

# THE ROLE OF STAKEHOLDERS IN THE DELIVERY OF AFFORDABLE HOUSING SCHEMES IN SOUTH AFRICA

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This paper identifies relevant stakeholders in the delivery of housing schemes in South Africa. It investigates the envisaged and practical roles of stakeholders, and whether stakeholder activities are helpful or detrimental to housing delivery. Stakeholders are of two categories: end users, and providers of affordable housing. A study of the local housing environment is made from a historical perspective and the recent policy formulation, the anticipated participation structure and the delivery process, supported by three case studies. A comparative review of local and international literature is made, including the analysis of the experience of other developing countries. Interim findings to date are: labour force on housing schemes is drawn from the local environment; the delivery process is comparatively more formal and with a minimum of self-help; end user participation features in planning, finance, construction labour and, policy formulation and management, the latter two at a minimal level.

Keywords: Affordable housing; delivery; end user; identification; service provider; South Africa; stakeholder.

## INTRODUCTION

The South African Government embarked on a Reconstruction and Development Programme (RDP) soon after the first democratic elections in 1994. The programme was aimed at economically uplifting the lives of previously disadvantaged citizens of the country. Of significance is the delivery of housing and in order to kick-start the building of affordable houses the government introduced a one-off capital subsidy scheme of R15 000 (\$3 330) per housing unit. This measure was complemented by what is known as the Record of Understanding between the Government and the Association of Mortgage Lenders (AML). The agreement was to the effect that the government would provide cover against "political risks" to lenders who lend in areas with abnormal risks. ("Political risks" in this instance refers to boycott of mortgage bond repayments by the previously marginalised people of South Africa, an action that was used as a political strategy to pressure the previous government to yield to a democratic political system.) These measures by the government had prompted stakeholders in affordable housing, especially developers and end users, to gear themselves up for a major development activity.

Applications were made to provincial housing boards and subsidies for various housing schemes were reportedly granted, but many of such projects got off to a slow start. Part of the explanation for delays was that large proportions of provincial budgets had been spent on projects commissioned by the previous government.

Expectations of considerable delivery were not met. This in fact prompted the National Director General of the Department of Housing to request the nine provinces of the country to explain why there seemed to be no progress in the building of affordable housing. Where could the problem be? Perhaps some stakeholder roles influence efficient delivery of housing schemes.

## **STATEMENT OF THE PROBLEM**

The purpose of the research reported in this paper is to identify roles of stakeholders who have definable influence on the delivery of selected affordable housing schemes and to evaluate the impact of such stakeholders' involvement on the delivery programmes of the schemes.

## **DEFINITION OF TERMS**

**Stakeholders** - Various interest groups involved in a housing scheme at any time and for any period from inception to completion. The White Paper on housing policy (Government Gazette, 1994) identifies a number of stakeholders including government parastatals, the private sector, representatives of the homeless and other community-based organisations (CBOs), and non-governmental organisations (NGOs). For the purpose of this research, however, stakeholders are grouped into two broad categories: end users or providers of affordable housing. *Housing scheme* - A project undertaken to erect a stated number of housing units in a specified geographical location. Housing in the context of this paper is seen both as a service and an end product. The provision of housing under the RDP is mainly concerned with affordable housing.

*Affordable housing* - Housing units erected for eligible low income earners, and which would normally cost not more than R65 000 (about \$14 500) per unit. The Government Gazette (1994, p43) defines low income earners as those on income not exceeding R3 500 (about \$800) per month.

## **RELEVANT STUDIES ON AFFORDABLE HOUSING**

### **International Experience**

#### *Housing Policy*

Developing countries are, by definition known for their lack of economic resources, or the underutilisation thereof. Therefore most affordable housing schemes are located in areas of poor economic conditions which ultimately influence the housing policy.

Writers consistently describe low income levels of people and lack of financial resources as hindrances to the much desired delivery of low cost housing in developing countries (Maskrey, 1984 p.154; Co-operatives 20 de Junio, 1984 p146; Turner, 1976 p57; Baross, 1984 p317). Of the total population of South Africa, 43% of men and 48% of women live on income at or below subsistence level, the majority being rural dwellers (Whiteford *et al.*, 1995, p6).

Burgess (1984, p5-60) singles out the following factors as limitations to the delivery of low cost houses: economic limits; the provision of construction materials; administration of the construction process; nature of labour process; system financing; the ideological limits; political limits.

Turner (1988, p14) emphasises the social aspect as essential to the success of any housing development project, stating that community-based systems which are non-governmental and non-commercial are helpful.

Abrams (1969, p219-239) provides a fairly comprehensive list of the general aims of a national housing policy among which are: Priority in housing production for lower-income families; a sound financing policy enabling low and moderate-income families to buy homes; encouragement of savings; a sound system of subsidies; a more effective building industry; a reasonable programme for rehousing squatters; prevention of squatting; encouragement of cooperatives; sensible rent controls or their repeal; home ownership. Abrams' model focuses on the needs of the end user.

Burgess (1984, p21) criticises governments for adopting housing policies which do not have regard for those who need houses most: "...state housing programs have been geared to encouraging and promoting the industrial form of production and to a lesser extent the manufactured form. For the fraction of finance capital they allow full opportunity for the extension of credit facilities and participation in formal credit markets -both for production and for consumption".

#### *The end user*

After independence from colonial powers, many developing countries promoted the spirit of self-reliance amongst their people. This practice was to be more prevalent in the area of people housing themselves and therefore playing a greater role than any other stakeholder in the delivery of their houses (self-help housing). Another factor which can be seen as encouraging end user involvement comes from non-governmental organisations, especially international funders such as the World Bank. Indeed as a result of these factors, a tradition evolved for end users to play a major role in housing delivery. Cases in this regard occur in South America, Africa (Turner, 1988; Ospina, 1987) and Asia (Anzorena and Poussard, 1985).

The end user is often viewed as the pivotal stakeholder in low cost housing delivery to the extent that the term, "popular control", has been coined to mean direct control by the end user (Ospina 1987). The emphasis is on people to make their own choices on housing. Ospina argues that popular control affords a bottom up approach to the housing problem, thus ensuring amongst others, collective solutions to problems, development of methods of approach which are contextual, the strengthening of community relations, community control of resources and capacity building. Mitchell and Bevan (1992, p.xiii) believe that the greater the involvement of the owner in the delivery process the greater the satisfaction drawn from housing.

The degree of involvement of end users in low cost residential houses ranges from total self-help in building the units to representation by, say, a community leader or a non-governmental body. Arrigone (1994, p.1) defines self-help as a process whereby individuals or groups uplift their quality of life by using their own resources, such as labour, financial savings and management ability. Project participants may however receive financial, technical or other assistance from community organisation, NGO, the government or private sector. The end user can also participate indirectly by yielding to representation by a community based organisation (CBO) or a non-governmental organisation.

#### *The service provider*

The government has always been viewed as having the responsibility to provide housing for its people. Governments play the important role of laying ground rules or developing policy, and by so doing facilitating the delivery of low cost housing. Some

governments have even gone to the extent of being involved in the actual operations but this has often proved undesirable. Bottelberg (1988) observes that government departments operate on a less urgent note, larger scale and at a physical and social distance from the people they serve. "The role of state should be as enabler and articulator of people's initiatives, encouraging a 'bottom-up' process of planning and management, rather than taking a technocratic role of imposing its ideas on people" (Co-operative 20 de Junio 1988, p152).

## **LOCAL EXPERIENCES HOUSING POLICY**

South Africa, while defined as a developing country, has a unique situation where developed world economic policies have been in operation. For poor people, house ownership has been associated with credit-linked type of funding, the alternative being to rent a government-owned house or to squat. It can therefore be expected that participation in the delivery of housing may not be understood in the same manner as in other developing countries.

Bums and Grebler (1977, p219) assert that, "no aspect of public policy causes more frustration than housing; almost everywhere the gap between intention and achievement is wide". Not long after the birth of what is commonly known as the new South Africa in April 1994 politicians have been talking of the delivery of over one million houses for those in need in the following five years at a rate of 300 000 units per year (Gounden & Merrifield, 1994). Two years down the line the number of low cost houses falls far short of the first 300 000. It is however encouraging to observe the degree of attention given to the housing problem in South Africa. This comes as no surprise, firstly because it is expected of any state to take the initiative in trying to solve the housing problem by formulating policy and proposing public programmes. Secondly, it has to be a natural and logical move, especially after the experiences that the disadvantaged South African communities went through.

Several studies have highlighted the importance of the involvement of the community and other role players in the delivery of low cost houses (Gounden & Merrifield, 1994 p6-9; Merrifield, 1994 p72-73; Milne & Jackson, 1994 p5-8). These works also indicate some problems occasioned by the activities, or lack thereof, of some stakeholders (Merrifield, 1994 p72-74).

The current housing policy in South Africa is the result of a wide consultation which culminated in what was dubbed the Botshabelo Housing Accord in 1992. The Accord was a conference which gave birth to the National Housing Forum in the same year. Towards the end of 1994 the government published a White Paper on Housing (Government Gazette 1994) based on recommendations by the National Housing Forum.

## **THE IDENTITY OF STAKEHOLDERS**

The government of South Africa envisages the following framework within which the structuring of the housing sector is to be undertaken (Government Gazette No.16178, December 1994 p35-43):

### **The end user**

According to the White Paper the government is committed to making housing delivery as people-centred as possible. Meaningful and structured participation by communities in the processes of policy formulation, needs identification,

prioritisation, planning and implementation of housing development projects are the central requirements of government policy and subsidy assistance.

The end user participation is often through Community Based Organisations (CBOs). During the struggle for political emancipation people formed community organisations both at national and local levels. Such organisations (e.g The South African National Civics Organisation) have grown so strong that virtually no development in a community can proceed without their involvement. Even though NGOs are still prevalent in South Africa, some of their traditional responsibilities such as initiating housing schemes are actually carried out by either the communities or the government. Although there is no direct mention of self-help in the proposed government strategy for housing delivery there is enough emphasis to suggest that the government is in favour of a community driven housing provision at the local level. The RDP policy framework (ANC, 1994, p1) emphasises the need for wide consultation with, and input of, all interest groups or stakeholders in the implementation of the RDP as a whole and, particularly, in the provision of low cost housing for previously disadvantaged communities.

### **The service provider**

The central government is expected to take up responsibility on matters of policy in consultation with provincial governments and other stakeholders. Appropriate housing functions and powers are devolved to the provinces. Local governments are in turn entrusted with the physical processes of planning and facilitating the provision of housing. The government also created statutory advisory and policy execution bodies (eg, National Housing Board, Provincial Housing Boards, National Funding Forum) for housing in order to have key stakeholder representation in the processes of policy development and fund allocation.

The government recognises the fact that the mammoth task of housing the people cannot be done single-handedly, hence the need for mobilising collective resources including the private sector. As far as the specific stakeholders in the non-state sector are concerned the state envisages the following approaches: the supply of materials and services to the housing sector should be based on open competition with no state intervention unless it is deemed necessary; in view of the prevalent disparity in terms of resources and skill base between the largely white owned formal construction sector and the disadvantaged less formal, predominantly black small construction sector, the state has undertaken to facilitate and encourage a bridging of this gap through housing subsidy policy, tender procedures and procurement policies; the mobilisation of private credit for low cost housing purposes is central to the government approach to housing. The unique South African situation, where people have defaulted en masse on the repayment of housing bonds has, however, made it extremely difficult for lending institutions to fully complement government efforts in funding of low cost housing.

Funding for low cost housing falls under two main categories, namely government finance and private sector finance. A parastatal called the National Funding Forum was established in 1996 to administer indirect government funding. However, at the moment subsidy allocation to housing schemes and individuals is being administered by the provincial governments.

The most popular form of direct funding by the government is the capital housing subsidy for low-income earners, as spelled out by the government White Paper on Housing, the maximum of which was R15 000 at the time of writing (Government

Gazette No. 16178, December 1994 p 31, 43-46). Eligibility for the subsidy is restricted to legal South African residents with monthly household (joint spouse) incomes below R3500 (in 1994 terms) and a focus on housing for families and not single people. A number of programmes are being used to implement the subsidy, with flexibility as the underlying factor. For instance, subsidies can be allocated for collective social and rental housing directed at institutions supplying such housing. The government stresses that it will welcome and support innovative approaches to social housing (*ibid.*, p45).

A number of methods to finance low cost housing are in use in the private sector. Some of these are, mortgage lending, life offices and pension funds (indirectly involved), stokvels and employer subsidy. The most popularly used method in this category is mortgage lending, often coupled with employer subsidy. With regard to employer subsidy it is now common practice for large South African corporates to assist their employees through a progressive subsidy or a collateral.

## **FIELDWORK METHODOLOGY**

The descriptive method of survey (Leedy, 1989 p140-168) was adopted in three case studies as follows.

### **Affordable Housing Schemes**

Three housing schemes were selected in the Gauteng Province where the bulk of affordable housing activity in the country is taking place.

Data from the Provincial Housing Department was used as a basis for the selection of schemes, considering aspects such, as the likelihood of the scheme being a relative success, the approval of capital subsidy by the provincial government, the ease of access to the scheme, the willingness of stakeholders to participate in the study and the geographic spread of the schemes. The data included particulars of developers and their dedicated project leaders who were contacted for initial and subsequent discussions. Project leaders assisted in identifying other stakeholders who would also be interviewed in due course. In line with the approach stated in the introduction, stakeholders would be categorised as either service providers or end users. However, specific roles were still recorded in a fairly detailed manner.

Depending on factors such as the availability of particular stakeholders, interviews and site visits were carried out at least once a month on average. At least ten end users proper (not representatives) were interviewed in each scheme. The rest of the stakeholders or their representatives were all interviewed depending on whether physical contact was achieved. The interviews were conducted from July 1995 to May 1997.

### **Interview Instruments**

Initial interviews, especially with the project leaders, were aimed at introducing the purpose of the research, obtaining an overview of the particular scheme and identifying stakeholders. Two types of structured questionnaires, one for the project leaders (representatives of those who coordinate the schemes) and the other for the rest of the participants, were used as the main basis to obtain information. These were supplemented by subsequent discussions and observations during site visits, documents such as agreements, procedures manuals for applications and social compacts, as well as sittings in planning and site meetings. The subsequent interviews.

and observations assisted in identifying stakeholders' actual roles and the related impact on the progress of the schemes.

**Data**

Numerical and descriptive interview data have included written and oral description of stakeholders and their roles during the implementation of the schemes. Data obtained during pre-construction stage have included planning and technical input on the infrastructure, the determination of parties to be involved, criteria for aspects such as eligibility to own a house, as well as procedures to be followed in the allocation of houses. During construction, specific parameters such as the planned and actual number of housing units and the time spent on each scheme were recorded to determine the rate of delivery and assess the impact of individual stakeholders. The various financing structures were also recorded.

**ANALYSIS OF FINDINGS**

**Identity of stakeholders**

Table 1 shows groupings of stakeholders identified in each scheme. The end user appears on the scene as either the house occupant proper or, as represented by a - community organisation through elected representative(s). Practically, a community based organisation (CBO) in a particular scheme would be made up of a host of local and national organisations who would choose a principal leader and sub-committee leaders, depending on the size and complexity of the scheme. Initially, Scheme A did not involve the neighbouring townships in the planning of the then proposed scheme (the planning took place some time before community organisations were taken seriously). The local people therefore put a halt to the project until they were included in the decision making process. Subsequently, the scheme ran fairly smoothly. Schemes B and C involved the end user right from the onset, including social compacts at an early stage. This however, delayed the envisaged starting period due to issues having to be debated at length before decisions could be taken.

*Table 1: Stakeholders and end users of investigated schemes*

| Stakeholders      | Scheme A   | Scheme B  | Scheme C  |
|-------------------|--|---|---|
| End Users         | Occupants, CBO<br>(eg, SANCO)  | Occupants, CBO<br>(eg, SANCO)   | Occupants, CBO<br>(eg, SANCO)   |
| Service Providers | Government, Principal developer (Private), Secondary developer, Construction companies, Labourers, Financial institutions, Employers | Government, Principal developer (Parastatal), Secondary developer, Construction companies, Labourers, Financial institutions, Employers | Government, Principal developer (Private), Secondary developers, Construction companies, Labourers, Financial institutions, Employers |

**STAKEHOLDER RESPONSIBILITY**

At housing scheme level, the end user has been observed as influencing developments mainly on social issues. Matters such as who should be the beneficiaries of the scheme, how should the allocation of completed units be carried out, the selection of local labour, involvement in capacity building and the like were mostly influenced by

the end user. The allocation of the housing units was the main issue at the RDP level of affordable housing. An occupant ultimately contributes the bulk of the finance for his/her house except at the cheapest end of the housing scheme where the government contributes the most.

The role of housing providers is most manifest in the area of policy formulation (government, with invited input from all other stakeholders), finance (government, financial institutions, employers) and management (developers and construction companies).

The following parameters have been drawn to illustrate the performance of stakeholders on their respective schemes:

Table 2: Target and achieved performance on housing schemes

| Parameter                          | Scheme A | Scheme B1 | Scheme B2 | Scheme C |
|------------------------------------|----------|-----------|-----------|----------|
| Planned No. of Units to Date       | 3 000    | 1 800     | 600       | 240      |
| Actual No. of Units Delivered      | 3 325    | 1 920     | 540       | 200      |
| Delivery Period (months)           | 29       | 24        | 6         | 8        |
| Average rate of delivery per month | 115      | 80        | 90        | 25       |

It was observed that the delivery rate increased with time. At the start of the scheme the delivery rates were well below the average shown in Table 2 but with time the rate increased beyond the average. Some reasons found from interviews were: initial organisational problems such as meeting certain conditions required by the community before the scheme could function properly; bureaucratic procedures to be followed, especially in getting state subsidy approvals; the requirement to provide on-the-job training for local labourers; the reluctance of financial institutions to finance the lowest income bracket of the market; and the limited number of those initially considered to be qualified to obtain private financing.

## CONCLUSION

The labour force on the case study housing schemes examined in this paper is drawn from the local people, some of whom are trained for certain skills. The provincial government or parastatals, in consultation with the local communities, plan the schemes and employ the managerial and technical skills of the private sector.

The delivery of affordable housing in South Africa has been found to be more formal than those of other developing countries. Self-help schemes are being carried out at a minimal scale with the government seemingly reluctant to sponsor them.

Further comparison with international cases indicates that end user participation is more significant in the areas of planning, finance and construction labour. There is less involvement in policy formulation and management. At the planning stage, efforts are made to determine the requirements and desires of the local people subsequent to social compacts. During the delivery period, individuals take it upon themselves, with the assistance of the developers, to raise finance for their individual houses.

Further analysis is in progress on the impact of specific stakeholders on the performance of the various housing schemes.



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