

## 1.2 INFORMATION ON THE MINISTRY

### 1.2.1 Activities in which the Ministry was involved during the year under review

In 2006/07 the breaking of new ground (BNG) in housing delivery became a liveable tangible reality in the implementation of policy. Some 2,3 million houses have been delivered since 1994 to accommodate approximately 9 million households. The backlog was thereby reduced to 2,2 million. In 1994 it had been at approximately 3 million units whilst there was growth of an estimated 200 000 new households each year. For the first time, therefore, the historical housing backlog was breached. Furthermore, the N2 Gateway Project, which was designed to construct about 22 000 houses in Cape Town, delivered on its key policy objectives. ABSA and First National Bank unveiled their own projects in support, thereby realising private investment. To date the project has completed 1 147 units.

These two key achievements were the results of an intensive effort at partnership building with banks, developers, community organisations, non-governmental organisations and other stakeholders, all of which also delivered on their parts. Developers agreed to the implementation of the Inclusionary Housing Policy through which integrated development will be sought, and the banks realised significant targets in implementing their Financial Services Charter commitments. Of the R42 billion that they committed to expend on both low-cost and affordable housing by 31 December 2008, they achieved lending of R28,9 billion.

It was therefore the year of tangibly breaking new ground in housing delivery. It was a year of demonstrating a model of the BNG house. The revised National Housing Code that came into effect on 1 April 2007 defines the house norms and standards of the house. These include 40 square metres of gross floor area; two bedrooms; a separate bathroom with a toilet, shower and hand basin; a separate kitchen and living area with a kitchen basin; and a ready board for electrical installations.

In sum, these are the main activities that focused the Department's attention in the year. These are also the activities that in the coming year will be enhanced by, amongst other things, the implementation of new instruments to achieve accelerated housing delivery and making housing affordable to everyone.

We will live up to this promise, since we have seen in practice the potential that can be achieved when the partnerships that are developed are greatly enhanced. Thus, through Housing, we are in a unique position to make a difference where we all live.

### Minister L N Sisulu was involved in the following activities during the year under review:

During the period under review the Minister attended the following conferences to deliver papers:

- African Ministerial Conference on Housing and Urban Development (AMCHUD) Bureau meeting, Kenya  
– 3 to 5 April 2006
- World Urban Forum, Vancouver, Canada  
– 19 to 23 June 2006

During the period under review the Minister undertook the following study tours abroad:

- India – 24 to 28 April 2006
- China – 3 to 9 September 2006

In addition to the international engagements mentioned above and the Minister's parliamentary activities that include the presentations on the Budget Vote debates to both the National Assembly and the National Council of Provinces (NCOP) which took place on 17 and 25 May 2006 respectively, and the participation and presentations in various media briefings and answering of parliamentary questions, the Minister's activities during the year under review included the following key presentations:

- 18 April 2006 - Speech by Minister Sisulu at the opening of South Africa's National NEPAD Strategy Workshop
- 18 May 2006 - Speech by Minister Sisulu at the launch by Radio 702 and FNB of houses at Cosmo City
- 20 June 2006 - Keynote address by Minister Sisulu, Chair of the African Ministerial Conference on Housing and Urban Development, on Social Inclusion and Cohesion at the World Urban Forum, Vancouver, Canada
- 18 July 2006 - Speech by Minister Sisulu at the launch of Phase Two of the N2 Gateway Project
- 9 August 2006 - Speech by Minister Sisulu at the University of Cape Town's celebration of the 50TH Anniversary of National Women's Day
- 12 August 2006 - Keynote address by Minister Sisulu at the Annual General Meeting of the Black

Conveyancers Association

- 14 August 2006 - Speech by Minister Sisulu at the launch of the 2006 Women's Build
- 9 October 2006 - Speech by Minister Sisulu at the Conference of the South African Housing Foundation
- 16 October 2006 - Keynote Address by Minister Sisulu at the Launch by Standard Bank of the Hlanganani Development Village
- 27 October 2006 - Keynote address by Minister Sisulu at the first Annual Govan Mbeki Housing Awards
- 7 November 2006 - Keynote address by Minister Sisulu at City Development World Africa.

In addition to the above, the Minister paid several site visits nationally to projects that have been implemented through the current housing programme since 1994, and attended Imbizos in the various provinces. During these visits, the Minister witnessed the experiences of beneficiaries of the programmes relating to the projects that were successfully implemented, and where communities expressed appreciation of the impact this had on their lives. The Minister also shared experiences with those communities within the areas where these projects were implemented who are awaiting their turn to benefit from the programmes, as well as those who are assisting government themselves in finding their own housing solutions.

The Minister received first-hand information and testimony from those communities who had experienced problems of receiving houses that were built according to substandard levels. This was due in some cases to unscrupulous partners who acted in certain instances in collusion with government officials and/or due to lapses by government officials, and resulting in many cases in the building of houses that did not meet the set minimum norms and standards, and some of whom are being pursued through the Task Teams investigating corruption and maladministration in the implementation of the housing programme. These experiences provided the Minister with insight into her role in providing instructions for corrective and pro-active policy interventions to deal with some of the matters that were raised. Imbizos were held in the following provinces:

- Northern Cape – 20 May 2006
- Mpumalanga – 4 August 2006
- Limpopo – 27 October 2006

### 1.2.2 Public Entities reporting to the Minister

During the year under review a total of eight institutions reported to the Minister. These institutions are required

to provide the Department with quarterly reports on their performance, as well as their annual reports, which are submitted to Parliament in terms of the Public Finance Management Act (PFMA). These reports are evaluated by the Department to monitor the performance of institutions in line with their mandates.

In addition to the above, institutions are required, in terms of the PFMA, to submit annual corporate business plans to the Department. These plans are evaluated to ensure that the proposed activities and operations for the ensuing financial year are in accordance with each institution's respective mandate.

### (a) THUBELISHA HOMES



#### Mandate

Thubelisha Homes, a Section 21 company, was established in June 1998 as a special-purpose financial vehicle to create housing stock for clients of Servcon Housing Solutions. As a result of the agreement between government and the banks to subsidise the transfer of properties to all of the remaining Servcon clients, the relocation programme has been effectively discontinued. Accordingly, Thubelisha's mandate has been reviewed in line with the objectives of the Department's Comprehensive Housing Plan and the following has been added to its mandate:

- Upgrading of Information Settlement Programme (UISP)
- unblocking of housing projects affected by inflation and other related factors
- fast-tracking housing solutions for people living in areas of stress by using the emergency housing circumstances programme (transitional housing)
- lead developer/implementer in Mega-Projects piloted by the Minister and the Provinces.

TARGETS (2006/2007)	
STANDS SECURED	30 000
SUBSIDY APPLICATIONS COMPLETED	15 000
SUBSIDIES APPROVED	12 800
STANDS SERVICED	10 000
HOUSES ACCEPTED FROM CONTRACTOR	12 800
HOUSES HANDED OVER TO CLIENTS	12 800

#### Performance

For the financial year ending March 2007, Thubelisha secured at least 23 384 stands, received 15 313 subsidy applications, approved 8 721 subsidies, serviced 5 557 stands, accepted 6 475 houses from contractors and handed over 6 198 houses to clients. Thubelisha's performance in the 2006/07 financial year is commendable.

However, there is room for improvement in some of its key performance areas, namely, houses accepted from contractors and houses handed to clients.

It is worth noting that, following the extension of Thubelisha's mandate, Thubelisha spread its operations to cover more provinces by establishing provincial offices. This was done to gear itself to meaningfully contribute to the implementation of the breaking new ground (BNG). Financial dependence is one critical area of challenge that Thubelisha has experienced throughout the 2006/07 financial year. If not attended to, the indication is that the financial requirements of Thubelisha will continue to hamper its business operations.

### (b) THE SOCIAL HOUSING FOUNDATION



#### Mandate

The Social Housing Foundation (SHF) was established on 4 November 1997, with the purpose of seeking to access international donor funding and technical expertise to deploy in social housing projects in need of such support.

Its mandate is to broadly develop and build capacity for housing institutions, to encourage networking both locally and internationally by bringing various players together in a range of different forums, to promote information and skills exchanges and co-operation and to develop a policy framework for social housing.

#### Performance

By the end of the 2006/2007 financial year, the SHF had managed to achieve the following:

- The Social Housing Bill was published in the Government Gazette and is ready for tabling in Parliament.
- The Social Housing Regulations and Guidelines have been completed.
- During this financial year the SHF managed to provide support to at least 19 Social Housing Institutions with regard to leadership development training and technical support through the Support Programme for Social Housing (SPSH) on property Development, Business Management, Property Management and Business Operations. Ongoing support was provided to housing institutions on governance, project-packaging tenant issues and credit control, and the SHF continued to work with other research partners such as the

Development Bank of South Africa (DBSA), City of Johannesburg and other stakeholders in the sector.

As part of the rationalisation of the Department's public entities, the Minister took a decision to disestablish the Social Housing Foundation so as to pave the way for the introduction of the Social Housing Regulation Authority (SHRA), once the legislation giving rise to the SHRA has been promulgated.

### (c) THE NATIONAL HOUSING FINANCE CORPORATION



#### Mandate

The National Housing Finance Corporation (NHFC) was established as a result of a Cabinet decision in May 1996, as envisaged in the White Paper on Housing, to search for new and better ways to mobilise finance for housing from sources outside the state, in partnership with the broadest range of organisations.

For the 2006/07 financial year, the NHFC planned to create housing opportunities for low and moderate income families through innovative housing finance solutions and partnerships by:

- funding intermediaries to promote broader access to housing
- building adequate and sustainable capacity within organisations which it funds
- partnering organisations to pioneer new finance and housing delivery.

TARGETS (2006/2007)	
PROGRAMME	TARGET: 2007
<b>PROJECT FINANCE:</b>	
Number of Project Loans approved	25
Amounts disbursed (R000s)	997 907
Units financed and facilitated	19 199
<b>WHOLESALE FINANCE:</b>	
Number of intermediaries	11
Amounts disbursed (R000s)	41 881
Housing Micro Loans issued	5 947
Number of Mortgage Bonds (units)	-

#### Performance

During the 2006/07 financial year the NHFC experienced mixed results, only managing to approve 9 new project loans with a total of R173,4 million disbursed, instead of a target of R997,9 million. This resulted in financing of 7 945 units facilitated through these project loans. Whole-

sale finance loans disbursed to different intermediaries amounted to R124,26 million, for which 4 556 Housing Micro Loans were issued consisting of 782 Mortgage Bond Units.

With the emergence of International Housing Solutions, the DBSA and Dutch International Guarantees for Housing (DIGH) as role players, the NHFC faces inevitable competition. Considering the performance of the NHFC over the 2006/07 financial year, the above factor poses some concern as it may further jeopardise the entity's performance.

#### (d) THE RURAL HOUSING LOAN FUND



##### Mandate

The core business of the Rural Housing Loan Fund (RHLF) is to provide loans, through intermediaries, to low-income households for incremental housing purposes. Incremental housing is a people-driven process, and the RHLF's core business is to empower low-income families in rural areas to access credit that enables them to unleash the potential of their self help, savings and local ingenuity to build and improve their shelters over time.

The RHLF has channeled funds to homeowners in dozens of rural areas in all nine provinces in South Africa through 20 medium and small retail lenders. The RHLF has set up a Peer Support Network (PSN) to support capacity building and loyalty to the RHLF mission among intermediaries. This unique approach to development finance seeks to institutionalise peer interaction among non-competitive start-ups.

TARGETS (2006/2007)	
KEY PERFORMANCE AREA	TARGETS
Number of new loans approved	6
Value of new loans approved	83 900 000
Total number of managed loans in place	23
Number of houses financed by loans granted	22 000
Number of financial intermediaries operating	12
Number of financial intermediaries in distress	1

##### Performance

For the year ending 2006/07, the RHLF approved 6 loans as per budget to the value of R76,4 million, which accounts for 9 956 new houses financed by loans granted. Clearly the RHLF's effort to continue to contribute to the

reduction of the housing backlog is highly notable despite the fact that the RHLF was unable to reach the target value of loan approvals. The RHLF is very much dependent on its existing clients for survival over the short term. The quality of its current clients is unfortunately declining and the entity is experiencing higher than expected losses on loans. The entity must focus on signing up new, sustainable clients if it intends to grow over the medium to long term.

#### (e) THE NATIONAL URBAN RECONSTRUCTION AND HOUSING AGENCY



##### Mandate

The National Urban Reconstruction and Housing Agency (NURCHA) was established as a Reconstruction and Development Programme (RDP) Presidential Lead Project in 1995, by agreement between the South African Government and the Open Society Institute of New York to help release finance for low-cost housing from financial institutions.

NURCHA was mandated to provide bridging finance to established and emerging contractors for the construction of sustainable human settlements. The following are targets as per the entity's business plan for 2006/07:

TARGETS (2006/2007)		
PROGRAMME	TARGET	VALUE
Subsidy housing	17	R16.2m
Serviced stands	0	R0m
Credit linked	6	R21.3m
Rental housing	0	R0m
Infrastructure facilities	12	R9.7m

##### Performance

Following the varied results achieved during the first half of the 2006/07 financial year, NURCHA requested the Department to review their performance targets for the remainder of the financial year. With the revised targets, NURCHA signed 13 subsidy housing loans to facilitate the building of 2 079 houses, 4 credit-linked housing loans to facilitate the building of 1 783 houses, and 12 infrastructure loans consisting of 2 projects.

Challenges facing NURCHA during the 2006/07 financial year include:

- Allocation of contracts in most provinces is generally done only once a year and in the 3rd or 4th quarter.

Also, there are long delays in signing the contracts once allocated. These practices are unproductive and limit the number of projects that can be constructed during the year.

- In many provinces projects are allocated to developers or contractors who don't have construction skills. This again impacts on the production rate, with projects being stalled at the start or during the construction process.
- Late payments by provincial housing departments for work done stall the construction programmes and put pressure on the cash flows of the contractors. Again the impact of this is on production since construction is brought to a halt and the capacity of the contractor to take on new projects is undermined.
- The late payments are generally caused by administration processes. The two most significant factors are beneficiary administration and payment claims. There are a host of problems relating to conflicting beneficiary lists, delays in registration of sites to beneficiaries, delays in inspections, lost claims and incomplete departmental reconciliations requiring additional submissions by contractors.

#### (f) THE NATIONAL HOME BUILDERS REGISTRATION COUNCIL



##### Mandate

The National Home Builders Registration Council (NHBC) is a Section 21 company established in terms of the Housing Consumer Protection Measures Act, 1998 (Act No. 95 of 1998). Its purpose is to provide housing consumers with warranty protection against defects in new homes and to provide protection against any failure of builders to comply with their obligations in terms of the Act.

Targets (2006/2007)	
KEY PERFORMANCE AREA	TARGET
Registrations	4 659
Renewals	9 284
Enrolments	66 293
Late enrolments	3 315
Complaints	2 006

The performance of the NHBC during the 2006/07 financial year is remarkable. The Council has performed above the target in three out of five Key Performance Areas (KPA's). For this financial year, the NHBC reg-

istered 4 595 home-builders, 11 033 home-builders renewed their membership, 78 568 new homes were enrolled and 4 583 late enrolments were recorded, whereas 1 241 complaints were reported.

The challenge to note is that the NHBRC has been struggling to enrol sufficient subsidy projects during this financial year. Furthermore, the NHBRC needs to accelerate its marketing and advertising so that it can become known and visible in the eyes of the public.

### (g) THE PEOPLE'S HOUSING PARTNERSHIP TRUST



#### Mandate

The mandate of the People's Housing Partnership Trust (PHPT) is aligned to the National Housing Policy 'Supporting the People's Housing Process', which stipulates and defines the PHPT's mandate to capacitate and engage with national, provincial and local governments and civil society to meaningfully participate in and support the Peoples' Housing Process (PHP). In order to create adequate capacity for the PHP, the Department of Housing established the People's Housing Partnership Trust in June 1997, to implement a capacitation programme to support the People's Housing Process. The main objective of the programme is to develop capacity at all levels of government, and in Non-Governmental Organisations

(NGOs), Community-Based Organisations (CBOs) and communities, to support the People's Housing Process.

The People's Housing Partnership Trust has four programmes:

- Communications - establish a communications and public relations strategy
- Training
- Research and Development - to develop a bank of information which is easily accessible
- Technical Advisory Services - to establish and manage a support programme.

#### Performance

For the year ending March 2007, the People's Housing Partnership Trust did not perform as expected in terms of their business plan. Achievements include the following:

- Contacts were signed with Habitat for Humanity and 6 projects were successfully implemented.
- The PHPT together with DPLG&H signed MOU's with the Development Action Group and Habitat for Humanity SA. The Purpose was to pilot a new People's Housing Process delivery model.
- Needs assessment research was conducted in the following regions:
  - o Coastal Region
  - o Inland Region
  - o Northern Region.
- A total of 885 PHP beneficiaries were trained in

workshops.

During the year under review the People's Housing Partnership Trust went through a review process and as result its functions will be transferred to the Department.

### (h) SERVCON



#### Mandate

SERVCON was established to provide exclusive management services with respect to the normalisation of designated or ring-fenced portfolios comprising of 33 306 Properties in Possession (repossessed) and Non-Performing Loans with a value of R1,277 billion, for a period of 8 years starting from 1 April 1998 to 31 March 2006, in terms of the normalisation agreed between Government through the Department of Housing and the Banking Council which represents the participating banks. In-situ rightsizing speeded up the conclusion of its mandate.

During the financial year under review SERVCON was scheduled to close. Bank representatives resigned following the Sale of Shares Agreement with the Department.

PUBLIC ENTITIES REPORTING TO THE MINISTER		Transfers from Departmental Budget	
NAME OF PUBLIC ENTITY	MAIN PURPOSE OF THE PUBLIC ENTITY	2006/07 Budget	2006/07 Actual
<b>SERVCON</b>	To provide exclusive management services with respect to the normalisation of a designated or ring-fenced portfolios comprising of Properties in Possession and Non-Performing Loans, in terms of the normalisation agreed between Government through the Department and the Banking Council which represents the participating banks. During the financial year under review Servcon was scheduled to close. Bank representatives resigned following the Sale of Shares Agreement with the Department.	<b>R60 000</b>	<b>R35 000</b>
<b>NURCHA</b>	NURCHA is an innovative low income housing finance company that packages funding and takes calculated risks to fulfil its mandate of contributing to the national effort to provide adequate housing for all South Africans.	<b>R21 000</b>	<b>R21 000</b>
<b>NHFC</b>	To mobilise wholesale funds and to act as a risk manager to leverage private sector capital investment in particular types of housing.	<b>R1</b>	<b>R0</b>
<b>SHF</b>	To develop and build capacity in terms of social housing institutions, to encourage networking both locally and internationally, to promote development aid of social housing development in South Africa, to promote information and skills exchange and to develop a policy framework for social housing in South Africa.	<b>R19 205</b>	<b>R126 455</b>
<b>NHBRC</b>	To protect consumers by establishing, implementing and regulating quality standards in the home building industry.	<b>R0</b>	<b>R0</b>
<b>Thubelisha Homes</b>	Thubelisha Homes, a Section 21 company, was established in June 1998 as a special purpose financial vehicle to create housing stock for clients of Servcon Housing Solutions. As a result of the agreement between government and the banks to subsidise the transfer of properties to all of the remaining Servcon clients, the relocation programme has been effectively discontinued. Accordingly, Thubelisha's mandate has been reviewed in line with the objectives of the department's comprehensive housing plan. Thubelisha has been repositioned to provide provinces and municipalities with technical assistance to unblock stalled housing projects and prepare fast-tracked housing projects to respond to emergency housing circumstances.	<b>R28 000</b>	<b>R45 982</b>
<b>RHLF</b>	Its main business, as a wholesale lending institution, is to raise money and lend it on, to enable retail institutions to provide loans to low income earners to finance housing in rural areas.	<b>R0</b>	<b>R0</b>
<b>PHPT</b>	To create mass support for and promote awareness of the People's Housing Process by establishing a viable and sustainable framework of support to the People's Housing Process, comprising of all government levels, support organisations, traditional authorities and the private sector.	<b>R5 250</b>	<b>R1 000</b>

## 1.3 LEGISLATIVE AND OTHER MANDATES

### *Departmental Vision and Mission Statement*

#### **Vision**

A Nation housed in sustainable human settlements with access to socio economic infrastructure.

#### **Mission**

To establish and facilitate a sustainable process that provides equitable access to adequate housing for all within the context of affordability of housing and services and access to social amenities and economic opportunities.

### **1.3.1 The Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996)**

In terms of section 26 of the Constitution everyone has the right to have access to adequate housing (section 26(1)). The State must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of this right (Section 26(2)). The legislation that the Department of Housing has promulgated and implemented falls squarely within this Constitutional imperative.

#### **(a) The Housing Act, 1997 (Act No. 107 of 1997)**

Through its legislation, existing and future, and the Housing Code, the Department of Housing is carrying out its legislative imperative as set out in the Housing Act, 1997. Section 2 of the Housing Act, 1997 (Act No. 107 of 1997) compels all three spheres of government to give priority to the needs of the poor in respect of housing development (section 2(1)(a)). In addition, all three spheres of government must ensure that housing development:

- (i) provides as wide a choice of housing and tenure options as is reasonably possible
- (ii) is economically, fiscally, socially and financially affordable and sustainable
- (iii) is based on integrated development planning
- (iv) is administered in a transparent, accountable and equitable manner, and upholds the practice of good governance (section 2(1) (c)).

#### **(b) The Prevention of Illegal Eviction from and Unlawful Occupation of Land Act, 1998 (Act No. 19 of 1998)**

The Prevention of Illegal Eviction from and Unlawful Occupation of Land Act was promulgated in 1998. The Act repeals the Prevention of Illegal Squatting Act, 1951 (Act No. 52 of 1951) and makes provision for a fair and equitable process to be followed when evicting people, who have unlawfully invaded land, from their homes. The Act also makes it an offence to evict people without following the due process of law.

#### **(c) The Housing Consumers Protection Measures Act, 1998 (Act No. 95 of 1998)**

The Housing Consumers Protection Measures Act provides for the establishment of a statutory body for homebuilders. The National Home Builders Registration Council registers builders engaged in certain categories of house construction and regulates the home building industry by formulating and enforcing a code of conduct. The implementation of the Act is monitored continuously.

#### **(d) The Rental Housing Act, 1999 (Act No. 50 of 1999)**

The Rental Housing Act repeals the Rent Control Act of 1976 and defines Government's responsibility in respect of rental-housing property. It creates mechanisms to promote the provision of rental housing and the proper functioning of the rental-housing market. To facilitate sound relations between tenants and landlords, it lays down general requirements for leases and principles for conflict resolution in the rental-housing sector. It also makes provision for the establishment of Rental Housing Tribunals and defines the functions, powers and duties of such Tribunals. Provincial housing departments have a duty to establish Rental Housing Tribunals.

#### **(e) The Home Loan and Mortgage Disclosure Act, 2000 (Act No. 63 of 2000)**

The Home Loan and Mortgage Disclosure Act provides for the establishment of the Office of Disclosure and the monitoring of financial institutions serving the housing-credit needs of communities. It requires financial institutions to disclose information to enable it to identify possible discriminatory lending patterns. The Act came into operation during 2003.

#### **(f) The Disestablishment of South African Trust Limited Act, 2002 (Act No. 26 of 2002)**

The winding up of the South African Housing Trust and the transfer of the functions relating to financial obligations were completed by the beginning of 2003 in terms of the Disestablishment of South African Trust Limited Act, 2002 (Act No. 26 of 2002).