme, May 2011.

³ De Soto, H. 2000. The Mystery of Capital. Why Capitalism Triumph In The West And Fails Everywhere Else. Basic Books.

⁴ Rust, K. 2008. Understanding the Housing Assets. *Access Newsletter*, no. 10 May/June 2008. A FinMark Trust publication exploring innovation in housing finance for the poor in Africa.

1.1. Creating an asset for households

Despite the intention to create a viable asset for households whether or not this has been achieved has been brought into question due to a number of challenges including the location of houses, the poor quality of houses and the overemphasis on houses during the first decade. The Comprehensive Plan for the Development of Sustainable Human Settlements, known as Breaking New Ground Strategy (BNG), acknowledged that the houses built through the housing programme “have not become valuable assets in the hands of the poor”⁵. Reiterating the role of housing in addressing asset poverty, BNG punctuated asset creation in its new emphasis on building sustainable human settlements and recommitted the Department to promoting the realisation of housing as an asset and tool for wealth creation; an asset that beneficiaries could trade and use to move up the ladder in the property market; an asset to use as collateral for financial assistance and an asset through which beneficiaries can leverage their economic circumstances⁶.

BNG recognised that a number of interventions were needed to achieve the above objective. Firstly, an intervention was needed to enhance the housing product by improving the quality of the houses, addressing settlement design deficiencies and improving the design of the product. Secondly, the BNG sought to improve the location of new housing projects. This was to be realised through a three pronged land strategy: accelerating the release of well located state owned land for housing development, acquisition of private owned land and funding for land acquisition so that the poor do not bear the high cost of well located land. Thirdly, there was a need to create linkages between the primary and secondary residential property market by supporting demand driven housing delivery, removing barriers to trade, allowing Municipalities a space to play a decisive role in housing development and enhancing access to titles. Fourthly, in order for the property market to flourish within the low income housing sector, the BNG recognised that the role of the private sector within the gap market needed to be strengthened.

⁵ Human Settlements, 2004. *Breaking New Ground: A Comprehensive Plan for the Development of Sustainable Human Settlements*. Department of Human Settlements: Pretoria

⁶ Ibid

Yet, six years after the introduction of BNG and the attempts by the Department of Human Settlements to address the gaps in its housing response, some still argue that government subsidised houses have not become social, financial and economic assets as envisaged in the early 1990s as they are often located on the periphery of existing townships on land first zoned for township development under apartheid⁷. This might not be simply a locational issue. A study on the workings of the township residential property markets by FinMark Trust, suggests that for the housing asset to create wealth, a secondary property market must be functioning, people must afford housing finance, and mortgage lenders must be willing to move downmarket⁸. Recognising the role of the property market, the absence of a secondary property market for ownership within the gap market, the lack of housing stock for those in the gap market and the conservative approach taken by financial institutions to lending at the lower end are all significant in understanding the context within which asset and wealth creation take place. On its own, government subsidised housing cannot grow to become the asset it was intended to be (notwithstanding the challenges within the housing programme itself). It is thus important to interrogate the context and conditions that either facilitate or constrain the creation and development of housing as an asset.

1.2. An asset for municipalities

The delivery of human settlements is also expected to create opportunities for municipalities to broaden their income base while at the same time developing infrastructure through which local municipalities can further generate income and investment. Despite the major investments in housing in municipalities, from the rural areas to semi-urban and urban areas, a number of these municipalities have not been able to capitalize on this. Instead, a cost benefit analysis by the then Social Housing Foundation (SHF – now the Social Housing Regulatory Authority/SHRA) indicated that subsidized housing might be creating a significant fiscal burden for municipalities as they are required to absorb the ongoing infrastructure maintenance and services costs⁹. Responding to concerns by municipalities that the subsidised housing programme adds a further burden, the Economic Impact Study produced by the Department of Human

7 Tissington, K. 2011. *A Resource Guide to Housing In South Africa 1994 to 2010: Legislation, Policy Programmes and Practice*. Socio-Economic Rights Institute of South Africa: Johannesburg

8 FinMark Trust, 2004. *The workings of Township Residential Property Market*. www.finmark.org.za

9 Social Housing Foundation, 2009. *Cost Benefit Analysis*. RDP& SHF

Settlements (DHS) in 2011 noted that "the mindset of municipalities needs to be changed from the perception that subsidised housing is bankrupting them to seeing the numerous opportunities for wealth redistribution and economic development that housing can provide."¹⁰

2. Purpose of the Evaluation

The purpose of this evaluation is to determine if the provision of state subsidised housing has addressed asset poverty for households (are subsidised houses growing in value and are beneficiaries capturing and benefitting from this growth in value) and created assets for Municipalities?

3. Evaluation Questions

The evaluation should determine whether the intention of government to address asset poverty through the provision of state subsidised housing has been achieved for both households and Municipalities.

The project should respond to the following broad questions:

Theoretical and conceptual understanding:

- 3.1. Is the theory of change that informs the housing programmes in responding to asset poverty valid and appropriate for the South African context?
- 3.2. Explore further the inter relationship between the conditions within the market and economy and the performance of government subsidised housing. What is needed both for beneficiaries to be sufficiently equipped to engage with the financial markets and for the latter to respond to this?
- 3.3. Internationally, how are housing assets created for poor households and what are the key drivers in its creation?
- 3.4. How can the market be effectively engaged to respond to the needs of the subsidised housing market?

Assets for individual households:

- 3.5. Has the provision of state subsidised housing addressed asset poverty for households?

¹⁰ Department of Human Settlements, 2011 page 80. Economic Impact of Government Housing Programme. May 2011.

- 3.4.1. Have these assets assisted beneficiaries to participate in the formal property market and to move up the ladder in the property market as intended?
- 3.4.2. Are these assets creating any wealth for beneficiaries as intended? If not, what needs to be put in place to ensure that these houses become a tool for wealth creation?
- 3.6. Explore poor households perceptions about and relation to housing, and how this informs willingness to engage with the property market
- 3.7. Explore whether there is a correlation between the ownership of a title deed and the ability to realise the value of the asset (in the context of poverty, unemployment etc). Is a title deed necessary for beneficiaries to effectively use housing as an asset?

Municipal assets:

- 3.8. Have housing development programmes created any assets for municipalities? If so under what conditions?
 - 3.7.1. What has been the effect of the housing programme on Municipal finances, revenue, rates base, etc.?
 - 3.7.2. Are there opportunities missed by municipalities to capitalise on housing programmes?
- 3.9. To what extent have these assets been used as collateral for funding and how have they been used as leverage to access other economic opportunities?
- 3.10. What outcomes have the focus on asset creation through an ownership model produced both intended and unintended?

4. Scope of the Evaluation

The brief calls for an analytical review that assesses whether the Department through its programmes have been able to create assets (see evaluation questions above). Among others the study should include the following:

- 4.1. **Developing a conceptual understanding** of asset creation for poor households, municipalities and the state as a whole. This should include reflection on:
 - 4.1.1 Analytical assessment of the theoretical basis of the subsidised housing programme as it relates to the creation of assets;
 - 4.1.2 Assessment of the longer term financial and economical implications that these assets have had on beneficiaries, based on previous studies;
 - 4.1.3 Using primary research, establish Municipalities understanding of local property markets and the functioning of housing as an asset that can be improved over time or used to leverage further investment.
- 4.2. **Exploring and providing insight** into the broader context within which asset creation has to be facilitated, e.g. the impact of land and financial markets on the housing programme and vice versa and conditions that have constrained or facilitated the development of housing as an asset;
- 4.3. **Providing policy advice and recommendations** on how to:
 - 4.3.1 Improve the effectiveness of government subsidised houses as assets for both the poor and Municipalities;
 - 4.3.2 Harness the opportunities that exist for Municipalities to grow value of and use the assets that have been created more effectively and efficiently.

5. **Guiding principles and values**

- 5.1. The evaluation should be development-orientated and should address key developmental priorities of Government and of citizens.
- 5.2. The evaluation should be undertaken ethically and with integrity.
- 5.3. The evaluation should be utilisation orientated.
- 5.4. The evaluation methods should be sound.
- 5.5. The evaluation should advance Government's transparency and accountability.
- 5.6. The evaluation must be undertaken in a manner, which is inclusive and participatory.
- 5.7. The evaluation must promote learning.
- 5.8. Evaluators must display honesty and integrity in their own behaviour and should ensure the integrity of the entire evaluation process.

- 5.9. The evaluation is expected to build the capacity of previously disadvantaged individuals (evaluators and researchers), as well as providing all the data in a usable format.

6. Expected Deliverables

- 6.1. The deliverables of this project are as follows:

- 6.1.1. Inception report with an analytical framework and detailed project plan
- 6.1.2. An analytical report that responds to the scope of work and evaluation questions in a both scholarly and pragmatic manner. This report should respond to the key evaluation questions and scope of work. The report should contain (though not limited to) the following: an executive summary (\pm 3 pages), comprehensive literature review (**from empirical research not only government or reports within the researching organisation**), theoretical or analytical framework, methodology, analysis of findings, and key recommendations;
- 6.1.3. Policy implication summary (\pm 1 page)
- 6.1.4. Summary of the report (\pm 25 pages)
- 6.1.5. PowerPoint presentation of the project methodologies, findings and recommendations

6.2. Quality of the deliverables

- 6.2.1. It is expected that all outputs should be in a manner that shows a high degree of professionalism and good report writing skills. The report should include a clear theoretical framework or reference to the theory which informs the analysis contained in the report. This should be clearly substantiated and illustrated throughout so that the connection between theory and analysis is clear to the audience. The methodological process outlined in the research report should reflect the credibility of the research, the relationship between the theoretical framework, the information sources used, the analysis, relevance and transferability of the findings for policy and be able to validate the findings
- 6.2.2. All documents must be language edited.
- 6.2.3. The final reports should be submitted in three (3) Compact Disks and 3 bound copies printed in colour. The document should be written in 12 pts

Arial, 1½ spacing, justified and in both PDF and MS Word formats. No branding of the service provider would be allowed in any of the documents submitted.

7. Evaluation design

7.1. Methodology

What is requested is a meta/synthesis evaluation drawing mainly on work that has been done, as well as knowledge and findings that already exist, with limited use of primary data collection. The service provider is requested to use the following methods to further analyse and investigate the performance of subsidised housing as an asset to inform a new or revised approach to asset creation within the housing framework:

7.1.1 Literature Review: The first step in the design of the project should be the development of a sound theoretical and conceptual framework informed by a thorough literature review to frame and analyse the evaluation questions. The literature review should be relevant to the evaluation question.

7.1.2 Document analysis and review: Using policy documents and regulations, existing literature, empirical research, existing data sets, etc the evaluation should respond to the key evaluation questions outlined in section three.

7.1.3 Interviews, focus groups: Although it is not envisaged that there will be much primary data collection in the completion of this evaluation, the service provider may be required to undertake a number interviews with key respondents (and possibly conduct a small number of focus groups where necessary). It is suggested that the service provider identify for example, respondents from a sample of metro municipalities and local municipalities. This may also include identified strategic stakeholders and players in the property industry.

7.2. Overall the service provider should be able to illustrate an evaluation process that is rigorous and can stand up to academic scrutiny. The methodological process should reflect the credibility of the evaluation, the relationship between the theoretical framework, the information sources used and analysis, the

relevance and transferability of the findings for policy and be able to validate the findings.

8. Project Plan and payment

8.1. Project Plan

This project should be completed within Four months (20 weeks) after the service provider has been appointed. The service provider is expected to develop a draft project plan and which take into consideration the following:

Table 3: Outline project plan

Activity/deliverable	Who	By when
Inception Meeting	Dept/Service provider (SP)	1 week after receiving Confirmation of appointment
Service provider contract signed	Dept/Service provider (SP)	1 week after receiving Confirmation of appointment
Inception report with an analytical framework and a revised comprehensive project plan	SP	3 weeks after signing the contract
Draft report	SP	10 weeks after the approval of the inception report
Workshop with stakeholders on draft report	Dept and SP	2 weeks after receiving the draft report
Peer reviewers submit reviewed draft report	Peer reviewers	2 weeks after receiving the report
Final report submitted to Dept.	SP	2 weeks after receiving inputs
Comments on final report	Peer reviewers and steering committee	1 weeks after receiving final report
Final report submitted	SP	1 weeks after receiving comments

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8.2. Payment structure

Payment for the delivery of the work will be as follows:

- 8.2.1 50% of the total amount shall be paid upon the submission and approval of the draft report.
- 8.2.2 50% shall be payable upon the approval and acceptance of the final report.

9. Management Arrangements

9.1. Management

- 9.1.1 The DHS in conjunction with the Department of Performance Monitoring and Evaluation (DPME) will manage the project. However the service provider shall account to DHS.
- 9.1.2 The service provider will be expected to present the inception report, analytical framework, draft report and final report for their comments and inputs to the evaluation steering committee, which comprise of DHS, DPME and other relevant stakeholders.
- 9.1.3 The Service Provider will submit monthly (or when requested) progress reports to the Project Manager at the DHS. All communication between the Service Provider and the Department shall be made through the Project Manager.

9.2. Reporting arrangements

- 9.2.1 Monthly progress reports should be submitted to the Project Manager in the DHS indicating the key developments in the time period reported on, future activity schedule, and obstacle if any that are being encountered together with the suggested solutions to the challenges.
- 9.2.2 It would be expected that any urgent matters that affect the service provider's ability to meet the deadlines should be brought to the attention of the Project Manager immediately.

10. Expectations of the Service Provider

10.1. Qualification criteria

The study requires a service provider who can demonstrate a high level of knowledge, skills, and experience in the following areas:

- 10.1.1 Poverty research, Economics, Housing and land markets, municipal finance systems and other poverty/wealth creation related disciplines;
- 10.1.2 Policy issues related to housing and human settlements. Clear understanding of the mandate of the National Department of Human Settlements, its programmes and instruments and performance over the past 17 years;
- 10.1.3 Proven experience in conducting programme evaluations (experience in evaluating government programmes is preferred)

10.2. Evaluation criteria

The evaluation of the proposals submitted to the DHS will follow a two step process.

- 10.2.1 In the first step, all proposals will be evaluated on functionalities and capabilities. In the second step, only qualifying proposals will be evaluated on the 80/20-preference point system.

- 10.2.2 The functionalities and capabilities will be evaluated as follows:

Criteria	Sub Criteria	Sub points	Total points
Levels of expertise	90% of the core evaluation team has expertise in Social Sciences (poverty studies), Economics, and Property Markets at Masters or PHD levels.	10	10
	90% of the core evaluation team has expertise in Social Sciences (poverty studies), Economics, Property Markets at Masters and honours level	05	
Experience in social research and evaluation with specific focus on	<ul style="list-style-type: none"> • Years in the field: <ul style="list-style-type: none"> ○ 20 years and above years experience in social/ economic and human settlements related evaluations 	10	10

poverty related evaluations/research; or Economics research and evaluation with specific focus on property markets	o Between 15 and 19 years experience	08	
	o Between 10 and 14 years experience	05	
	o Between five (5) and nine (09) years experience	03	
Delivery of evaluation assignments ¹¹	Delivery of 15 and more similar assignments	10	10
	Delivery of 10 and 14 similar assignment	08	
	Delivery of between six (6) and nine (9) and similar assignments	05	
	Delivery of between four (4) and six (6) similar assignments	03	
Understanding of the scope of work	Theoretical framework and methodology: Detailed empirical methodology using literature to support the choice of methodological approach	30	60
	Design: explain how you will respond to the research questions and scope of work E.g. documents to be reviewed, data collection process and tools, Sampling techniques, etc.	30	
Responsive plan	Project plan reflecting relevant milestones and timeframes	10	10
Overall total			100

10.3. A service provider who submits a proposal that scores less than 70 would be considered to have submitted a non-responsive proposal.

¹¹ Please provide a list of projects, stating the name of the client and contact person for reference

(8/49)

10.4. The DHS reserves the right to request presentations before appointment of a service provider.

10.5. **No service provider is allowed to score themselves on the submitted documents.**

11. General conditions

11.1. The tender will be valid for a period of 90 days. The prices quoted in the tender remain applicable unless and until the DHS notified (in writing) to the contrary by the service provider

11.2. The service provider must furnish the following information as comprehensively as possible:

11.2.1. Full details of the service provider

- head office address and email
- telephone and fax numbers

11.2.2. Level of technical competency

11.2.3. Company profile

11.2.4. Full details of the individuals to be involved, their expertise, track record and roles in the assignment.

11.2.5. A detailed cost breakdown. Preference will be given to fixed price contracts linked to clearly identifiable deliverables;

11.2.6. Clearly defined milestones;

11.2.7. A detailed explanation of the methodology and process to be adopted.

11.3. The successful service provider would be expected to submit an inception report which includes a detailed description of the methodology and a work break down schedule which will form the basis of the first meeting with DHS

11.4. Regular progress reports should be submitted to the Department, indicating the key developments in the time period reported on, future activity schedule, and obstacle if any are encountered together with the suggested solutions to the challenges. This will be agreed upon at the first meeting with the Department.

12. Copyright

12.1. The copyright of all data collected and the final report to be delivered by the service provider will rest with the DHS;

