Investigating the value and feasibility of using public finance for self-build housing processes in South Africa

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Centre for Affordable Housing Finance in Africa

Acknowledgements

Backyard Matters is a partnership initiative between the Development Action Group (DAG) and Isandla Institute. The project recognises that backyard housing is a community-driven response to housing shortages for many who fall through the cracks of state programming and unaffordable private rentals. Backyard housing, however, remains a neglected and sometimes invisible sector. The project is aimed at strengthening the backyard rental market and contributing towards well-managed, quality rental stock that provides affordable, dignified and safe housing solutions in thriving neighbourhoods. The project thus advocates for inclusive policy and programming that embraces the voice, needs and agency of backyard residents and landlords as an integral part of the municipal community. Backyard Matters is funded by Comic Relief.

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Cover image: Development Action Group: Khayelitsha.

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Executive Summary

The provision of serviced sites to low income households without financial and/or non-financial assistance for building does not meet the State's constitutional obligations to provide access to adequate housing.

Housing subsidy programmes in South Africa have typically prioritised volumes and products, through project-based top structure delivery programmes, while state assistance to households who wish to build themselves has been left to the Enhanced People's Housing Process (EPHP) programme, which is associated with extended project delays and complex, labour-intensive community engagement and facilitation. Partly due to fiscal constraints, national housing sector policy focus and resources are now shifting away from fully-subsidised housing delivery programmes, towards the provision of serviced sites and rapid land release programmes. However, the provision of serviced sites to low income households without financial and/or non-financial assistance for building does not meet the State's constitutional obligations to provide access to adequate housing, nor does it effectively facilitate the creation of an appreciating capital asset for the household.

In the context of the recent shift in national policy emphasis away from top structure delivery and toward the provision of serviced sites, this paper explores the feasibility of self-build subsidies for these low-income households, from policy, financial and institutional perspectives, drawing upon research, detailed analysis of housing policy and key informant interviews.

In addition to rights-based justifications, there are practical economic arguments for state assistance for self-build. Similar to the rest of Africa, in South Africa there is a long tradition in rural areas of building gradually, step-by-step, as funds are amassed for each stage of the construction process. While this ingenuity and resourcefulness helps address immediate short-term needs, the lack of resources means structures are likely unsound, unsafe and do not provide adequate shelter. Without a financial subsidy from the state which enables the use of quality building materials and construction methods, there is a risk of low-quality housing which may have a negative impact on the environment and health of households and neighbourhoods. Research has also shown that the involvement of residents and owners in the design and construction of their dwellings leads to better outcomes, with respect to quality and the degree to which the dwelling meets the short and long term needs of the owners.

While some households are able to access housing micro-finance credit to build, many households, due to income shocks or little to no income, are simply unable to save in addition to covering immediate needs. Others lack the time, due to hours spent at work or in transport. Although many households are scraping together the resources to build formal and informal housing on their own, there is still a clear need for financial assistance—in the form of grants—to widen the number of households who can build. Self-build subsidies have the potential to address critical gaps in the market, namely: a) households who do not qualify for state assistance, b) households who qualify, but are unable or unwilling to wait for a fully-subsidised house, and/or c) those who are unable to purchase a new or existing unit in their price range.

Does the current housing subsidy scheme allow for subsidies for self-build for vulnerable households? A detailed analysis of the Housing Code confirms that financial assistance for self-build is already catered for through a number of subsidy programmes, primarily FLISP (for households with monthly incomes over R3 500 and under R22 000) and the Individual Subsidy Programme (for households with a monthly income under R3 500). No changes to the policy framework—in terms of eligibility requirements and subsidy usage—would be necessary to ensure all the targeted vulnerable households can be supported for self-build.

However, self-build subsidies—while technically accommodated in the policy—would still require a major investment in funds and sufficient implementation capacity in municipalities and provincial departments. At present, very few individual subsidy applications are processed and approved. This is partly due to the lack of awareness of this option by the target market, but also likely due to government's lack of protocols, training, capacitation and budget resources to process these individual subsidy applications and implement a sound progress payment system with inspections. The lack of capacity to process individual applications for self-build is, in turn, a result of the long-standing policy emphasis on project-based housing programmes, which are understood as more valuable for achieving higher delivery numbers.

Given this reality, this paper argues for the establishment of a comprehensive, integrated programme to support self-build, which speaks—in an integrated manner—to rural and urban areas, all target income segments, credit and non credit-linked, and covers both financial subsidies and other non-financial support interventions. Such a programme can only be afforded in the context of a major sector shift towards incrementalism and demand-side approaches, and away from fully-subsidised housing delivery. The sector budget would need to reduce funds to IRDP, and direct more resources to UISP, serviced site and land release programmes, and self-build subsidies.

A new national programme to emphasise and forefront support for self-build will require: a new policy chapter in the Housing Code (alongside revision and or removal of other programmes to avoid overlap); major advertising and awareness-raising investment from national government specifically, as well as provinces and municipalities; and, increased state capacity to support the processing of individual subsidies and the associated financial controls for progress payments. On the market side, it must also include interventions to collaborate with home-building retailers, train and support local artisans, and promote quality, affordable home building materials.

Increased focus on individual subsidies will require a full redesign of administrative processes, acquisition of different skills, and many more warm bodies trained and empowered to support households on a case-by-case basis. The mortgage-backed FLISP for self-build is facilitated by the fact that the lender manages the verification and inspection procedures. However, for the non-mortgage FLISP and ISP, these services will need to be provided by the provincial department or metro itself or a skilled service provider, for the subsidies to achieve their aim without leakage or corruption. One option is for the state to utilise NGOs and private companies who could administer the self-build subsidies on their behalf, in a manner that ensures the housing solution is appropriate and affordable to the beneficiary and avoids leakage and corruption through the implementation of careful financial control systems.

Finally, an effective, demand-side approach for self-build also requires that the right balance is struck between consumer protection regulations and a flexible, developmental approach that supports households and does not hamper their active efforts to improve their quality of life. The enactment of the new Housing Consumer Protection Bill, which removes the option for owner/builders to be exempted from NHBRC regulations, must be a coupled with a solid framework of transitional arrangements, to enable low-income owner/builders to come into compliance over time.

Increased focus on individual subsidies will require a full redesign of administrative processes, acquisition of different skills, and many more warm bodies trained and empowered to support households on a case-by-case basis.

Introduction

Recent years have also brought greater emphasis on rental—formal as well as informal small-scale rental and backyard housing—and in-situ approaches to the upgrading of informal settlements.

Since 1994, government housing programmes in South Africa have prioritised volumes and products, through project-based delivery programmes such as the Integrated Residential Development Programme (IRDP), Upgrading of Informal Settlement Programme (UISP) and social housing. State assistance to households who wish to direct and contribute to the design and construction of their own dwelling units have traditionally been accommodated through the Enhanced People's Housing Process (EPHP) programme, which enables agency and strengthens household choice by leveraging community organisations to work with groups of households to develop subsidised housing. Following on the introduction of the Breaking New Ground (BNG) Strategy in 2004, there were important shifts in the housing policy landscape, beginning with a fundamental recognition in policy, if not yet entirely in practice, that our drive for volumes has incentivised large state-subsidised housing on the periphery, without sufficient attention to social amenities nor connection to economic opportunities. Recent years have also brought greater emphasis on rental—formal as well as informal small-scale rental and backyard housing—and in-situ approaches to the upgrading of informal settlements.

Combined with tighter constraints on the fiscus in recent years, these policy movements have attracted greater attention to site and service and rapid land release programmes. In 2020, the National Department acknowledged that the delivery of top structures was fiscally unsustainable, and directed provincial departments to downscale and limit top structure projects to ones that that contribute to medium-to high density development and benefit the elderly, military veterans, people living with disabilities and child-headed households.[1]

This marked shift towards the provision of serviced sites is a critically important development in the sector, clearly affecting the cohesiveness and integration of the housing subsidy framework and impacting on the role of all subsidy programmes. The provision of serviced sites to low income households without financial and/or non-financial assistance for building does not meet the state's obligations to provide access to adequate housing, nor does it effectively facilitate the creation of an appreciating capital asset for the household.

In the current environment, low-income vulnerable households are left with few options for acquiring an affordable house. Although there is movement towards greater down-market reach by affordable housing developers, on the whole the private sector has been unable to deliver new units to the market for less than R679 000, which is only affordable to households earning above the top Finance-Linking Individual Subsidy Programme (FLISP) income threshold, provided they can access a bond and are not encumbered by high levels of indebtedness. If households below this income threshold want to become homeowners, they have two options in practice, depending on their income: to wait to be selected as a beneficiary of fully-subsidised units (if they qualify, and meet the criteria of the beneficiary allocation policy, which prioritises elderly, people with disabilities and military veterans), or to get approved for a bond and access FLISP to finance the purchase. The FLISP can be utilised to purchase a new house (although there are few new units in this market segment built by the private sector), a FLISP house in a government housing project, or an existing house on the secondary market.

The difficulty with this last option is the number of challenges facing the secondary market at the lower end of the property ladder, including title deed issues. Although 89% of government-subsidised properties (GSP) on the registry are over 8 years old and therefore eligible for sale, many government-subsidised units are part of the title deed backlog whereby beneficiary households have been living in the dwelling for a number of years, but never

1 *Western Cape Government Department of Human Settlements (2021). 'Communication to Stakeholders Regarding the Delivery of Human Settlements Projects From 1 April 2021.'*

received the title deed which would enable them to sell the unit, borrow against it, or benefit from their investment in home improvements. Thus the roll out of FLISP for the purchase of existing housing has been marginal. The net result is that unless households are willing to wait for government assistance (or are part of a qualifying designated group), there are few viable pathways to home purchase—due to low numbers of affordable housing built by private developers, the lack of available, sell-able existing stock that is affordable, or the inability to obtain housing finance.

There is another option, which is self-build. Self-build has the potential to address critical gaps in the market, namely: a) households who do not qualify for state assistance, b) households who qualify, but are unable or unwilling to wait for a fully-subsidised house, and/or c) those who are unable to purchase a new or existing unit in their price range. In the context of the recent shift in national policy emphasis away from top structure delivery and toward the provision of serviced sites, this paper explores the feasibility of self-build subsidies for these low-income households, from policy, financial and institutional perspectives. Is there sufficient allowance/opportunity within current policy for self-build subsidies? What are the financial considerations, in terms of market demand and funding mechanisms, given the current fiscal framework? And lastly, apart from the policy and funding requirements, what are the institutions, processes and capacity needed to make self-build work on a greater scale?

The paper draws on research, detailed analysis of housing policy and key informant interviews. We first look at the potential of self-build processes to address the need for access to low-income housing. Why is self-build needed in the market landscape, is there a need for state assistance for self-build, and how would the roll out of self-build assistance at a larger scale impact the market? We then focus on the current policy framework and ask if self-build is already allowed in policy, but largely untapped. Having established that the policy space is already there, we look to the fiscus and financial considerations that impact on its feasibility. Finally, we investigate how it would be done. Does South Africa have sufficient capacity, clear processes and empowered institutions to implement the larger rollout of state assistance for self-build? What would it take to make it happen?

Our focus is on the realisation of top structures for vulnerable households. Although the subject is subsidies for self-build for vulnerable households broadly, the analysis concentrates on subsidies for households on an individual basis, not as part of a government-subsidised housing project, and pays particular attention to the needs of households with very low income who do not have access to housing finance.

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Isandla Institute has advocated for the right to build to be included in national human settlements policy and, in particular, for housing support for (incremental) self-build to be provided since 2019 (see Informal Settlement Upgrading Matters: A Submission into the New Human Settlements Policy of the Cape Town NGO Collaborative Initiative).

In 2022, Isandla Institute investigated how self-build can be enabled and supported through Housing Support Centres, inspired by the local EPHP housing support centre precedent and other Global South self-build initiatives. This resulted in three outputs on Enabling the Right to Build through Housing Support Centres: a research paper, a shorter proposition paper that distils the main arguments from the research paper, and an animation.

In 2023, Isandla Institute deepened its work on technical and financial support for self-build by developing a proposed institutional design for Housing Support Centres (see publication: Institutionalising a Housing Support Centre Model to enable self-build) and this paper on public finance for self-build. Together, these publications will further inform our policy advocacy on enabling self-build in local, provincial and national policy and programmes.

Development Action Group: Khayelitsha.

The arguments for state assistance for self-build

Is a subsidy for self-build needed? Is it a good idea?

Across Africa, the majority of housing is built incrementally by households themselves. Similarly in South Africa, there is a long tradition in rural areas of building gradually, step-by-step, as funds are amassed for each stage of the construction process. In urban areas and informal settlements, households craft a structure with materials they can afford or manufacture, making gradual improvements as materials and cash become available. While this ingenuity and resourcefulness helps address immediate short-term needs, the lack of resources means structures are likely unsound, unsafe and do not provide adequate shelter. Furthermore, they are often non-compliant with building regulations and not enrolled by the National Home Builders Registration Council (NHBRC), meaning that they are not bank-able and able to be sold formally. The value of the dwelling is only in the partial fulfilment of shelter needs, but does not serve as a financial or economic asset for the household.

For households without financial resources to build, reasonable assistance would include financial and non-financial resources for building materials and labour costs, as well as building advice and other forms of assistance.

The rights argument in favour of self-build stems from Section 26 of the Constitution, in the unpacking of the right to access to adequate housing. Expounding on this right, the *Grootboom* judgement noted that the State shares responsibility for the provision of housing and in some instances, the state's role is to enable individuals—through legislative and other means—to provide housing for themselves.[2] In the situation of households who can afford housing, the state's job is "unlocking the system, providing access to housing stock and a legislative framework to facilitate self-built homes through planning laws and access to finance."[3] Given then that self-build is an integral part of the right to access to adequate housing, it follows that government must take 'reasonable' measures within available resources to progressively achieve the fulfilment of that right. For households without financial resources to build, reasonable assistance would include financial and non-financial resources for building materials and labour costs, as well as building advice and other forms of assistance.

2 *Government of the Republic of South Africa and Others v Grootboom and Others (CCT11/00) [2000] ZACC.19 Grootboom, at paras 35-36.*

3 *Grootboom, at para 36.*

Apart from the rights perspective, there are practical economic arguments for state assistance for self-build. Without a financial subsidy from the state that enables the use of quality building materials and construction methods, there is a risk of low-quality housing, which may have a negative impact on the environment and health of households and neighbourhoods. These detrimental effects also impact on employment, productivity and economic growth, and reactive interventions to address these negative ills are costly. Over the long term, the economy and the public purse benefit from households being able to build housing for themselves that meets housing regulations and ensures a capital asset that will retain value.

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Arguments have been made that involvement of residents and owners in the design and construction of their dwellings leads to better outcomes, with respect to quality and the degree to which the dwelling meets the short and long term needs of the owners.[4] Furthermore, active involvement of households in the initial construction of the house provides them with the skills and experience that boost the capacity and confidence to later take on further home expansion and improvement projects.

These arguments suggest there is a critical benefit—to the larger economy, to the housing market, to communities and to individual households—if the avenue enabling vulnerable households to build their own homes is given substantial state support.

What is the demand? Are people managing now without, or is financial support necessary?

Vulnerable households who are looking to build themselves are either in possession of a serviced stand (through a site-and-service project/rapid land release programme, or via their own resources), or are without land or property (including those staying within informal settlements). It thus becomes fairly straightforward to *identify* the target population for self-build subsidies. With respect to income, demand would come from households who (a) have an income below R3 500/month but have not yet received state assistance or do not qualify,[5] or (b) who earn between R3 501/month and R15 000/month but are either unable to access housing finance to purchase a home, or cannot find a house in their price range.[6]

However, it is more difficult to quantify the size of that target population. According to the 2016 Community Survey, 2.2 million households live in informal dwellings (13% of all households) and 1.2 million in traditional dwellings (7% of all households).[7] However, some of these households will have income beyond R3 500/month, have previously received state assistance, or do not meet other eligibility requirements. If we look just at urban households with an income less than R15 000/month, then the 2015 National Income Dynamics Study (NIDS) data tells us 21% of total households in this segment, or 2.125 million households, lived in informal or traditional dwellings in 2015.[8]

4 *Landman, K. and Napier, M. (2009). "Waiting for a house or building your own? Reconsidering state provision, aided and unaided self-help in South Africa". Habitat International.*

5 *And may or may not be on a housing waiting list.*

6 *The top income limit for FLISP is R22 000/month but approximately 98% of mortgages granted are accessed by households with a monthly income above R15 000, according to the National Credit Regulator (NCR)—see section below.*

7 *Data from Community Survey 2016, as discussed in Eighty20 (2017). "Housing Microfinance Market in South Africa". Pg. 15.*

8 *From NIDS Wave 4, 2015. Eighty20 (2017). "Housing Microfinance Market in South Africa." Pg. 19.*

There is unmet demand in the market for financial assistance for self-build.

Within the pool of those in need of financial assistance to build themselves, not all would meet the other non-income eligibility criteria for government housing programmes, namely the applicant must not have received state assistance for housing before and must not have owned property previously. However, for both these conditions, there are exceptions: as will be shown below, current policy allows for financial assistance—in the form of a Consolidation Subsidy—for households who have received a serviced site from government pre-1994. And vulnerable households who currently have a vacant piece of property, or a stand with a house that does not meet the norms and standards, also have an avenue for receiving assistance.

Nevertheless, there is unmet demand in the market for financial assistance for self-build. According to the Centre for Affordable Housing Finance in Africa (CAHF), the price of the cheapest newly built two-bedroom house by a private developer (without state assistance) is R679 000.[9] Under the current prevailing mortgage lending terms for the affordable housing market, a household would need a joint income of R26 000/month to access a bond to purchase that new unit.[10] As will be shown below, neither the current individual subsidy quantum nor the current maximum FLISP quantum are large enough to cover the costs of purchasing a new house at that cost.

Despite its intentional focus on household and community agency, the EPHP programme is not sufficient to cover the demand for assistance for self-build. First, not all households are able to join an EPHP project due to geographic proximity or the nature of their housing needs. Or they may not wish to join an existing group—due to differences in interest—or may be unwilling or unable to initiate one themselves. Although individual EPHP does exist theoretically, the reality is that most metros and provincial departments are not geared or capacitated to process individual EPHP applications. The numbers—if any—are extremely low and awareness is close to nil, even amongst government employees. Second, the EPHP simply does not operate at the scale, speed or efficiency that can meet the need. Due to the number of blocked projects and intensive time and resources to complete many EPHP projects, some provinces are downscaling their PHP units and not initiating new EPHP projects.

Backyard landlords and tenants who may wish to build or improve backyard dwellings for rental constitute another component of the demand for state funds for self-build. As per the Housing Code, a backyard landlord who holds a title deed would not be eligible for state assistance because they currently own a property. If the landlord acquired their house through a state housing programme, then this would also exclude them from additional government assistance. Could an exception be made for this category of homeowners, to provide financial assistance for them to self-build in the backyard and thus earn additional rental income and increase affordable rental stock? Based on the current financial subsidy framework, this seems unlikely. If state funds are provided to backyard landlords for building top structures, the concern is that this will negatively interfere with the existing backyard rental market: existing tenants may no longer be able to afford the increased rental on the improved building and could be forced into informal settlements. Much of the current research and discussion focuses on the need for multi-faceted state assistance and support to create an enabling environment for the construction and operation of backyard rental in low-income areas.[11] Nonetheless, an argument can be made for the significant public benefit that increased affordable backyard housing brings as well as the economic empowerment potential for landlords. As such, while current policy may be incompatible with financial support to landlords, policy review may be required.

9 *CAHF (2022). 2023 Housing Finance in Africa Yearbook.*

10 *Assuming: interest rate 12.75%, 20 year loan term, zero deposit, and 30% of household income spent on bond repayment.*

11 *See Cities Support Programme (2023). Small Scale Affordable Rental Housing Symposium: 3–4 May 2023.* https://csp.treasury.gov.za/pages/newsitem.aspx?itemID=54

For those who are already building themselves or making home improvements without state assistance, how do they do it? The survey data shows that many households are managing to undertake home improvements and repairs without state housing aid. According to Wave 4 of the NIDS Survey (2014–2015), 28% of urban self-employed households carried out home improvements or repairs in the past 2 years, with 26% of these spending less than R10 000, and 58% spending between R10 000 and R50 000.[12]

Research done by CAHF and Eighty20 for the Rural Housing Loan Fund (RHLF) in 2017 included surveys of approximately 150 households each, in Khayelitsha and Cato Manor.[13] More than 60% of respondents in Khayelitsha had built a shack on their property, while 32% had built a (formal) house from scratch. In Cato Manor, where most survey respondents were living in RDP homes, 18% had added one or more rooms to their house and another 9% built formal rooms outside the house. Most residents had initiated a number of home improvement projects (3.9 on average in Cato Manor), mainly for the purpose of adding more space or improving security on the property. Important to note, there was very limited usage of credit to finance these projects—most households saved up and then purchased building materials in small amounts as they were able. In Khayelitsha, only 17% of survey respondents used a loan or credit. For most of the households who had not used formal credit, the main reason was not that their loan applications had been rejected. The largest portion of households who had not used formal credit either generally avoided credit for any purpose, or had not tried to access credit due to their assumption they would not quality or their view that credit is too expensive.

Many households in the study had builders draw up plans while some use an architect or draughtsperson for this purpose. Building materials are purchased from large building materials stores (e.g. Build It, Cashbuild) or from smaller local hardware stores. Households either use a builder or building company to undertake the construction, or may benefit from household members undertaking all or a portion of the work. Building advice is sourced from neighbours, family members, local organisations, or building materials or hardware stores. In short, with ingenuity and resourcefulness, households are making it work, largely in the absence of credit or loans, using an incremental approach financed by cash and savings.

Yet many households, due to income shocks or little to no income, are simply unable to save in addition to covering immediate needs. Others lack the time, due to hours spent at work or in transport. In summary, although many households are scraping together the resources to build formal and informal housing on their own, there is still a clear need for financial assistance—in the form of grants—to widen the number of households who can build.

In addition, it is important to acknowledge that *non-financial* assistance can be the critical ingredient that allows those who are able to save or borrow, to make effective use of the funds to build a quality unit. For households who lack the know-how to self-build, financial assistance without non-financial support is not enough on its own for those households to make good use of those funds and build to adequate quality to create a lasting, trade-able asset.

It is important to acknowledge that non-financial assistance can be the critical ingredient that allows those who are able to save or borrow, to make effective use of the funds to build a quality unit.

12 *Eighty20 (2017). "Housing Microfinance Market in South Africa". Pg. 58.*

13 *CAHF & Eighty20 (2017). Primary Research: Survey Data Findings. Undertaken as part of research on demand for housing microfinance in South Africa, for Rural Housing Loan Fund (RHLF). 155 surveys were done in Khayelitsha and 151 surveys in Cato Manor.*

What might be the impact on the housing and housing finance market?

Given the demonstrated demand for financial assistance for vulnerable households to build their own homes, one must consider the potential impact of that subsidy on the existing market environment. Particularly in rural areas, there is an active business of housing microfinance providers, many of whom partner with building materials suppliers to offer credit in-store to customers looking to build or improve their home. Households typically identify the work they wish to undertake, have it costed at the store, and then approach one of the credit providers to determine if they are eligible for finance, how much and on what terms. The loan is then disbursed directly to the building materials retailer against a building plan.

It was the general view of experts interviewed that a government grant for self-build—in the form of a voucher or cash disbursed to suppliers or an intermediary—was unlikely to crowd out this housing microfinance activity. A case study on Build-It concluded that if more building supply stores were to actively facilitate credit through in-store partnerships with housing microfinance (HMF) providers, incremental build would result in better quality housing.[14] The grant would enable households who cannot currently obtain HMF to still build, and then be in a position to later access credit or utilise savings to undertake house improvements or expansions. Households who are able to access HMF in small amounts that are insufficient to cover all the costs of building, could combine the credit with the subsidy to fund the construction of a quality unit which meets building regulations.[15] Instead of undermining the HMF market, a self-build grant would cover existing gaps in market coverage: households who do not quality for HMF or any other form of unsecured credit, or who only qualify for enough to build a unit that is incomplete, made of inadequate building materials, or is built through shoddy construction methods.

A case study on Build-It concluded that if more building supply stores were to actively facilitate credit through in-store partnerships with housing microfinance (HMF) providers, incremental build would result in better quality housing.

Development Action Group: Khayelitsha.

14 *CAHF (2016). Build It Case Study: Housing Microfinance Value Chains. Prepared by Nadia Kruger-Levy. Pg. 21.*

15 *bid. Pg. 24.*

How does the current policy framework support self-build?

Having established need, an investigation of the current policy framework is necessary to determine if financial subsidies for self-build are already provided for, and on what terms. Under the Housing Code, there are a number of avenues by which households may receive a financial subsidy for self-build, either at household level or on a project basis. The great majority of houses and serviced sites delivered by the state are through the housing programmes that are very much geared towards projects, such as the IRDP and UISP. National government's rental housing programmes are all on the supply side and delivered on a project basis: social housing and the Consolidated Capital Grant (CCG). The programmes designed to operate on an individual basis are the much smaller programmes such as the Enhanced Discount Benefit Scheme, Consolidation Subsidy and FLISP. This is important to note in terms of the gap it creates in financial assistance to households who wish to build on their own.

The programmes designed to operate on an individual basis are the much smaller programmes such as the Enhanced Discount Benefit Scheme, Consolidation Subsidy and FLISP.

First Home Finance and the Finance-Linked Individual Subsidy Programme (FLISP)

The first, and one of the most important of these programmes from a self-build perspective, is the FLISP, introduced to assist the gap market in 2005 and subsequently revised in 2012 when the NHFC was brought in as the main implementing agent in an effort to boost uptake.[16] Further revisions in 2018 increased the upper household income limit from R15 000/month to R22 000/month and increased the subsidy quantum. Revised quantums effective 1 April 2023 put the subsidy amount for households earning R3 501/month even higher, at R169 264.

A household at the bottom of the FLISP income bracket (R3 501) could afford a loan amount of approximately R91 000 (figures are rounded).[17, 18] With a FLISP subsidy of R169 000, they could afford to purchase a house priced at approximately R260 000. The FLISP beneficiary at the top end of the eligible income bracket (R22 000) would receive a FLISP of R39 000 and therefore could afford a house priced at approximately R606 000. This means that FLISP beneficiaries will not be able to purchase new affordable housing units sold by private developers, but will only be able to purchase a house from the secondary market. Alternatively, they can build.

16 *The National Housing Code: Simplified Implementation Guidelines of the Finance Linked Individual Subsidy Programme (FLISP) Policy for Non-Mortgage Based Products. 31 Dec 2022 version.*

17 *Commercial banks are highly unlikely to issue a bond this small—see discussion in section below on the Individual Subsidy Programme.*

18 *Figures in this paragraph have been round to nearest R1 000.*

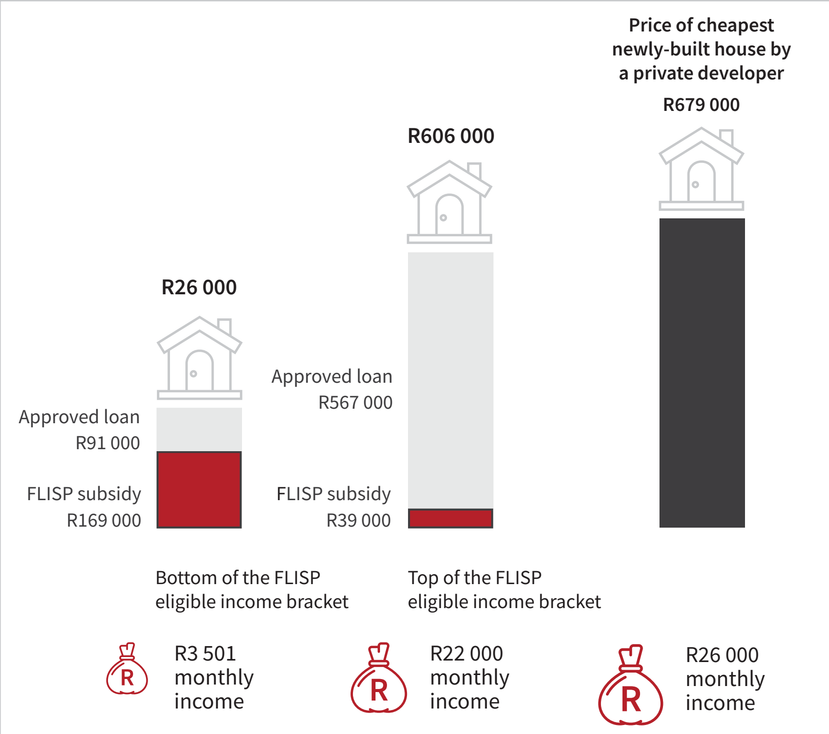

Figure 1: Housing affordability for FLISP beneficiaries at the bottom and top of the eligible income bracket

Assuming 20 year loan, 12.75% interest rate, 10% deposit, 30% income spent on bond repayment, new FLISP quantum effective 1 April 2023.

Source: FLISP policy, 2022 CAHF Housing Finance Yearbook, and own calculations.

2018 saw the extension of FLISP to non-mortgage products, meaning that households who cannot access a bond can still obtain the FLISP if they have acquired non-secured credit.

In 2023, FLISP and the Help Me Buy a House Scheme, as it is also referred to, were replaced by the First Home Finance (FHF) programme, driven by the National Housing Finance Corporation (NHFC). The current policy now allows for first time potential home owners (both urban and rural) with an income between R3 501 and R22 000/month, and who meet the other eligibility criteria for national housing programmes, to simply make a small financial contribution or offer their own labour, and they may obtain a FLISP subsidy to build on an existing stand which they own.[19] Most importantly, 2018 saw the extension of FLISP to **non-mortgage products**, meaning that households who cannot access a bond can still obtain the FLISP if they have acquired non-secured credit.[20] The non-mortgage FLISP component now means that the house is no longer required as security. Households may use: housing loans backed by pension and provident funds, housing microfinance offered by providers registered with the National Credit Regulator (NCR), cooperative or community-based savings schemes (e.g. stokvels), employer-assisted housing schemes, finance via instalment sale or rent-to-own agreements,
and the Government Employee Housing Scheme (GEHS).[21]

19 *Ibid. Pg. 43.*

20 *Although the incorporation of non-mortgage products was allowed in 2018, it was only approved by MINMEC in February 2022, followed by the development of Implementation Guidelines for Non-Mortgage Products approved in April 2023. Presentation on Revised FLISP policy by NHFC at SALGA webinar, 13 December 2022.*

21 *The National Housing Code, Simplified implementation Guidelines of the Finance Linked Individual Subsidy Programme (FLISP) Policy for Non-Mortgage Based Products. 31 Dec 2022 version.*

Most importantly from the perspective of self-build, the revised policy allows a third option involving no credit or borrowing at all. Despite its name, the FLISP may now be used "on its own, at the exclusion of any other source of housing finance",[22] or in combination with **personal resources**, which might be "from savings, interest-free loan from employer or family member, non-monetary personal resources, including but not limited to building materials, labour etc."[23] Applicants must simply demonstrate proof of personal resources by bank statements or an affidavit verifying that the personal resources were not obtained from a registered lender or lender that should be registered. According to the FLISP guidelines for non-mortgage based products, "The key objective is to combine the FLISP subsidy with personal resources (including individual savings or other means) in order to purchase, build a property, or to buy an existing housing unit."[24]

According to the FLISP guidelines for non-mortgage based products, "The key objective is to combine the FLISP subsidy with personal resources (including individual savings or other means) in order to purchase, build a property, or to buy an existing housing unit."

As per the Housing Code, the FLISP subsidy may be used: [25, 26]

a. To buy an already-built house, whether brand new or existing.

b. To buy a stand but which must be: (1) connected to municipal services/off-the grid sources; and (2) zoned for housing.

c. To pay for the building of a house on a stand which the household/applicant already owns and which must be: (1) connected to municipal services/off the grid sources; (2) zoned for housing; (3) enrolled with NHBRC; and (4) linked to a building contract with an NHBRC-registered contractor.

d. To pay for the building of a house on a stand which is part of an IRDP project, and which must be: (1) connected to municipal services/off the grid sources; (2) zoned for housing; (3) enrolled with NHBRC; (4) linked to a building contract with an NHBRC-registered contractor.

e. To pay for purchase of a serviced site as part of a project funded through the rapid release of serviced sites programme.

f. To buy or build a house on a stand: (1) that is owned by or vested with the government or a government-recognised traditional authority (2) which may or may not be connected to permanent municipal services; but (3) which must be attached to a Permission to Occupy (PTO) issued by a government recognised traditional authority.

g. To pay for house buying costs (e.g., conveyancing fee, transfer fee, deposit).

The majority of these options relate to the acquisition of a stand and/or the construction of the top structure, indicating that although FLISP was originally designed to assist those in the gap market who could not obtain a bond to purchase a new house, the policy focus may be slowly shifting towards the resale market and self-build.

According to the Implementation Guidelines for Non-Mortgage Products, the documentation required of applicants building property includes: title deed/offer to purchase if the applicant is buying a stand, a pro forma invoice from the materials supplier, building plans and building contract from an NHBRC-registered contractor, and the details and certification of the attorney. The programme now also includes rural households who hold "Permission to Occupy" (PTO) certificates.[27]

22 *Ibid. Pg. 12.*

23 *Ibid. Pg. 43.*

24 *Ibid.*

25 *Presentation on Revised FLISP policy by NHFC at SALGA webinar, 13 Dec 2022. Pg. 8.*

26 *The National Housing Code: Simplified Implementation Guidelines of the Finance Linked Individual Subsidy Programme (FLISP) Policy for Non Mortgage-Based Products. 31 Dec 2022 version. Pg 12.*

27 *Minister Mmamoloko Kubayi: Launch of First Home Finance. Remarks by the Minister of Human Settlements, Mmamoloko Kubayi, launch of First Home Finance, Sky City Project, Alberton, 24 February 2023.*

Delivery on the FLISP programme has been stubbornly low compared to the need.

These changes have effectively made FHF a very broad instrument of support for qualifying households in this income bracket—encompassing rural and urban, credit-linked and non-credit linked, for those building themselves or purchasing a house (new or resale). As Minister Kubayi emphasised at the launch of FHF in February 2023, the programme will now "cater for non-mortgage approved beneficiaries, who intend to build their own houses in rural areas and city serviced sites."[28] For the target population in this income segment, FHF opens up subsidies to those who cannot access a mortgage, due to irregular incomes, high indebtedness or unaffordability.

However, delivery on the FLISP programme has been stubbornly low compared to the need. And the state's delivery targets for FLISP also fall far short of need, and appear to be more a function of take-up and capacity to implement, as inferred from prior expenditure. For 2021/22, the target was 8 158 FLISP subsidies approved—actual delivery fell short by 23% (6 282 subsidies). The plan was that the NHFC would deliver approximately 70% of those subsidises, with the provincial departments delivering the balance. Instead, in actuality only 52% were approved by the NHFC, and 48% were delivered by the provinces.[29]

The total number of approved subsidies for 2022/23 (as of 31 January 2023) was just 3 541, while 3 492 subsidies had been disbursed, to a total value of R231 million. The average FLISP subsidy therefore amounted to just R66 151, which is the subsidy amount corresponding to households with a monthly income of approximately R15 000 (as per 2022/23 subsidy quantum). Most of the FLISP subsidies being disbursed are to applicants at the higher end of the eligible income segment—between R15 000 and R22 000. At this income level (R15 000), a household would be eligible for a FLISP of R85 238, and could thus afford a house priced at R475 250 with a bond and a FLISP subsidy.[30] This suggests that currently the FLISP is primarily reaching households at the upper end of the 'gap market' (R15 000–R22 000), enabling purchases of homes of R450 000 or higher.

Individual subsidy programme

The above analysis of the FLISP policy demonstrates its applicability for providing financial support to households who wish to self-build, but only for those with a monthly income between R3 501 and R22 000. Those who wish to become homeowners with a monthly household income of R3 500 or less have traditionally been covered by the RDP and then IRDP programme, which have provided fully-subsidised units to qualifying beneficiaries on a project basis. However, the housing demand is great, and ample evidence has been given of households remaining on the 'waiting list' for fully-subsidised housing for years. Those in this income bracket wishing to become homeowners who reside in informal settlements, inadequate backyard dwellings or overcrowded housing would theoretically be served through the UISP, IRDP or via a rapid land release or site-and-service project. For those in this income bracket who are unable or unwilling to access state aid on a project basis, there is the individual subsidy programme (ISP)—non credit-linked and credit-linked.

On both the credit-linked and non-credit linked sides, the main purpose of the ISP is to stimulate the secondary housing market.[31] The **credit-linked ISP** focuses on providing access to state assistance for qualifying households who want to purchase a house on the resale market, or acquire a vacant residential serviced stand linked to a house construction contract, through an approved mortgage loan.[32]

28 *SA New.gov.za, 28 February 2023. "Government launches revised housing scheme."*

29 *National Department of Humans Settlements 2021/22 Annual Report. Pg. 40.*

30 *Assuming: 20 year loan, 12.75% interest rate, 10% deposit, 30% income spent on bond repayment, new FLISP quantum effective 1 April 2023.*

31 *Financial Interventions: Individual Subsidy Programme, Part 3 of the National Housing Code, 2009. Pg. 13.*

32 *Ibid. Pg. 9.*

The **non credit-linked ISP** was also mainly intended for the purchase of an existing improved residential property. However, the Code notes that where it is feasible to do so, the subsidy can be used to buy an existing serviced stand and build the top structure.[33] The non credit-linked ISP **is** targeted at those who cannot afford a mortgage, do not qualify for credit from a lender, or 'who do not wish to access credit from a lender.' The subsidy can be used on its own to purchase a property or can be supplemented with the beneficiary's own funds if the subsidy is not sufficient.

In essence, qualifying households can use the individual subsidy:

- to purchase an existing house on the secondary market; or,
- to purchase a vacant residential serviced stand linked to a construction contract.

It makes good sense to focus the ISP on the resale market. According to CAHF, most first-time home buyers access a property through the secondary market. In 2021, 67% of that year's 122 000 first-time home buyers bought an existing property (as opposed to acquiring a new unit).

However, for households with a monthly income of R3 500 or below, who cannot access a bond, there are few existing houses on the secondary market at an affordable cost. The new quantum (effective 1 April 2023) for individual subsidies is R261 364. Although CAHF does not have access to record level deeds data, their analysis can identify the amount of housing stock below R300 000 as of the end of 2021.[34] At that point, R2.012 million or 30% of total residential properties were valued by Lightstone Pty. at R300 000 or below—most of these were subsidised units built by the state (62%). CAHF's analysis also shows that the stock of residential properties in this segment has been declining in recent years, and resale activity in this market segment is quite small. In 2021, there were just 10 225 resale transactions of properties under R300 000 across South Africa, making up only 5.2% of total resale transactions in 2021.

Nor are private affordable housing developers producing new units priced below R300 000. Most new registrations in this segment (86%) are government-subsidised properties (GSP) built through national housing programmes. In 2021, nation-wide, there were only 2 004 new transactions of properties under R300 000 that were built by private developers or households themselves.[35]

The best way to quickly increase the available existing stock under R300 000 is to boost resale of GSP properties. The prohibition on sale of subsidised properties before 8 years is not actually an obstacle, because 82% of those houses are over 8 years old, and could be sold if there was a better-supported and more active resale market at the bottom end of the property ladder. However, many of these properties have title deed issues related to deceased estates, informal cash sales or other complications, or are government-subsidised properties that never received their title deed in the first place. These issues hinder the proper functioning of this component of the market and often required labour-intensive, extended bureaucratic processes to sort out.[36] Despite these challenges, there is evidence of RDP properties trading on the secondary market—in 2021, 71% of the resale transactions under R300 000 were of RDP properties (7 228). If this resale market can be facilitated and supported, it will provide greater opportunities for non credit-linked IS beneficiaries to use their subsidy to purchase a house.

Many of these properties have title deed issues related to deceased estates, informal cash sales or other complications, or are government-subsidised properties that never received their title deed in the first place.

33 *Ibid.*

34 *Tshangana, A. (2023). 'Citymark National Housing Market Report – December 2021.' Centre for Affordable Housing Finance in Africa (CAHF).*

35 *Ibid.*

36 *See: Tenure Support Centre (TSC) website https://titledeed.org.za/. Also Melzer, I. and Robey, J. (2020). 'The Transaction Support Centre: Lessons Learned.' CAHF and 71point4.*

The feasibility of buying a house or serviced stand with a credit-linked individual subsidy paired with a mortgage is also very limited, because of the low levels of mortgage lending for households at this income level.

The feasibility of buying a house or serviced stand with a credit-linked individual subsidy paired with a mortgage is also very limited, because of the low levels of mortgage lending for households at this income level. Theoretically, an IS beneficiary with an income of R3 499/month could qualify for a loan of approximately R91 000. Adding to that the IS of R261 364 (recently revised upward),[37] they could then purchase a house priced at around R352 000.[38] However, very few bonds are issued for this market segment.[39] For example, in 2021 only 1% of new transactions below R300 000 were bonded (135) and only 11% of resale transactions (1 172) in this market segment were bonded. The data from the National Credit Regulator (NCR) tells the same story: about 98% of mortgages granted in Q1 of 2023 (March 2023) were accessed by households with a monthly income above R15 000. The majority (67%) of mortgage agreements granted were in excess of R700 000 during that quarter.[40] Thus, the credit-linked individual subsidy—in theory—would assist households with funds to self-build, but in reality access to mortgage loans blocks this pathway, because lenders rarely lend that far down-market and issue bonds this small.

We turn then to the non credit-linked individual subsidy programme—to what extent does it facilitate financial support to vulnerable households for self-build? As per the Code, non credit-linked subsidies are designed for those who do not qualify for credit from financial institutions 'or who do not wish to access credit from a lender'.[41] The purchase of an existing house is therefore made solely from the subsidy amount awarded.[42]

For both the individual credit-linked and non credit-linked subsidy, there is an additional option available to current owners of vacant serviced stands that they acquired without a government subsidy and who have not benefited from state assistance previously. Applicants in this category who wish to construct/complete top structures on their properties can obtain a full housing subsidy on condition that the subsidy funding will be applied for the acquisition of housing goods and services.[43]

In summary, the individual housing subsidy (credit linked and non credit-linked) can be accessed by:

- Persons who have not owned fixed residential property before who wish to:
  - purchase an existing house, with an approved bond or with the subsidy alone;
  - purchase an existing serviced stand and build a house.
- Those who acquired a vacant serviced stand without a subsidy but the property does not comply with the national building regulations and standards for the construction of stand-alone dwellings, and who just require assistance to construct the top structure.[44,45]

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37 *The individual subsidy quantum, effective 1 April 2023, is R261 362, comprised of R6 000 for land, R61 171 for services (Grade A, assuming 9m street front, and plot size of 243 m²), R10 836 for indirect costs for municipal engineering services, and R183 257 for the top structure.*

38 *Assuming: 12,75% interest rate, 20 year loan period, 30% of monthly income spent on bond payment. There is a critical drop-off in benefits at the R3 500/month mark. Just under R3 500/month, a IS beneficiary household receives a subsidy of R261 364, while a FLISP beneficiary with an income of R3 501 would be eligible for a subsidy of R169 264.*

39 *In reality, commercial lenders do not issue bonds of this size as the transaction costs are too high in relation to the loan size.*

40 *National Credit Regulator (2023). 'Consumer Credit Market Report – First Quarter, March 2023'.*

41 *Financial Interventions: Individual Subsidy Programme, Part 3 of the National Housing Code, 2009. Pg. 29.*

42 *Ibid. Pg. 9.*

43 *Ibid.*

44 *If a person has an unsubsidised serviced site, the Provincial Department needs to make sure the funds are spent on new construction, completion or improvement of house.*

45 *Property must be "in possession and registered in the name of the potential beneficiary, with the Registrar of Deeds". Financial Interventions: Individual Subsidy Programme, Part 3 of the National Housing Code, 2009. Pg. 17.*

With respect to self-build, a critical point to note is that the programme allows for an important exception to the eligibility criteria that beneficiaries do not already own a property. Individuals who already own a serviced stand (attained *without* government assistance) can still apply for the individual subsidy—credit or non credit linked—to use to build, complete or improve the top structure. (The category of persons who previously obtained a serviced stand under the pre-1994 government housing schemes and wish to construct or complete a house is covered separately from the ISP, under the Consolidation Subsidy Programme.)[46] Given the concern that funds will be diverted for non-housing purposes (e.g. school fees), the policy notes that these cases must be administered on the basis of approval by the MEC, and require careful management by the provincial department to ensure that funds are not used for other purposes than housing goods and services.[47] To address this risk, the state requires "a certified copy of the building contract, concluded with an NHBRC registered home builder and the approved house plans of the dwelling to be erected on the stand."[48]

However, a balance must be struck between close monitoring to ensure appropriate use of the funds, and the need to ensure flexibility and agency for the beneficiary:

> *The options for managing the payment of the subsidy amount must be flexible enough to allow beneficiaries the maximum choice of how to use the residual amount of their subsidies and opt for as wide a range of housing delivery systems as possible, whether through purchasing complete housing packages or through the incremental construction of houses. The management of the payout packages must be simple, easy to administer and cost effective. Fraud and abuse of the subsidy system must be prevented.*[49]

One option is for provincial departments to make arrangements with building materials suppliers to deliver housing supplies directly to beneficiaries. However, this must be accompanied by a system for checking that the materials are used for house construction and in accordance with the provisions of the Norms and Standards in the Technical Guidelines of the provincial department.[50]

All this requires significant capacity on the part of provincial departments to manage pay-outs on a milestone basis, and to conduct inspections to verify progress and usage and to ensure compliance with required norms and standards. In addition, the provincial department must be equipped to handle payment of residual amounts, for labour or other costs, to beneficiaries on an ad hoc basis. Most provincial departments are unable to establish and maintain a system that allows for this level of complexity, attention and detail. Especially when individual subsidy recipients are not geographically clustered, but spread across the province, the time and resources required to properly administer the subsidy throughout the period of construction simply does not exist. In response, provinces may introduce additional requirements of applicants to prioritise subsidy approval,[51] or may hold back from advertising or pushing the individual subsidy option and instead urge applicants to seek housing assistance through a project-based programme such as EPHP.

Most provincial departments are unable to establish and maintain a system that allows for this level of complexity, attention and detail.

46 *Incremental Interventions: Consolidation Subsidy Programme, Part 4 of National Housing Code, 2009.*

47 *Financial Interventions: Individual Subsidy Programme, Part 3 of the National Housing Code, 2009. Pg. 32.*

48 *Ibid. Pg. 53.*

49 *Ibid. Pg. 32.*

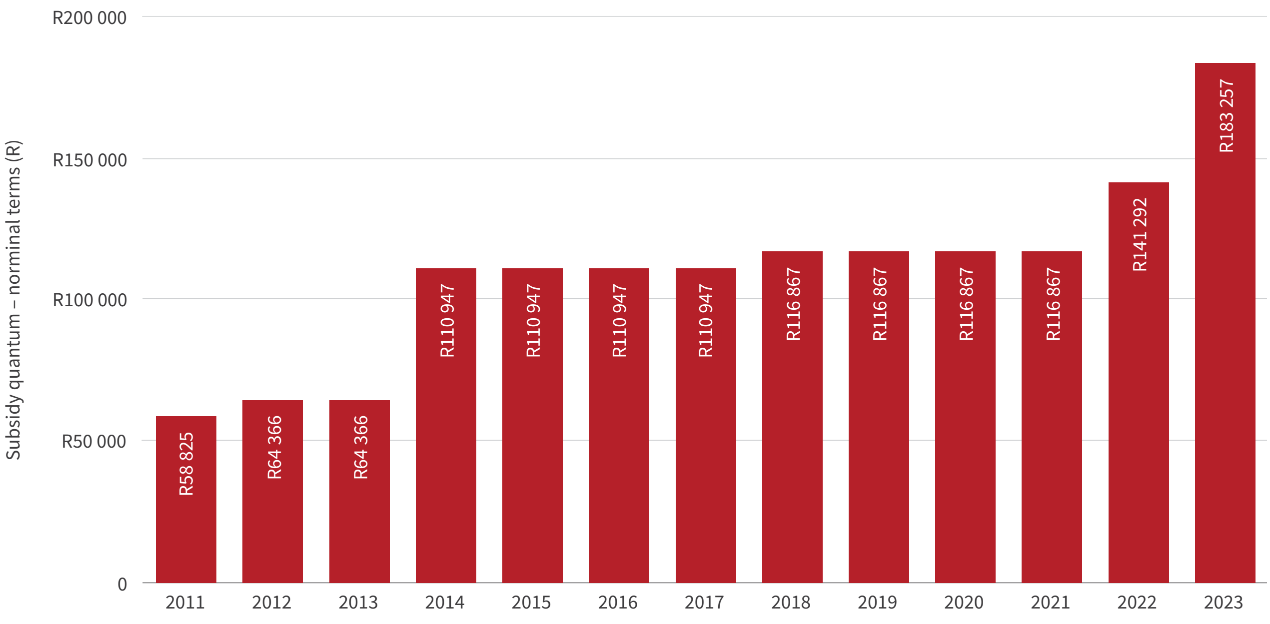
50 *Ibid. Pg. 32.*

51 *For example, in addition to the regular national housing programme eligibility criteria, the Western Cape adds two additional requirements for an individual subsidy: (1) You are registered on the housing demand database at your nearest municipality (2) You have been on the municipal housing demand database (i.e. waiting list) for a minimum period of 10 years in Cape Town and 5 years in areas outside of Cape Town. See: https://www.westerncape.gov.za/general-publication/individual-housing-subsidy-programme*

Although these options exist on paper, in reality very few individual subsidies are disbursed. In an evaluation of the national housing subsidy scheme by the Public Service Commission back in 2003, already it was reported that the programme has been effectively discontinued "due to a combination of problems of corruption with non credit-linked subsidies and due to lack of availability of mortgage credit for subsidy beneficiaries."[52]

Since 2011, the subsidy quantum has been increased five times, including twice in the last two years. In nominal terms, the subsidy has grown to over three times the size it was in 2011. Graph 1 shows the progression of the IS quantum from 2011 to 2023, in nominal terms. The quantum in both graphs is for the top structure and *excludes* land and services. Graph 2 adjusts for inflation and illustrates the variance of the quantum when considered in real terms (2022 Rand). In real terms, the quantum drops each year until it is increased again. The notable jump in 2014 was due to the increase made to accommodate the SANS 10400-XA regulations on energy efficiency and environmental sustainability in building design. In 2021, the quantum fell to R124 898 in real terms, the lowest in eight years. The recent increase effective 1 April 2023—but not yet rolled out in practice—takes the subsidy to R183 257.

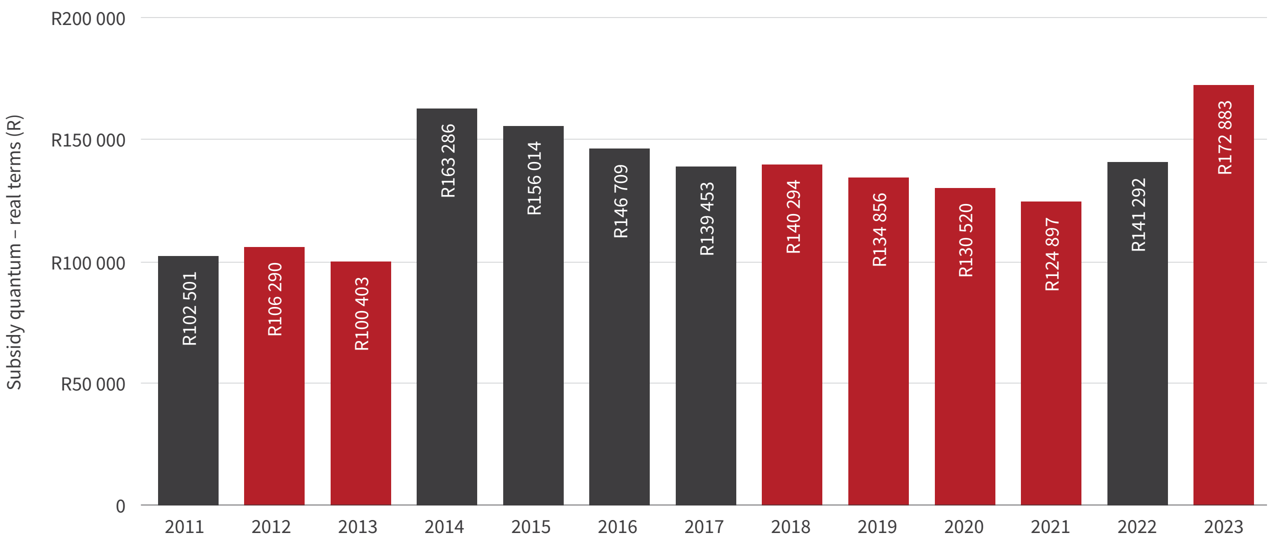
Graph 1: Individual Housing Subsidy Quantum (2011–2023) – Nominal terms



Source: National Department of Human Settlements (2023). 'Post BNG Norms & Standards & Revised Housing Subsidy Quantum'.

52 *Public Service Commission (2003). Report on the Evaluation of the National Housing Subsidy Scheme.*

Graph 2: Individual Housing Subsidy Quantum (2011–2023) – Real terms (2022 Rand)



Note: The red bars indicate the years when the subsidy was adjusted.
Source: National Department of Human Settlements (2023). 'Post BNG Norms & Standards & Revised Housing Subsidy Quantum'.

Enhanced People's Housing Process (EPHP)

Another avenue for a subsidy for self-build may be through the Enhanced People's Housing Process (EPHP) programme, which took over from the original PHP in 2009. The main intention of the EPHP is that communities actively participate in decision-making over the housing process and housing product, and make their own contribution. That contribution may be through labour, or sweat equity, but might also be via other means. The Programme aims to support the agency of communities and households in developing their own housing solutions, and is "intended to provide an alternative to developer-driven development which creates uniform housing products and little appreciation of the housing asset by communities."[53]

The EPHP is project-based. According to the policy, participants must either be part of an already organised community group or must have indicated that he/she want to participate in a community-driven housing project.[54] Willingness to approach the housing construction process on a project basis is therefore a requirement, excluding those who want to get on with the building process individually.

Notably, the policy exempts EPHP homes from regular individual house enrolment with the NHBRC, and instead only requires project enrolment (through the Province) to foundation and slab level. (The community-based organisation (CBO) or civil society organisation (CSO) that serves at the EPHP Community Resource Organisation (CRO) must be enrolled with the NHBRC for the full project.) The risk of limited NHBRC involvement in approval of the individual top structure is accepted in favour of allowing greater community initiative and participation in the process, and enabling the building process to be less encumbered by inspections and regulations.[55]

53 *Incremental Interventions: Enhanced People's Housing Process, Part 3 of the Housing Code, 2009. Pg. 13.*

54 *Ibid. Pg. 21.*

55 *Ibid. Pg. 15.*

Delivery numbers for EPHP projects are not high and often these projects become blocked for prolonged periods, for various reasons. Given the time and facilitation skills needed to work with the CROs and CBOs, the programme is highly resource-intensive for the provincial department, even when projects remain unblocked. According to a 2009 paper, "It is evident that formal, aided self-help housing (delivered through the PHP) process constitutes a very small percentage of the current housing stock and a small part of self-help housing per se."[56]

Individual rural housing subsidy voucher programme

Within the sphere of rural housing, there has been another subsidy programme relevant to the conversation on self-build. The rural housing subsidy communal land rights programme is exclusively within the context of an approved housing development project and cannot be accessed on an individual basis.[57] To address this gap, in 2009 MINMEC approved a proposal for an Individual Rural Housing Subsidy Voucher Programme (IRHSVP), but later the same year deferred approval of the programme pending merger of the three housing development finance institutions, given that RHLF lacked the capacity to implement the programme alone. In 2012 a pilot project was undertaken by the National Urban Reconstruction and Housing Agency (NURCHA) in the Eastern Cape, but the pilot was largely contractor-driven and did not operate as a voucher programme.[58] Since the merger, there has been movement to push for the approval of the revised IRHSVP and its implementation, but to date the voucher programme has not been added to the Housing Code.

Given the time and facilitation skills needed to work with the CROs and CBOs, the programme is highly resource-intensive for the provincial department, even when projects remain unblocked.

Although the programme has not yet been implemented in its proposed form, the scheme is relevant due to its potential adaptation to support self-build, in urban and rural areas. The voucher scheme was originally designed to address a particular gap in the subsidy framework, namely rural households who were not reached by other subsidy programmes, due to the low number of government housing projects in rural areas. As envisioned, the IRHSVP would only be available for those with informal land rights in rural areas, and would not apply where normal individual subsidies or project-linked subsidies apply.[59] The intention was to allow rural beneficiaries to obtain government funds to buy building materials and cover labour costs, thus improving their housing conditions. The implementing agent would appoint subsidy voucher intermediaries who then paid funds directly to building materials retailers on behalf of beneficiaries. Suppliers would be accredited and a materials list approved alongside the development of standard house plans for pre-approval.[60]

56 *Landman, K. and Napier, M. (2009). "Waiting for a house or building your own? Reconsidering state provision, aided and unaided self-help in South Africa". Habitat International.*

57 *Rural Intervention: Rural Housing Subsidy: Communal Land Rights, Part 3 of the National Housing Code, 2009. Pg. 15.*

58 *Interview with Jabulani Fakazi, NHFC.*

59 *Rural Housing Loan Fund (RHLF). Presentation to the Select Committee on Public Services – Individual Rural Housing Subsidy Voucher Programme. 7 August 20012. Available at: https://slideplayer.com/slide/4775625/*

60 *Ibid.*

As it was proposed, the voucher programme would enable owner-builders to obtain pre-approved quality building materials and related equipment and to employ local contractors for plumbing, electricity and other tasks.[61] The programme was structured to be highly flexible, allowing labour and transport costs, and any residual budget amounts, to be paid out in cash to the recipient, subject to a financial control system which checked expenditure against the building plan and progress payment schedule through on-site inspections.[62] The focus was on empowerment and flexibility, for beneficiaries to take charge of their own house-building process.

As it was proposed, the voucher programme would enable owner-builders to obtain pre-approved quality building materials and related equipment and to employ local contractors for plumbing, electricity and other tasks.

Similar to the EPHP programme, in the IRHSVP, NHBRC registration for contractors and house enrolment would not applicable as beneficiaries be 'owner-builders'.[63] As per the Housing Consumers Protection Measures Act, 1998 (Act No. 95 of 1998), an owner-builder is defined as "(a) a person who builds a home for occupation by himself or herself; or (b) a person who is not a registered home builder and who assists a person contemplated in paragraph (a) in the building of his or her own home."[64] However, the Act is being revised. Under the new Housing Consumer Protection Bill B10-2021, that exemption for owner-builder would be removed.[65] This change to the legislation would mean that the administrative regulatory requirements for owner-builder would now apply and households who are building their own home will be required to register with the NHBRC.

One possibility that has been floated is to adapt the IRHSVP to urban areas.[66] Gardner emphasises that for the voucher system to work, a number of prerequisites must be in place:[67]

- The owner-builder must have the capacity to manage the housing building process, in terms of both time and know-how.
- There are common housing solutions appropriate to the area which can be adopted.
- There are well-established construction systems and solid capacity in the local area.
- The terrain is not technically challenging for construction (in terms of topography and soil, etc.)

Other key requirements relate to provincial capacity (or metro capacity in the case of the adaptation of the IRHSVP to urban areas). An inspection and financial control system is necessary to ensure the funds are used for the intended purpose.[68] As we discuss below, this poses a substantial hurdle to the future roll-out of the IRHSVP and subsidies for self-build in urban areas as well.

61 *Forster, C. and Gardner, D. (2014). Financing Housing Consolidation in In-situ Informal Settlements Upgrading Programme in South Africa. Prepared for the World Bank, NUSP and Cities Support Programme. 29 August 2014. Pg. 83.*

62 *Ibid. Pg. 84.*

63 *Ibid.*

64 *The IRHSVP beneficiary would complete a form via the NHBRC to be deemed an owner-builder under the Act.*

65 *According to the Parliamentary Monitoring Group (PMG), as of July 2023, the Bill had gone through the Portfolio Committee and is now with the National Assembly.*

66 *Forster, C. and Gardner, D. (2014). Financing Housing Consolidation in In-situ Informal Settlements Upgrading Programme in South Africa. Prepared for the World Bank, NUSP and Cities Support Programme. 29 August 2014. Pg. 82.*

67 *Ibid. Pgs. 89-90.*

68 *Ibid. Pg. 86.*

Is self-build adequately provided for in the Housing Subsidy Scheme?

Given the recent expansion of FLISP into non-mortgage products and personal resources, the question may be asked if there are overlaps or gaps in the overall subsidy framework for ownership. Table 1 provides a high-level view of which programmes cover which income groups in urban and rural areas.

Table 1: Housing subsidy framework for urban and rural areas

	Urban	Rural
Monthly income of R3 500 or below	Individual Subsidy (credit or non credit-linked) – individual basis EPHP – project basis	Individual Subsidy (in cases with title deed) Rural Housing Subsidy Communal Land Rights Programme (informal rights) Individual Rural Housing Subsidy Voucher Programme (not in operation) – PTO only
R3 501–R22 000	FLISP (credit or non credit-linked) – individual basis or project basis (with mortgage)	FLISP (non-mortgage product or personal resources)

Table 2 attempts to unpack the parameters of the two subsidy programmes best suited for self-build: FLISP and ISP.

Development Action Group: Khayelitsha.

Table 2: The applicability of FLISP and ISP for self-build

	Source of funds in addition to subsidy	Can be used for purchase of a house?	Can subsidy be used for building a house?		Delivery model	
			If applicant already owns a stand	If applicant needs to obtain a stand	Project based?	Applicable for urban and rural?
FLISP (monthly income R3 501 – R22 000)	**Mortgage** (traditional FLISP)	Yes, new and resale, but currently its rarely used for resale	Can be used to build a house on a stand that is: (1) already owned, (2) connected to services, (3) zoned for housing, (4) enrolled with NHBRC, and (5) linked to building contract with NHBRC-registered contractor [69]	Can be used: • To buy a stand that is (1) connected to municipal services/ off-the-grid sources, and (2) zoned for housing, and build • To build a house on stand that is part of an IRDP project • To pay for serviced site as part of rapid land release programme • To buy a stand (1) that is owned by or vested with government or government-recognised traditional authority (2) which may or may not be connected to permanent municipal services but (3) which must be attached to a PTO issued by government-recognised traditional authority[70]	Can be project based (through a provincial FLISP project) or individual.	Implemented in urban areas where title to land is available[71] Rural – Technically yes, but not able to obtain a bond without title
	Non mortgage credit (pension/provident fund; HMF; community-based savings schemes; employer assisted housing programmes; instalment sale; RTO; GEHS; unsecured loan from NCR registered lender)	Yes, new and resale	Same as mortgage FLISP (including NHBRC enrolment)	Same as mortgage FLISP	Can be part of provincial FLISP, IRDP, rapid land release project, but likely mainly individual	Urban – yes Rural – recently expanded to households who have PTOs [72]

69 *National Housing Finance Corporation (NHFC). Presentation on Revised FLISP Policy to SALGA Webinar, 3 December 2022.*

70 *Ibid.*

71 *Ibid.*

72 *The National Housing Code: Simplified Implementation Guidelines of the Finance Linked Individual Subsidy Programme (FLISP) Policy for Non-Mortgage Based Products. 31 Dec 2022 version. Pg. 16.*

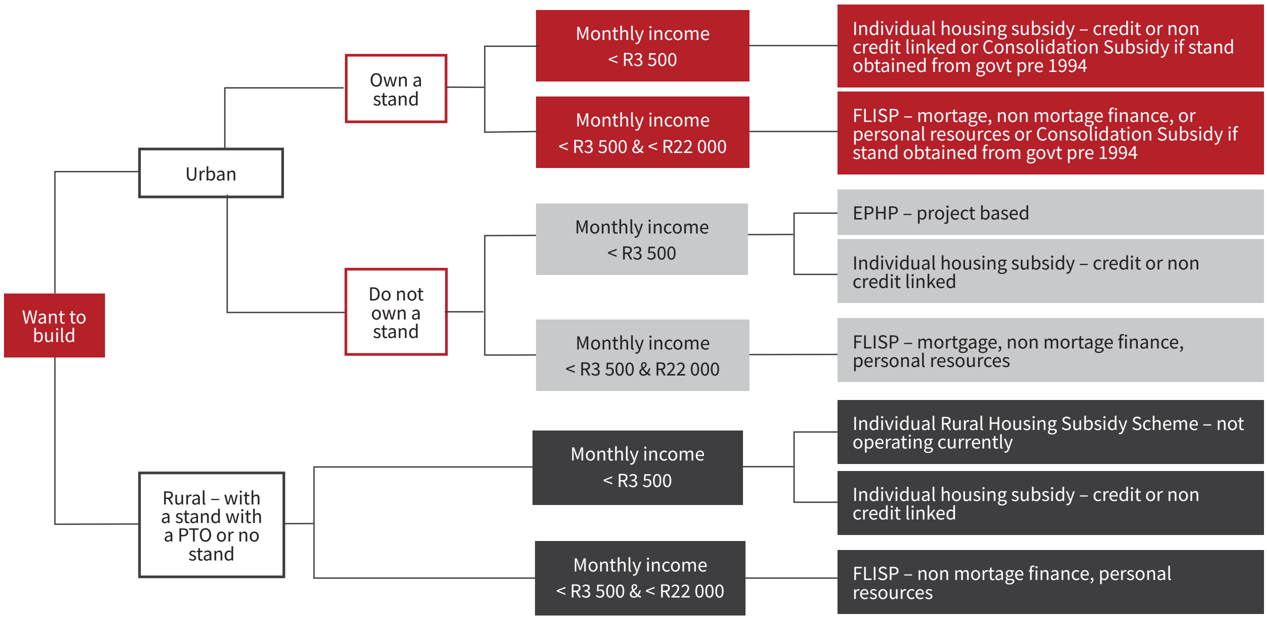
	Source of funds in addition to subsidy	Can be used for purchase of a house?	Can subsidy be used for building a house?		Delivery model	
			If applicant already owns a stand	If applicant needs to obtain a stand	Project based?	Applicable for urban and rural?
FLISP (monthly income R3 501 – R22 000)	**Personal resources** (inheritance, personal savings, insurance or pension pay-out, interest-free loan from employer or family member, non-monetary resources such as building materials or labour)	Same as mortgage and credit linked FLISP	Same as mortgage FLISP (including NHBRC enrolment)	Same as mortgage FLISP	Same as non-mortgage credit linked	Urban – yes Rural – yes. Recently expanded so households can buy a PTO-linked stand and build on it with personal resources
	Subsidy alone	Yes, theoretically can be used for new and resale purchase but in reality, affordable housing developers do not deliver units at low enough price to be funded by subsidy alone, and there are few houses on the resale market at this price due to challenges in resale market (title deeds etc)	Same as mortgage FLISP (including NHBRC enrolment)	Same as non-mortgage credit linked	Same as non-mortgage credit linked	Urban – yes Rural households can buy PTO-linked stand and build on it with subsidy alone
Individual subsidy (monthly income < R3 500)	**Credit-linked**	New and resale	If own an existing vacant serviced stand but the property does not comply with construction standards, and stand is registered in applicant's name, can use subsidy to build top structure (including NHBRC enrolment)	Can use subsidy to purchase vacant serviced stand linked to a house construction contract	Individual basis only	Urban – Yes Rural – Only in context of registered individual ownership (title deed)
	Non credit-linked (subsidy alone)	New and resale	Same as credit- linked individual subsidy	Same as credit-linked	Individual basis only	Urban – yes Rural - Only in context of registered individual ownership (title deed)

The IRHSVP would also be a powerful tool to support self-build in rural areas if the programme is pushed forward and implemented. It could be adapted for urban areas, but this is likely unnecessary given coverage by the IS programme.

There are also other precedents for state aid specifically for self-build. One of the newly-introduced revisions to the Emergency Housing Programme (EHP), announced by the Minister in March 2023, was that the programme would enable provinces or metro municipalities to use a building material voucher to provide assistance to households affected by a disaster, to enable them to build their new homes. A catalogue of approved materials would be developed and a database of locally based commercial material suppliers compiled.[73] The new EHP approach would also include the provision of building materials for residents in informal settlements so that they can rebuild in the same location or relocate to a safer space, following a fire, flood or other disaster.[74]

In the current policy context, the decision tree in Graph 3 sets out the available subsidy options for vulnerable households wishing to build themselves—taking note of urban vs. rural, monthly income, and whether the applicant already owns a vacant serviced stand.

Graph 3: Options for accessing a subsidy for self-build



The above analysis of the housing subsidy scheme demonstrates that financial assistance for self-build is already catered for through a number of subsidy programmes, primarily FLISP (for households with monthly incomes over R3 500 and under R22 00) and the Individual Subsidy Programme (for households with a monthly income under R3 500). No changes to the policy framework—in terms of eligibility requirements and subsidy usage—would be necessary to ensure all the targeted vulnerable households can be supported for self-build. However, self-build subsidies—while technically accommodated in the policy—would still require adequate funds and sufficient implementation capacity.

73 *Ministerial Directives EH-1/2023. "Enhancing the Implementation of Emergency Housing Responses for Households in Informal Settlements and Backyards Affected by Fire and Floods." 5 January 2023.*

74 *Ministry of Human Settlements. "Statement by Minister Mmaloko Kubayi on the occasion of a media briefing on policy changes to accelerate performance in the sector, 31 March 2023, Imbezo Media Centre, Parliament of RSA, Cape Town."*

Can we afford it? - Fiscus and demand

The next question is whether there is money in the budget for a scaled-up subsidy for self-build. As we have established, self-build subsidies are already allowable in the policy framework, and there is definitely a demand, from households who cannot purchase a house on their price level on the secondary market and those who have been on the waiting list for years and want to take matters into their own hands.

Although the FLISP and ISP accommodate self-build, government has not marketed self-build subsidies in an intentional way. Levels of awareness are certainly low amongst the target populations, but also provincial and municipal officials may not be aware this option is in the subsidy scheme, and would not know how to process such a request. Also, some provincial departments may not offer that option, even on request, due to a lack of processes to administer it.

If government were to undertake a concerted marketing drive to advertise the option of self-build for vulnerable households, and make processes easier for them to be accessed, then the increased demand would need to be accommodated from the Human Settlements Development Grant (HSDG) which provides funds to provincial departments to implement the housing subsidy programmes. Given that FLISP is administered both by the NHFC (for individual applications) and provincial departments (for applications as part of a provincial housing project), both would need to allocate increased funds in their Annual Business Plan for greater up-take.

Currently about 3 000-4 000 FLISP/FHF subsidies are disbursed a year. If we assume that take-up is generally on the top end of that range in 2024, due to the recent policy changes, and then we generously allow an increase of 20% for new FLISP/FHF subsidies for households accessing the subsidy with personal resources, in order to build themselves, then this would require approximately R135 million in 2024.[75] This does not include the additional costs that would be required to set up the systems to administer these subsidies at scale, add needed capacity and costs related to building awareness for the programme.

The total envelope for the HSDG increased by 4.8% to R14.256 billion in the recent 2023/24. Yet in real terms, this was a 0.48% drop.

However, given the global economic outlook as well as domestic challenges, the fiscus in South Africa is very tight at present, as unemployment, the rising cost of living and energy challenges put increased pressure on households and the government budget. Real GDP growth in 2023 is forecast to be only 0.9%. The total budget of the NDHS rose to R34.942 billion in 2023/24; however, this constitutes a 1.54% decline in real terms compared to 2022/23. Similarly, the total envelope for the HSDG increased by 4.8% to R14.256 billion in the recent 2023/24 budget. Yet in real terms, this was a 0.48% drop.[76]

75 *This also assumes that all the subsidies for self-build would be at the maximum amount of R169 264, which would likely not be true.*

76 *Tshangana, A. and Jubane, L. (2023). Focus Note: Human Settlements in the 2023/24 Budget. Centre for Affordable Housing Finance in Africa (CAHF).*

Development Action Group: Khayelitsha.

Clearly there is a crucial need to quantify the demand for self-build support.

In essence there is no new money in the budget, meaning that the funds for increased expenditure on self-build subsidies would need to come from savings achieved by reducing administrative inefficiencies, or be taken from elsewhere in the budget. Shifting funds from other sectors (e.g. defence, education) would be a decision taken at Cabinet level through National Treasury and would be based on the acceptance of self-build as a national—and not just sector—priority. However, shifting funds from elsewhere in the human settlements budget could be addressed within the sector. It would require a fundamental re-orientation of sector policy priorities, likely from project-based IRDP expenditure towards household-based subsidies for incremental building. This will also require a political shift in thinking, from turn-key, fully-subsidised units built as part of a supply-side approach, to individual level subsidies which draw upon household resources, financial and non-financial.

Clearly there is a crucial need to quantify the demand for self-build support. Currently the NHFC is working on a system to monitor FLISP/FHF take-up, as per the categories of non-mortgage, mortgage, personal resources, etc., as part of its obligations to supply NDHS with subsidy demand numbers and planned disbursements. Given that the current FLISP/FHF is not widely known and households may be deterred by the cumbersome application process, demand for self-build support should be quantified based on household circumstances, not expressed preferences as reflected in application numbers. A system for forecasting demand will need to take into account household income, levels of indebtedness, eligibility as per the regular eligibility requirements for applicants, and whether potential applicants already own a serviced stand.

At present, the NHFC is still only receiving mortgage-linked FLISP applications, given that awareness-raising programmes, application processes and capacity for the other non-mortgage FLISP options are still being established at provincial departments and the NHFC, the implementing agent. The NHFC is developing a comprehensive online portal which make the submission of applications more convenient and improve approval processes.

In summary, given current budget constraints, a concerted effort to provide self-build subsidies would first require a sector policy shift towards incrementalism and demand-side approaches, to generate the willingness to reallocate funds from other housing subsidy programmes towards this priority.

How would it be done? – Ensuring fit-for-purpose administrative systems

Measures taken to mitigate the risk attached to the subsidy must not undermine the core principle of the subsidy mechanism which is to enable beneficiary agency by facilitating the construction of top structures by households themselves.

The main issue with subsidies for self-build is the implementation—the administrative requirements for an individual subsidy that would be spent incrementally are onerous. The reason for this is that measures taken to mitigate the risk attached to the subsidy must not undermine the core principle of the subsidy mechanism which is to enable beneficiary agency by facilitating the construction of top structures by households themselves. From a public finance perspective, the key risks are leakage and corruption—the misuse of resources for purposes other than housing or the receipt of the subsidy by those outside the policy's target population.

Furthermore, the risk mitigation measures put in place to ensure the effectiveness of the programme cannot increase the costs to the extent that the cost per subsidy (including administrative costs) renders the programme an inefficient use of public funds. In this respect, project-based subsidy programmes can deliver the numbers with lower administrative and capacity requirements per subsidy.

Documentation, verification and disbursements

For the non-mortgage FLISP, applicants who are looking to use the funds to build, improve or extend their house are required to submit: proof of merchant/ materials supplier quotation and proof of builder's certification and quotation.[77]

If the FLISP applicant is taking up the option of using personal resources to supplement the subsidy (instead of any kind of secured or unsecured credit), then the policy indicates they must provide proof of the source of finance for the personal contribution.[78] This may be in the form of an affidavit from the applicant stating the source of the funds.[79] This might be a pension pay-out, insurance payment, inheritance, personal savings, or a gift or personal non-interest loan from a family member or friend. Given that the policy provides no minimum amount of personal resource contribution, presumably this might be R100. The purpose of the verification process would be to ensure the funds are not being sourced from a loan shark, whose high interest rates would undermine the purpose of the subsidy.

The personal resource contribution must be paid into a trust account, presumably set up by the beneficiary who must also appoint an attorney, creating an additional cost burden on the beneficiary household that must be covered by their own resources or deducted from the subsidy. The attorney confirms the payment into the trust account and may also be called upon to submit an affidavit to confirm that due diligence has been carried out on the source of the personal contribution.

77 *The National Housing Code: Simplified Implementation Guidelines of the Finance Linked Individual Subsidy Programme (FLISP) Policy for Non-Mortgage Based Products. 31 Dec 2022 version.*

78 *The National Housing Code: Simplified Implementation Guidelines of the Finance Linked Individual Subsidy Programme (FLISP) Policy for Non-Mortgage Based Products. 31 Dec 2022 version. Pg. 46.*

79 *Ibid. Pg. 47.*

The Grant Letter/Letter of Undertaking issued by the provincial department as the delegating authority becomes the guiding legal document for the administration of the FLISP subsidy. Payments are disbursed as per the conditions set out in the letter, and may only be made to an NHBRC-registered contractor, materials supplier, municipality or the attorney.[80] No payments may be made to the beneficiary directly.[81] According to the implementation guidelines for the non-mortgage FLISP, the role of the attorney is then to 'verify if a predetermined building milestone is completed before releasing funds for the following milestone.' Alternatively, the provincial department may play this role.[82]

The process for an **individual housing subsidy** for self-build is similar to FLISP. With respect to individual subsidy applicants who own an unsubsidised stand and want to use the funds to build, a certified copy of the building contract, entered into with an NHBRC-registered home builder, and the approved house plans must also be submitted.[83] In the case of beneficiaries who are using the funds to build, the transfer is made to the contractor upon certification the house is complete, according to the policy.[84] However, in reality local contractors would require progress payments. Beneficiaries of non credit-linked individual subsidies are permitted to use the subsidy to cover legal fees.[85]

Isandla Institute/Shaun Swingler: Lotus Park.

80 *Ibid.*

81 *The National Housing Code: Financial Interventions: Help Me Buy a Home Scheme, Vol. 3. Pg. 15.*

82 *The National Housing Code: Simplified Implementation Guidelines of the Finance Linked Individual Subsidy Programme (FLISP) Policy for Non-Mortgage Based Products. 31 Dec 2022 version. Pg. 48.*

83 *Financial Interventions: Individual Subsidy Programme, Part 3 of the National Housing Code, 2009. Pg. 53.*

84 *Ibid. Pg. 23.*

85 *The National Housing Code: Simplified Implementation Guidelines of the Finance Linked Individual Subsidy Programme (FLISP) Policy for Non-Mortgage Based Products. 31 Dec 2022 version. Pg. 23.*

Role of NHBRC in quality control

The involvement of the NHBRC is intended to ensure quality control and consumer protection, both in terms of the contractors working on the house, and the final housing product.

For the FLISP, houses must be enrolled with the NHBRC, a process which brings with it a 5-year warranty. FLISP beneficiaries may use the subsidy to cover enrolment fees, or cover the costs from their own resources. However, in the case of FLISP beneficiaries using the subsidy to build themselves, they can, under the current legislation, get an exemption from NHBRC registration and enrolment by virtue of being an 'owner-builder'.[86] This application must be submitted and approved before construction starts on the ground and it can only be granted once to a housing consumer.

However, as noted above, in the new Housing Consumer Protection Bill, the owner-builder exemption would be removed, making all subsidy beneficiaries subject to the requirement to enrol their houses with the NHBRC. The cost of enrolment of a fully-subsidised home is 0.75% of the subsidy quantum.[87] For an IS recipient, this would be R1 269, and for a FLISP beneficiary with a monthly income of R3 500, it would be R1 960—obviously putting a burden on vulnerable households building with a very small budget.

The requirements for both house enrolment and registration of builders by the NHBRC becomes particularly onerous for those in rural areas. House plans are required, but there are few architects operating in these areas. To facilitate, the provincial government or municipality can prepare assembled plans and offer choice in the design of the product to the beneficiary. Similarly, few local contractors in rural areas are NHBRC-registered. To address these challenges, the NHFC has put forward a proposal to the NHBRC to put in place transitional arrangements that balance the need for consumer protection with the reality and limited resources in rural areas. The intention is to provide quality controls without slowing down the individual building process. For example, a database of existing local contractors can be put together (as in urban areas) and then NHBRC can provide training and skills development to enable their registration. Rural youth could also be pulled into the programme and receive training as inspectors or contractors, thus increasing the number of suppliers.

Although these process requirements for the subsidy reduce leakage, they also put a substantial burden on both households and provincial departments. For households building their own dwelling, the documentation required for the subsidy, the milestone payment system, attorney services and the enrolment of the house with the NBRC, add both costs as well as a burden on the household to learn the process, determine the requirements and take the necessary steps.

For households building their own dwelling, the documentation required for the subsidy, the milestone payment system, attorney services and the enrolment of the house with the NBRC, add both costs as well as a burden on the household.

There are some measures which can ease this load on owner-builders. The use of vouchers for building materials---as was introduced for the EHP—carries great potential for FLISP and IS subsidies used by beneficiaries for self-build. Again, this would require considerable back-end involvement of the provincial department, metro or the NHFC to register building material suppliers and approve a list of standard building materials for use with the voucher.

86 *National Home Builders Registration Council (NHBRC). Presentation on role of NHBRC to SALGA webinar, 13 December 2022.*

87 *Ibid. Pg. 76.*

Another issue is the cost of labour. A monitored process for obtaining building materials with the subsidy is fairly straightforward, but the costs of building services are also an integral part of the construction process—contractors and specialised artisans (e.g. plumbers, roofers, tilers). To boost local economic activity and employment, the programme would need to encourage beneficiaries to draw on local labour, but again, many local artisans and construction workers might be highly competent, but operate informally. For them, the cost and process of becoming certified to take vouchers or receive subsidy funds as payment may exclude their involvement.

Most importantly, to be effective in their aim, subsidies to vulnerable households for self-build must be accompanied by non-financial support. In a proposition around a municipal-led Housing Support Centre model, Isandla Institute argues that a number of different forms of housing support are needed for low income, vulnerable households, that can be provided in different forms via a context-specific model linked to municipal capacity and resources: [88, 89]

- **Tenure security** (including assistance with strengthening tenure security through title deeds and occupation certificates);
- **Access to basic services** (including applications for service connections, free basic services, and assistance with service fault reporting);
- **Top structure** (including information on subsidies/finance, assistance with building and planning applications, access to prototype building plans and a local contractor/artisan database);
- **Neighbourhood improvement** (including enumerations, social compacts, and sustainable livelihood plans); and,
- **Sector support** (including capacity building/training of contractors/artisans and community representatives/groups) - which aligns with the enabling of township economic development.

In a proposition around a municipal-led Housing Support Centre model, Isandla Institute argues that a number of different forms of housing support are needed for low income, vulnerable households, that can be provided in different forms via a context-specific model linked to municipal capacity and resources.

88 *Isandla Institute (2022). Enabling the Right to Build through Housing Support Centres. Pg. 22.*

89 *Isandla Institute (2023). Institutionalising a Housing Support Centre Model to enable self-build.*

Conclusions and recommendations

In this context of prioritisation to the delivery of serviced sites, there is a strong argument for government to develop and implement a self-build subsidy programme at a large scale.

Our examination of the policy framework clearly showed that the option of obtaining a financial subsidy to build your own house, or to purchase a stand and build, exists in the Housing Code in theory. The language of the ISP contains this option for vulnerable households, and the revised FLISP makes a financial subsidy (to purchase or build a house) more accessible, by removing the requirement of coupling the subsidy with any type of credit.

However, the self-build option is not prominent in the Housing Subsidy Scheme. One has to look for mention of self-build, and in both FLISP and ISP, its largely an add-on or afterthought. Second, we can see in practice that the self-build option is rarely—if ever—provided on an individual basis. This is partly due to the lack of awareness of this option by the target market, but also likely due to government's lack of protocols, training, capacitation and budget resources to process these individual applications and implement a sound progress payment system with inspections. The lack of capacity to process individual applications for self-build is, in turn, a result of the long-standing policy emphasis on project-based housing programmes, which are understood as more valuable for achieving higher delivery numbers.

On a project basis, the EPHP has not delivered high numbers of houses and is not always successful in truly shifting the decision-making and agency to the community and household as intended. More so, working with communities on a project basis through the EPHP has proved to be a very messy and slow process. Many EPHP projects become blocked for years, and the community facilitation aspect is highly labour-intensive and requires specific skills and experience that municipal and provincial officials do not often possess. As a result, some provinces are shifting their emphasis—and resources—away from EPHP.

In this context of prioritisation to the delivery of serviced sites, there is a strong argument for government to develop and implement a self-build subsidy programme at a large scale. The first step would be to pull self-build into the forefront of policy by including in the pending White Paper on Human Settlements a comprehensive, integrated programme (across income segments, rural and urban, credit and non credit-linked) to empower households to build themselves, with the financial support and active non-financial assistance of the state. A large, institutionalised programme for self-build would require: advertising and building awareness of this option widely, promoting this avenue for securing a housing solution within the target market, and setting up the processes to make the approval and acquisition of the subsidy smooth for beneficiaries. It would also require support to the home-building market: partnerships with home-building retailers, support for local hardware stores, training and support for local artisans (those operating formally and informally) and initiatives to ensure the quality and affordability of available building materials.

Our brief analysis of the fiscal space for such a programme tells us clearly that the funds would need to be taken from somewhere else in the budget. To obtain consensus on the promotion of self-build over other housing programmes, it would therefore be necessary to undertake a fundamental shift in thinking, away from a project-based supply-side delivery model, towards an individual demand-side approach.

As we noted in the introduction, up to now South Africa's housing programmes have emphasised volumes, primarily chasing targets for serviced sites and top structures. This approach incentivises provincial departments to push projects over individual applications, as project-based programmes deliver the numbers and have substantially lower administrative costs per subsidy. As a result, it could be argued that individual households outside of project-linked programmes[90] are rendered the most vulnerable as they are currently not prioritised in state housing assistance.

90 *Due to their geographic location, household circumstances, preferences etc.*

The promotion of self-build would need to be accompanied by a wholesale movement in thinking away from *volumes and products*, towards *quality and process*.

Given this reality, the promotion of self-build would need to be accompanied by a wholesale movement in thinking away from *volumes* and *products*, towards *quality* and *process*. Better *quality* units are enabled through the direction and involvement of households themselves, who can better design a house to fit their needs and are more invested in the value for money and quality of the output. And instead of a focus on products, the emphasis shifts to the *process* itself, of empowering households and letting them identify and secure their housing solutions, with active government support.

However, the pivot from project-based delivery to individual applications will require a full redesign of administrative processes, acquisition of different skills, and many more warm bodies trained and empowered to support households on a case-by-case basis. The mortgage-backed FLISP for self-build is facilitated by the fact that the lender manages the verification and inspection procedures. However, for the non-mortgage FLISP and ISP, these services will need to be provided by the provincial department or metro itself or a skilled service provider, for the subsidies to achieve their aim without leakage or corruption.

The South Africa Housing Club (SAHC) has developed a successful model for delivering this type of service to households. Mining companies and other large employers hire SAHC to administer their employer housing schemes. The SAHC works with employees to determine their individualised housing needs, the amount they can afford to spend, subsidy funds they are eligible to access and employer funds available to them. Based on a costed and affordable building plan, SAHC then administers the capital subsidy with a progress payment system (including verification and inspection) coupled with non-financial assistance (building advice, information).[91] This intensive case-by-case approach is beyond the resources of provincial departments or metros themselves, but more organisations similar to SAHC could be appointed by the state to administer the self-build subsidies on their behalf, in a manner that ensures the housing solution is appropriate and affordable to the beneficiary and avoids leakage and corruption through the implementation of careful financial control systems.

An effective, demand-side approach requires that we strike the right balance between consumer protection regulations and a flexible, developmental approach that supports households and does not hamper their active efforts to improve their quality of life. The enactment of the new Housing Consumer Protection Bill, which removes the option for owner/builders to be exempted from NHBRC regulations, must be a coupled with a solid framework of transitional arrangements, to train local residents as NHBRC inspectors, to assist local artisans and building material suppliers to become registered, and to offer owner-builders education materials and advice to understand the building process and avoid common problems. In other words, the increased obligations on owner/builders introduced through the Bill should be implemented gradually (through transitional arrangements) and must be accompanied by strong support systems to enable those owner/builders to come into compliance over time.

Nearly 15 years ago, in an article on aided self-help housing and why it has not been brought to scale, Landman and Napier concluded that, "Ironically, the efficiency of state delivery of housing in South Africa has left less space for aided self-help housing."[92] Our recommendations around the institutionalisation and promotion of government subsidies to vulnerable households for self-build are thus part of a much broader argument for the re-orientation of the role of the state, away from government as project builder/developer, towards the state as enabler of the realisation of individual vulnerable households' own housing solutions.

91 *See: https://www.linkedin.com/company/south-african-housing-club/about/ and http://www.sahousingclub.co.za/*

92 *Landman, K. and Napier, M. (2009). "Waiting for a house or building your own? Reconsidering state provision, aided and unaided self-help in South Africa". Habitat International.*

Key take-aways and recommendations

- Accompanying the national policy move away from top structures towards serviced sites, there must be a shift towards enabling individual applications on par with the resources and attention on project-based subsidy programmes. Financial and non-financial assistance programmes to support individual households wishing to self-build must be established and adequately resourced.
- The draft White Paper for Human Settlements must acknowledge and endorse a shift from top structures to serviced sites, and take a position clearly supporting individual household assistance in the context of self-build. This will require a comprehensive look at all the existing subsidy programmes—what they cover, where the gaps are, how they link together or work in contradiction or disconnect from each other. The subsidy programmes must be reviewed and rationalised to accommodate (a) the greater emphasis on serviced sites than top structure delivery, and (b) the need for explicit, comprehensive state assistance for self-build, in the context of this policy shift.
- The White Paper must include a decision to establish a comprehensive, integrated programme to support self-build, which speaks—in an integrated manner—to rural and urban areas, all target income segments, credit and non credit-linked, and covers both financial subsidies and other non-financial support interventions.
- The new national programme to emphasise and forefront support for self-build will require:
  - A new policy chapter in the Housing Code (alongside revision and or removal of other programmes to avoid overlap);
  - Major advertising and awareness-raising investment from national government specifically, as well as provinces and municipalities; and,
  - Redesign, restructuring and resourcing of the state capacity to support the processing of individual subsidies and the associated financial controls for progress payments.

  On the market side, it must also include interventions to collaborate with home-building retailers, train and support local artisans, and promote quality, affordable home building materials.
- Government must partner with organisations such as the SAHC who can administer self-build financial subsidies, as well and non-financial support to households embarking on the building process—on behalf of the state. This would first require support for the creation of many more of these types of companies or NGOs in this space.
- Given that the new Housing Consumer Protection Bill removes the option for owner-builders to be exempted from NHBRC enrolment and registration, strong transitional arrangements must be put in place to support and enable those owner-builders to come into compliance over time.

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