



## human settlements

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Human Settlements  
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Mr Tshediso Matoma  
Acting Director – General  
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Dear Mr Matoma

### **Management Response on the recommendations for the synthesis evaluation of whether the housing programme has created assets for households and municipalities**

The Department would like to thank the Department of Planning, Monitoring and Evaluation for the support and cooperation provided on the synthesis evaluation of whether the housing programme has created assets for households and municipalities that was part of the National Evaluation Plan 2013/14.

The findings and recommendations will be presented to the internal Departmental Structures for consideration and implementation of the recommendations, and at the same time engaging with the relevant stakeholders prior submitting to Cabinet for approval. The management plan response to the evaluation study recommendations is attached.

Kind regards

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For: Acting Director – General

Date: 20/01/2016

## Management Response on the recommendations

	RECORD OF AGREEMENT OR DISAGREEMENT	REASONS FOR DISAGREEMENT
<p><b>Recommendation 1</b> suggests that the current policy should be revisited in order to address the shortcomings identified in the review. This recommendation, regarding the long-term and the integrated nature of assets, provides an opportunity for rethinking, not only the current housing programmes and policy, but also the appropriateness of the capital subsidy instrument. Whereas the long-term notion of asset building should be articulated in future policy processes, consideration should also be given to asset building in the housing code.</p> <p>It would also be important to revise the existing curricula around the built environment. It moreover requires that the Department of Human Settlements should provide services and finance beyond the current subsidy administration. In addition to the above process of revisiting policy, consideration should be given to the role and contribution of housing within the social wage package and its contribution as a social safety net.</p>	<p>The recommendation on the contextualisation of asset building as a long-term and integrated process has been considered through the policy review process (White Paper development process).</p>	
<p><b>Recommendation 2</b> suggests that the Department of Human Settlements should clearly articulate the segmentation of the current Housing Subsidy Programme and other housing support programmes. In this regard, consideration should be given to revisiting the programme theories of specific instruments. Despite the hybrid nature of the overall policy, the specific programmes should be explicit about envisaged outcomes. Examples of improved segmentation are entrenched in the following recommendations.</p>	<p>All the recommendations for the study are informing the policy review and development process, it will be upon the approval of policies that specific programmes will be revisited and as proposed outcomes will be specified.</p>	



<p><b>Recommendation 3</b> entails increased support for self-help processes. The evidence in the report suggests that households who are actively involved in their housing construction processes are significantly more satisfied and generally create larger units than the housing units constructed by contractors as part of the Housing Subsidy Programme. Self-help also broadens housing finance mechanisms to microfinance and unsecured lending practices. The danger is that self-help processes are associated with low-income households, while lower-middle-class and middle-class households could benefit from such attempts and from unsecured loans. This will also lessen the prominence of the mortgage instrument as the main housing finance instrument in the gap-housing market</p>	<p>As part of the policy review process all the recommendations are being considered. Programme review, review of the finance mechanism, providing of transactional support are all part of the review process.</p> <p>As part of the policy review process all the recommendations are being considered. Programme review, review of the finance mechanism, providing of transactional support are all part of the review process</p>	
<p><b>Recommendation 4:</b> Backing for further segmentation and self-help housing should assume the form of support for microfinance mechanisms. Given the impact of both the global financial crisis and the economic recession, it does not seem as though small mortgage loans will ever return to the South African housing landscape. Evidence from the review suggests that it could become increasingly difficult to provide mortgage finance to lower-middle-income persons. In this regard, the role of microcredit and own savings will become important considerations in connection with both housing investments and markets at the lower end of the market. The roles of microcredit and savings as integral parts of an asset-based approach should be better articulated.</p>	<p>This is being attended to through the policy review process.</p>	

<p><b>Recommendation 5:</b> Segmentation and the broadening of the role of the Department of Human Settlements can also be achieved by the provision of transactional support. Transactional support could include support for trading, support for making investments in housing and for housing education. The need for transactional support originates from three sets of evidence. First, approximately 50% of the houses provided under the Housing Subsidy Programme do not have title deeds. Transactional support to those who wish to obtain legal title could assist towards increasing this percentage. Secondly, the relatively high percentage of households who have transferred their housing units informally could also benefit in this respect. Thirdly, the low levels of transactions in respect of subsidised housing units suggest that consideration should be given to the factors that are currently inhibiting transactions. In conclusion, some consideration can also, in specific circumstances, be given to the sales restriction – or then at least to ensuring that there is no confusion regarding the process itself.</p>	<p>As part of the policy review process all the recommendations are being considered. Programme review, review of the finance mechanism, providing of transactional support are all part of the review process</p>	
<p><b>Recommendation 6</b> suggests that further support be given to informal settlement upgrading processes. The current informal settlement upgrading initiatives – as a form of segmentation in respect of asset building – should be supported on an ongoing basis. Furthermore, justification for the Informal Settlement Upgrading Programme lies both in the health benefits associated with infrastructure provision and in the importance of securing a foothold in the urban setting for households dependent on informal work.</p>	<p>As part of the policy review process all the recommendations are being considered.</p>	

<p><b>Recommendation 7:</b> At the lower-middle-income level, it is recommended that the acceleration of FLISP should be prioritised. The fact that a significant percentage of subsidised housing units have not – as envisaged by the programme theory – been linked to the market economy, does not mean that there should not be a drive towards creating increased market access. FLISP as an enabler for first-time homeowners could play a dual role by providing finance for first-time homeowners and laying the basis for the development of a secondary market. In this regard, the expansion of FLISP and the elimination of obstacles related to its implementation should be considered a priority.</p>	<p>The finance instruments are being reviewed and all this is part of the policy review process.</p>	
<p><b>Recommendation 8:</b> The notion that housing finance needs to be stretched to reach more households is also a central recommendation. In addition to FLISP, Recommendation 8 suggests that housing finance should be made to work for middle- and low-income households. The National Department of Human Settlements should explore guarantees and investigate research and development mechanisms to minimise risks and reduce the cost of providing finance to the poor and to low-to-middle-income households. There could also be merit in exploring alternative finance instruments to the capital subsidy scheme. There is a need to diversify the existing instruments. Development-finance institutions should be assisted through research and development to explore a range of housing finance possibilities. The state could also help to reduce the risks involved in finding finance on capital markets for housing purposes.</p>	<p>Finance options for housing programmes are being looked at through the policy review process. Until the process is concluded, a follow up on all the recommendations can be made on specific programmes designed to improve the housing programmes.</p>	

**Recommendation 9** calls for the consolidation of the building environment in respect of the 3.8 million houses that have been constructed. A nuanced approach to the said consolidation is required. In some cases, an approach such as this should be orientated towards improving the physical quality of the housing provided by way of self-help programmes (building advice and support) and putting appropriate local regulations in place. Depending on the context, increasing densities on these stands (which in some cases could even require substantial revision of municipal regulations and probably also call for revised infrastructure guidelines) should be considered. Adequate maintenance of infrastructure and maintenance of the public environment at the local level should also be prioritised. In some cases, it will be necessary to formalise tenure arrangements; in others, it will be necessary to facilitate migration from the existing tenure arrangements to formal tenure. Finally, consideration should be given to the overall development of sustainable human settlements in the process of consolidation. While, in some cases, this could mean having to improve access to social amenities, it could, in other cases, entail the development of appropriate public spaces.

Consideration is being given to the overall development of sustainable human settlements

12

<p><b>Recommendation 10</b> proposes the creation of a support programme for municipalities to increase their own revenue sources. There is an inherent danger that local governments could become increasingly dependent on grants rather than finding ways of expanding their own revenue base. In this regard, consideration can be given to creating a support programme to assist municipalities in finding ways to increase their own sources of revenue.</p> <p>Overall, it is expected that better-aligned plans at the city level could potentially drive value in low-to-middle-income settlements by using the various housing programmes.</p>	<p><b>Recommendation supported and policy and programme discussions are ongoing.</b></p>	
<p><b>Recommendation 11</b> envisages improved location and integrated planning. The poor market performance and the poor social performance of housing units provided by the Housing Subsidy Programme are ascribable to their poor location and to the general lack of integrated development (inadequate access to social amenities). On the one hand, this outcome is the result of the nature of the capital subsidy scheme – a scheme that optimises housing size at the expense of location; on the other, it also reflects that there is both little local innovation and little support for improved locations.</p>	<p><b>The policy review process is looking at all these.</b></p>	

