

# HOUSING & HOSTELS - GENERAL

1998

# Diverting water from SA's landowners to the

(123) 80 2/2/98

nation

MIKE Muller's secret, as a colleague puts it, is that he understands the politics of water.

Muller, director-general of water affairs and forestry, has needed that insight as he seeks to change the way the country uses, allocates and pays for its water.

The National Water Bill, which government hopes will become law by mid-year, will reach into every home, factory, farm and settlement. The legislation, published last week, will end a system where landowners have automatic rights to water on, under or adjacent to their property; a combination of permits and pricing policy is designed to force both conservation and the efficient allocation of a scarce resource.

Though a phased introduction will lessen the immediate impact, most people will eventually pay more for their water and many will pay for the first time.

Despite opposition from sectors of agriculture and the mining industry, Muller believes that most of the controversy is over, and that the challenges in implementing the new water legislation will be largely practical ones.

Lengthy discussions with farmers and industry—including major consumers like electricity supplier Eskom—have been encouraging, he says. The major objectors are the forestry industry, whose plantings will be further limited because their trees leave less water for other consumers, and the mines, for which

Director-general Mike Muller is spearheading the campaign to change South Africans' attitudes to water, writes senior assistant editor Michael Acott in the first of a series of newsmaker profiles

pumping and pollution control are major costs.

So how does a public servant take his political masters' direction and go about persuading vested interests to accept and even support a complete change in approach? Partly by persuasion and force of argument, pointing out the advantages of change, and partly through quiet reminders that change is coming and co-operation will be more productive than dogged resistance.

Muller describes himself as having "a doer's approach", focusing on what can and cannot be done.

He also believes in sending messages, though not necessarily as forcefully as the Mozambican authorities who during the 1982 drought used military helicopters to remove farmers' pumps which were depriving Maputo of water.

"It can be done in a more institutional way," he says with a smile. When a group of farmers was criticised because irrigation was depriving a community of 120 000 people of water, he suggested they invite a committee representative onto a committee deciding on water allocation. The



problem went away as people who had to share a resource found a way to do so; he believes the new policy will result in similar accommodations at a variety of levels.

Muller, 48, is intelligent and articulate, with a vast knowledge of his subject and a conviction that what he is doing is just, equitable and in the country's long-term interest.

A Johannesburg-born civil engineer who spent years in the London borough of Lambeth and in Mozambique overseeing water and sanitation projects, Muller moved to the Development Bank of Southern Africa, where he was involved in policy formulation.

He has written extensively on development issues, particularly infrastructure and health, and was involved in the preparation of the reconstruction and development programme, which he says is far from dead.

Muller was brought into the water affairs department by Minister Kader Asmal soon after the 1994 election, and became director-general last year.

Though organised agriculture argued loudly for the retention of

water as an adjunct to property rights, Muller does not see farmers as major opponents of the new policy.

"They recognise scarcity, that they have the lion's share of allocation at the moment, and that there will have to be some sharing. We have said to them that they do not want to be seen to hold the na-

P.T.O.



Water Affairs director general Mike Muller

Picture TREVOR SAMSON

will oppose the new measures.  
"In many senses this bill is about liberating water from the tyranny of the landowner. The objective, that water should be used for the social and economic benefit of the nation, fits industry quite well.

"They do not want to be artificially constrained because someone enjoys a privileged position."

Labour is likely to be impressed by the argument of an agricultural economist that increasing the price of water in the Western Cape would increase employment, because farmers would switch from low-employment crops like barley to more labour intensive ones like apples and pears.

"We think that our policy, which will probably increase the price and certainly will increase the competition for water, will drive that water to more economically and socially beneficial activities."

Muller, who has written about using the transition to get things right in SA, believes the period of political change must be exploited because vested interests are less powerful and fairly radical change is more likely to be accepted.

"The transition is about changes in the balance of forces. It is a fantastic opportunity to do things, but it is a very short window."

That is an appreciation not just of the politics of water, but of policy implementation in general.

# City scoops HQ of world dams body

JOHN YELD

ENVIRONMENT REPORTER

*(123)*  
*ARL 3/2/98*  
The headquarters of the new World Commission on Dams will be in Cape Town and South Africa's innovative water conservation programmes will feature prominently in its deliberations.

This was announced yesterday by Water Affairs and Forestry Minister Kader Asmal, the commission chairman

Water conservation programmes to be considered by the commission include the Working for Water initiative of Professor Asmal's department, which involves using previously unemployed people to clear water-hungry invasive alien plants from vital water catchment areas

The main backers of the commission are the World Bank and the World Conservation Union, and its mandate is to find middle ground between strongly opposing views on the construction of major dams

Environmentalists are deeply concerned at the ecological and social impacts of such dams but these concerns have to be weighed against potential benefits such as the availability of water and hydro-electric power

The commission will do a two-year review of the effectiveness of dams and develop standards and guidelines for countries contemplating major dam projects

It will also assess alternatives to building dams such as effective water conservation. Professor Asmal said "We will be leading the world and there is no reason not to puff out our chests"



DOUG PITHEY

Home grown: Kader Asmal with environment MEC Martha Olickers, back centre, and water affairs staffers

## ANALYSIS

# Housing minister should not take the fall

The housing ministry responds to a report and editorial in Business Day on its planned communications campaign

BD 4/2/98 (123)

BUSINESS Day's malicious and personal attack on Housing Minister Sankie Mthembu-Mahanyele in an editorial (Scrap this promise, January 27) was unwarranted.

The editorial was based on a report in the previous day's paper which stated that the housing department had issued a tender for R750 000 towards a campaign which aimed to change perceptions of the lack of delivery. Although a figure of R750 000 was mentioned to the reporter, the department had not committed itself to any figure. The report also said a tender had been issued. No tender has been awarded, but proposals have been received.

The aim of the proposed campaign is to educate and to open a two-way flow of information between government and a target audience which has, hitherto, been left out of the mainstream of communication channels for a variety of reasons.

These include insufficient funds for newspapers or televisions and an inability to read and write.

We hope to raise awareness and release more subsidies to enable people to take charge of their lives and avoid being conned by corrupt developers, as well as inform them of steps to be taken in the event of this happening.

Government has a right and responsibility to communicate with all its citizens to realise its objectives. We need to hear the people's voices. In case the editor is not aware, all government departments have a communications structure, the task of which it is to disseminate information to the public. Engaging the services of a professional consultant will be taken as an option

Business Day's spirited attack is unnecessary and misguided. While we agree that there are areas of delivery that need tightening up, the following initiatives are operational.

The cabinet has approved the merging of two categories of subsidies (R0 to R800, and R800 to R1500) into a single category, increasing the amount available from R12 500 to R15 000, to reach a wider target group than before and respond directly to the lack of credit for those moving into the market;

Availability of higher income bracket subsidies has not picked up as expected, but the department is monitoring banks' ability to meet their targets for home loans in the subsidised market. The department and banks are monitoring problems hampering delivery and addressing them periodically;

Serviced sites, and the people's housing programme — an initiative aimed at affording consumers who prefer to build their own houses the opportunity to do so. It also creates space for emerging builders to enter the market and participate in the process;

A total of 10 housing support centres have been established, which aim to provide access to building materials. They are located in the following provinces: Gauteng, 1; Eastern Cape, 3; Western Cape, 3; KwaZulu-Natal, 1, Free State and Northern Cape, 1 each. A further three will be set up in Gauteng to cover 26 000 beneficiaries; and

Our computerised monitoring systems is keeping track of construction. The department has also established and is working with the following statutory or nonstatutory organisations as a way of mobilising finance

and facilitating the granting of funds:

The National Urban Reconstruction and Housing Agency, a Section 21 company which offers guarantees to lending institutions in the short to medium term as a way of speeding up housing delivery. It has supported a total of 75 projects, which have 21 836 houses in projects, the total value of which is R375,2m.

It has raised R103,9m, thus attaining a total value of R25,2m in guarantees, bringing the number of houses completed to 3 988.

The Mortgage Indemnity Fund, a statutory organisation which was established as a short-term mechanism to help kickstart the resumption of lending at scale by private sector banks in areas which had been red-lined previously. The fund has accredited 15 financial institutions and covered 541 areas previously denied housing investment. The government has facilitated the granting of 133 208 loans with a value of R10,312bn between June and December 1997. A total of 73 955 of the loans, valued at R4,7bn, were granted to people also qualifying for the government subsidies; and

The National Housing Finance Corporation, which has a mandate to search for new ways of accessing finance to create housing opportunities for low- and moderate-income families. It has identified the following areas of operation: funding intermediaries to promote broader access to housing; building capacity in the organisations which it funds, and partnering organisations to pioneer new finance and housing delivery approaches. It had granted 25 facilities totalling R327m

as at December 31 1997 (up from R25m in December 1996), and had disbursed R225m (up from R1,5m). Through the Rural Housing Loan Fund, managed by the corporation, four new housing lenders have been promoted in underserved regions.

The department has demonstrated consensus-based policy-making by including all sectors in the national and provincial housing boards. These are government, private sector and civil society. The term "under construction" means that infrastructure has been put in place and a house is being built.

Mthembu-Mahanyele cannot be blamed for the proliferation of crooked developers. She has, however, introduced a policy and established a statutory organisation to regulate and register builders, ensuring warranty and protection for consumers. The National Homebuilders' Registration Council has produced a bill which has been referred back to the stakeholders for deliberation and discussion. That interaction is essential to ensure cohesion and clarity on issues affecting all stakeholders, including the consumer.

Business Day's complete amnesia leads one to question the motive of the report. The minister reviewed policy (Business Day, November 11 1997), charting where we are in terms of implementation and acknowledging the problems facing the department, as well as outlining the approach that has been adopted. If any accusation of electioneering has to be made, then it should be put at the door of Business Day. The department welcomes fair and just criticism and encourages robust debate on housing the nation.



# Housing target: a bridge too far

It's been a steep learning curve and progress has been made, but is it enough, asks Gavin Lewis

(103) *Star 4/2/98*

All eyes will be on housing delivery this year. Delivery did pick up considerably in 1997, albeit off a low base. But the Reconstruction and Development Programme (RDP) promise was 1 million low-cost new housing units by 1999. The ministry says it can do it, but can it?

The first problem the ministry faces is that allocated housing funds are delivered at provincial level

There are severe capacity problems here, in terms of available skills and expertise, and because most of the provinces have been in place for little over a year.

The rush to be seen to deliver on over-ambitious electoral promises has brought its own difficulties, most conspicuously in Mpumalanga. But this was only the tip of the iceberg.

The national department of housing, itself not without controversy regarding staffing, was forced to rein in provincial housing boards and freeze their expen-

diture until more accurate controls could be placed on expenditures.

This freeze has been lifted, but there is still doubt about the real capacity of many provincial housing boards to deliver. And housing, in terms of pending legislation, lies in the hands of provincial and local governments – about 670 000 low-cost housing subsidies (up to R15 000) have been approved

It is a long way from approving a subsidy to seeing a house being built. And the national Government is working within tight financial constraints – provinces want R5,2-billion for housing for the 1999/2000 year to meet the targets set, but

Government can give at most R4,6-billion. Even given the money, can the provinces deliver on time?

As a partial solution, the housing ministry has looked at a range of options, including capacity-building assistance programmes at provincial level and attempts to shorten bureaucratic

procedures that delay delivery.

This may not be enough, especially at local government level, equally hard hit by capacity and financial problems.

The clock is ticking, with general elections due in 18 months. The ministry says it will meet its targets for 1 million housing subsidies by 1999. But, while a subsidy is one thing, an actual house completed (not "under construction") is another

To complicate things, local authorities, themselves often in disarray, have to provide the infrastructure (roads, sewerage) before the projects can begin. Can they do this? And if they can, can they do it without swallowing up most of the R15 000 subsidy, leaving little over for the house itself?

Under understandable political pressures, various solutions have been fought. They range from closing down provincial housing boards and replacing them with more streamlined bodies, to a revised funding formula to reward provinces that perform on delivery.

The Provincial Housing and Develop-

ment Act confers such powers on the minister. But that offends non-ANC controlled provinces such as KwaZulu Natal and Western Cape.

So where do we stand? The ministry claims by the end of 1997 nearly 400 000 houses were either being built or "under construction". Other sources are more sceptical, saying this is closer to 250 000. The trend is still upwards, with a steady growth in housing subsidies granted, from 41 000 in 1995-1996 to 112 000 in 1996-1997 (up to March) and R2,8-billion spent on housing programmes in two years.

The National Housing Finance Corporation has also shown rapid progress, using state-backed funds to grant more than 215 000 home loans in the past year alone.

However encouraging this is, it is still a long way from 1 million houses by next year. And the backlog is growing all the time – it is now set, by some estimates, at 3 million units.

enforceable repayment mechanisms and personal contacts with borrowers, and shorter-term repayment times.

It has been a steep learning curve for the Government. Progress is being made on a scale which deserves recognition. But 1 million low-cost houses by 1999, whichever way you look at it, seems a bridge too far to be crossed.

■ *Dr Gavin Lewis is the editor of two independent monthlies, the RDP Monitor and Tourism Info Brief*

There is little doubt about the Government's commitment. There is a lot of doubt about its ability to meet its targets.

There is a much more realistic approach, on the other hand, by Government to speed up progress. Joint ventures with the private sector, higher density projects including rental housing, and innovative financing mechanisms for those who fall outside the conventional mortgage bond market because they earn too little or have no collateral, are among them.

The latter involves disbursing micro-loans with simple, accessible and

# Radical Water Bill unlikely to damage property prices

ADELE SHEVEL

(123)

CT(PAR) 5/2/98

Johannesburg — The abolition of private ownership of water resources was not expected to have a significant effect on property prices, Piet Viljoen, a farmer and real estate principal at Aida in Paarl, said yesterday

The government hopes to have the National Water Bill law in place by the middle of this year. The bill has been approved by the Cabinet for tabling in parliament on Monday

The new water bill would change the right to water on property. Water has never been owned before, but people have been used to having access to water on their properties

The bill says landowners will no

longer have automatic rights to water on, under or next to their property

Mike Muller, the director-general of water affairs and forestry, said the new legislation would be good for business because it would try to ensure that the limited amount of water available was accessible to a larger spread of social and economic groups

There would be reallocation between sectors, especially with regard to the large agricultural users in favour of certain urban and industrial development, he said

"The worst impact it will have on property will be on agricultural properties, and then it would equate to a devaluation of 1 to 2 percent of the value of the property," said Muller

# Housing to play integral role in shaping the country's cities

BD 5/2/98

Government needs a holistic approach to unravel decades of apartheid planning in SA's cities, says specialist writer **Robyn Chalmers**

THE face of SA's cities and towns is set to change in the new millennium as government grapples with rapid urbanisation and attempts to house and provide services to millions of homeless.

SA's cities have in the past been shaped by racial segregation, divided into separate white and black local authorities whose fiscal positions differed dramatically. The right to own property was denied to blacks.

The result has been that most black people today live in small, drab housing units which are generally located in comparatively inaccessible or poorly located areas. Informal settlements with their cardboard-box homes, often with no infrastructure, dot the landscape.

This situation was exacerbated to an extent in the early days of the new government. It inherited close to 92 000 serviced sites based on apartheid planning. Due to the enormous housing need, government was forced to facilitate construction on these sites before it could move into large-scale spatial integration programmes.

A further problem was the high cost of land near or in city centres. In its bid to reintegrate cities and make them into dynamic, living centres, government will have to dismantle past ideologies and the fragmentation of cities by means of a holistic approach.

Centre for Development and Enterprise executive director Ann Bernstein argues that cities can no longer be seen only as places where people live and governments deliver services, but rather as arenas for economic, social and cultural development. This is backed up by a United Nations report on human settlements. It says cities and towns are "engines of growth and incubators of civilisation".

The first step towards achieving better planned, integrated and safer cities is the housing ministry's urban development framework.

Government needs a holistic approach to unravel decades of apartheid planning in SA's cities, says specialist writer **Robyn Chalmers**

Housing Minister

Sanke Mhembu-Mahanyele said recently it encapsulated the vision of how SA's urban areas ought to develop.

Essentially, government believes cities must become spatially, socially and economically integrated urban areas managed by accountable metropolitan and local governments.

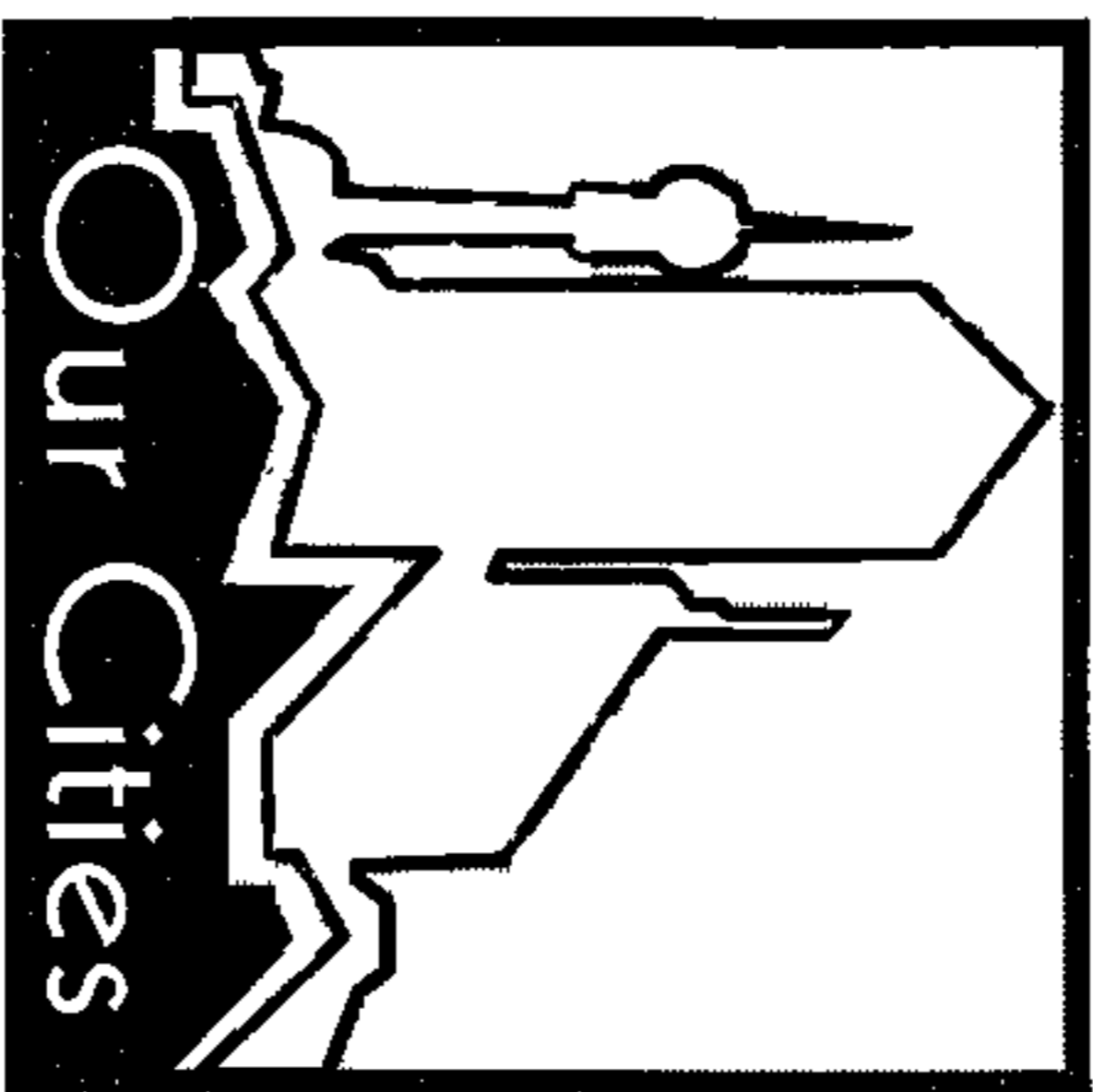
One of the key shifts in the urban environment will be away from predominantly single dwelling units to denser housing developments. But Mhembu-Mahanyele stresses denser developments should not translate into large scale, high rise flats which are so characteristic of low-income housing projects of the past.

Interesting urban designs and structures are needed as well as variety to give privacy and choice to residents.

"However, government accepts that cities and towns are shaped by a variety of socio-economic forces and that government at all levels can only guide the transformation process," she says.

There will be a far greater focus on the development of rental housing under the institutional subsidy scheme. As with much of the housing programme, the scheme has taken a long time to get off the ground for a variety of reasons — not least due to concerns about cost implications in the current environment of rent boycotts.

On the plus side, rental housing will allow for far greater movement among communities, job mobility, increased flexibility



and will remove the burden of long-term mortgages. It will also help to cater for the influx of people to cities.

Housing department director-general Mpu-mi Nxumalo-Nhlapo says a greater assessment of people's housing needs is needed.

Many in informal settlements, for example, do not wish to own homes in cities which are often viewed as transitory places of work, preferring to invest in outlying or rural areas where their families are based.

Domestic worker Sarah Siyona, who was born and grew up in Mhinga village near the Kruger National Park, is one of those who is the youngest of six children, all of whom now work in one or other of SA's cities but who still have strong roots in their home town. Siyona's three children live with her mother in Mhinga.

"I live with my sister in a shack in Orange Farm, but we do not want a government subsidy to buy a house there. I have bought a piece of land in Mhinga and am hoping to build a house near to my mother's, so my children can come and live with me," she says. But there are millions of people who have made their homes in or near cities, often being forced to live in informal settlements due to the chronic low-cost housing shortage.

Nationally, the shortage is estimated at 3-million houses. While the low-cost housing programme is gaining momentum, it has been hampered by a number of factors,

(1/23)

including a long lead time from conception to delivery. Provincial governments — and particularly Gauteng into which 20 000 people are moving each month — are looking at interim interventions in a bid to alleviate the problem in the short term while planning longer-term initiatives.

Existing townships and informal settlements are being upgraded and new ones developed. In terms of Gauteng's Mayibuye programme, more than 4 000 sites have been released to date and it is expected that

36 000 sites will be released for settlement this year.

Perhaps the most serious issue facing the integration of cities and the development of residential zones within city centres is the financial pressure on municipalities. The amalgamation of former white and black authorities has, in certain cases, meant increasing deficits in municipalities operating budgets due to nonpayment of services. This exacerbates their diminished credit-worthiness and limited ability to levy

property taxes and user fees.

Jumad Ahmad of the World Bank says the stakes of restructuring urban governance in SA are high. The urban sector accounts for about 65% of the population and more than 80% of the nation's gross domestic product. "The urban sector represents the political fulcrum on which rests the success of SA's democratic experiment. If metropolitan areas will address the financing and delivery of services will, therefore, influence the economic and political complexion of the country," he says.

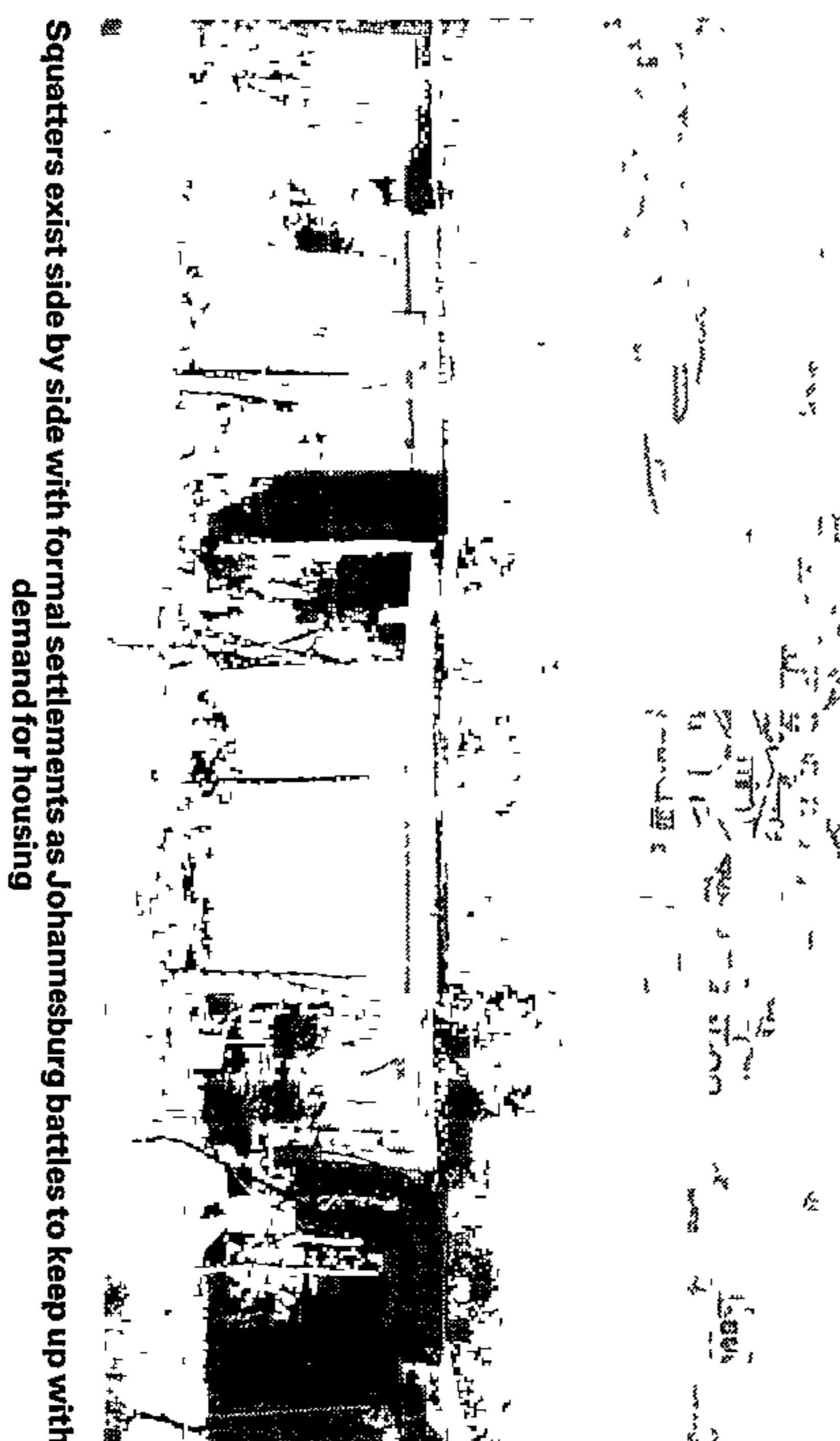
A key consideration for government will be transforming and building capacity at levels of local and provincial government. Plans to boost capacity for housing delivery at these levels are already in place, although it will take time for these to make tangible impact.

The urban development framework also paves the way for increased public and private sector partnerships in the management, financing and delivery of services.

This should be accompanied by the promotion of business and investment in and around cities and townships. Government will have to outline concrete methods of attracting such investment in order to begin the process of "knitting" towns and cities with townships, be it through tax breaks or other incentives.

Housing can and should play an integral role in shaping the way in which SA's cities and towns evolve. Housing development can help knit together disparate communities, facilitate job mobility and contribute to the upliftment of the disadvantaged. However, it is necessary to have a holistic plan which caters to SA's education, health and training needs which will ultimately contribute to boosting economic growth.

This is the fourth in the series *Our Cities*. The previous articles appeared on January 27, 29 and February 3.



Squatters exist side by side with formal settlements as Johannesburg battles to keep up with demand for housing



# Banks to tighten criteria for home loans

Robyn Chalmers

THE number of houses built each year could be reduced by up to 18 000, with the loss of about 40 000 potential jobs, when financial institutions phase in new criteria for granting bonds next month, developers warn.

The more stringent criteria bring SA into line with international lending norms and raised a storm of protest when mooted two years ago.

Employees receiving housing subsidies will be affected by the change, which substantially reduces the size of bond for which they qualify. Public servants make up the bulk of this market.

Council of Southern African Bankers housing GM Lance Edmunds said that with the downsizing of the public service banks believed it prudent to revise lending criteria. Many retrenched employees would not be able to pay

their bonds, particularly as the current lending criteria allowed borrowers access to homes they struggled to afford.

Banks calculate the bond amount to be granted by taking 25% of the base salary and adding the housing subsidy. The new method will be to take 25% of the combined salary and subsidy.

This means someone earning R1 600 a month and qualifying for a R63 400 bond previously, will now be offered a bond of about R33 000.

SA Residential Developers' Association executive director Hendrick Kekana said the new criteria would kill the much-needed secondary housing market and have an adverse effect on sectors of the residential market, notably houses priced between R60 000 and R100 000.

Kekana said about 21 250 houses a year were being built for individuals with a subsidy. With the new criteria,

it was estimated that only about 15% of these would be built each year.

Building Industries' Federation of SA executive director Ian Robinson said the change would have a negative effect initially on public residential investment, which is about R1,1bn a year. "However, in the longer run it will control consumer spending and debt obligations and there will be less repossessions, which should have a positive effect on the economy."

Edmunds said banks were aware that the new criteria would have a "serious impact" on the amount an individual could borrow, and had attempted to lessen its effect. "We have done what we can by imposing a one-year moratorium on the criteria last year, and we will phase the criteria in over an eight-month period. But ultimately we believe it irresponsible to continue lending as we are."

# Lesbian ruling expected to set precedent

Taryn Lamberti

THE refusal of the police medical aid scheme, Polmed, to allow a lesbian police officer to register a female partner of 11 years as a dependant on her medical aid was declared unconstitutional by the Pretoria High Court yesterday.

An SA Police Service regulation, which defines a dependant as a "legal spouse, widow, widower or dependent child", was struck down by Judge JP Roux on the grounds that it violated a constitutional right to equality.

Roux directed Polmed to reconsider Capt Jolanda Langemaat's request.

Langemaat and Beverley-Anne Myburgh, who had lived together as a married couple since June 1986, had a

"committed, exclusive, loyal and continuous relationship". They had joint finances, were financially co-dependent, made joint decisions and were listed beneficiaries of each other's policies, Roux said.

The stability of same-sex relationships was no different from that of married couples and "it was time the law recognised such unions".

Polmed's argument that it feared a flood of unmarried people attempting to register their partners as dependants on the medical aid had no merit.

Josey Ballenger reports that medical scheme administrators believe the case will set a precedent not only for medical aids but also for pension and other funds with beneficiaries.

However, they pointed out that several medical aids already extended benefits to homosexual partners. In those cases a member supplied a legal document verifying the couple's long-term cohabiting status.

Subject to certain conditions, "special dependants" such as parents, grandparents or other relatives were also accommodated.

Alex van den Heever, senior researcher at Wits University Centre for Health Policy, said the case meant medical aids would have to decide how to differentiate between unmarried heterosexual couples and same-sex couples. This could be resolved by a change in law to recognise same-sex marriages, he said.

## Key Market Movements — 3/2 to 4/2

Gold		Currencies	
Lon close	Lon PM		

SUBSCRIPTION INFORMATION



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Gold				Currencies		Europe close	Europe close	3 month	Stock Markets					
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WATER BILL

(123)  
AM 6/2/98

# Business still counting costs

Existing legal rights to water can remain for an indefinite period

Farmers and foresters are not unhappy with the sixth and final draft of the new Water Bill. But the business lobby has still to calculate the Bill's cost implications for future users of raw water.

The Bill sets out to replace rights to the use of river water and private ownership of water with a system of public custodianship and time-restrictive water user permits, to be issued by the State.

However, Business SA (BSA) might ask for an extension of time to comment, prior to promulgation, says chairman of the BSA subcommittee on water, Lorraine Lotter.

The National Economic Development & Labour Council (Nedlac) development chamber will discuss the Bill soon. Meanwhile, Nedlac has appointed a task team to discuss the Bill with its constituent business, labour, government and community membership, in search of consensus.

But the SA Agricultural Union (SAAU) believes that the latest version of the Bill recognises the permanency of existing wa-

ter owners' rights

"Section 23 (6) of the new Bill allows that existing legal rights to water can remain for an indefinite period, subject to the economical use of the water," says SAAU director, resource services, Nic Opperman.

"If not used that way, the State can, in the national interest, issue a water user permit — for a maximum 40-year period. But, should the cutback of established rights affect the existing profitability of a business, the Bill allows claims for damages."

The permanency of water rights is vital to farmers, not only for the use and availability of water resources, "but also because land values are intrinsically linked to the availability of water on the farm, for agricultural purposes. Buyers pay a premium for irrigation water and we feel that water rights must be linked to the land", he says.

A positive factor in the Bill, says Opperman, is that any "draconian ministerial rights" are restricted by the Bill's recognition of the decentralisation of powers. "We strongly support the proposed creation of Catchment Management Agencies, where all water users and interested parties will have an input on the management of resources. The proposed Water Users' Associations — the old irrigation boards — will cement this principle."

Department of Water Affairs & Forestry director-general Mike Muller says, while the Bill aims to delink the right to use water from the ownership of land, "it would be

impossible to see 60 000 farmers directly after the Bill becomes law, to issue them with new water users' licences.

"We will therefore concentrate first on water courses where there is clearly visible stress on the use of limited resources. An example that comes to mind is the Olifants River in the Northern Province, where the Industrial Development Corp plans to pipe slurry to a Maputo iron and steel plant."

Meanwhile, farmers will continue using water as before — subject to sharp increases in water charges in State irrigation schemes — until the Water Affairs Department adjudicates on competing claims on the water.

An independent Water Appeals Board will be constituted to adjudicate appeals against allocations. Its decisions, on matters of law, can be taken on appeal to the Supreme Court.

The Bill — already approved by Cabinet — will be tabled in parliament on Monday for discussion, with a portfolio committee hearing due on March 16-17.

The timber growing and manufacturing industries contribute about 2,5% to GDP — about 30% of its R12bn/year turnover is exported, providing a net annual balance of payments contribution of R1,7bn/year — and employ about 220 000, says Forestry Owners' Association's Edwards. "But, they only use about 3% — or about 500m m<sup>3</sup> — of SA's annual water consumption."

Arnold van Huyssteen



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# Govt considers housing parastatal to augment low-income sector

Stephen Laufer

GOVERNMENT was considering establishing a housing parastatal tasked with giving new impetus to construction in the low-income sector, it was confirmed yesterday following an aside in President Nelson Mandela's opening speech to Parliament on Friday.

Telling MPs that privatisation would proceed as planned, Mandela said the restructuring of state assets was not driven by ideology. Privatisation would take place where necessary,

"but we shall also set up new state enterprises where market imperfections and failures play themselves out to undermine social programmes".

This was the case "with elements of the liquid fuels industry and the servicing of housing construction, which has not received the optimum support from the banking industry".

Housing director-general Mpumi Nxumalo Nhlapo said Mandela's remarks had been a reference to ideas put on the table by the housing ministry at the National Economic

Development and Labour Council.

The discussion was "at an early stage", and there were as yet no fixed ideas about an actual role in construction for the new body.

But a housing sector insider said the proposed new parastatal was "a push for development and construction led by the state". The idea reflected consensus between Housing Minister Sankie Mthembu-Mahanyele and Nxumalo Nhlapo.

Some trade unions are understood to favour a housing parastatal to boost

construction levels. They are among critics who believe that too much emphasis has been placed on credit-linked housing subsidies, saying this method has given the banks too much sway.

Nxumalo Nhlapo said the proposal for a new housing body had been made within the context of broader government discussions about the "unbundling of public enterprises", and the possibilities for consolidation of state assets in the housing sector which could result.

Mthembu-Mahanyele would give

## Housing

(123)

Continued from Page 1

BD 9/2/98

The proposed parastatal should be seen within the context of a second housing white paper which was being drafted, the source said. The document was being driven by a sense in the housing ministry that there was "a need to take charge" of the housing process in a manner which had hitherto not been possible.

No government spokesman was prepared to comment on the proposals for the liquid fuels industry referred to in Mandela's speech. The communications director in the minerals and

energy ministry was unavailable.

Mandela told Parliament the restructuring of state enterprises also meant strengthening the management of existing enterprises, a programme government had intensified recently. Efforts to fight corruption in the public service had also been stepped up.

Mandela said he wished to thank the media for its vigilance in this regard. While there may have been instances where fingers had been pointed at individuals without justification, there were many examples where investigative journalism had "helped uncover the scoundrels — old and new — who prey on the public purse".

Comment: Page 11

Greater detail at a briefing in Cape Town today.

The insider said there was no detail on the financing of a possible parastatal. This was problematic as the entire budget allocation to housing had already been spent "so we would need R1bn from elsewhere". This implied compromising on certain programmes because "everyone knows Trevor (Mannell) is sticking to his guns" and there would be no new funds.

Continued on Page 2

# Bond woes for civil servants to worsen

By Joshua Raboroko

FINANCIAL institutions are to tighten criteria for home loans to hundreds of thousands of employees who receive state housing subsidies from March 1

The stringent criteria will reduce the size of bond for which individuals qualify

However, trade unions representing the public servants claim they were not consulted about this decision

Council of Southern African Banks housing managing director Mr Lance Edmunds confirmed banks would change their lending criteria. He said many retrenched state employees would not be able to pay their bonds

The present lending criteria allowed borrowers access to homes they struggled to afford in the past

(123)

Banks calculate the bond amount by taking 25 percent of the basic salary and adding the housing subsidy. The new method will only consider 25 percent of joint income and subsidy

A person earning R1 600 a month who previously qualified for a R63 400 bond will now be offered a bond of about R33 000

South African Democratic Teachers Union's president Mr Willie Madisha said at the weekend that civil servants organisations had not been consulted about this decision

He said Sadtu would meet this week to discuss the issue

South African Residential Developers' Association executive director Mr Hendrick Kekana said the new criteria would impact negatively on the Government's housing delivery programme for the middle and lower income categories

*Sowetan 9/2/98*

# 2 million to be supplied with water

(123)  
PHINDILE NGUBANE

27/02/98

WATER and Forestry Minister Mr Kader Asmal has announced plans to have supplied two million South Africans with water within the next few months through its community water supply programme

Speaking at a media briefing yesterday, Asmal said the community water supply programme had connected 1,5 million South Africans to clean water since 1994. He hoped to reach the two million target by June this year. This meant that should the plan be smoothly implemented between now and June, 500 000 more people would be connected.

In addition, the minister announced a dam construction plan to assure basic water supply to more than a million people in Northern Province. Construction of the R200 million Mutoti Dam on the Luvuvhu river is under way. More than R400 million will be spent on additional infrastructure in further phases.

Asmal said the dam, expected to be completed by mid-1999, would assure more than basic water supply for human consumption. It would stabilise the water supply for local irrigation farming, particularly black small-scale farmers, which had been damaged by drought. Between 7 000 and 9 000 people are expected to be employed to build the dam.

"In terms of our new policy, enunciated in the National Water Policy white paper last year, it is for these purposes that state funds should be expended for capital projects to manage our water resources," Asmal said.

Asmal said his department had no money to start new projects in the coming year. The department would have to go to the national Treasury Committee for additional funds to continue projects to which it was already committed.

"At this moment, there is not enough money on the budget to start the new projects needed to ensure the continuity of the programme and, more important, to ensure that we achieve the objective of having all South Africans with adequate access to basic water supply by the year 2004," Asmal said.

On the National Water Bill, to be tabled before the end of the month, Asmal said his department had achieved an important breakthrough. Many of those who had feared an "ideological water grab" now acknowledged that the ministry's concern was to ensure that the country's limited water was used equitably, efficiently and sustainably for the benefit of all South African society.

PARLIAMENT

# Ministers give mixed signals on low-income housing delivery

Vuyo Mvoko and Stephen Lafer

CAPE TOWN — Mixed signals on the creation of a new housing parastatal were given by Housing Minister Sibusiso Mkhembu-Mahanyele and Public Enterprises Minister Stella Sigcau during separate parliamentary briefings yesterday.

Speaking first, Mkhembu-Mahanyele denied government was considering creating a parastatal to accelerate low-income housing delivery. She would confirm only that her ministry was watching closely the forthcoming "unbundling" of state enterprises, with particular reference to their housing stock.

But Sigcau, who spoke an hour later, said she would "seriously explore" consolidating the housing portfolios of state-owned companies with existing housing parastatals in a new enterprise.

Sigcau said she "would be happy" if the new body were to fall under the housing minister. The consolidation would take place "in an attempt to drastically improve the rate, quality, and size of affordable decent houses for most of the needy section of our people."

The confusion came as Mkhembu-Mahanyele sought to explain President Nelson Mandela's announcement to Parliament last Friday that government would not meet its 1994 pledge to build a million houses in five years. Mandela said new state enterprises would be set up where market imperfections and failures play themselves out to undermine social programmes.

Mkhembu-Mahanyele said the 1.5-million target would not be reached because of a lack of resources. Government faced "a shortfall of R1bn" just more than 400 000 houses had been or were under construction between 1994 and November last year. Numbers were not higher because instead of receiving R2.9bn a year, housing had been allocated only R2.7bn between 1994 and 1996, with only R0.2bn in 1996-97, and R2.88bn in 1998-99.

This was an apparent reference to budget rollovers resulting from the ministry's inability to spend its original allocation. Mkhembu-Mahanyele said the housing backlog, estimated at 1.5-million units in 1994, was found to have risen to 2.9-million in 1995 and according to current statistics continued to rise at a rate of several hundreds of thousands of units a year.

The million houses target would be met "at a later date subject to the availability of resources," Government's commitment to deficit reduction precluded it from borrowing further, and it would not raise taxes.

Reuter reports that Mkhembu-Mahanyele said spending on housing subsidies had totalled R1.18bn in the year ended last December 31, down from R1.51bn the previous year. It was expected that a further R1bn would be spent towards the end of this financial year.

Parastatals like Transnet owned long-established housing units which could help the ministry "to improve our function." A final decision on how they could be utilised would only be taken once an audit of the parastatals and their housing activities was completed, she said.

Measures had been put in place to ensure that the pace of delivery was on track and obstacles removed. These included the establishment of a national capacity building programme in conjunction with the University of the Witwatersrand.

Comment Page 13

# 'Gastric diseases cost country R4bn a year'

Josey Ballenger

SA FLUSHES away at least R4bn a year on health care and opportunity costs related to diarrhoea — an unfortunate situation, given that diarrhoea is easily preventable, which is consuming rands that could be better allocated, say SA health and water experts in a report.

Up to 15% of the health budget, or 1% of gross domestic product may be spent on addressing diseases caused by diarrhoea, according to the report

in the January issue of Water SA. Diarrhoea causes 43 000 deaths due to dehydration in extreme cases, and 3-million illnesses in SA each year.

The report says diarrhoeal diseases are transmitted through poor water, human contact, food, eating utensils, insects and contaminated soil, and advocate a cross-sectoral approach to prevention. This includes improved infrastructure, hygiene and health services.

Thirty-five percent of the solution is sanitation, 15% is wa-



ter supply and 50% is health education," one of the report's authors, Quentin Espey, who is director of Johannesburg's Group for Environmental Monitoring, said yesterday.

The water affairs and forestry department estimates more than 12-million South Africans do not have adequate levels of water supply and sanitation, and 21-million go without safe sanitation.

Co-author Guy Pegram, an engineering consultant from Ninham Shand who assessed

the socioeconomic costs of diarrhoea in SA, says R4bn is a "conservative" estimate as indirect, or opportunity, costs cannot be easily quantified.

Direct health costs, borne by both government and individuals (and, to a lesser extent, the private sector, as diarrhoea disproportionately affects poor communities without health insurance) account for more than 90% of total estimated costs.

The cost of lost productivity due to illness or death contributes 8%, and transport 1%.



# New guarantee for housing loans

*Sowetan 10/2/98 (123)*

## Business Reporter

THE National Urban Reconstruction and Housing Agency (Nurcha) is now using loan guarantees to help small contractors and developers to get loans from big financial institutions to build low-cost houses

Nurcha executive director Nhlanhla Mjoli-Nxube said last week that the company would negotiate loans with the banks

on behalf of the contractors and developers who meet requirements

Mjoli-Nxube said Nurcha would only give guarantees for loans if they were happy with the projects, adding that they would also monitor the projects to make sure the loans were repaid

According to Nurcha's latest quarterly review, the agency's previous main emphasis was on loan guarantees to developers

and contractors as a way of encouraging greater institutional involvement in low-income housing

The review points out that the entry into the realms of the end-user guarantees has been achieved after a year of intensive efforts

Besides big contractors, Nurcha says it has supported 35 emerging contractors and developers since its establishment in October 1995

Mjoli-Nxube said under the loan guarantee scheme, 75 projects had already been completed nationwide, injecting R375 million in investment

She said the projects have to date successfully built 22 000 houses and the new projects will result in 8 830 homes being built

For more information on the new scheme Mjoli-Nxube can be reached at (011) 402-4780 or by fax at (011) 402-6602

# Housing delivery speeded up

*Soweto 13/1/98 (133)*

Authorities set to improve the standard of living of rural people

By Joshua Raboroko

**P**ROVINCIAL district councils, particularly their slow delivery of low-cost housing and essential services in rural areas, have come in for criticism in the last few years

Rural local authorities have limited financial and human resources and have been under considerable pressure to deliver houses and employment to the poor communities that elected them

Authorities are now embarking on alternative methods, including creating partnerships with the private sector to provide a foundation for service and housing

They believe private sector participation can result not only in cost savings for rural local authorities, but can also lead to the creation of new small and medium enterprises within local communities

The Johannesburg-based Megacom Housing, for instance, has come to the assistance of more than 4 000 poor, unemployed rural families in Northern Province and Kwazulu-Natal

Megacom's target, according to managing director Albert Nelissen, is to help rural communities

It has tackled major projects in Mhlangaville and Mahonsville in Northern Province

These projects have created jobs for hundreds of local people. Among those who have benefited are bricklayers, plumbers, carpenters and a whole range of small entrepreneurs in the building and construction industry



Kwazulu-Natal local government MEC (left) congratulates a new homeowner as Megacom managing director Albert Nelissen looks on.

Three more projects will start this year in Ndegeza Dzumern and Bushbuckridge in Northern Province. Nelissen says this will involve 2 100 houses

In Bruntville-Mooi River, Kwazulu-Natal, where there is a desperate shortage of houses, about 250 families have already moved into new homes.

The poor communities in the area now have employment, homes, sewerage, running water and sanitation – all with a R15 000 Government subsidy

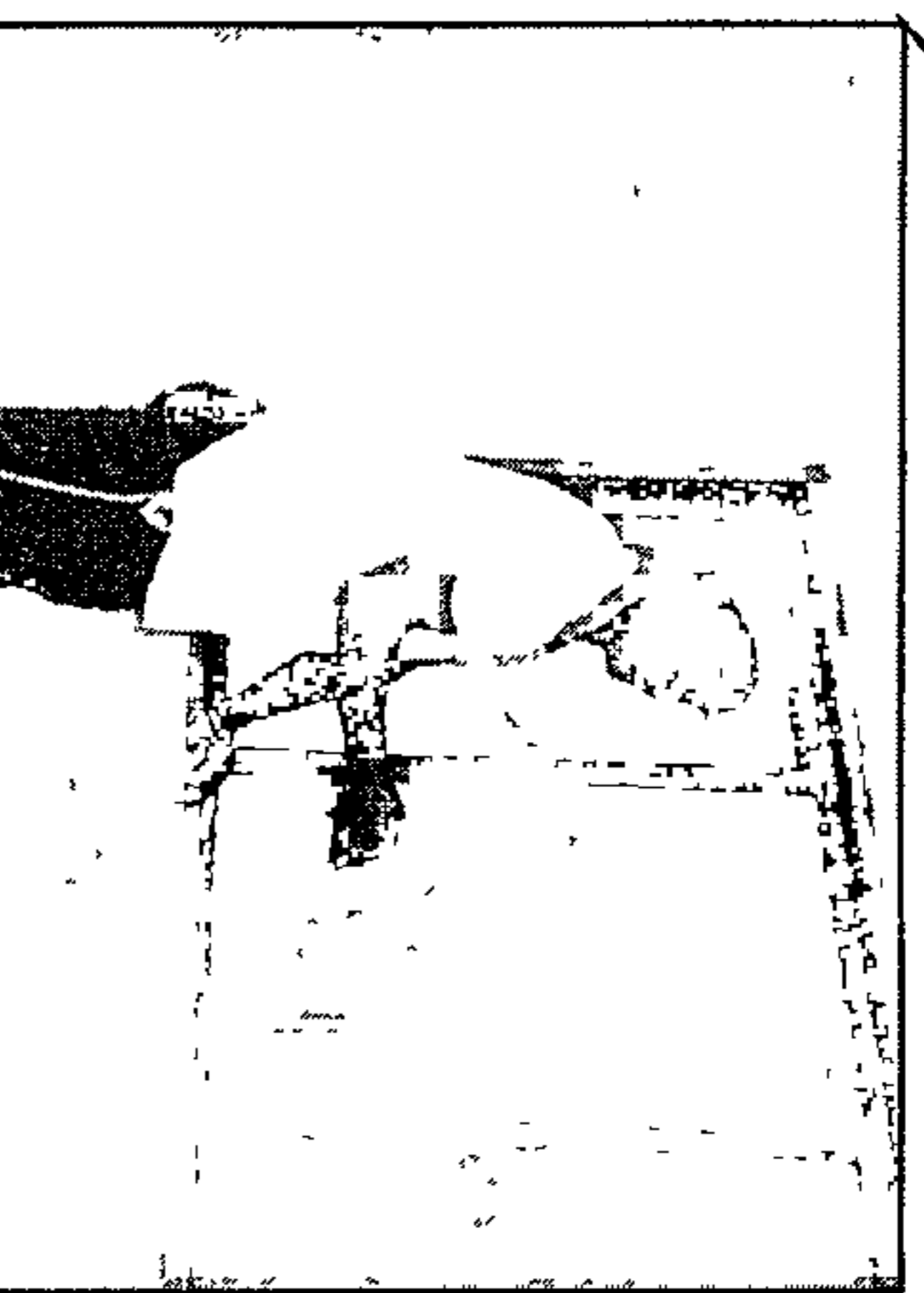
**Disadvantaged**

Nelissen says Megacom is a low-cost housing developer concentrating on the R15 000 subsidy sector of the market

In this way it has helped previously disadvantaged South Africans to improve the quality of their lives

In rural projects the cooperation of local housing committees, the transitional local council, tribal authorities, chiefs and other interested parties are essential

Megacom is delivering 40 square metre structures in rural areas, built by



A proud homeowner cleans the windows of his new house in Bruntville. It is one of 250 newly completed in the area.

the communities themselves. These projects have been hailed by MECs for housing and local government, as well as local authorities in the provinces, as a major breakthrough for unemployed and homeless people

Kwazulu-Natal MEC for local government and housing Mr Peter Miller says it is clear that the success of the Bruntville project is based on teamwork and partnerships

A successful partnership was formed between the Mooi River Transitional Local Council, development and steering committees, developers, provincial government and the housing board

Miller says the Bruntville community, which was divided in the past by civil unrest in the 1980s and early 1990s, has cooperated to make this project a reality

He says "There is a need not only for housing, but for infrastructure and industrial development which provides much-needed jobs for the local community"

Bruntville mayor Vincent Shabalala says the involvement of the private sector in development helps to mobilise

capital, management capacity and technical skills

The Bruntville project proves that the Government and the private sector can work hand in hand for the national good, Shabalala says

The project will be supplemented by Government's contribution to schools, clinics and infrastructure such as sewerage systems and roads

**Local labour**

To this end, local labour – mostly women – and local material will be used

Northern Province housing MEC Mr Edgar Mushwane stressed the positive ripple effect of such projects in the province for the economy as a whole

"Our people must see the entrepreneurial opportunities which now present themselves. For example, the provision of

bricks, windows, door frames and many other items is important," says Mushwane

He appealed to innovative local people to jump at this opportunity to start their own businesses

Mushwane says ultimately the local authority remains responsible for the delivery of services and houses and therefore, needs to approach each partnership agreement with a high degree of caution

Joint government-private sector projects are making the dreams of many people come true

Isaac Ndlovu, a first time homeowner in Bruntville, is overjoyed about owning a home and being employed

For many years he lived in a tiny shack on the edge of Bruntville and struggled to make ends meet.

"At last my prayers have been answered," he says "Thank God"

# Civics body denies reports it is on verge of bankruptcy

Bonile Ngqiyaza

THE SA National Civics Organisation (Sanco) yesterday publicised measures it said would improve its finances, while denying media reports that it was on the brink of bankruptcy.

The Sunday Independent reported last week that the organisation was R1,3m in the red and that auditors had given it one month to repay its debts or face liquidation by the auditor-general and criminal charges.

Sanco president Mlungisi Hlongwane told a media briefing yesterday Sanco's financial problems — based on a report by sacked national treasurer Ross Henderson — were exaggerated.

"We therefore wish to put on record that Sanco is not close to bankruptcy,"

On the contrary, the year ahead presents numerous opportunities for Sanco to thrive financially, politically and otherwise", he said.

He said Sanco and its national executive committee had acted last December to improve its financial position after getting a warning letter from auditing firm Price Waterhouse.

Hlongwane said the Sanco Development Trust (SDT) which owned 74% of Sanco Investment Holdings (SIH) would release a substantial stake to the Sanco national office to cover outstanding debts and to write off a R500 000 figure incorrectly reflected as a loan from SDT/SIH to Sanco.

The organisation, he said, had acquired a 27,5% stake in a new company, Pick a Spaza, worth more than

R6m and expected to grow beyond R18m by the end of this year.

"This stake will be used to finance our community programmes and help create the required Sanco infrastructure at provincial, regional and local levels", Hlongwane said.

Price Waterhouse spokesman Derek Trendell confirmed the original draft financial statements for Sanco, on which the weekend reports were based, seemed to indicate insolvency.

He stressed however, that the letter to the board of directors was a standard procedure which allowed a company to review its situation and where possible take remedial measures. "We are working to assist Sanco to rectify the matter," Trendell said.

He said former national treasurer

Ross Henderson had given the media a "coloured" view of the matter. Sanco had yesterday proposed steps it said would address the problems.

At the briefing, the organisation unleashed a stinging attack on Henderson, saying it had expelled him on December 13 last year after learning about his "troubled" past, which he had not disclosed on his election to the post.

Hlongwane said Sanco had opened fraud charges against Henderson relating to a sum of R33 500 which had disappeared from its national account.

A spokesman from the Northern Cape attorney-general's office, Johan Denysschen, confirmed yesterday two fraud-related charges had been laid against Henderson. Henderson could not be reached for comment yesterday.

# Auditors to decide Sanco's fate in two weeks

CT(BR) 21/1/98 (123)

MPHO MANTJUI

Johannesburg — Price Waterhouse, the auditing firm in charge of the South African National Civic Organisation's (Sanco) finances, would decide in two weeks' time on an appropriate step to take regarding Sanco's financial position, Derek Trendell, the auditing firm's spokesman, said yesterday

After investigation of the measures suggested to save the organisation and discussions with Sanco, the firm would decide

whether to report the organisation to the relevant legal authorities

According to Trendell, Sanco had previously admitted it was insolvent, which had resulted in the organisation reviewing its financial position. However, the organisation subsequently denied claims that it was R1,3 million in the red and faced possible liquidation

Sanco maintained that its national executive committee had taken measures to improve its financial position since it was warned by the auditing

firm in December last year

Trendell said it was legal procedure to refer the matter to the attorney-general. If the organisation appeared to be insolvent, he said, it might be referred to the Public Auditors' Board which oversaw such cases

Trendell said the firm had taken control of the matter

Ross Henderson, Sanco's ex-national treasurer, has had two fraud charges laid against him relating to an unaccounted sum of R33 500 from Sanco's national account

(123)  
**Chikane acts on  
KHL graft claims**  
M+G 23/1/98

**Mukoni T Ratshitanga**

**S**outh African Housing Trust chair Reverend Frank Chikane has ordered a forensic audit into corruption allegations levelled against the trust's subsidiary, Khayaletu Home Loans (KHL)

The audit was prompted by a *Mail & Guardian* report last week in which KHL management was accused of paying a consultant for work he had not done. Central to the allegations is a claim that KHL paid more than R300 000 for one year's tenure to David Moshoeshoe, a consultant and business manager of a company owned by KHL director Siza Khampepe.

According to his letter of appointment, Moshoeshoe's DM Development Consultants was hired to consult "in the areas of [bond] payment normalisation and Masakhane". But KHL staffers and communities which Moshoeshoe claims to have consulted flatly deny they ever met him or his employees.

Chikane said this week the trust was committed to "sound corporate governance policies [and] would not allow any mismanagement of any kind within its organisation".

Calls for an inquiry at KHL first emerged two years ago when the organisation's senior black managers claimed, in an anonymous document, that staffers were forming consultancies which were co-managed by themselves, friends and relatives.

The document was presented to Chikane by 16 members of the Black Lawyers Association, but he allegedly rejected it on grounds of its anonymity. Chikane denied this last week.

# Loan agency in R300 000 row

Mukani T Ratshtanga

Allegations of corruption have been levelled against Khayalethu Home Loans (KHL), a subsidiary of the South African Housing Trust charged with arranging low-cost housing loans.

KHL is chaired by Deputy President Thabo Mbeki's special adviser, Frank Chikane.

It has been alleged that KHL paid more than R300 000 for one year's tenure to David Moshosho, a consultant and business manager of a company owned by KHL director, Siza Khampape.

Moshosho's DM Development Consultants was hired to consult "in the areas of [bond] payment normalisation and Masakhane" according to his letter of appointment dated May 24 1995.

KHL staffers say Moshosho did not do the work but "simply earned free money", and communities he claims to have consulted flatly deny they were ever contacted by him or his employees.

His letter of appointment, which is in the possession of the *Mali & Guardian*, was drawn up five months after the job started. It did not say how long Moshosho's tenure as a consultant would be. Khampape confirmed his staffers' claims that Moshosho's contract ended in December 1995.

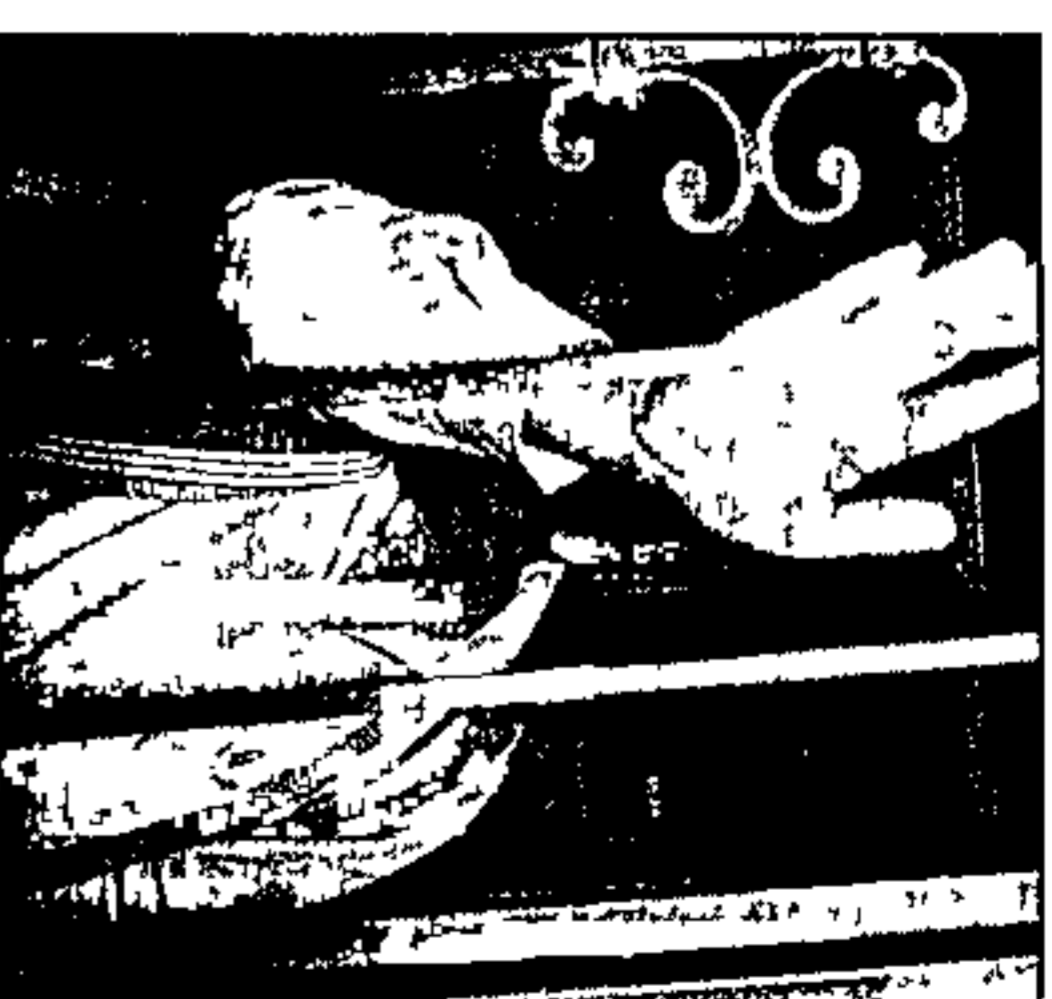
Moshosho's letter is in sharp contrast with a detailed 15-page legal agreement drafted in 1996 between KHL and another Pretoria-based consultant, Keith Griffiths, shortly after Moshosho's contract ended.

That agreement — also in the possession of the *M&G* — clearly spells out Griffiths's terms of employment, a breakdown of fees and expenses he could claim, how payments would be made and his brief.

Other documents in the possession of the *M&G* show that Moshosho earned between R25 000 and R30 000 a month in consulting fees and charges while he was drawing a salary at Khampape's Gerriston-based Supreme Refurbishing and Freight Services.

In August 1995 alone, Moshosho earned R24 545 from KHL for work done in two Gauteng townships: Palm Springs and Knutsong — half the amount it gives for a housing loan to its clients.

In the same month he claimed for a Masakhane survey which took 31 hours. According to expense claims also in the possession of the *M&G*, Moshosho travelled a staggering 5 233km in Gauteng. This means that the consultant travelled 168km an hour if he worked a 24-hour day.



Leave me alone! Consultant David Moshosho, who is at the heart of a corruption row involving Khayalethu Home Loans. PHOTOGRAPHS: GREG MARINOVICH/PICTURENET AFRICA

In the same claim, he travelled 3 157km liaising with transitional local councils (TLCs) and attending "civic meetings" for 27 hours.

A mass meeting at Palm Springs and an 11-hour consultation with leaders sent Moshosho travelling another 1 837km. And he finally required a three-hour consultation with Khampape at a charge of R250 an hour.

Moshosho this week said the kilometres were travelled "over an extended period, not during the alleged one month", an assertion that is contradicted by his expense claims.

Khampape said Moshosho's high mileage claims were due to "a survey which required extensive travelling". He added that the consultant "did not charge us [KHL] for the hours spent while travelling". But documents in the possession of the *M&G* show Moshosho did.

Griffiths — whose work between February and March 1996 included drafting KHL's policy and procedures, a planning document and an action plan — charged only R17 313.

Moreover, Palm Springs and Knutsong leaders have denied ever meeting Moshosho.

"People are taking chances. I have to be very frank with you. I don't know this person," said Palm Springs South African National Civic Organisation (Sanco) leader Simon Maphalla. "I have been responsible for mass meetings for a long time and the consultants we have dealt with have always been whites. There is no T.L.C. in Palm Springs. There has never been one," he said.

Jomo Mogale, another Sanco leader in the township of Knutsong, where Moshosho claims to have consulted, also denied meeting him.

Sanco's national president and Palm Springs resident Mlungisi Hlongwane said his organisation had never met Moshosho. "Neither the name nor the consultancy is known to us. And there has never been a mass meeting in which consultants attended."

KHL has been unable to clarify why community leaders do not know Moshosho.

Hlongwane said the only consultants his community had ever dealt with were Griffiths and Sibus Moodley — the controversial Mplumalanga housing official who played a pivotal role in the province's Muthofo housing scandal.

Moodley facilitated a joint task team between Sanco and KHL that finally paved the way for the end of the bond boycott when the two organisations signed an agreement in 1996.

MTC

(123)

## In one month, Moshosho earned R24 545, half the amount the trust gives its clients for a housing loan

Khampape last month claimed it was Moshosho who brokered the deal, through "market intelligence" research.

Initially, Moshosho said "My role was merely to get problems from township dwellers. They [KHL] were still trying to change this thing on their payments. They were still talking to street committees to get problems from township dwellers. What ever problem I could get, I had to pass it on to them."

This week he added that his brief was "to assist KHL to get access to its clients through

market intelligence. This involved gathering data mainly by surveys."

Khampape promised to review Moshosho's "intelligence reports". But so far, he has only been able to show one four-page report which suggested that KHL be "cautious" in dealing with township communities. This week, he said there were three other reports.

It is not the first time that corruption allegations against KHL's management have been raised. In July 1996 16 Black Lawyers Association (BLA) members presented a three-page document to KHL's chair Frank Chikane.

The anonymous document, which is in the possession of the *M&G*, was apparently drawn up by KHL's senior black management. It alleged staff were forming consultancy firms which were co-managed by themselves, friends and relatives. "Some of the developers" were in fact fronts set up by some senior executives who would be involved in adjudicating the awarding of these contracts to the "developers".

Chikane allegedly rejected the document on grounds of its anonymity. He said this week he would not comment on "something KHL staffers say the BLA members told me. It would have been a different matter if the lawyers themselves were saying they told me this. I don't think it's correct in the first place."

The government, through the Ministry of Housing, owns an 11% stake in the Housing Trust which in turn controls KHL. It began in 1988 as a housing-loan scheme for low-income earners. Other shareholders in the housing trust include banks and private companies.

## Education dept frowns on 'ethnic chauvinism'

Kevin O'Grady

IT WAS unacceptable for SA's school language policy, which avoided forcing schools to cater for more than one language, to be used to advance "ethnic chauvinism", the education department said yesterday.

Education deputy director-general Ihron Rensburg said the policy and regulations announced by Education Minister Sibusiso Bengu and gazetted last year remained in effect. He was speaking after a number of Afrikaans schools refused to admit black pupils this year on the grounds that they required tuition in English.

Several schools in White River and Piet Retief in Mpumalanga turned black pupils away, but relented after the provincial education department intervened.

Rensburg said the regulations, which took effect from the beginning of the year, allowed single medium schools only if requests for tuition in another language came from fewer than 40 per grade in grades one to six and 35 per grade in grades eight to 12.

If there were insufficient requests, it became the provincial education department's responsibility to make arrangements for pupils who required tuition in languages other than those on offer. This could be done by designating a school to cater for the language and providing the necessary resources.

Rensburg said the policy's aim was to promote multilingualism. It required school governing bodies to announce their school's language plan and state how it would promote multilingualism, either through the use of more than one language of instruction or by offering additional languages as subjects.

Without saying "this is the line", the policy encouraged pupils to do their early years of study in their home language and then "acquire new languages along the way".

# SA eight held after

EIGHT South Africans on board a privately owned DC-4 aircraft forced down by an Angolan MiG fighter jet in the southern town of Menongue on Tuesday had been detained and taken to the capital Luanda, Angolan news agency Angop reported yesterday.

The DC-4 was carrying mining equipment to the central headquarters of former Unita rebels in Andulo.

Angop said Pieter Bitzker, the captain of the aircraft belonging to Air Congo Express, told reporters he had transported equipment

on several occasions to Unita areas, war material. The agency did not elaborate.

The news agency said all but the pants of the aircraft were presented to Angolan media yesterday. Quoting air Gen Francisco Lopes Afonso, it said three had not appeared for "security".

Bitzker dismissed any political Unita, saying relations were purely civil and the financial rewards for the risk were very good.

SA military sources said the plan

# Govt warns communities against damaging meters

Deborah Fine

MINERAL and Energy Affairs Minister Penuell Maduna has warned that stern action will be taken against communities that damage public property such as electricity meters, to voice dissatisfaction about issues related to payment for municipal services.

He was speaking at a meeting on Wednesday to discuss the problem of nonpayment for services in Tembisa on the East Rand. Councillors, the SA National Civics Organisation (Sanco), the National Electricity Regulator and Eskom were represented at the meeting.

Council financial control manager Wellies Welgemoed said nonpayment in Tembisa had led to an accumulated debt of R135m between 1995 and last year.

While bills amounting to R8m were issued to residents each month, only R1,8m was being recovered, resulting in a monthly shortfall of R6,2m.

The council had spent R35m on the

installation of pre-paid electricity meters, but had not been able to use of them because of strong resistance.

Vandalism and tampering with meters to lower consumption charges had caused damage of up to R3m. Council efforts to cut the services of residents in arrears were consistently undermined by illegal electricity reconnections.

Sanco Tembisa branch secretary Mandla Gumede said yesterday that the council had reneged on a 1995 agreement whereby residents could pay a monthly flat rate of R80 pending further negotiations with the community. Instead, the council had unilaterally charged consumption rates, causing individual arrears of up to R50 000.

The council said negotiations had taken place but no agreement had been reached as a result of a Gauteng provincial proclamation prohibiting flat rates.

Representatives at the meeting agreed to hold a multiparty "electricity summit" to resolve the issue.

# Security plan for councillors launched

Business Day Reporter

DURBAN — The Durban south central council had decided yesterday to provide protection to councillors who risked attacks in communities because of hostility against the officials, town clerk Mike O'Meara said.

The decision followed a reported attempt on the life of councillor Minoh Lesoma because she was campaigning against crime in KwaMashu township.

Criminals fired shots at her home,

killing her father.

Councillor Florence Mkhize received threats also, allegedly from informal settlers who blamed her for ordering the demolition of their shacks.

O'Meara said a private security firm had been asked to provide protection to both councillors.

A report drafted by council security chief Mick McKenna said options open to the council included arming councillors and providing them with round-the-clock security.

# UK firm to build R11m flats in SA

(123)  
TOM HOOD

ST 25/11/98

A MULTIMILLION-rand block of flats — with each of the six units expected to cost R11-million — is to be built in Cape Town's exclusive Clifton area by a British company

At 400m<sup>2</sup> each, the flats will be larger than the average suburban house and will each have its own pool and at least two covered parking bays

Savills, estate agents based in Britain, said they would be marketing the apartments in Kloof Road off plan soon. They already have two buyers — one local, the other foreign — interested in the flats

The agency, which opened an office in Wynberg to cater for its British clients 15 months ago, holds sole mandates for property worth R100-million in Cape Town

"We are not crashing into the local market. We are offering a different service," said Anne Mackie, the South African managing director of the company. "Local agents are keen to work with us because we have an international network"

Nigel Blake, who works for the firm, recently sold three Clifton bungalows, at an average price of R2,5-million, to overseas buyers. The new owners intended to demolish them to build something better, he said

Demand for homes has dropped in the past three months and prices are stabilising. The growing gap between Johannesburg and Cape Town prices means up-market properties are being rented instead

Savills achieved a record holiday rental of R7 500 a day paid by a Johannesburg family who stayed at a Bishopscourt house for a month



# Nurcha paves way for 18 000 low-cost homes

(123)

Robyn Chalmers

THE National Urban Reconstruction and Housing Agency (Nurcha) is facilitating the construction of more than 18 000 low-cost houses with a total value of more than R300m, executive director Nhlanhla Mjoh-Mncube says

Nurcha, which started operating in October 1995, shares financial risk with financial institutions and housing developers to release finance for low-cost housing

Mjoh-Mncube said Nurcha was seeing greater demand for its services from emerging contractors and medium-sized developers. Most needed guarantees to get credit from financial institutions for all or part of their funding requirements

"We have facilitated finance for emerg-

ing contractors who had projects of 50 houses, and they have moved on to projects of 800 houses and upwards. At the same time, we are careful with our financial control mechanisms," she said

Mjoh-Mncube said the organisation had managed to facilitate funding in all nine provinces. The Eastern Cape, one of SA's poorest provinces, was a growth point for Nurcha, with a significant portion of completed homes in this region

Nurcha MD and CEO Cedric de Beer said Nurcha now had a guarantee capacity of R115m. Open Society Institute of New York provided 25% of all Nurcha's guarantee capacity

Additional capacity came from the SA Swedish and Norwegian governments, USAid and the Rockefeller Foundation. A

deal was also negotiated with the Southern Life future growth fund

De Beer said Nurcha initiatives included guarantees for bridging finance to developers of low-income housing and guarantees for end-user finance made available to beneficiaries of low-income housing projects

Where community-related conflict or lack of capacity held up projects, Nurcha also made "impact grants" available, aimed at funding community processes necessary to allow a project to continue

Nurcha was also working with retail lenders, which lent largely on the basis of payroll deductions, and with the Home Loan Guarantee Company, to create a series of guarantees for institutions. This was aimed at boosting housing under institutional subsidies

BD 26/1/98

# Campaign to highlight housing delivery

Robyn Chalmers

(123)

BD 26/1/98

THE housing ministry will launch a R750 000 communications campaign in a bid to change the perception that little housing delivery has taken place. Housing communications director Clarence Kwinana said the campaign would be a one-week media blitz in February or March. A tender had already been issued.

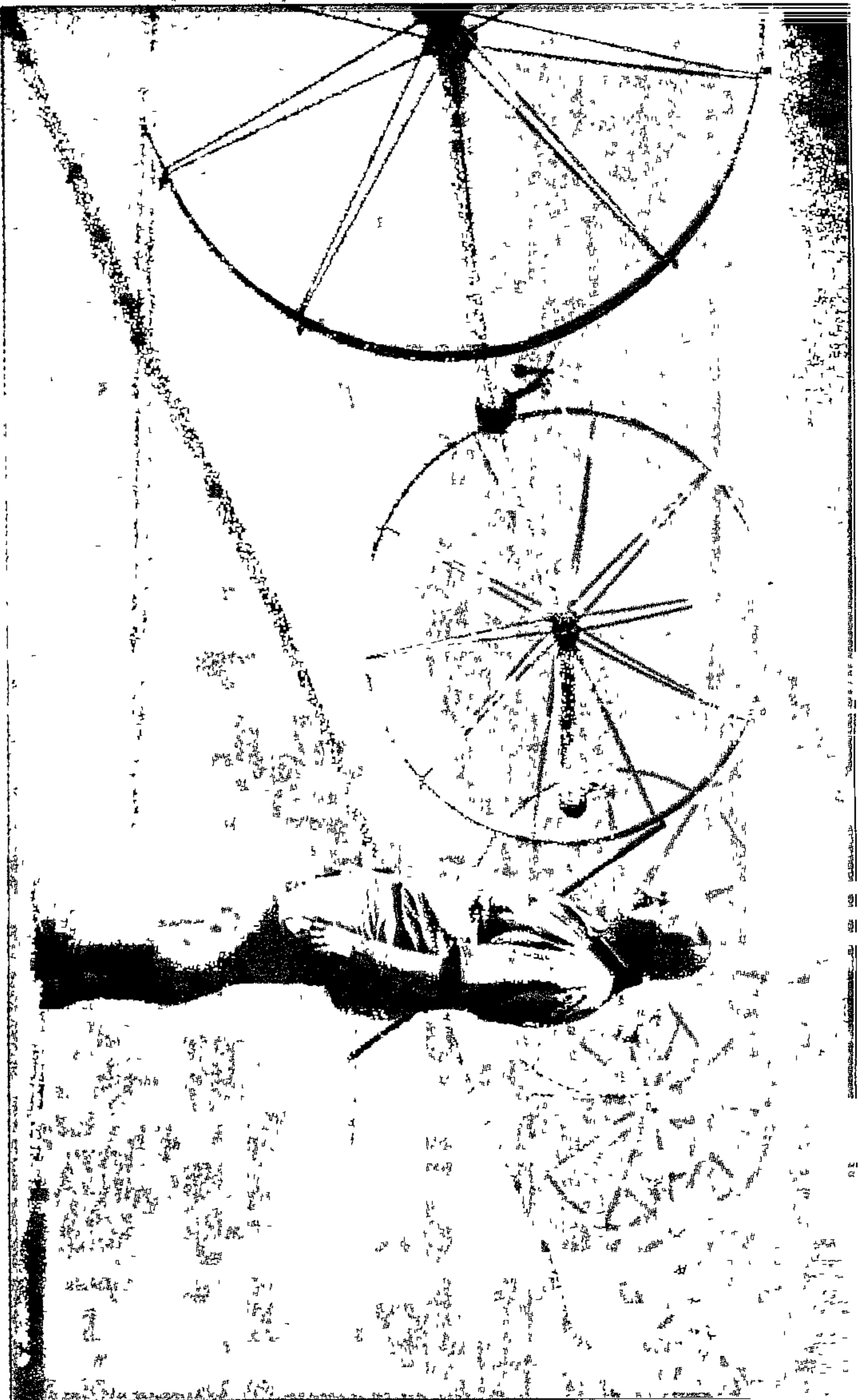
He said there was concern that some provincial governments had underreported the number of houses built in their regions, particularly with projects initiated by the apartheid govern-

ment and honoured by the present government. There was also concern that there was insufficient awareness of the amount of funds which had been spent on infrastructure related to housing.

"We need to show what effect the construction of houses is having on families and the number of lives which have been transformed," he said.

Government has set itself an ambitious target of facilitating the building of 1-million houses by 1999. Analysts are increasingly sceptical that this target will be met, although the programme has gained significant momentum over the past six months or so.

...approved.  
national resources ...  
farmer  
Fanus  
Cloete, who  
'owns' this  
irrigation  
water, might  
have to pay  
for it if a bill  
to prohibit  
private  
ownership  
of water is  
approved.



# Private ownership of water set to be abolished by new law

By JOVIAL RANTAO  
Political Correspondent

The private ownership of water by landowners is set to be repealed this year. This will lead to mining houses, business and farmers paying more for the water they use.

However, implementation will take close to seven years. Water Affairs and Forestry Minister Kader Asmal said the National Water Bill, which has

been approved by the Cabinet for tabling during the next session of Parliament, would modernise existing legislation.

Asmal told a media briefing that as a "water-stressed" country, South Africa could not afford to have any water exclusively classed as "private" and subject to a different set of rules from other water resources - as the current Water Act allows.

"The Government is not the owner of the water resources. We're not nationalising anything. No one is the owner of this unique and exquisite cycle of nature.

"Water resources are a public commodity which must be regulated to meet the interests of all users, whether they get their water from rivers, the sky or underground. So no part of the water resources of South Africa will be regarded as private property," Asmal said.

The bill provides for authorities to enter private properties and monitor how much water is being used. If there is any wastage, restrictions could be imposed.

The new system of water allocation will be based on licences which will be issued for a limited period. No licence will be permanent.

The bill abolishes the system of water allocation based on land ownership and replaces it with one in which water would be allocated on the basis of beneficial use in the public interest.

The legislation also provides for allocation to people who were previously discriminated against.

Charges for water would take into account the need of new users or emergent farmers who did not enjoy subsidies paid to farmers in the past.

123

Star 28/1/98

# Licences for water use to be introduced

(123)

BD 28/1/98

Robyn Chalmers

GOVERNMENT has outlined wide-ranging changes to SA's water management system, including abolishing private ownership of water resources and introducing temporary water-use licences of up to 40 years.

In terms of the National Water Bill, approved by the cabinet last week, more than 25 regional water agencies will be introduced and a reserve of water for basic human and environmental needs guaranteed.

Irrigation boards are set to be converted to water user associations and an appeal board established to deal with disputes over water management decisions.

Large and individual users are unlikely to see immediate price hikes as a result of the proposed changes, but prices could increase as water is used more intensively. The aim is to move towards having the user pay for the cost of water used without ad hoc subsidies.

The bill is set to go to Parliament next month.

Introducing the bill yesterday, Water Affairs and Forestry Minister Kader Asmal said it was "far reaching" and would "affect every avenue of life of all South Africans".

No part of SA's water resources

would be regarded as private. While individual users would be able to retain boreholes, this would not apply to the substantial use of underground water, which affected the wider community.

The bill, if enacted, would abolish the riparian system — in terms of which ownership of land next to a river bank entitles the owner to water, fishing and irrigation rights — and replace it with a water allocation system based on beneficial use in the public interest.

Water for basic needs was given first preference in allocation and certain charges would be waived for new users and emerging farmers.

Government would, however, respect existing lawful users and investments, he said.

"The system of allocation will be based on licences which will be issued for a limited period that will be determined depending on the use of water. No licence will be permanent, as the current Water Act allows."

Water affairs and forestry department director-general Mike Muller said licensing could be undertaken by the department, or could be delegated to the regional agencies.



ASMAL

Continued on Page 2

## Water

(123)

BD 28/1/98

Continued from Page 1

Many functions would be devolved to lower tiers of management such as self-funding catchment management agencies that would make decisions about water use, pollution levels and catchment management. Between 25 and 30 agencies would be established, depending on need.

Irrigation boards would be transformed into water user associations to

accommodate all water users. Certain water resource management functions would be devolved to the associations and to water boards.

Louise Cook reports that farmer unions were positive about the bill's devolution of power to regional agencies.

SA Agricultural Union water affairs spokesman Nic Opperman said he was "cautiously optimistic". National African Farmers' Union spokesman Andrew Makeneti welcomed the bill as being a step forward. Small farmers would, however, need education on their rights and responsibilities.

# Initial reaction to water law positive

Louise Cook

(123)  
BO 29/1/98

THE National Water Bill — set to bring about wide-ranging changes to SA's water management system if it became law — generally drew favourable reaction from user sectors yesterday, although many said they needed more time to study the detail.

The bill was introduced by Water Affairs and Forestry Minister Kadar Asmal on Tuesday. It provided for the scrapping of private ownership of water resources and the introduction of temporary water-use licences for up to 40 years.

The bill gave priority to water for basic needs, but government would respect existing lawful users and investments, the minister said.

Chamber of Mines communications manager Llewellyn Kriel said critical areas of past concern had been the proposed stripping of the right of a mine to pump out underground water. In terms of the proposed legislation, a licence would be required — which could effect workers' safety. Another concern, he said, was the proposed regulation of tailings dams and waste dumps which for the first time would fall under the water affairs department, creating duplication and cumbersome management.

SA Forestry Association executive director Mike Edwards said the bill appeared positive. SA Forestry Company corporate communications GM Lebogang Hashatse said the bill was a healthy mix between economic, social and environmental needs.

Farmers' initial reaction was also positive. National African Farmers' Union Andrew Makeneti said: "The bill is a very important step forward from past laws that deprived large sections of the population of access to a scarce resource. A very positive side is the provision for catchment management agencies and water user associations."

SA Agricultural Union water spokesman Nic Opperman said that at first glance the union believed the licence system would be applied realistically. The bill is set to go to Parliament next month.

# Water auctions sparks labour outrage

Robyn Chalmers  
and René Grawitzky

BD 30/11/98

GOVERNMENT will publicly auction water for big industry users in a bid to allocate scarce water resources as beneficially as possible, a move which labour has labelled the "privatisation of catchment areas".

Water affairs and forestry department director-general Mike Muller said yesterday that entities needing a specific water allocation in dry areas would have to bid for a limited-period licence of up to 40 years.

This is part of the water industry overhaul proposed in the new water bill. The bill, and particularly the public auctioning of water, has drawn a negative reaction from labour.

Labour believed the public auction approach would raise production costs and ultimately the cost of water for in-

dustry and therefore consumers. Businesses, in an attempt to cut costs in other areas, could then target jobs.

However, Muller said the competitive process was the fairest way to allocate scarce water resources. "The alternative would be for the minister to allocate water in an administrative fashion, but there is little equity in this method," he said.

Muller said the rationale was that entities which could afford to pay more for water tended to generate the most funds for the country.

He stressed that water required for basic human needs and environmental requirements — a reserve — would have top priority in the allocation of water. The reserve was the only water allocation that was guaranteed and not subject to authorisation.

New users and emerging farmers, for example, could not outbid big agri-

(123) (20)  
cultural organisations, such as sugar or citrus farmers. Allocation of water to black people to allow them to participate in the economy would, therefore, receive priority.

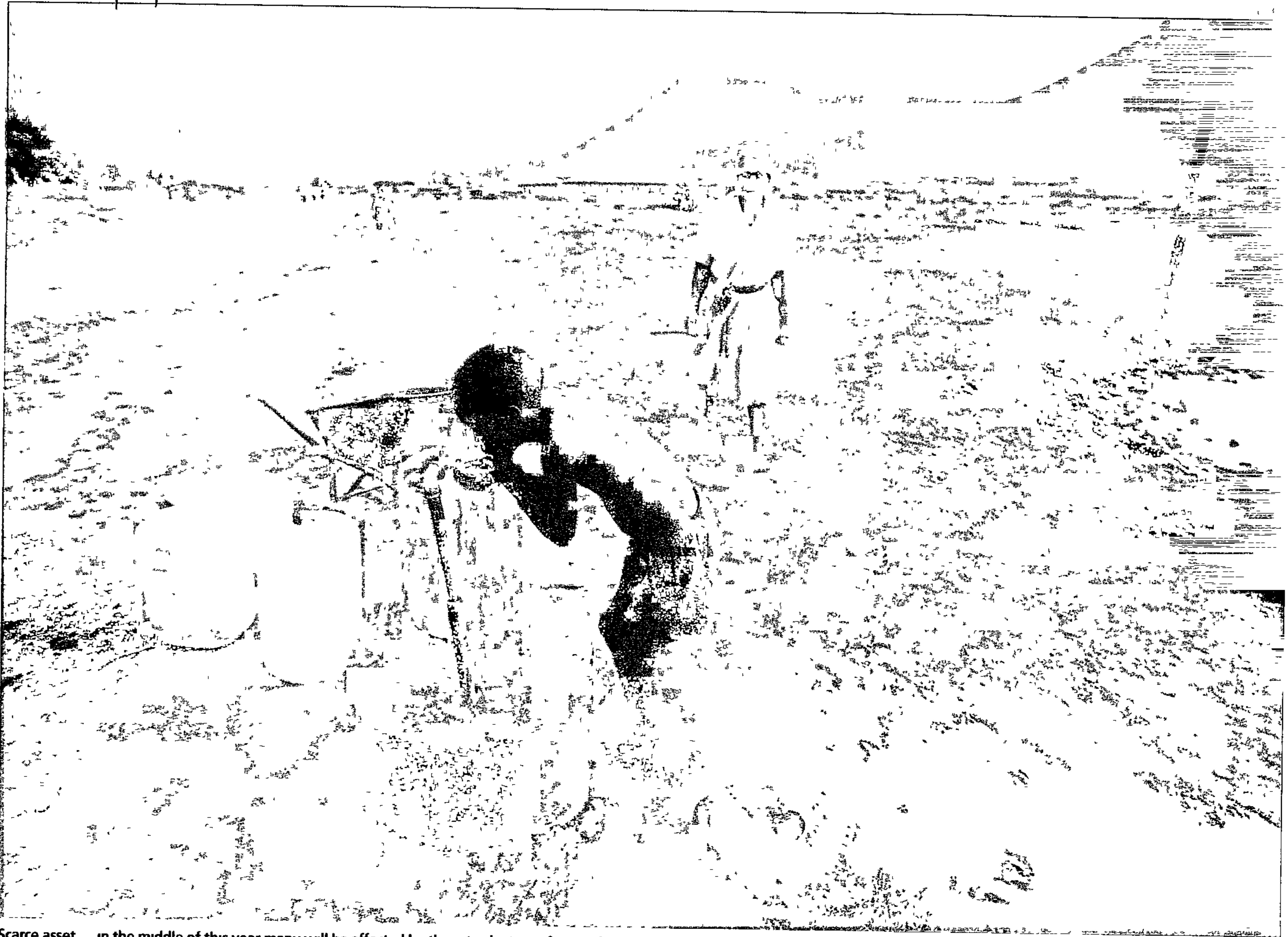
Muller said either the water affairs and forestry department would initiate and oversee the auctions, or the function would be delegated to a catchment management agency. Up to 30 such regional agencies would be set up.

Labour said government's position was self-contradictory. On the one hand it claimed that water was publicly owned but on the other it applied free-market principles to pricing.

The union official questioned where the Lesotho Highlands Water project fitted into the auction plan as taxpayers were already paying for it. "Water Affairs Minister Kader Asmal cannot have it both ways. It is one or the other," the labour source said.

We've wasted it. We've polluted it. We've abused it. Now comes payback time for one of our most precious resources – water. Julianne du Toit reports

10/2/98



Scarce asset ... in the middle of this year many will be affected by the introduction of a new law on water.

# The 'blue revolution' cometh

(123) Mar 10/2/98

The classic image of South Africa's weather is one of farmers flooded out of their homes and balancing on their roofs with their drought relief cheques in their hands

But this year things are changing – it's the first time we've actually planned our response to a drought we know is coming, thanks to the El Niño phenomenon (although the rainfall so far this year hints more at floods than drought)

And this year is the first time we will have the correct laws to safeguard our water

For a semi-arid country, where droughts regularly confound farmers, and where at least 12 million people don't

have access to clean water, we're pretty careless with it

We clean pavements with water from hosepipes, we flush our toilets with drinking water, we have dammed rivers badly, we have polluted water and wasted it shamelessly

But in the middle of this

**12 million cannot get clean water**

year, it's safe to say, our lives will start changing forever

The new water policy becomes law then Professor Kader Asmal and his Water and Forestry Department have

basically crossed out all water laws we've had, and started from scratch

Asmal has started to call the process the "blue revolution" The 1956 Water Act, which we have all adhered to until now, assumed a number of things that turned out to be false.

It assumed an abundance of water in this country It assumed the country would always have neat and tightly organised communities with enough infrastructure

It assumed it was fine to distribute water based on who owned property (the whites)

It was based on the riparian rights system, where whoever owned property with river frontage (mostly the whites)

could extract as much water as they wanted to

It was a bad mixture of apartheid, exclusionist laws, and the laws of our former colonialists (England and the Netherlands), neither of whom experience water shortages

Tanu Sokutu, deputy director-general of water police at the department, said it was as if we were mining water – turning a recyclable, sustainable commodity into a finite one.

From June, all water, at all stages in the cycle, becomes a public good, with the department as custodian No one owns any of it, although everyone may use some of it

The department won't be making all far-reaching deci-

sions from its lofty national perch. It will be delegating many decisions to catchment management authorities (still to be appointed) and will need many inspectors

But only two entities are guaranteed water

Individuals are guaranteed

**Many decisions to be delegated**

water – not less than 25 litres a day – and nature is guaranteed as much water as it needs to keep the water cycle going. Everyone else – industries and farmers – must get licences

What is also practically guaranteed is that the price of water will go up

The pricing system so far has not adhered to the general economic rule of "if it's scarce, put up the price".

Water is scarce in this country, yet prices suggest there is plenty of it.

Until now, farmers have paid practically nothing, individuals have paid very little and industries are fined a paltry few thousand if found guilty of polluting water (when the attorney-general finds the time between prosecuting murderers and rapists).

These articles first appeared in the February/March edition of Keeping Track.

# The laws on polluting are about to be- come very strict. Previously, many businesses just built in a few extra thousand in their budget in case they were taken to court for polluting water. It was cheaper than cleaning up their technology

## Plan to make polluters pay up

long-term social or environmental costs".

But there is no need to panic about industries having to close down because the Government won't issue a licence.

The laws will be phased in slowly, and the

Now, if the Government has to step in to clear a polluted body of water, the responsible industry will have to pay the costs of rehabilitation.

The Department of Water Affairs (DWA) is so serious about this it is recruiting its own legal team, so it does not have to rely on the Attorney-General's discretion.

Industries may have to compete for water licences, depending on how much water is available. Licences will be given to those industries considered most beneficial to the nation. This includes job creation, the benefits of the products produced, the needs of the region where the industry is situated, etc.

But what happens when there are different and competing users who could all claim to use water productively? Then the authorities will look at the optimum or best possible use. Predictably, they're keeping this one vague, except to say that "short-term economic benefits may be outweighed by

DWA points out in the White Water policy document that: "It would not be in the interest of national prosperity to unnecessarily constrain industry's access to water."

The philosophy behind the new laws is away from the old approach that pitted environmental goals against economic and development ones. Instead, it brings them together.

Mining is specifically mentioned as one of the most heavily polluting industries "(They) will have to re-evaluate their impact on our water resources, and will have to pay a price for water that reflects the real economic cost, including the indirect costs to society and the environment."

To encourage less pollution, the Government will charge for the discharge of waste into water bodies. They hope this will encourage the development of low or non-waste technologies. Any funds raised from the charges will be used for resource quality management and protection.

■ Every individual is guaranteed at least 25 litres of water a day,

within a radius of 200m.

■ It is almost inevitable that everyone will have to pay more for water. Those who are far from water will have to pay the most, for transportation fees.

■ Water will be charged on a varying or lifeline tariff.

The less you use, the less you pay. The more you use, the more the price rises as you reach each new level of consumption.

■ More than 50% of South Africa's water goes towards irrigation. A lot

goes to areas where farming should never have been attempted because of shallow soils or poor rainfall, but they are there because the previous government subsidised them.

■ Because farmers are collectively the biggest water-users, the Government obviously wants them to cut down. But as Tami Sokutu says, we don't want to jeopardise our food security.

■ Foresters will have to start paying for the rain that feeds their trees. This has become the source of a battle between

## The more you use, the more pricey it is

■ In other words, you will pay more per litre the more litres

you use.

■ People with boreholes will also have to pay levies, depending on how much the borehole can pump. This, however, does not mean that they can pump as much water as they like. But borehole water will still be cheaper than tap water.

■ People with riverfront properties will not be able to draw water from the river without paying for it.

## Expensive rain shocks foresters

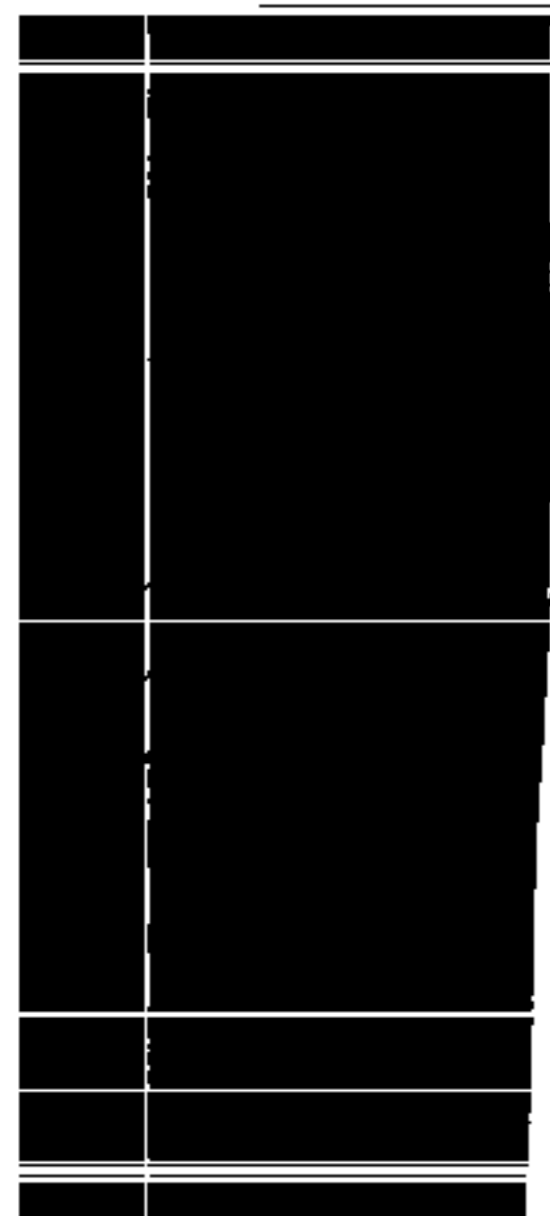
foresters and DWA. According to the department, forestry takes

up 8% of the rainwater which would otherwise have flowed into rivers and been available to others, so they should pay

Foresters are aghast that Government wants them to pay for rain.

■ In fact farmers generally will have to start paying for the water they use, although Sokutu does say these costs will be introduced slowly. The existing subsidies won't vanish overnight.

■ Emerging farmers will be given more leeway than established farmers.



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# Housing parastatal for speedy delivery

(123)

CT 12/2/98

**TALKS ABOUT THE** formation of a housing parastatal to expedite delivery have been going on for some time, **JOVIAL RANTAO** reports on the progress.



**W**ARNING lights that the ANC-led Government was not on track with its plan to deliver a million houses within five years started flashing as early as 1996

The public acknowledgement by President Nelson Mandela, during his opening-of-Parliament speech, that the Government might not reach its target of a million houses, gave the problem some prominence, but for those involved in the housing sector, discussions on new ways to expedite the delivery of houses started in Nedlac's (National Economic Development and Labour Council's) development chamber

In his address, Mandela noted that the process to deliver houses to the low income sector had not received optimum support from banks. He said the Government would set up new state enterprises where market imperfections and failures have played themselves to undermine social programmes

Talk of a new housing parastatal did not start with the presidential address but has been the subject of rigorous debates in Nedlac

As early as last year, a proposal was submitted to Nedlac, proposing that a new housing parastatal should be established to complement and not replace existing housing strategies to ensure mass housing delivery and mechanisms to ensure that subsidised low income housing did not land in the hands of middle-income groups

Since 1994, just over 400 000 houses have been built, representing a shortfall of close to 600 000 units. The parastatal would be targeted at communities excluded from the market

The proposal is that the statutory body should be formed with seven ministries — Housing, Finance, Land, Mineral and Energy, Water Affairs, Public Works and State Enterprises — as shareholders with the board of the parastatal including representation from labour and civil society. The parastatal would require at least R14 billion for its capital costs for delivery of 500 000 units over five years. An additional R1,2bn would be required for capacity building programmes

The parastatal would be capitalised from the National Housing

Fund and the National Housing Finance Corporation. The NHF would provide finance to cover the capital grant and the NHFC would provide the finance capital costs exceeding subsidy monies available for each unit.

All assets, including housing-related institutions of existing parastatals, housing stock and land held by the parastatals would be transferred at no value to the newly formed housing parastatal

The parastatal would be run on a non-profit basis and would seek to deliver housing in such a way to eliminate capital costs through entering into contracts for delivery at a scale using State land where possible and locating housing in areas where bulk infrastructure is under-utilised. The proposed parastatal would have three tiers with the national level responsible for providing finance, managing contracts, setting standards, developing educational programmes as well as tender conditions and rental agreements, owning land and providing the regulatory environment for community involvement.

The provincial tier would play a co-ordinating role and the local government would have an implementation and liaison role and would be responsible for managing housing stock and for implementing skills training programmes. It has been proposed that capacities and assets within existing parastatals such as Denel and Eskom should be brought together under the new parastatal, ensuring that the skills of employees in the parastatals, currently being restructured, would not be lost to housing delivery

Wandile Zote, a spokesperson for the Ministry of Public Enterprises said the plan to rid the parastatals of their housing portfolios was still in its infancy, and input was being awaited from the Housing Ministry and public service trade unions

There were however conflicting signals from Housing Minister Sankie Mthembu-Mahanyele who this week said there were no plans to establish a new housing parastatal

In a submission to Parliament's Housing Committee, Cosatu said that current Government housing policy was shaped by the needs of the private sector, with an emphasis on personal home ownership as the primary form of tenure. This, Cosatu said, slowed down the pace of housing delivery and placed housing out of the reach of the poor

Cosatu has proposed that the Government should transform the terms of the partnership with the private sector in housing and broaden its housing programme to include the immediate provision of public housing, on rental and purchase basis

3D 13/12/98  
**Conveyancing system**

# Streamlined system could stop abuse of conveyancers

(129)

**Robyn Chalmers**

A NEW system of bank guarantees rather than cash transfers to conveyancers dealing with individual housing subsidies may be introduced to avoid millions of rands of housing funds languishing in conveyancers' accounts.

Gauteng housing policy and administration director Monty Narsoo said yesterday the province had proposed to the national housing department that the system be altered. This

had been approved in principle.  
"We saw the weakness in the way individual housing subsidies were being managed. After talks with banks, we proposed that the normal bank guarantee system be introduced when dealing with conveyancers," he said.

Housing officials have expressed concern about the length of time funds were being kept in trust accounts in most provinces, collecting interest for conveyancers. There are also concerns that government's spending figures

could be inflated as a result.  
Officially, conveyancers should pay out these funds within three months, but delays in the deeds office often make this impossible. One housing official said the system was "wide open" to abuse and mismanagement.

The issue was highlighted recently in the auditor-general's letter to the Gauteng housing department, querying a number of alleged irregularities surrounding the housing subsidy scheme.

Department spokesman Otdela Mahlangu said yesterday that R150m had been paid to conveyancers and R57m to financial institutions. Of the total R207m paid out, R55m was still sitting with conveyancers and financial institutions.

Mahlangu said the department was close to finalising its reply to the auditor-general's letter, and would prove how an unaccounted for R6m in subsidies had been spent. Any "ghost subsidy applications" were re-

jected during the subsidy approval process, she said.

However, Mahlangu said the department was aware that corruption had taken place by certain officials in resource allocation and steps had been taken to limit it.

The (housing) MEC has requested the public protector's office to appoint an impartial and independent investigator to deal with allegations of corruption as a matter of urgency," said Mahlangu.

# Clean water to cost consumers more

CT (BR) 19/2/98 (123)

STAFF REPORTER

Durban — Millions of rands were being spent each year on water purification, and consumers would have to continue to pick up the tab until an ethic of conservation was entrenched and pollution stamped out, John Howard, the manager of water quality at Umgeni Water, said yesterday.

Howard said rising levels of water pollution were forcing up the price of water because it was costly to import chemicals, run large laboratories and employ highly qualified experts to deal with pollution problems.

Umgeni, the public utility responsible for the supply of safe water in the greater Durban area, was spending more than R15 million a year on chemicals at its water and waste water works.

Howard said Umgeni Water was examining in detail the new Water Act and its effect on industry, domestic users and farmers.

"Despite the legislation, it is

vital that people start viewing water as a scarce resource and ensure that pollution and wastage are reduced dramatically," Howard said.

He said the main cause of high pollution levels, surprisingly, was not the industry but faecal contamination which was caused by poor sanitation facilities, burst and leaking sewers, and animals allowed to graze close to water sources.

"In the case of industry, the accidents are quickly identified and the polluter gets the bill for cleaning up.

"However, those that deliberately discharge untreated effluent directly into rivers and water courses will be prosecuted if caught," Howard said.

He said road accidents that involved trucks transporting hazardous chemicals were cause for increased concern.

Howard also said that although industry might be perceived to be the greatest user of water, agriculture took up more.

# Home loans pour into red-lined areas

BD 20/2/98

Robyn Chalmers

THE Mortgage Indemnity Fund has facilitated home loans totalling R9,2bn since 1995, of which almost R4bn has gone to low-cost housing in areas previously "red-lined" by banks for being too risky.

Fund MD Nkululeko Sowazi said yesterday a total of 133 000 home loans had been extended into areas covered by the fund between June 1995 and last December. Of these, 75 000 loans valued at R3,9bn went into the low end of the housing market.

Sowazi said the fund had set a target of facilitating R10bn worth of home loans before it closed in May, and was likely to meet this goal.

The state-owned fund was always intended to be a temporary intervention aimed at encouraging banks to lend in risky areas. The fund indemnifies financial institutions against losses where they are unable to realise their assets — or evict defaulters — due to a breakdown in law and order.

Sowazi said no claims had been

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lodged against the fund during the review period. This was due mainly to the slower-than-expected pace of implementing the payment normalisation scheme. The scheme — run by Servcon, which was set up jointly by banks and government — was designed to give defaulters a one-off opportunity to rehabilitate their loans.

Sowazi said a number of initiatives had been implemented by the fund, including a dispute resolution and mediation programme and an outreach education project.

Negotiations were under way to ensure the continued operation of several programmes once the fund closed, including Servcon, where efforts would be made to pick up the pace.

Continued assistance would also be given to government to help structure a long-term framework, and a stronger working relationship between financial institutions and the National Housing Finance Corporation would be forged.

Continued on Page 2

## Home loans

Continued from Page 1

BD 20/2/98  
Internally, Sowazi said ways of relocating programmes, such as dispute resolution and training initiatives, were being explored. "We will try to ensure that staff continue to be located in the housing finance sector."

While banks had made progress in lending to the low-cost housing market, the fund would have preferred more lending to have taken place.

There remained a number of key

(123)  
inhibitors to lending, he said, with poor affordability standing out as the single biggest factor.

The inability of court officials to carry out their duties due to community resistance, official boycotts in some areas and a lack of interest on the part of a few local authorities were previously cited as further problems.

The record of understanding between banks, government and labour to promote lending in low-income areas is scheduled to end in May. The long-term framework under discussion with government to ensure lending is not disrupted will take its place.

# Whatever happened to the

Mail & Guardian reporters

The first official figures for new housing for the poor show a massive gulf between the government's boasts to the electorate and the reality for South Africa's homeless.

The information, which the Department of Housing has so far kept under wraps, shows that fewer than 200 000 low-cost houses — a fifth of the government's target for 1999 — have been built since 1994 under the government's housing programme. Few of the houses are funded with bank loans, meaning most of the structures have been built with government housing subsidies — a maximum R17 500, which in many cases has bought just a foundation and drainage.

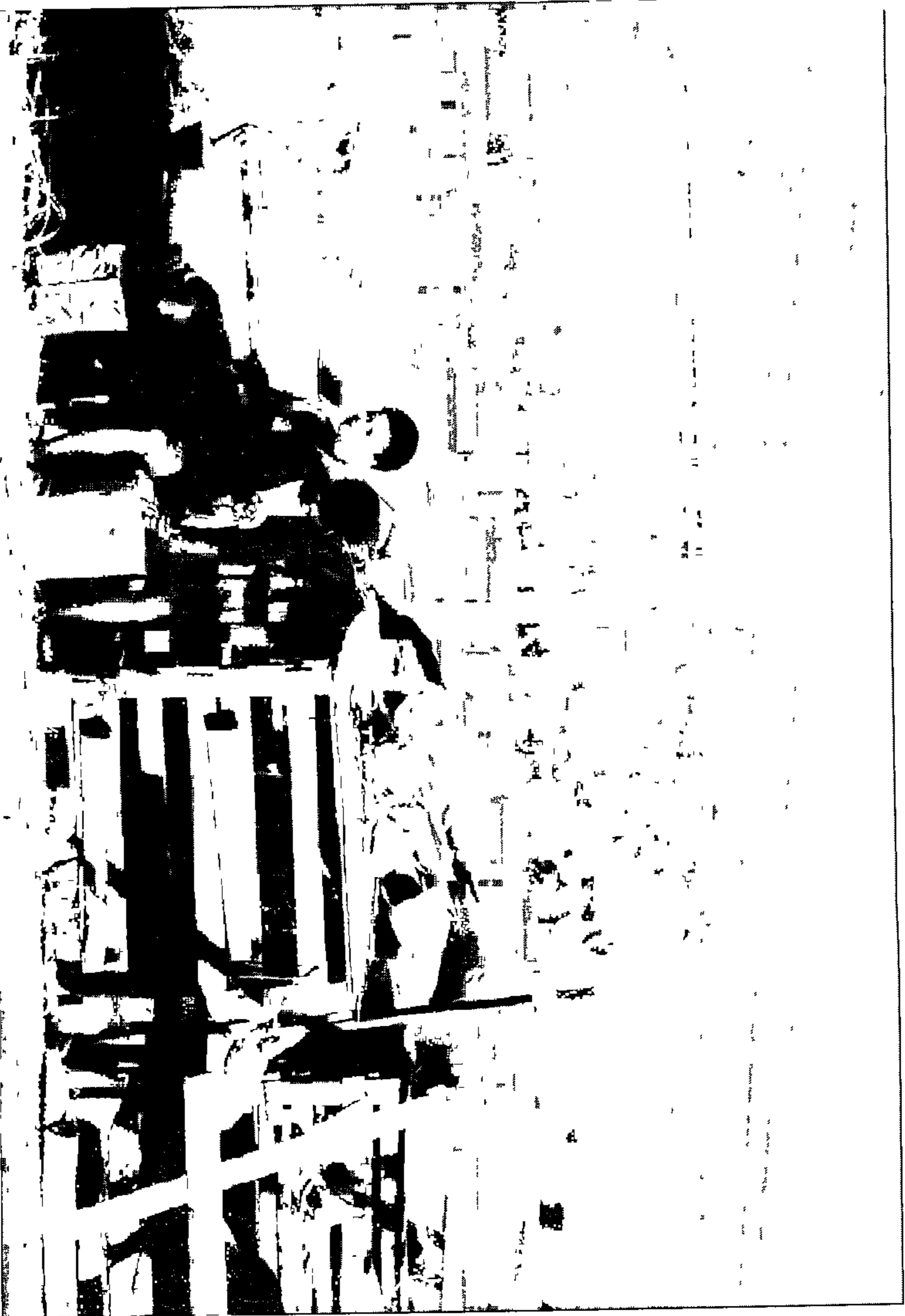
Minister of Housing Sankie Mthembu-Mahanyele has put a positive spin on the figures, counting houses under construction to take the tally to nearly 450 000 since 1994.

But the building industry says most of these "under-construction" units are little more than bare foundations. Builders are now calling on the government to scrap the agreement it made in October 1994 with the industry and banks to propel low-cost housing.

"We need to focus on what's gone wrong," says Building Industries Federation of South Africa executive director Ian Robinson. "It's a far more depressing picture than the ministry is suggesting. They're kidding themselves if they think they're going to be able to produce politically acceptable results."

The National Housing Forum Trusti, an influential non-governmental organisation, says Mthembu-Mahanyele is doing well "under the circumstances. But many of these houses are barely habitable," says national co-ordinator Khadija Richards.

The stakes are high for the government. The provision of low-cost housing has been a central compo-



Waiting for a home: Ivory Park squatters watch other people move into dream houses. PHOTOGRAPH: GREG MARINOVICH/PICTURENET AFRICA

nent of its portfolio, and its performance will be closely scrutinised in the run-up to next year's election. If it fails, Mthembu-Mahanyele could come under pressure to scrap the subsidy system underpinning the programme, and start again.

The agreement her predecessor, the late Joe Slovo, produced in October 1994 sought to stitch together

a policy in which business would develop low-cost houses, with the government providing housing subsidies, and various agencies, such as the Mortgage Indemnity Fund, carrying the risk for defaults.

People earning less than R3 500 a month qualify for the subsidy, which starts at R5 000 and goes up to R17 500 — depending on criteria

such as the applicant's earnings, access to the housing site and ground conditions.

The idea was to give the homeless a base on which to build, a strategy called incremental development. All parties to the agreement have frequently bickered since 1994 about delivery problems.

In Parliament last week Mthembu-

Mahanyele publicly backed down from the African National Congress's one-million target set in 1994, blaming a lack of funds — despite her department's reputation for regularly failing to spend its annual budget. She said the target will be met "at a later date, subject to the availability of resources."

The department spent R1.2-billion

# dream of low-cost housing?

(123) MTG 20-26/2/98

on housing in the 1996 financial year, and is expected to have spent close to R2,2-billion in the current financial year. Its statistics suggest that even a massive cash injection would be unlikely to bring the government back on target.

The figures, compiled with a new computer programme that draws data from all nine provinces, show that 235 709 houses have been built since 1994.

But close to 40 000 of these were projects initiated by the previous government. Gauteng is out in front with 55 210 houses built, followed by KwaZulu Natal with nearly 43 000 and the Western Cape with more than 38 000.

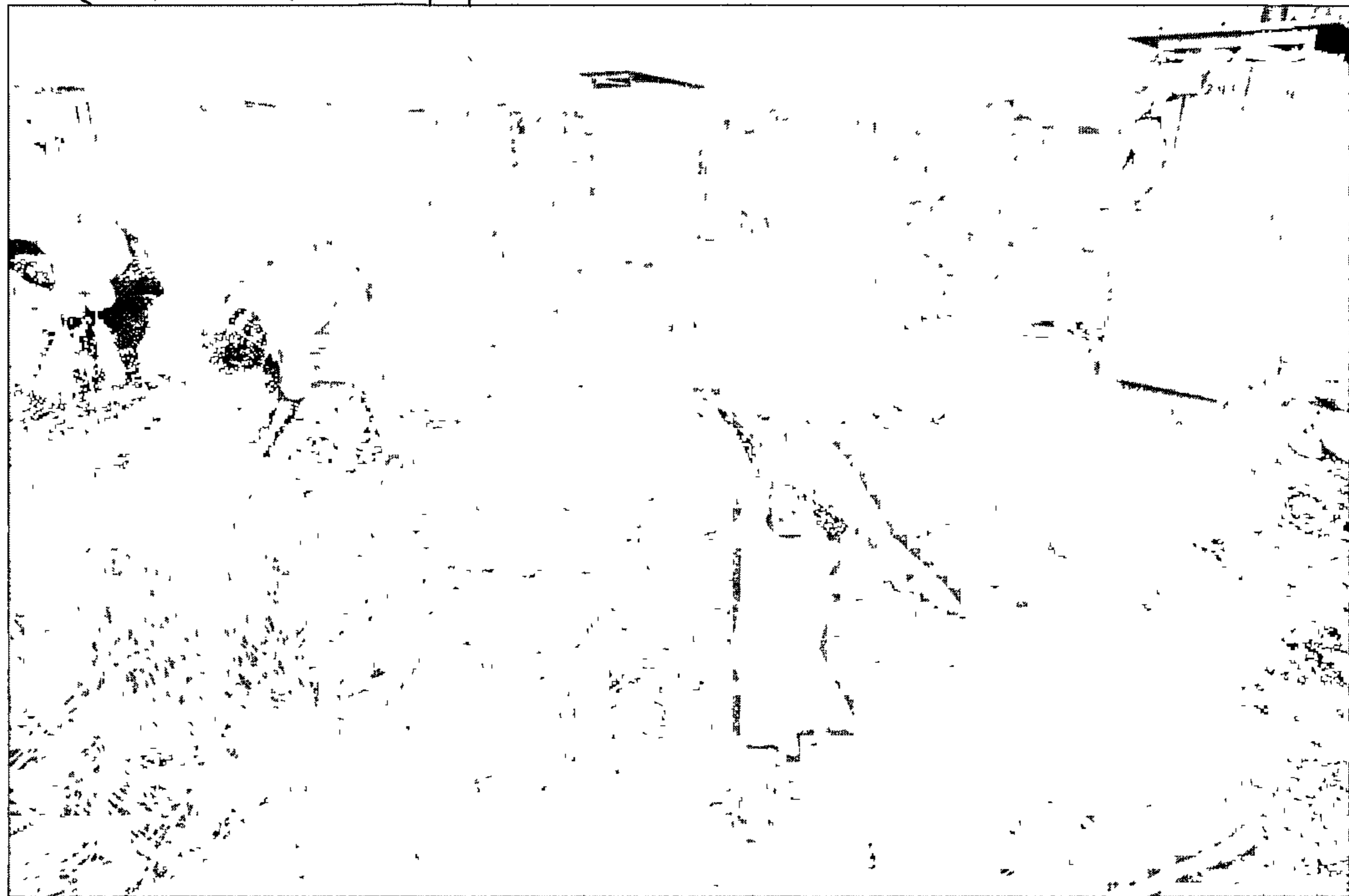
However, nearly half KwaZulu Natal's projects were initiated under the National Party, and around 10% of those credited to the Western Cape were drawn up by the old House of Representatives. The Western Cape confirmed this week that none of these projects had targeted the black homeless in the province.

National housing figures also show about 212 700 houses are under construction, but there is a wide range of opinion in the industry about what this actually means. Robinson says the industry's own experience suggests less than half of these units include top structures such as walls.

The gap between Mthembu-Mahanyele's claims and her department's statistics has fuelled fears that the figures are, in the words of one development academic, being "tortured until they confess".

The breakdown between houses built, houses under construction, subsidies approved and subsidies allocated gives politicians ample room to distort the true picture.

Until last year, the department had little grasp of how many houses had been built or were under construction. A senior executive at one of the top construction firms, who declined to be named, says the hous-



Toilets in the veld? Or a site-and-service strategy that makes sense? The housing department is still struggling to deliver houses.

PHOTOGRAPH: GREG MARINOVICH/PICTURENET AFRICA

ing department "can't on any given day say how many houses are built or being built — in fact they don't want to say, because it would not be politically palatable".

The head of the department's housing project task team, Brian Monteith, says the department now has accurate figures to hand — thanks to a computerised system linking up all nine provinces.

Monteith says many of the first houses built under the government's subsidy scheme were little more

than "toilets on slabs of concrete", but more recent projects are more sophisticated.

Richards adds that many developers are carving out "innovative" funding schemes, so the subsidy may actually pay for a complete structure — albeit a tiny one.

Monteith says in some provinces, like Gauteng and Mpumalanga, contractors are managing to build houses of up to 36m<sup>2</sup> within the constraints of the subsidy. Such structures are usually found in areas

where the ground is solid, allowing contractors to spend a bit more on walls and roofs.

He says he has been "pleasantly surprised" by the quality of houses now being built, though he warns there are still some profiteering developers who produce shoddy structures.

Innovative building, however, is unlikely to entice the banks back in. The Council of South African Banks says its members are reluctant to lend to most of the homeless the gov-

ernment is targeting.

"There's a limit to how far we can go," says the council's low-cost housing representative, Lance Edmunds. "Banks can't lend to people earning R800 a month."

Industry figures suggest the banks have helped fund just 15% of the houses built since 1994. They have lost close to R1,6-billion on defaulted loans in the sector in the same period. "The banks feel they've been philanthropic enough," Richards says.

# Guidelines on large dams may 'heighten opposition'

Josey Ballenger

BO 20/2/98  
 THE global experience of large dam projects shows that costs usually outweigh socioeconomic benefits, and imminent international guidelines will not necessarily reduce opposition, a global group of non-governmental organisations (NGOs) says

The California-based International Rivers Network, which has supported or coordinated 150 anti-dam campaigns throughout the world, including the SA-Lesotho Highlands water project, says the newly created World Commission on Dams is likely to heighten opposition if it exposes dam-related social, environmental and economic costs as it promises to

Lori Pottinger, the network's Africa director, said this week that dam developers' global record had proven to be poor, as displaced people were "never" fully compensated, bird, aquatic and plant species were often threatened or made extinct, and projects ended up being uneconomical, if not wasteful. Worldwide experience indicated that costs ran an average 30% higher than projected, sometimes creating too much debt for small economies, and "benefits were almost always less" than anticipated

She said the World Bank, which had created an "ineffective" inspection panel to deal with disputes, was the biggest funder of dams. It loaned more than \$58bn for 600 dams in 93 countries, and was expected on March 17 to grant 5% of the R6,7bn needed for the SA-Lesotho project's phase 1B

Pottinger said a 1990 World Bank survey, showing 58% of hydrodams it supported were built without consideration of downstream impact, led to the creation of the independent commission by the bank and the World Conservation Union. The commission is chaired by Water Affairs Minister Kader Asmal and has a two-year mandate to assess the costs and benefits of large dams and recommend policies, standards and guidelines for future projects.

Asmal announced on Monday the 11 other commissioners, which included representatives from governments, the private sector, NGOs and academia

Pottinger said NGOs were pleased with the selection of vice-chairman Shri Lakshmi Jain, India's high commissioner to SA, and Medha Patkar, a leading activist from India's Save the Narmada movement. They were concerned about "under-representation" of technical experts on ecological issues and alternatives, "the exclusion" of critics with an engineering background and the absence of a Latin American trusted by affected people's groups in the region.

Referring to Asmal, Pottinger said NGOs were "concerned about having someone supportive of the World Bank and a controversial dam heading the commission".

The network said it was "now logical there should be a moratorium on large dam building" as the commission's establishment "vindicates claims that large dams have had massively negative social, environmental and economic impacts"

# Govt 'positive' about mine water purification plan

David McKay

(123) (211)  
THE minerals and energy department will give cautious but positive feedback to proposals by gold mines for the creation of an independent water purification company

This was after a number of gold mining companies, led by Durban Roodepoort Deep (Durban Deep), presented plans to the department to manage the pumping and purification of contaminated water from underground gold mines.

Andre Cronje, of the minerals and energy department, said yesterday he could not discuss details of the department's reply ahead of

an internal memo due to be circulated this week. However, he said the department would tell Durban Roodepoort Deep next week that setting up a privately run water purification industry was "a good idea", although several technical questions needed to be examined.

Funding for up to three purification plants, each estimated to cost between R200m and R250m, is to be raised by the mines.

Durban Deep MD Mike Prinsloo said funding would be discussed at a workshop on March 4 to which all interested parties would be invited.

The mines would raise the finance provided government

backed the plan and became a stakeholder in the water company, he said. The mines include Western Areas, Harmony Group's Grootvlei and Consolidated Modderfontein and Durban Deep.

Other issues to be discussed at the workshop include the water treatment options open to the stakeholders.

The plan is to purify water for human and industrial use which could be used to bolster supplies from the Vaal Dam and the Lesotho Highlands water project.

The independent company will purify pumped underground water, which in the case of Durban Deep is about 240Ml a day.



# R10-m gift by Norway aids housing

*Help for low earners*

**ALIDE DASNOIS**  
BUSINESS EDITOR

**The National Urban Reconstruction and Housing Agency (Nurcha) is to widen its low-cost housing initiative through two new forms of support for low-income families**

Thanks partly to a R10-million contribution from the Norwegian government, Nurcha will introduce two new mechanisms support for rental schemes and small "top-up" or home improvement loans to home-owners

Until recently Nurcha concentrated on loan guarantees to developers and contractors to encourage them to tackle subsidised housing projects. In the last 12 months, 1 000 houses were built thanks to guarantees provided for contractors on small projects and by February next year Nurcha expects the number to have risen to 5 000. Guarantees to contractors on bigger projects have facilitated the construction of 3 500 houses and by 1999, 15 000 houses should have been built.

The move into end-user guarantees is new for Nurcha.

Would-be home-owners also

require urgent support, says executive director Cedric de Beer

"The government subsidy provides a maximum of R17 250 for the first-time buyer. Some people in lower income groups can afford additional finance that would enable them to buy a better home than the absolute minimum.

"But credit for housing purposes is unlikely to be extended by institutions without some form of guarantee," he explains.

Nurcha has now developed a mechanism to provide financial institutions with guarantees on small loans from R2 000 to R10 000, enabling them to lend to new home-owners so that they can improve on the basic subsidised house.

So far three schemes have been launched through financial institutions, and this year 12 000 individual loans are expected to go through.

Risk sharing in the development of housing for rental will be another focus this year.

Nurcha, which was set up as a presidential lead project in 1995, is a non-profit company funded by the government and by a grant from the Open Society Institute in New York.

**'12 000 individual housing loans are expected to go through this year'**

(123)  
ARG 21/2/98

# Lending disclosure law in the pipeline

BO 23/2/98

(123)

Robyn Chalmers

A NEW law to ensure that financial institutions disclose publicly their lending patterns in the housing market might be on the cards, banking and government sources say

Industry speculation was fuelled last week when national housing director-general Mpumi Nxumalo-Nhlapo said a "fair lending law" was on the cards. It would look at encouraging equitable access to lending to ensure lenders invested in communities. Further details would be given tomorrow.

Banking and government sources said at the weekend that the law could be part of a new lending framework being devised to fill the gap when the state-owned Mortgage Indemnity Fund closed in May.

Banks have lent more than R9bn to areas which were covered by the fund as they were perceived by banks to be "risky". However, less than half of this has gone into the middle to lower end of the housing market. Limited lending has taken place for people earning less

than R3 500 a month

"There is a perception that most banks are engaging reluctantly at the lower end of the market, and are not being proactive about drumming up business in this market," one government source said. "After all, the perception is that decisions are made by predominantly white management structures and that this influences the distribution patterns of loans."

It is understood that one of the aims of the law could be to place public pressure on banks to lend to poor communities. As banks were dependent on public loyalty, public perceptions on lending patterns could place pressure on banks to give greater support to community initiatives.

The law could force financial institutions to disclose all investment in housing assets. They would have to show where and to whom they had lent, how many home loan applicants they had rejected and the reasons why.

A task team is understood to have been set up to probe the lending law. It is being assisted by US specialists.

# State will save R500m on Lesotho water plan

(127)  
JONATHAN ROSENTHAL

(PR) ET 25/2/98 INDUSTRIAL EDITOR

Johannesburg — The government has claimed it will save R500 million through its decision to proceed immediately with the next phase of the Lesotho Highlands Water project.

This is despite claims from some quarters that additional water from the project will not be needed for up to 17 years.

The R10 billion first phase of the project carries water from Lesotho into the Vaal river system to feed populous Gauteng cities.

Phase 1b of the project entails the construction of a second dam and additional tunnels to increase the water supply from 18 cubic metres a second to 30 cubic metres a second at a projected cost of roughly \$1,5 billion.

But at a conference late last year officials at Rand Water, the water utility serving Gauteng and bearing responsibility for much of the cost of the project, expressed reservations about the next phase.

A Rand Water official allegedly referred to an unpublished study on demand management that indicated further phases of the project could be delayed for up to 17 years through conserving water in Gauteng.

After the conference Rand Water backed down from its view. Vincent Bath, its chief executive, said several scenarios were examined, and possible delays varied from seven to 13 years.

Mike Muller, the director-general of the department of water affairs, said the decision to go ahead had been based on the cost savings that could be achieved through proceeding immediately, as well as a risk assessment of the potential costs to the economy of a water shortage in Gauteng.

"It may well be that there could have been some delays, but there would have been immediate costs," he said.

Delaying the dam would have meant rebuilding the road infrastructure, which is still able to support construction of the next phase. A delay would also have to be offset against the discounts over estimated contract prices that were achieved because the winning contractors were already mobilised and on site.

Concor, a construction company which has already won several contracts on the next phase, said it would achieve cost savings through reusing equipment used to build the first phase.

Star 26/2/98  
Water bill

# needs work, end users say

(129)

The SA Agricultural Union and the commercial forestry sector said yesterday they could not support the National Water Bill in its present form.

A number of fundamental concerns have not been adequately addressed by the bill, the two parties said in a joint statement in Pretoria.

These included the limited duration of water-use rights; inadequate compensation provisions should the water user be granted less water than was needed; unlimited rights granted to the minister to impose water charges; and inadequate provision for the tradeability of water licences

SAAU resource services director Nic Opperman said the two parties would object formally to the bill in a written notice to the Department of Water Affairs and Forestry.

"We believe that if this bill goes through Parliament in its present form, it will be unenforceable," he said.

The bill, which proposes an end to private ownership of water, was made public by Water Affairs and Forestry Minister Kader Asmal last month. - Sapa

# Consortium unveils creative new low-cost housing initiative

Pute Molebeledi

A CREATIVE, easy-to-assemble, low-cost housing unit was unveiled this weekend by the German Frigate Consortium as part of its bid to win a multimillion-rand contract to equip the SA navy with four new corvettes.

The consortium, headed by steel giant Thyssen, pledged to build up to 20 000 low-cost units worth R19m in the first year of operation if it was awarded the contract. Government has set the end of May as

the deadline for the second round of defence package proposals to be decided on a best-and-final-offer basis for the six short-listed bidders — Britain, Germany, Canada, Spain, Italy and France.

SA needs four corvettes and submarines, six maritime helicopters, 48 light fighter aircraft, 60 light utility helicopters and 108 main battle tanks.

The winning bidder will be announced in October.

Thyssen's thermally insulated, low-cost houses, which form part of its R2bn invest-

ment and counter-trade proposal, are built from steel panels produced by Pretoria-based August Laepple, leading manufacturer of vehicle bodies in SA.

The pyramid-like houses contain 46m<sup>2</sup> living space divided into two bedrooms, a bathroom and kitchen.

David Jarrett, August Laepple MD, said the project would provide employment for 2 000 workers in its early stages. It was hoped the project would take off in other parts of the country.

Jarrett said each unit would cost about

R15 000 and accommodate a family of five. The company said 150 units could be built each day. It took four people to assemble one unit.

Housing Minister Sankie Mhembelani, Mahanyele and Tony Yengeni, chairman of the joint standing parliamentary committee on defence, said they were impressed by the prototype of the housing units. Mahanyele proposed a meeting with the designers this week.

Yengeni said the houses would be affordable and within the means of poor people

He said the project, if adopted, would have a positive influence on local industries because all the products used would be South African.

The consortium issued a multimillion-rand invitation to small, medium-sized and micro-businesses in SA to join as partners in its bidding.

It said counter-trade and investment packages for the corvettes and submarines would be worth R2bn and could create close to 4 000 jobs.

The consortium said corvettes were mul-

tipurpose ships that needed key components like electronics to run efficiently. It identified about 50 local companies, mainly black small, medium-sized and micro-enterprises that could supply the parts.

The consortium also proposed building a facility to produce water and waste-water pumps and creating an education centre to provide practical, hands-on skills training for 100 people annually. It aimed to set up five commercial parks which would group small businesses together to provide basic services for heavily populated areas.

(123) 80 212/98

A further announcement will be made as soon as possible

# Housing industry granted a new lease

**I**T TOOK courage and political foresight for President Nelson Mandela to announce in his opening of Parliament address that government was unlikely to meet the 1-million low-cost houses target by next year's election.

The public's fixation on the target meant real progress being made on the delivery of low-cost houses was being overlooked.

A politically driven numbers game caused housing quality to be compromised by developers in some cases in a bid to boost delivery figures.

The trick for the housing ministry now is to ensure that the momentum built up in the housing sector over the past few years is maintained. This will be difficult in the face of a diminishing budget, capacity constraints and a skittish private sector.

Any analyses of the reasons behind government's inability to meet its target must take into account what it inherited.

SA's housing environment was in disarray at the beginning of the 1990s with seven ministries and departments of housing, 13 statutory housing funds, and more than 60 national and regional parastatals involved in housing.

There were as many as 20 different subsidy systems and the construction industry was depleted from a lengthy recession. An abysmal number of low-cost houses — in the order of thousands, at best — were delivered under the apartheid government.

In the eyes of many international observers, SA's achievements on the low-cost housing front are impressive. We have a single housing policy and a uniform subsidy scheme with subsidies flowing to projects around the country despite being bogged down by provincial bureaucracy. A range of functioning inter-

The housing industry can focus on more pressing priorities now that the burden of meeting government's 1-million low-cost houses target has been effectively removed, says specialist writer **Robyn Chalmers**

(123)

BD 5/3/98

vention schemes are in place and an estimated 15 000 to 20 000 houses are now kicking off each month. Nevertheless, there have been and continue to be weaknesses in the system with which government is still grappling.

The most glaring of these is the lack of a comprehensive policy on the people's housing process which should have been established years ago. The housing ministry is aiming to release its proposed plan early this year.

It may not be fully supported by some provincial politicians, but it has been proven internationally that the best way to house the poor is to create an environment in which they can build homes for themselves. It is now abundantly clear that banks will not enter the lower end of the market — comprising about 75% of the population — and developers are in some cases diverting up to 50% of the subsidy. Even in areas covered by the Mortgage Indemnity Fund, where R9bn in home loans has been unlocked, the average loan was R55 000.

Shortly after Mandela announced that the 1-million houses target would probably not be met, Housing Minister Sandile Mthembu-Mahanyele told a media briefing the problem was a shortage of state funds.

This is true in so far as future funding is concerned, and it relates partly to a "gentleman's agreement" made in the past between the housing department and state expenditure

Essentially, the housing department agreed in 1995 to take a cut of up to R1,5bn in its budget allocation on the understanding that these funds would be available when housing delivery took off. The nature of construction and the bureaucracy surrounding housing developments dictates there is a lead time of between 12 and 24 months from the start of a project to finish.

Thus has translated into large rollovers on the housing budget over the past few years, although Mthembu-Mahanyele has indicated there will be no rollovers for the 1997/98 R2,2bn budget — evidence that delivery is now gaining momentum.

Unfortunately, those involved in the gentleman's agreement have all left their posts and there seems to be an unwillingness among senior government officials to honour an agreement they were not party to. It is unlikely that housing will receive a significantly higher allocation when Finance Minister Trevor Manuel unveils his budget next week.

The housing ministry has estimated it will need to build up to 5% of the national budget by the turn of the century to meet its target. Last year its allocation rose 156% to R4bn, but this

took into account more than R1,76bn rolled over to the housing vote in 1996/97. The budget-to-budget increase in the housing allocation amounted to 20,9%. At this rate, it is unlikely the 5% target will be reached. A lack of funds will, indeed, be the greatest threat

to maintaining the momentum of low-cost housing delivery with a lack of capacity at provincial and local government level coming a close second.

Other threats include raids on the housing subsidy, the bulk of which is spent on revenue generating local authority infrastructure services.

Some argue that it makes little sense for infrastructure to be funded out of the housing subsidy when it will generate revenue for local authorities for years. Why not, for example, finance a 50-year asset with a 20-year loan? As infrastructure falls under the constitutional affairs ministry, it is more difficult to get a co-ordinated approach on how it fits in with housing delivery.

Rather than submit to the calls to increase the subsidy — which Manuel is highly unlikely to treat favourably in the face of current fiscal constraints — government should rather sort out the infrastructure conundrum. Mthembu-Mahanyele has attempted to address this via a housing bill clause giving her powers to determine a national policy and standards for housing development that would be binding on the construction industry. A document on the average costs for land

and infrastructure estimates the total cost of providing a site with essential services should be R6 900 as opposed to the R10 000 often cited.

While these and other factors have forced government to abandon its target — which was a bit of a thumbsuck anyway — much has been achieved over the past four years. One of the biggest achievements has been to regulate the home building industry which has been undertaken in record time.

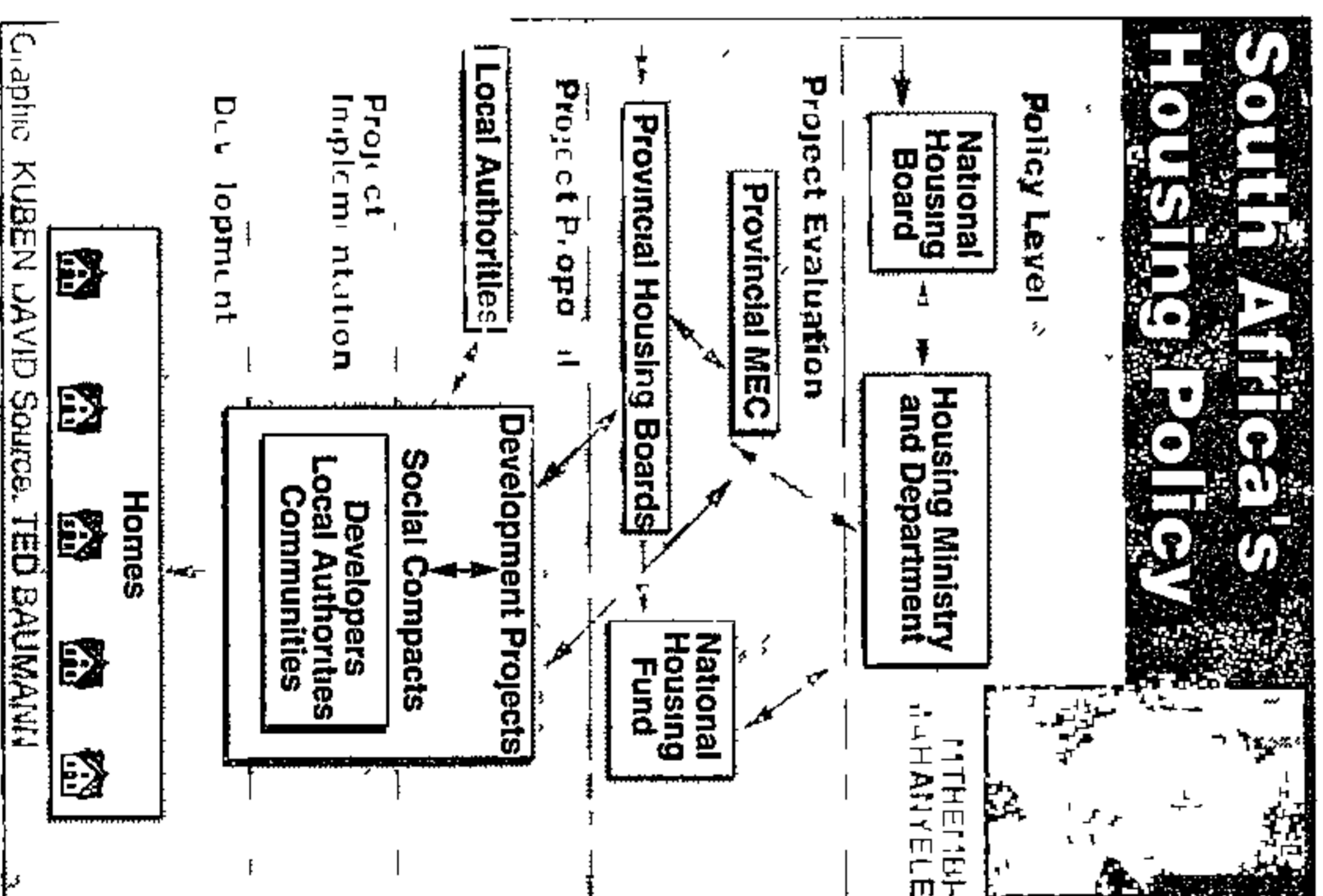
Complaints about building defects have dropped sharply in line with the registration of thousands of builders and houses around the country. Although the Mortgage Indemnity Fund has largely failed to draw banks into the lower end of the housing market, it has facilitated investment by banks in areas where this would not otherwise have occurred. It also propped up the black property markets during the transition.

The National Housing Finance Corporation is making inroads in to boosting financial capacity in the housing sector.

It had granted 25 facilities totalling R327m until December last year (up from R25m in December 1996), and disbursed R225m (1996 R1,5m).

Servcon, a joint venture by banks and government to deal with repossessed properties and defaulting bond holders, is still struggling to make headway in a market of low affordability and community opposition to evictions. It is a crucial intervention, however, if banks are to maintain their presence — albeit limited — in the market.

Now that government no longer has the 1-million target hanging over its head, it can concentrate on issues such as the ongoing improvement of housing quality and encouraging people to build for themselves.



Graphic: KUBEN DAVID. Source: TED BAUMANN

SATURDAY MARCH 7/8 1998

# A watery affair that began with purple rain on the city's streets

*From protest to conservation*

(123) ART 7/8/98

ESTELLE RANDALL

**Philip Ivey, project manager in the Department of Water Affairs and Forestry's National Water Conservation Campaign, once used water to dramatic effect.**

About nine years ago, Mr Ivey became a momentary folk hero when he turned a police water cannon, aimed at a peaceful protest march, on the police

Now he methodically promotes water-wise gardening as one of the ways to conserve South Africa's scarce water resources. The idea of switching to local plants suited to the semi-arid conditions of most of the country is slowly gaining ground in homes and botanical gardens. Even in Parliament, a start is being made to replace existing foreign, water-guzzling plants with local less thirsty ones.

"A week before that march a friend of mine almost lost an eye when police used a water cannon to break up a march. It was the memory of that which motivated me to act on September 2," he recalls.

Those were the days of the death rattle of apartheid rule, when thousands of South Africans marched to demand the unbanning of organisations such as the African National Congress.

During the September 2 march in Cape Town everybody stuck to the "letter of the law", he remembers. He was one of the marshals.

"When we got to Burg Street and the police said 'stop', I got people to sit down," he says. Earlier he had seen two Casspirs in a nearby side street and decided to investigate. When he returned, the police had started to use a water cannon, spurting purple-dyed water onto the marchers.

"I walked up to a marcher standing near the cannon and asked him why no one was trying to stop it. He said: 'Why don't you try?'"

So he did, climbing up behind the two policemen operating the cannon from inside the cab of the armoured vehicle. "I lifted the cannon up and turned it away from the demonstrators. The police thought the cannon was just not working.

"As the marchers roared their approval, an old man, who always came to protests, came up and told me to pull out the wires so that the cannon wouldn't work at all."

He did that, moments before the police emerged from the cab to see what was happening. "I ran down Church Street which was filled with teargas, but managed to reach Adder-



BRENTON GEACH

**Philip Ivey: still going against the flow – but now it's in the name of water conservation**

ley Street where I saw the police arresting anyone marked with the purple dye. I followed a woman with her dog into a shop where I hid under the counter and the shop assistants helped me get most of the dye off."

He evaded arrest at a roadblock in Strand Street that day, but two months later the police came for him.

"The case went to court three or four times, but there was never enough evidence and after De Klerk's announcement in 1990 that he was

going to unban organisations, the charges were withdrawn," he remembers of the day which heralded the time when "the purple shall govern".

He joined the Department of Water Affairs and Forestry in 1996, after working as conservation officer for the Botanical Society. While with the society, he campaigned to stop construction of a dam in the Palmiet River Valley by the former government's minister of water affairs, Magnus Malan.

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# Herzog to sign housing deals

(123)  
**ANDRÉ KOOPMAN**

CT 9/3/98

GERMAN President Roman Herzog, who arrived in the country yesterday on a five-day state visit, will meet President Nelson Mandela at Tuynhuys tomorrow

Herzog and Mandela are expected to sign seven agreements, including a R289-million deal to fund two low-cost housing projects, foreign affairs spokesman Mr Marco Boni said

Funds would be provided in the form of a R90m loan and R190m comprising a loan as well as a grant

The Development Bank of Southern Africa, in consultation with the German government, would decide on the location of the housing developments, Boni said.

Other agreements are to be signed on environmental co-operation, cultural matters and air and maritime transport

Herzog will meet Gauteng Premier Mathole Motshekga in Johannesburg before travelling to Cape Town

Herzog arrived in Johannesburg and was met by Foreign Affairs Minister Alfred Nzo. He visited the Constitutional Court, a personal interest, as he is a former president of the German constitutional court

Herzog is accompanied by his wife Christiane and a delegation of 100 people, including prominent businesspeople

After meeting Mandela, Herzog will address a special sitting of both houses of Parliament. He is also expected to meet Deputy President Thabo Mbeki

The presidential party is scheduled to visit Robben Island, the Peace and Development Project in Nyanga and Crossroads and also Cape Point. This is Herzog's first visit to South Africa. His visit follows visits to Germany by Mandela in 1996 and Mbeki last year.

On Wednesday Herzog will visit the Eastern Cape

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# Housing budget set to spark cash crunch

Robyn Chalmers

DD 10/3/98

(123)

HOUSING is expected to receive a marginal increase to about R2,7bn in tomorrow's budget from R2,2bn excluding rollovers which could lead to a cash crunch for some provinces as a result of overcommitments.

Analysts and provincial housing MECs estimate that provinces will need more than R4,5bn this fiscal year to meet project commitments comfortably and cope with new demand.

As they are unlikely to receive these funds, provinces which have overcommitted on their budgets will have to cancel nonperforming schemes.

Affected provinces are understood to include the Western Cape, Gauteng, Mpumalanga, Free State and Northern Cape.

In addition, the budget's spending figures for the next three fiscal years are expected to indicate that the housing ministry will not meet its self-imposed allocation of 5% of the national budget by the turn of the century.

Its allocation rose 156% to R4bn last

year, but this included more than R1,76bn rolled over from 1996/97. The budget-to-budget increase was R2,2bn.

Gauteng housing MEC Dan Mofokeng has said a total of R12,5bn — based on an average of R12 500 a subsidy — should be allocated to housing by 1998/99. This would mean a R4,6bn allocation in tomorrow's budget.

Housing Minister Sankie Mthembu-Mahanyele has indicated that there will be no rollovers on the housing budget this year, which will place more pressure on provincial housing departments to manage their cash flows.

In September last year, the national housing department moved to curb overspending by ordering provinces to freeze their future financial commitments to housing. Mpumi Nxumalo-Nhlapo, housing department director-general, said funds in the SA Housing Fund were adequate to finance provincial cash flow needs in 1997/98.

She said projected cash flow in respect of carry-through commitments would be managed in terms of the medium-term expenditure framework.

# Labour broker denies link with sinister syndicate

THABO MABASO  
BUSINESS REPORTER

A labour broker cited in confidential reports about a syndicate which instigates violence at construction sites for profit has applied for an urgent court order to stop Saldanha Steel linking him to the syndicate.

ABC Recruitment managing director Gavin Zietsman alleged in papers in the Cape High Court yesterday that Saldanha Steel industrial relations manager George Kerridge had been spreading rumours about him that stood to harm his business.

Mr Zietsman's company and black empowerment group, Daluxolo, formed a joint venture, Saldanha Central Services, last year to

supply labour to the steel project.

Mr Zietsman told the Cape Argus Mr Kerridge had accused him of being involved in a country-wide syndicate of labour brokers which destabilises sites for profit.

Separate reports compiled by the Western Cape Department of Labour and the National Union of Metalworkers of South Africa allege that the violence at the Saldanha Steel project in February was perpetrated by agents of the syndicate. The reports recommend the establishment of a task-team to investigate the syndicate.

The syndicate is said to infiltrate construction sites using artisans who instigate uprisings by exploiting workers' demands. Labour brokers then approach site managers offering them the services of their artisans at fees above

the market rate

Mr Zietsman has denied the allegations. The reports also name Jumbo Solomons, the outspoken self appointed leader of workers at Saldanha Steel, as one of the instigators

Mr Zietsman said: "I categorically deny that labour brokers were behind the events of February 3 at Saldanha Steel."

Lawyers for Mr Kerridge will oppose the application. The hearing has been postponed to June.

Meanwhile, Mr Solomons, whom the Cape Argus tracked to his home in Durban, has denied reports that he is employed by corrupt labour brokers. "To say I work with brokers is silly. Labour brokers have been exploiting workers so I do not work for them," he said.



BRENTON GEACH

Welcome: German President Roman Herzog and President Mandela in the city today

## Mandela and Herzog sign housing loans

ARG 10/3/98 (123)  
Cape Town - President Mandela and German President Roman Herzog today signed accords including almost DM90-million (R243-m) in low-cost housing loans.

"We are very, very proud to have the German president here," Mr Mandela told tourists who had gathered at the gate to Tuynhuys to watch a brass band and navy guard formally welcome Mr Herzog.

"Germany was one of our strongest supporters," he said as the crowd cheered and clapped.

Mr Herzog arrived in South Africa on Sunday on a five-day state visit accompanied by a 100-strong delegation, including prominent business people.

Agreements signed included loans to improve urban housing, a maritime shipping pact and an environmental co-operation accord.

Mr Herzog was due to meet Deputy President Thabo Mbeki later today and address Parliament before a state banquet hosted by Mr Mandela. - Reuters

# No gender equality in the classroom

Vuyo Mvoko

~~MD~~ MD 11/3/98

CAPE TOWN — Abysmal schools and structural constraints within the education department were just two of the hindrances in the way of gender equality in education, Parliament has heard.

The situation was not helped by the few women who occupied high positions, but who had "no progressive views" on women's rights, Ann-Marie Wolpe, chairman of a task team commissioned to look into all aspects of gender equity in education, said during a briefing to Parliament's education portfolio committee yesterday.

Wolpe's brief included proposing guidelines to address sexism in the

curriculum and in textbooks, and proposing affirmative action strategies for increasing the presentation of women in management positions.

The whole spectrum of education was a disaster when it came to gender issues, Wolpe said.

Curriculum in early childhood development needed special attention as research showed prejudicial attitudes among children had developed during the formative years of their lives.

Among the legislative measures recommended was "vicarious liability", where employers and their delegates were made responsible for acts of discrimination and harassment committed by people in their charge, she said.

# Experts say water bill has major weaknesses

Josey Ballenger

(123) MD 11/3/98

THE recently passed Water Services Act and the tabled National Water Bill will "fundamentally change" water access and management to meet admirable environmental and humanitarian goals, but some experts believe the legislation has major weaknesses.

Particularly, they believe, it is weak on details of monitoring and is heavy-handed in other areas.

"Monitoring is addressed superficially in both bills. It is one of my main concerns," said Jane Harris, the Council for Scientific and Industrial Research water quality programme manager, at a conference, attended mainly by water board officials, in Sandton yesterday.

Harris said the water affairs department would be responsible for setting up a national information system, but it was not obligated to manage or monitor the implementation of the bills. "Monitoring is extremely important, and it is the first thing to go (on a list of priorities)," she said.

Sapa reports that Rand Water announced the launch yesterday of a major programme to repair and modernise its water-delivery and metering systems to halt water wastage.

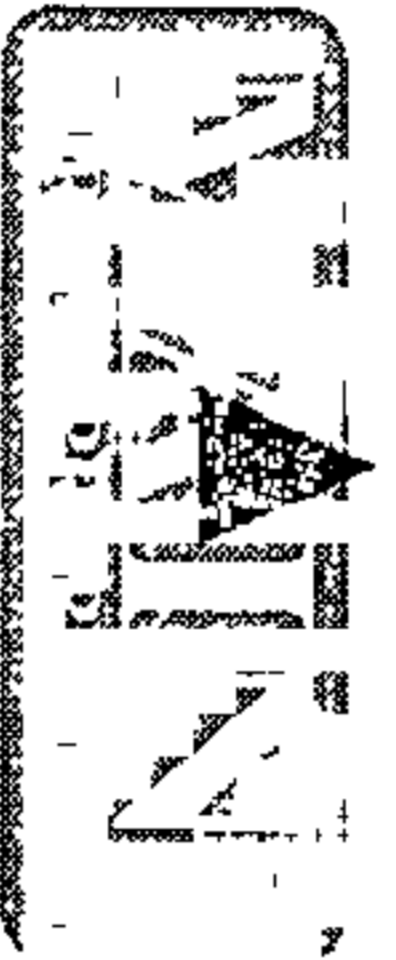
A recent survey by SA's largest water supply utility estimated that Gauteng was losing R250m annually in unmetered water.

"This is water which has been supplied by the board to local authorities in the province but which has not been billed out by the municipalities to end-users," it said.

To cut waste and save millions of rand, the utility is to replace or repair thousands of leaking valves, cisterns and toilets and upgrade bulk water meters with new technology systems.



**APEX PROPERTY FUND**  
("Apex")



**MAIN STREET PROPERTY FUND**  
("Mainpro")



**ALLAN GRAY PROPERTY TRUST**  
("Grayprop")

9778

# Bogus housing company warning

By Justice Mohale

THE Midrand Metropolitan Local Council (MMLC) has warned residents of Ivory Park not to pay money to a bogus housing organisation that is ripping people off by promising them houses

Spokesman for the council Mr Andile Dlamini said yesterday the National Homeless Organisation of South Africa (Nahosa) was getting residents to pay R10 each in order to qualify for a top spot on the housing wait-

ing list

The list was compiled by various local authorities in Gauteng so that the provincial government could grant people on it the R15 000 government housing subsidy

He said field workers of Nahosa were also distributing membership cards to those who had paid the money

"Residents who were suspicious of the manner in which the organisation was operating informed their ward councillors. The councillors then brought the matter to the attention of

the council," he said

An investigation by the housing section of the council discovered that Nahosa was not registered with any housing board and even the Gauteng government did not know anything about it, Dlamini said. He said the MMLC had formed a housing task team to speed up the processing of housing subsidies

The council appealed to residents who would like to know more about the housing waiting list to contact the head of the housing section

(123)

Southern 11/3/98

# Campaign to recover arrears

(123)

Lowetam 1/13/98

**By Joshua Raboroko**

LOCAL authorities throughout the country are to intensify their credit control measures in an attempt to recover millions of rands in arrears from consumers in light of a recommendation in the white paper on local government requesting them to do so

According to figures from the Ministry of Provincial Affairs and Constitutional Development, it is estimated that more than 100 local government bodies face bankruptcy, while some have been forced to suspend salaries of employees as a result of financial problems

In the Eastern Cape, 84 of the 94 municipalities are heading for bankruptcy, in the Northern Cape 38 out of 64 municipalities are in dire straits, while in Mpumalanga, 10 of the 64 local authorities are facing bankruptcy

About 13 of the Free State's 100 municipalities have financial difficulties, and in North West, six of the 53 are in trouble. In the Western Cape, 11 of the 136 councils are struggling, and in Kwazulu-Natal

only a few are cash-strapped

Northern Province has four municipalities that have financial problems

The white paper recommends that local authorities should embark on credit control measures to recover arrears

The Greater Johannesburg Metropolitan Council in Gauteng announced at a news conference yesterday that it would continue its tough action by cutting off electricity and water supply to hundreds of defaulters in the inner city from today

## Financial crisis

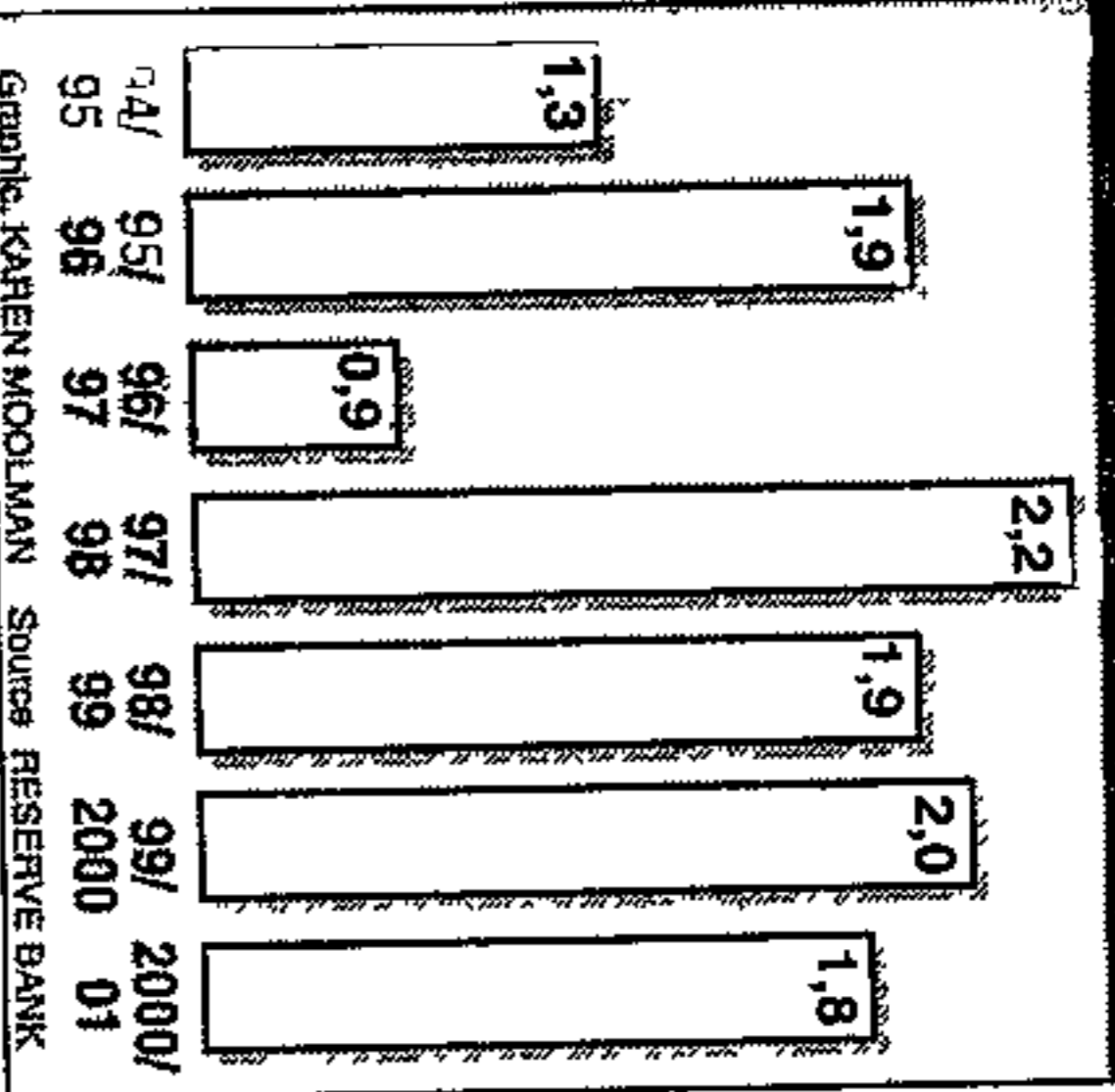
Chairman of the Committee of Ten Mr Kenny Fihla, who was appointed to investigate the financial crisis of the city, said the council had agreed to an intensive four-week campaign aimed at normalising accounts in the inner city

He said at present there were 22 high-rise buildings in the inner city where services had been cut, although he could not say how much businesses and tenants owed the council

# Housing's 24% drop in allocation 'will slow delivery'

Robyn Chalmers

Housing as % of total budget



Graphic: KAREN MOOLMAN Source: RESERVE BANK

THE budgeted housing allocation has fallen 24% to R3,6bn from an adjusted R4,77bn in 1997/98, and projected spending figures show housing will not receive the department's wished-for target of 5% of the national budget by 2000.

However, if rollovers of R1,76bn are taken out of last year's budget, the housing allocation effectively rises almost R600m.

Housing analysts said the allocation for 1998/99 was significantly lower than the estimated R4,6bn provinces said they needed to meet their housing commitments and cope with burgeoning demand. The Building Industries Federa-

tion of SA said the reduction of the funds being made available for housing would cause the delivery of low-cost houses to slow down.

However, an analyst welcomed the allocation, saying it was higher than a number of provinces were budgeting for.

"At the same time, there are concerns that the housing allocation appears to level out at around R3,5bn over the next few years, which means the ministry will miss its target. This could put a lid on the pace of housing delivery," he said.

The Budget Review said the 24% drop was due mainly to the shifting of bulk and connector infrastructure grant funds to the constitutional development department. A decrease

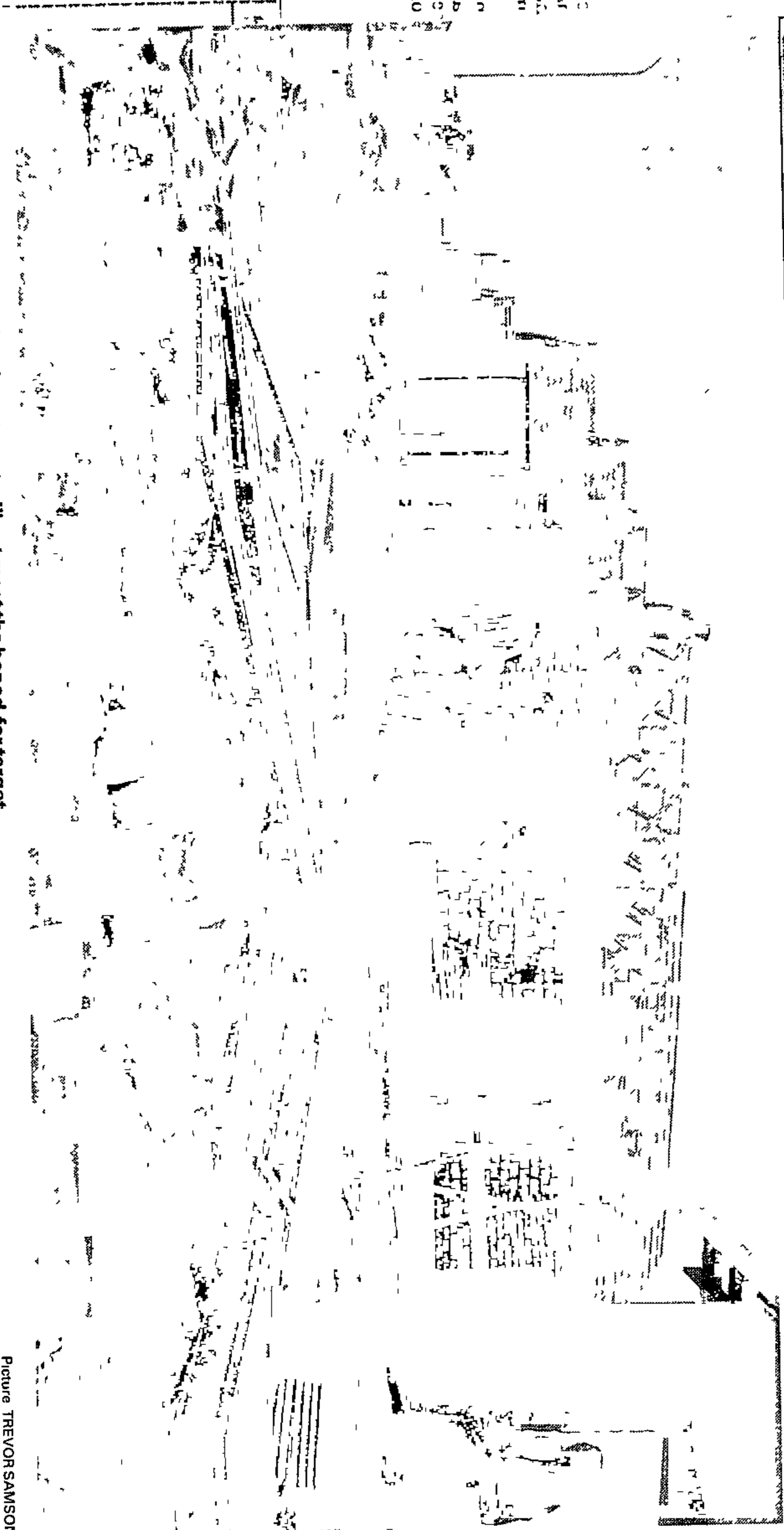
in the housing support initiatives programme to R50m in 1998/99 from R150m the previous year was a contributing factor.

In terms of medium-term expenditure estimates, the housing ministry would receive R3,74bn in 1999/2000 and R3,64bn the following year — or 2% and 1,8% of the total estimated budget respectively.

Provision of housing under the capital housing subsidy scheme has gained momentum with expenditure reaching between R250m and R300m a month in 1997/98.

Between the start of the programme and last December, 385 000 houses were either built or under construction and more than 700 000 subsidies reserved.

Projected spending for the housing department will not meet the hoped-for target



Picture: TREVOR SAMSON

## Department to assist in AIDS play probe

Dustin Chick

THE health department said yesterday it had contacted the Health special investigations unit, called in to probe a contract between the department and playwright Mhlongeni Ngema, to help in finalising the probe into the AIDS play Sarafina 2.

Health department spokesman Vincent Hlongwane said the department had offered to provide any documentation or other information the unit needed to complete its investigation.

The department did not know what the unit expected to uncover and wanted to help in whatever way it could, Hlongwane said.

In April 1996 the health department approached the police to investigate the use of funds by Ngema's production company, Committed Artists.

In late February, President Nelson Mandela officially endorsed the investigating unit, giving it sanction to probe Ngema's contract.

Health department director-general Olive Shusana said her department eagerly awaited the results of the investigation so that a report could be submitted to Parliament.

The department commissioned the play, which cost R14m, to boost AIDS awareness.

# Support teams to aid municipalities

Pule Molebeledi

GAUTENG local government MEC Siceka yesterday announced the creation of management support teams to aid provincial municipalities lacking in managerial skills and the financial resources to handle their own affairs.

The teams are to be made up of the mayor, the executive committee chairman and one councillor from the affected municipality. They will be supported by management technical support teams headed by independent experts on local government finance. The experts are to be drawn from the private sector.

The provincial government's intervention comes amid reports that of the country's 843 local authorities, 135 were in financial difficulty, with some forced to suspend payment of their employees.

At a press briefing in Johannesburg, Shiceka said he expected a preliminary report at the end of the month, though the team would have six months in which to finish its work.

He said an in-depth investigation conducted by the provincial government within a national framework, called Project Viability, had found the financial status of many local authorities to be on a proper footing and under control.

The study categorised the status of the authorities under four levels:

- Thirteen local councils were found to have the managerial capacity and financial resources to handle their own affairs and needed only minor instructions from the provincial government;
- Four councils were able to handle their financial resources and their affairs to an acceptable standard, but they required specific, high level instructions from the provincial government;
- Five municipalities were found to be lacking, to a major degree, either the managerial skills or financial resources to handle their own affairs to an acceptable standard; and
- Four municipalities lacked both the managerial skills and the financial resources to handle their own affairs, and would need provincial government or outside assistance.

Sapa reports Shiceka said "proactive measures" had been taken to prevent collapse of the latter four municipalities. They were Brakpan, Bronkhorstspuit, Cullinan and the Vereeniging/Kopanoang metropolitan local council.

Shiceka said he had set up management support teams in those councils. There would also be technical support for the teams, headed by experts in local government finance.

Shiceka said all local councils would make it for the financial year ending in June. "We are convinced that all local authorities will be sufficiently liquid to meet basic bills such as essential services and payment of staff."

He called for the establishment of a national transitional fund for local government as some local authorities were dealing with inherited debt not of their own making.

Shiceka allocated R12m last year to bale out struggling local authorities and has indicated he would be providing more money this year to assist those facing a grave situation.

## 'Demand management' needed for water

Josey Ballenger

WATER demand management needs to come into greater play to use the scarce resource efficiently and save on capital expenditure, water experts say.

"There is no question we are still being driven by supply-side management. It is a circular argument that we do not know how much we can conserve, so we build more dams and manage supply," said Guy Preston, special adviser to Water Affairs Minister Kader Asmal. "We need to break that cycle."

George Constantinides, Rand Water's demand manager, said at a Sandton conference yesterday that demand management should be seen as an alternative investment. Spending R1bn on retrofitting less efficient appliances and fixing leaky pipes, for example, would

save R3bn in consumption.

Rand Water figures show domestic and network leaks account for 10% and 14% of consumption respectively, and a survey the utility conducted three years ago showed 50% of Sowetan households had plumbing problems, leaking an average 36Kl a month.

"We can get significant savings from delaying schemes. We can put that money into other, more important social things," Preston said.

Constantinides said the nation's largest water supplier "definitely believes that we could even drop supply by 40%" and therefore delay Vaal River system projects "by years". Between March 1997 and April this year, the price of water for Rand Water consumers almost doubled to R1,08/Kl because of capital investments, including the Lesotho

Highlands water project.

He said the value of delaying capital investment, particularly in an environment of declining real interest rates, translated into savings. Delaying the next phase of the Lesotho project — the Mohale dam — would mean a "conservative" annual R800m savings, including operating costs, at 6% interest.

However, Preston said the Lesotho project was "water under the bridge" as political considerations had to be taken into account.

The two experts emphasised the need for a "block rate" tariff system that would allow poor consumers to have a "lifeline" supply, normal users to pay marginally more, and upper "luxury" users to swing the cost of future dams. "You cannot have social justice with a flat rate tariff," Preston said.

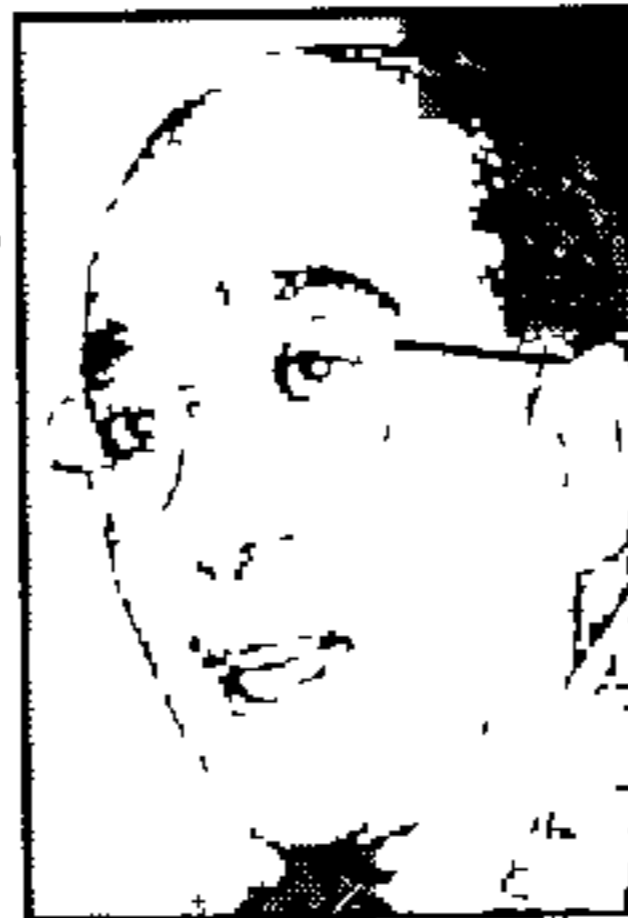
# Budget sets aside R2,3-b <sup>(123)</sup> *seweran 12/3/98* for water

By Rafiq Rohan

PROFESSOR Kader Asmal has reason to be pleased with the Minister of Finance Mr Trevor Manuel

The Water Affairs and Forestry Ministry has been enriched by a total of R2,3 billion and over the next two years this budget will experience a steady increase

In terms of the Medium-term Expenditure Framework (MTEF), a new innovation in budgetary workings which sees budgets allocated for the next three years, Water Affairs will receive a rise in allocation next year to R2,4 billion, followed by R2,6 billion in the 2000-01 Budget



Kader Asmal

Planned new projects for Water Affairs includes the R248-million transfer of water from the Mooi River to the Mgeni River to supply Umgeni Water, repairs to the Tugela-Vaal canal, R150 million for the Mvoti Dam to supply communities in the Stanger area in KwaZulu-Natal with water, and R596 million for the Luvuvhu Project for water supply in the Northern Province

Other ministries

- Arts, Culture, Science and Technology receives a budget of R739,9 million;
- Environmental Affairs and Tourism gets R400 million;
- Finance gets R5,9 billion,
- Foreign Affairs gets R1,2 billion;
- Home Affairs receives R1 billion,
- Housing gets R3,6 billion,
- Labour gets R745 million,
- Land Affairs gets R685 million,
- Minerals and Energy gets R647 million;
- Public Enterprises gets R28 million;
- Public Service and Administration gets R57 million,
- The Public Service Commission gets R28 million,
- Public Works gets R3,8 billion,
- Sport and Recreation gets R82 million,
- Trade and Industry gets R2,3 billion;
- Transport gets R3,2 billion.



# Waste disposal enters space age

Josey Ballenger

SA's waste industry will enter the space age if its use of a technology that converts toxic wastes to harmless byproducts, designed by US space agency Nasa, is approved

Waste management company Waste-Tech said at the weekend it was conducting an environmental impact assessment of a waste conversion process developed by Nasa which uses temperatures hotter than the sun's surface to reduce toxic waste products into harmless entities

The company is proposing a R12m "plasma arch" torch and reaction chamber be located at the Holfontein hazardous waste site in Springs, Gauteng

It would be used to destroy chlorinated toxic wastes such as PCBs and pesticides, which are encapsulated in reinforced concrete cells

The process is more expensive than encapsulation, but may give hazardous waste generators peace of mind

"Those clients who pay the extra money would have the satisfaction of knowing the material is converted into harmless byproducts and no longer exists as a waste material," said Waste-Tech consultant Brian Gibson, who was conducting the environmental impact assessment

Nasa developed plasma arch technology more than 30 years ago to test the efficiency of spacecrafts' heat shields on their re-entry to earth's atmosphere, but it has recently been adapted for commercial use

Waste-tech, a division of EnviroServ Holdings, would be the first to use the technology commercially in SA, although the Council for Scientific and Industrial Research, Mintek and the Atomic Energy Corporation had examined it, Gibson said

MO 16/3/98 (123)  
Gibson noted that the process was "not incineration", as no combustion or burning took place

Following exposure to intense heat, under which materials break down into their basic molecular components, a controlled cooling process reformed the molecules into byproducts that are relatively harmless and reusable

The resultant product would be disposed of at Holfontein

Gibson said in the next three to six months he would review relevant information, effects and alternatives in a report which would first be circulated to interested and affected parties for comment before being submitted to provincial environmental authorities

He said the company hoped to have the assessment completed, and the technology working, in a year

# Asmal says local agencies will control water

Louise Cook (123)

CENTRAL government would transfer most of its control of water allocation and waste management to local catchment management agencies once they have the necessary capacity, Water Affairs and Forestry Minister Kader Asmal said yesterday.

Speaking in Pretoria at the launch of this year's Water Week — Asmal dismissed suggestions that the National Water Bill would give central government excessive power over water management and usage. "This government is interested in regulating people's

water rights, not removing them," he said.

Sapa reports Asmal as saying access to clean water was an absolute right.

"It is not a privilege but their absolute right to have adequate fresh, clean water."

The bill was widely opposed by farmers and foresters who feared the proposed legislation would strip them of their traditional riparian rights.

Asmal said water laws by the previous government were far more autocratic, which empowered the minister to declare a so-called government-water-controlled-area during times of drought. This measure would be

scrapped, Asmal said.

Referring to the El Niño phenomenon, the minister said government spent R240m on boreholes and other preventive measures in rural areas to limit the impact of the expected drought. Another achievement was a R220m "working for water" project which focused on the removal of alien vegetation from river beds and catchments areas. The project provided 40 000 jobs, mostly to women.

"The community water supply and sanitation programme is another challenge. Water boards like Rand Water have accepted far wider responsibility for the provision of water

than in past years."

Rand Water CEO Vincent Bath said Rand Water adopted several initiatives to decrease water use and increase water supply. These included removing alien vegetation from catchment areas, restoring wetlands, fixing leakages, controlling pollution and reducing erosion.

"The essence of Izandla Ziyagezana — the theme of this year's Water Week — is that individuals helped to conserve water," Bath said.

Festivities would see participation by private businesses, provinces, local authorities, conservation organisations and 600 000 schoolchildren.

PD 17/3/98

# Baqwa protests against delays in extra funding

Wyndham Harley

CAPE TOWN — Public Protector Selby Baqwa, yesterday accused the government of unjustified delays in considering his application for extra funding for the creation of regional offices to deal with his office's massive workload.

Baqwa told Parliament's justice committee he was "extremely concerned" that the treasury committee had chosen to postpone a decision on his request which went before cabinet in October last year

He said the task team to investigate his request apparently did not exist and that Public Service Minister Zola Skweyaya, who was supposed to head the team, "says he knows nothing about it".

Baqwa said it appeared that Finance Minister Trevor Manuel would not consider the request without a report from "this nonexistent task team". He said he had written to Justice Minister Dullah Omar to request clarification.

Baqwa requested an extra R22m for the 1998/99 financial year. He received

R5.8m last year and this was raised to R7.4m in the new budget.

He said the bulk of the money was for the establishment of the nine regional offices needed to deal with the flood of cases referred to the public protector for investigation. The need for regional offices arose when the provision for provincial public protectors in the interim constitution was dropped.

Baqwa said every time there was publicity around the office of the public protector it resulted in a flood of new cases.

A planned communications campaign had been put on hold because of this.

Complaints received had increased from just more than 1 000 in 1995 to 3 320 in 1997 (a total of 6 686).

Human Rights Commission chairman Barney Pitsoana told the committee the commission had been unable to address its constitutional mandate for the development of human rights because of a lack of resources. He said a better equipped research facility was needed.

Pitsoana said because the commission

was funded through the justice department, the independence of the commission had been jeopardised.

He suggested funding for the commission should be through Parliament as this would strengthen the "supervisory" duty of the commission and Parliament over the executive.

He welcomed the recently tabled Human Rights Amendment Bill as this would allow the commission to raise funds outside its budget and give it authority to establish a human rights fund

## Housing department gets tough on banks

Vuyo Mvoko

CAPE TOWN — The housing department has finalised legislation to compel financial institutions to divulge their lending patterns for low-cost housing and small businesses, it was confirmed in Parliament yesterday.

Housing director-general Mpmuni Nxumalo-Nhlapo told the housing portfolio committee that the department wanted to push the legislation through before the close of Parliament in September. She said the draft bill would soon be circulated to stakeholders for consultation.

The department had been working closely with a group from the US, where lending institutions were forced by law not only to disclose their lending patterns but to contribute a profit percentage to low-cost housing.

SA, however, would not follow the US example initially, as this would re-

quire the setting up of monitoring infrastructure, Nxumalo-Nhlapo said.

She said it was envisaged that banks would be rated according to criteria still to be determined.

Their performance would determine the extent to which they would be entrusted with government accounts. Banks would also be closely monitored on whether they lent money in areas in which they did business.

Nxumalo-Nhlapo said institutions concentrated on the middle to upper end of the market and the legislation was meant to ensure the banks' participation in low-cost housing.

Nxumalo-Nhlapo said the housing department would also push through the Residential Landlord Tenant Relationships and Rent Bill this year to regulate the relationship between landlords and tenants. The first draft of the bill would be submitted to the cabinet for approval next month.



Gauteng finance and economic affairs MEC Jabu Moleketi, right, presented his provincial budget to the province's legislature yesterday. This is the first budget to be presented under the leadership of premier Mathole Motshekga



Pictures: TREVOR SAMSON

## Water rights ruling swung

(127) (127)

Louise Cook

BD 19/3/98  
SA's largest private dam — on a farm at Piketberg in the Western Cape — is to be officially opened in June after the farmer managed to swing a refusal by the water affairs and forestry department to grant him water rights in the Berg River.

Owing to the reversal of the decision after the intervention of Water Affairs and Forestry Minister Kader Asmal, the farm was being developed to provide at least 3 000 jobs for seasonal workers during the peak harvesting season and to export 1,4-million cartons of grapes by the end of 2002, farm manager Jannie le Roux said yesterday.

Le Roux said that when he first applied for water rights early in 1995, he was told all rights had been allocated and no further irrigation was possible. However, Asmal later argued that wasted winter flows could be used to create additional water rights.

A Western Cape water affairs and forestry spokesman said: "If there is a chance to boost development, everything should be done to create access to water."

**Working for water in full steam**

00 20/3/98 (43)  
THE working-for-water programme created 40 623 jobs in 240 projects in nine provinces with only 6% of its budget going to administration, Water Affairs Minister Kader Asmal said yesterday.

It was estimated that more than 80 000ha had been cleared of alien plants and the project had restored rivers and wetlands to living entities. The department is asking for R350m from the R500m poverty fund announced in the budget

REPORTS: Business Day Reporters, ECN. (123)

# Working for Water creates 40 623 jobs in rural areas

CHARLES PHAHLANE

THE number of poverty relief projects run by the Working for Water programme rose from 35 to 240 after the injection of R150 million from the Poverty Relief Fund last November, Water Affairs and Forestry Minister Professor Kader Asmal said yesterday.

The R250m Working for Water programme has created 40 623 jobs in largely rural areas which support 250 000 to 300 000 people

The ministry has applied for R350m from the R500m available for poverty relief. Asmal conceded that they might not get the full allocation, but said the ministry was looking at a budget of about R500m for the 1998/99 financial year

He said six percent of the budget was spent on administrative expenses. The rest went directly to job creation.

"It is crucial to state that there are overwhelming demands for poverty relief funding, and a key consideration would appear to be maximising benefits across line functions," he said

"Through the Working for Water programme we can address issues of health, wel-

fare, land restitution, the development of SMMEs (Small, Micro and Medium Enterprises), and so much more."

The programme aims to clear land of invading alien plants, which consume much more water than indigenous plants.

Asmal said figures for the total area cleared were still being compiled, but it was likely that over 80 000 hectares had been cleared.

About 53% of the workers are women, which is below the 60% target set by the department. People with disabilities make up less than one percent of the workforce.

The Eastern Cape created most jobs (8 718), followed by KwaZulu-Natal with 8 191 and the Western Cape with 7 772.

The programme has a number of positive features, including improved security, the restoration of rivers and wetlands, the reduction of flooding, siltation of dams and scouring of rivers, and the recharging of depleted groundwater.

It also enhances ecological functioning, biological diversity and the productivity of land.

"Although it is difficult to comment on the future of the programme, there can be no doubt that the return on investment is exceptionally high," Asmal said.

*"There can be no doubt that the return on investment is exceptionally high."*  
— Professor Kader Asmal

ED 20/3/98

# Housing finance group in a crisis

ep 22/3/98

By WILLIE ZONDI

(123)

The National Housing Finance Corporation - a public company formed more than a year ago with joint government and private sector funding to the tune of R450-million - faces its worst crisis ever

This comes in the wake of the resignation of its chairman Eric Molobi two weeks ago.

Though housing ministry spokesman Gigi Kekana has denied knowledge of Molobi's resignation, City Press is in possession of his letter of resignation dated March 3

In the letter addressed to CEO Johan de Ridder, Molobi says he had no alternative but to resign after De Ridder "decided to undermine my credibility among NHFC's black professional staff and in the process show your total lack of confidence in me as a person"

"I have laboured under the impression that you have total confidence in me and my experience in dealing with issues relating to the frustrations faced by black professionals in companies. Under the circumstances, I have no alternative but to resign from chairing the board of NHFC with immediate effect," Molobi writes.

Sources within the corporation say Molobi's resignation may have been sparked off by De Ridder's moves to restructure the NHFC without the board's knowledge

Molobi's other gripe was that when senior black NHFC staff had a meeting with him recently to discuss the misgivings for the restructuring, De Ridder had later accused them of "stabbing him in the back"

Through the restructuring, seen by some as a "quick behind the scene route to privatisation", nine people will lose their jobs.

Affected staff members - with close to 40 permanent employees - have received letters asking them to apply for existing jobs or vacancies. The letters say they may also take a retrenchment package.

It is believed Molobi had been "utterly disgusted" when he learnt that De Ridder's proposed restructuring was being effected without the knowledge of the board.

Another cause of his anger was the fact that the restructuring was presented as having received his blessings

Though he has declined to comment on his resignation, Molobi is however expected to chair his last meeting as chairman of the NHFC at the end of the month where most of the board members are expected to move for De Ridder's sacking

## Asmal calls for greater awareness of saving water

Josey Ballenger (123)  
BD 23/3/98

WATER Affairs Minister Kader Asmal yesterday called on authorities, water boards and other water supply players to put their efforts behind creating a "broader consciousness" of water conservation and to continue working together beyond "traditional boundaries" to unite for water provision.

"We have made co-operative governance work," Asmal said on the banks of the Vaal River in Vanderbijlpark at the conclusion of National Water Week, whose motto was "To have water is your right To save water it is your responsibility."

Asmal pointed to the water affairs department's Working for Water programme — which eliminates alien vegetation, saves water and creates jobs, particularly for women, in collaboration with water boards across the country — as an example of a multiparty initiative.

The national water conservation campaign had also mobilised several partners "beyond their (mandated) boundaries" in its 2020 Vision for Water schools project, another "world first".

Asmal also highlighted Gauteng utility Rand Water Board's involvement in repairing leaks in areas such as Thokoza, Soweto, Tembisa, Kagiso and Daveyton as reducing water loss and the high costs to local authorities "resulting from apartheid-era plumbing in homes".

"This country faces serious water stress within two decades if we do not give water the respect it deserves. We must give it proper value, conserve it (and) find new resources without harming the environment or populations," he said.

"We must keep water where it belongs on the national agenda on the top," he said.

Rand Water CE Vincent Bath and other experts emphasised throughout the week that with current consumption patterns and population growth, SA will have used up its existing supply by 2020. Building dams was "not the answer" to obtaining additional supply.

However, Asmal said yesterday that calls for a delay in the Lesotho Highlands water project were "wrong" and that people should not be "deceived" by full dams, as uncertainty lingered surrounding the El Niño effect, which could bring severe drought to southern Africa.



Water Affairs Minister Kader Asmal called for a greater consciousness about water conservation at the Vaal River in Vanderbijlpark yesterday at the conclusion of National Water Week

Picture JOSEY BALLENGER



# 35% of home contracts go to disadvantaged

JOVIAL RANTAO

LT 24/3/98

(123)  
Gauteng was leading in delivery of houses, with 140 392 homes built in the past four years, which was 52 000 more than KwaZulu-Natal's 88 546. The Western Cape followed with 64 074, Eastern Cape 42 034, North West 36 730, Free State 35 503, Mpumalanga 26 732, Northern Province 21 183 and the Northern Cape 14 250.

However, Eastern Cape, North West and Western Cape have emerged as the provinces which have allocated more contracts to developers from disadvantaged communities.

In reply to a question from the Freedom Front MP Johannesburg Groenewald, Mthembu-Mahanyele said R4 billion had been spent on housing subsidies in the past four years.

In an answer to a question from the National

Party's Jacobus Albertyn, the Minister outlined major projects undertaken by the Ministry of Housing. These included:

- The R644-million programme to repair, rehabilitate housing and restore services in the Kathorus area in the East Rand. It consists of 300 projects on which R405 million has been spent. Progress on the projects was "very good".

- The R592-million project to provide engineering and social services, housing and employment facilities in an integrated manner to communities in the Cape Flats. "Internal politics of the area" have been blamed for delays in the implementation of some projects. It was expected that R270-million would have been spent by the end of the financial year.

# Many homes contracts for disadvantaged

(123)  
By JUVIAL RANTAO  
Political Correspondent

Cape Town - More than 35% of housing contracts issued by the Government to housing developers in the past four years were to those from historically disadvantaged communities, Housing Minister Sankie Mthembu-Mahanyele has disclosed in Parliament.

In reply to a question from Pan Africanist Congress MP Patricia de Lille, Mthembu-Mahanyele said 655 developers were involved in the building of 469 000 houses. Of these, 255 were from communities which could not previously gain access to government tenders.

Mthembu-Mahanyele said 735 375 housing subsidies had been granted countrywide.

The minister said Gauteng was the leading province in this regard, with 140 392 houses.

In reply to a separate question from Freedom Front MP Johannes Groenewald, Mthembu-Mahanyele said the Government had spent close to R4-billion in housing subsidies in the past four years.

In an answer to a question from the National Party's Jacobus Albertyn, the minister outlined major projects undertaken by the Ministry of Housing. These included:

■ The R644-million project to repair and rehabilitate housing and restore services in the Kathorus area in the East Rand.

■ The R592-million project to provide engineering and social services, housing and employment facilities to communities in the Cape Flats. "Internal politics of the area" have been blamed for delays in the implementation of some projects.

■ The R13-million project to upgrade facilities - paving and pathways, toilet and washing facilities, water supply and electricity provision - to communities along the Molopo River in Mafikeng, in the North West.

■ The R1,8-million project to repair 157 houses damaged during the violence in the '80s in Mpumalanga township in Hammarsdale, Mpumalanga, in KwaZulu Natal.

■ The R1,3-million project to repair 500 houses in Bruntville, in KwaZulu Natal, and a R23-million urban-renewal project in Port Shepstone.

26/6/78  
the news

# Squabble a threat to housing body

BD 30/3/98

(123)

**Robyn Chalmers**

THE National Housing Finance Corporation's board will meet today to consider management's handling of an internal squabble threatening to undermine the agency

A dispute between corporation chairman Eric Molobi, CEO Johan de Ridder and management members led to Molobi's resignation last month

Those involved have agreed not to discuss the problem publicly. Sources close to the issue said at the weekend the disagreement had largely been resolved. But Molobi was unlikely to withdraw his resignation because he had his hands full as chairman of Kagiso Trust Investment Company

The row is believed to relate to concerns by a staff member over the proposed restructuring of the corporation, with lines of authority being questioned. The staff member has resigned.

The housing ministry and department officials are understood to have held talks with those involved

Today's board meeting is expected

to discuss whether the directors still have confidence in De Ridder and his team. Concerns have been expressed within the industry about the future of the corporation should the board decide not to support them

One observer said De Ridder had driven the corporation since its formation in 1996 and had valuable skills and experience. Should he leave, other management staff could follow

Board members include Edward Nathan & Friedland senior partner Michael Katz, Development Bank of Southern Africa CEO Ian Goldin and Nedcor Group CEO Richard Laubscher. Khula Enterprise Finance CEO Sizwe Tati, Anglo American gold division chairman Bobby Godsell and National Urban Reconstruction and Housing Agency deputy CEO Nonhlanhla Mjoli-Mncube are also on the board

The corporation is one of the housing ministry's crucial agencies in low-cost housing. Its mandate is to promote access to housing finance for people with limited access to bank credit.

# Removal of home loan subsidy benefit 'tragic'

~~127~~  
Nicola Jenvey

BD (123)  
11/4/98

DURBAN — The decision by banks to remove the preferential benefits on home-loan subsidies was a "tragedy", said Mark Grant, KwaZulu-Natal chairman of the Association of SA Quantity Surveyors.

On March 1 banks revised their method of assessing the maximum subsidy on home loans. Traditionally the affordability ceiling was determined on salary, with the housing subsidy added after the calculation, but now banks base the subsidy on the combined amount

The restructuring, aimed at bringing subsidised home loans in line with the calculations used to grant bonds in the nonsubsidised sector, is being phased in from March to November

Grant said the move would have "a serious effect" on the building industry and the delivery of affordable housing for first-time buyers. The new policy forced buyers to scale down to a lower price range

"As the restructuring takes effect and increased building costs raise new home prices, the number of potential buyers will shrink dramatically. This poses a disaster for social-upliftment programmes."

He urged banks to reconsider, with a view to either cancelling the decision or cushioning it with a longer introduction period.

Grant said the initial impact should not seriously affect the number of first-time buyers entering the market. However, by November when the benefits had been phased out and building costs had risen by 5%, the number of first-time buyers would have "slowed to a trickle".

"Sadly, the few options open to developers, such as reducing the size of affordable homes or cutting back on the quality of building materials, have already been eroded by high interest rates," Grant said

would determine administrative and decentralisation arrangements.

Asked whether the proposed new megacity system would improve service delivery, Moosa said it would

be invited to submit comments and requests to appear before the committees to Edgar de Koker, Parliament, Box 15, Cape Town 8000.

## Country's municipalities owe a whopping R24,6-bn

(123) Star 11/4/98  
Cape Town - Total municipal debt at the end of June last year was R24,6-billion, a study carried out by the Finance Department has found.

The debt increased by 7%, or R1,6-billion, from March 1997, but was lower than the R26-billion estimated in June 1996, a figure which was overstated due to housing loans being counted twice.

Finance director-general Maria Ramos said the figures were subject to change.

The bulk of the municipalities' financing came from the Government, the Development Bank of South Africa, the Local Authorities Loan Fund and the Public Investment Commission.

Together, these four accounted for R13,2-billion of the outstanding debt of municipalities at the end of June 1997.

Funds provided by banks rose by R1,6-billion, to R4,6-billion, during the quarter, an increase of 53%.

But insurance companies, pension funds and provident funds declined. At the end of June their claims on mu-

nicipalities amounted to R3,4-billion, R300-million lower than in March.

Most of the debt took the form of long-term loans and securities.

The study is the first of its kind in the country and aims to provide interested parties with an overview of municipal debt. Another report is due out in June.

Tania Ajam, a researcher at the University of Cape Town's Budget Project, said while it was encouraging to see the Finance Department releasing information about the municipalities' finances public, the data would be more useful if a breakdown of each municipality's debt was given.

Aggregate figures disguised the fact that some municipalities were in real trouble, she said.

It was interesting that more banks were granting loans to municipalities.

This could indicate that banks were more confident of recouping their money, or they felt the Finance Department was managing to ensure there was proper control of finances at local government level. - Sapa

# Housing finance board backs team after dispute

(123) BO 2/4/98  
Robyn Chalmers

THE National Housing Finance Corporation board agreed this week to support CEO Johan de Ridder and his management team after an internal squabble threatened to disrupt the workings of the agency.

The board had persuaded chairman Eric Molobi, who resigned last month because of the squabble, to remain after giving him a vote of confidence.

Molobi said the board accepted De Ridder and his management team's credentials and agreed to work closely with him, particularly on issues of interstaff relations. The aim was to encourage team spirit and cohesion among the staff.

Molobi said the board had called for an urgent meeting with Housing Minister Sankie Mthembu-Mahanyele and housing department director-general Mpumi Nxumalo-Nhlapo.

"The board feels that it is important to have input from the shareholder (government), whose input is relevant to the way forward for the (corporation)," he said.

The board met to consider management's handling of an internal

squabble which market observers feared could undermine the agency.

Sources close to the issue believed the row related to concern by an unnamed woman staff member over proposed restructuring of the corporation, with lines of authority being questioned. The staff member has subsequently resigned.

Molobi said the board was satisfied there was no crisis threatening the corporation's existence and performance and it remained on target to deliver within its official mandate.

As government itself did not have the capacity or resources to address SA housing needs, the corporation is one of the housing ministry's crucial agencies in low-cost housing. Its mandate is to promote access to housing finance for those with limited bank credit access.

The corporation also aims to build managerial capacity in the organisations which it funds, and partners organisations to pioneer new finance and housing delivery approaches.

The corporation granted 25 facilities totalling R327m by December 31 last year, up from R25m in December the previous year, and disbursed R225m (1996: R1,5m).

# Outsourcing municipal services 'will be major saving'

Deborah Fine

THE argument that municipal services should not be outsourced because this will lead to job losses fails to recognise that municipalities are not charities set up to provide jobs at the ratepayers' ex-

pense, says the Free Market Foundation of Southern Africa.

The foundation has teamed up with the Democratic Party in KwaZulu-Natal, and the Friedrich Naumann Foundation, to produce a plan to re-establish investor confidence in Maritzburg. This could be done, they said, by offering lower municipal taxes while effectively addressing socio-economic problems.

This was possible through the outsourcing of municipal services to private companies resulting in large operating expenditure savings.

These could then be used to offer rebates to ratepayers and new businesses as well as reverse infrastructure backlogs in disadvantaged areas. According to the DP in Mar-

itzburg, many entrepreneurs had moved to Pinetown or Cape Town in the past few years, while building plans submitted to the local council for approval had declined by between 30%-40% in the past decade.

This was a sign of eroded confidence in Maritzburg.

"The DP's vision is that our city must become the most investor-friendly city, providing the best services at the lowest possible price," the party said.

National and international experience had shown that municipal partnerships with the private sector had led to significant savings without compromising the quality of service delivery.

The DP and the foundations had drawn up an alternative bud-

get which conservatively estimated that the city could save about R68,4m in the first year, and about R342,2m over a five-year period, through the privatisation of various municipal services.

The savings could then be used on rates reductions, job creation projects, boosting tourism, new infrastructure and social development, the DP said.

While the DP did not envisage retrenchments of council workers as a result of the process, it said the creation of an environment conducive to investment would lead to increased private sector job opportunities.

The Free Market Foundation said municipalities should maintain conditions which led to the creation of wealth producing private sector employment.

## Credit risk rating agency gives Nelspruit the nod

Deborah Fine

MPUMALANGA's provincial capital, Nelspruit, has been awarded an investment grade credit-risk rating, in spite of having experienced serious cash-flow problems late last year.

Jean-Pierre Le Roux, an analyst at the SA arm of the international credit-risk rating agency Fitch-IBCA, confirmed yesterday that his firm had awarded the Nelspruit local council a national short-term rating of A3 and a long-term rating of BBB.

The ratings indicated that Nelspruit showed low expectations of

credit risk and an adequate capacity for the timely repayment of financial commitments. The loan repayment capacity, however, could be impaired by adverse changes in circumstances and economic conditions.

On the plus side, he said the town was well placed to show strong future growth because of its location in the Maputo development corridor, its position as a provincial capital and its staging point in the ecotourism sector.

Of concern, though, was the council's difficulties in reversing poor levels of payment for municipal services which would con-

strain future capital spending as borrowing capacity weakened in the face of cash flow deficiencies.

Overcoming the problem would require the hard, political decision already taken in other SA towns to implement stern action against payment defaulters.

Nelspruit also faced "many years" of high capital requirements because of limited infrastructure development in areas previously under the jurisdiction of the KwaZulu government.

This was aggravated by the areas' sparse but widely scattered populations, which pushed up service delivery costs.

imited ("Dynamo") shareholders' attention are full details of the board of directors Mr Gibson Thula and to introduce new non-core businesses optional items shown financial and business success to achieve acquisition in this in more detail in the being pursued and

BD 2/4/98

# Let the people take charge of their housing

Housing expert **PAUL HENDLER** feels the government should direct subsidies to small contractors and owner-builders in peri-urban areas — where residents can sustain themselves through small-scale farming.

(123) CP 5/4/98  
**T**HERE is still an enormous shortage of formal houses for the majority of South Africans four years after the country's first democratic elections. Newly constructed, fully serviced and finished housing remains unaffordable for many.

A large proportion of the black majority is marginalised and lives in informal structures (shacks) in existing townships. Many shackdwellers are not employed in the formal sector. Our economy is characterised by jobless growth. Many of the unemployed are surviving through informal sector activities (including crime). Building houses generates work and income. The challenge is to create more housing and more jobs at a faster rate.

A series of recent studies, both locally and internationally, has taken issue with the Compact City strategy adopted by the government to address this challenge. These critical views are a refreshing input in an area starved of real debate since the 1994 elections. The much-expected mass-housing delivery has not transpired and we need to know why — and we need to explore ways of providing affordable and appropriate houses.

The Compact City strategy assumes a rational and economic usage of available resources by as many people as possible in any one locality, and also assumes that joblessness and homelessness are urban problems that need to be solved in major cities. The policy is driven by the imperative: how to construct more formal houses faster and cheaper, but within minimum specifications. The result is that we have a segment of low-cost housing costing between R7 500 and R40 000 per living unit.

In South Africa the private corporate sector supports this strategy which reflects World Bank/International Monetary Fund thinking. Initially the strategy was influenced by the Urban Foundation, and now it is influenced by think-tanks such as the Centre for Development and Enterprise.

Since taking office, the government has approved more than half-a-million capital subsidies for households earning less than R3 500 a month. Compared with past housing delivery, the rate of houses completed has greatly increased in this market segment. But the current rate of completed houses — which my research indicates was 91 000 in 1997 — still falls short of the average annual rate of 200 000 needed to produce one million units over five years. In any event the focus on the delivery of one million houses before the next election is a red herring. Even if these were to be provided (and there is a growing body of opinion which recognises that they won't), only a minority will have access to them. The shortage nationwide has recently been estimated as more than three million units.

In the critical literature referred to there is a constant theme that the State should not play a central role in delivery. The authors note that where the State's role is perceived to be crucial for delivery, a housing policy will invariably fail to live up to expectations. The reason is that low-cost housing is an artificial segment imposed on the market through misplaced State intervention. One critic concludes that those who can afford these can afford to pay deposits on more expensive houses — and the units are no use to those who can't afford them.

One reason why State intervention in housing has had little impact is because it does not address the cost of residential land. Plans to promote high-density, mixed-use development and to decentralise jobs to townships (via intra-metropolitan corridors) are flawed by economic reality: land in urban centres is relatively expensive and people settle where they can afford to be — further afield and closer to the countryside.

In these areas, in order to satisfy the Provincial Housing Board's minimum specifications, many developers are bringing a starter unit (a tiny box, often as small as 20 square metres) on to this mar-

ket, but there is widespread dissatisfaction with them. Many homeless people either cannot afford the package price (the land plus the low-cost box) or prefer to live in shacks with more partitions and more privacy.

Thus instead of facilitating self-help by the inhabitants (which has merit internationally as the major route to mass housing) the State has defined itself and the formal sector as the deliverers. Thus, critics say, has exacerbated the economic polarisation of our society into the haves and the have-nots, in that a limited number of people in formal employment are benefiting from low-cost housing while most are left to their own devices to erect informal shelters and eke out an existence on the peripheries of cities.

The alternative is a self-help strategy through which the homeless and the unemployed generate income (by self-employment and contracting) in the course of building or managing the building of their houses. Critics of the Compact City approach say the State should encourage builders in developing countries — the informal and small market producers of building materials and local construction teams — instead of consolidating the hold of formal sector developers and professionals.

Sustainable housing schemes require that local capitalist businesses be actively and practically developed in the areas where new housing projects are being implemented.

A pre-condition of the linking of housing and work is that the poor have access to affordable land. My research has shown that the State could make available some of the vast amount of land it holds and lease tracts to individual households at affordable rates. To encourage self-employment, State intervention here would provide the basis for urban subsistence and market agriculture. The subsidies and grants from the Department of Land Affairs, with the institutional housing subsidy, could be used to develop affordable housing estates in which the residents sustain themselves through small-scale farming.

Self-build mutual aid and local artisans already provide a basis for such enterprises. To some extent the introduction of site and service schemes (during the early 1980s) represented an advance, since this removes two expensive items — the developer and the architect. But it puts civil engineers firmly in the driver's seat instead, leading to an emphasis on services and roads at the expense of much-needed land. What is required is that government housing subsidies are directed to households rather than developers. This would support forces that are internal to the family and its network. —

Besides leasing affordable land, providing grants for agriculture, and disbursing subsidies to households, the government should focus on job mobility in those areas through education and training and by providing transport.

The government also needs to facilitate access to technologies vital to the emerging contractors and other small businesses. The way to G.L.S.'s to penetrate local business economies is through appropriate information and training, rather than relying — as government and corporate sectors do — on public relations-type pilot projects (such as the one at Katorus) that have little chance of being applied countrywide.

Governments are being taken to task for not providing the institutional support needed to create a small producer, free-enterprise, property-accumulating class in a truly free market (as opposed to corporate-monopoly) economy. To achieve this, governments should redirect subsidies and funding away from house-building by the formal sector toward enabling local entrepreneurs and households to take charge of their development.

□ Dr Hendler runs *Housing Solutions*, a specialist research and facilitating centre. Housing experts referred to in this article are S G Vombathere, Pieter Smoor, Dominic Tweedie, Richard Tomlinson, Shrashtant Patata, and the Friedrich Ebert Stiftung.



## SA Housing Trust is to be wound down

(123)  
Robyn Chalmers

THE SA Housing Trust, in which the previous government invested R445m and underwrote a further R890m, is to be wound down.

Housing Minister Sankie Mthembu-Mahanyele said yesterday the trust, set up in 1986 to provide loans to the lower end of the housing market, had been hard hit by bond boycotts.

Boycotts have particularly affected trust subsidiary Khayaletu Home Loans. It is understood that about 15 000 defaulters owe it up to R500m.

The winding down of the trust's operations comes despite last year's implementation of a restructuring plan. It involved unbundling the trust into three companies: Khayaletu Home

Continued on Page 2

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## Housing (123)

Continued from Page 1

Loans, Nu-Way Housing Development and Nu-Loans, which bought the performing loans from Khayaletu

Mthembu-Mahanyele said the cabinet had approved a number of recommendations which included the sale of Khayaletu Home Loans' existing performance book to the highest bidder. Nu-Way would be sold at net value and the minister would facilitate the transfer of assets from the trust's development division to Nu-Way.

A task team would be set up by the

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housing ministry with the finance and state expenditure departments to implement the recommendations.

Khayaletu corporate affairs manager William Maponya said the trust would be wound down over three to four years. "Government will provide additional funding to assist the company in meeting its operational commitments during the winding down period." Loan stock in issue was guaranteed by government for capital and interest repayment, and these guarantees would remain in place.

An agreement between the SA National Civics Organisation and Khayaletu Home Loans, intended to end bond boycotts, would remain in place.

# SA Housing Trust to be wound down

ADELE SHEVEL

Johannesburg — The Cabinet has accepted a recommendation by the transitional board to “wind down” the South African Housing Trust, according to a statement released by the company yesterday.

The changes will be implemented over the next three to four years. The government will provide additional funding to assist the company meet its operational commitments during this period. The trust will be closed down, and its two subsidiaries will go their own way.

Loan stock in issue is guaranteed by the government for capital and interest repayment. The secondary market-making activities are one of the aspects that will be addressed by the trust’s management and the government’s task team. Trading in the company’s loan stock has been suspended until such a time.

During the winding down, some of the trust’s assets will be transferred to Nu-Way Housing Developments, a subsidiary of the trust. Nu-Way, a development company, will then be sold to interested parties.

Khayaletu Home Loans, another subsidiary of the trust, will sell its performing bond book and work towards normalisation of its non-performing book.

These loans will be sold to the highest bidder as they are normalised.

The company will encourage bond holders to continue to service their loans. All agreements signed between the South African Housing Trust, the South African National Civic Organisation (Sanco) and other community-based organisations with relation to payment of loans remain in force. Legal action will be taken against defaulters.

The trust will work with the government’s task team and the various stakeholders to effect the wind-down.

LT (MR) 7/4/98

# 'People's housing policy' launched

Robyn Chalmers

(123)  
THE housing ministry launched its long-awaited "people's housing policy" yesterday, kick-starting a drive for a self-build housing project for the country's poor

The launch of the scheme means government's low-cost housing policy, first implemented in 1995, is now complete. Housing Minister Sankie Mthembu-Mahanyele said yesterday the policy widened the housing consumer net to include people who wished to build their own homes as a collective or individuals.

"The people's housing project will draw funds from the regular budget and be administered by provincial housing boards. They will, in turn, be led by provincial housing MECs."

The policy focuses on the poorest of poor families living in both urban and

rural areas. It will affect people settled on fully serviced sites with or without ownership rights, those settled informally on land without any tenure rights and those without land living in hostels and backyard shacks.

At least 50% of SA's population could potentially benefit from the project, but any effect on low-cost housing delivery would probably be realised only in the longer term.

In terms of the policy, capital subsidies of up to R15 000 each will be released to support individual builders' initiatives or projects and housing support centres will be set up around the country. These will form a central point where consumers can buy building materials at a reasonable cost.

Housing consumers will be provided with technical assistance to ensure the construction of sustainable units. A variety of players, including the private

sector, will be encouraged to participate and help kick-start the process.

Mthembu-Mahanyele said research on a "smart card" which allowed consumers to use a portion of their subsidy to buy building materials was complete. Depending on the result of tests under way, a proposal would be spent to the cabinet soon.

Delays in the launch of the project had not been due to political sensitivity, but rather to ensure the policy was effective. She said 24 pilot projects had been set up around the country, all of which were successful.

The policy would help unravel the logjams often experienced in issuing capital subsidies as well as give individuals the choice in terms of the size of units produced.

The housing department has called for public submissions on the policy, with the closing date set for April 30.

BD 8/4/98

# Housing policy at a new crossroad

ADELE SHEVEL

(123)

CT (MR) 8/4/98

Johannesburg — The housing ministry yesterday released for public comment the seventh and final policy strategy for the White Paper on Housing.

This is the final stage in the first housing white paper, which essentially sought to address the housing backlog. The latest release dealt more with regulation and policy, said Sankie Mthembu-Mahanyele, the housing minister.

The White Paper on Housing, published in December 1994, laid down seven key strategies aimed at "mobilising and harnessing the combined resources, efforts and initiatives of communities, the private, commercial sector and the state".

She said the ministry would look at the policies and practices over the past three years and assess which direction to take.

The latest policy "intends to encourage and support individuals and communities in their

efforts to fulfil their own housing needs by helping them to access land, services and technical assistance", she said.

The ministry said this would enable the poorest section of the community to be included in the housing consumer loop.

The Peoples' Housing Project will draw funds from the regular budget and will be administered by the Provincial Housing Board.

The ministry said the project would help solve logjams in issuing subsidies. It would give people a choice in terms of unit size and would guarantee quality.

Two United Nations programmes and the US Agency for International Development had expressed interest in providing funding and technical assistance for the project, the ministry added.

So far 469 000 houses had been built or were under construction and 700 000 subsidies had been granted, according to Mthembu-Mahanyele.

# Local councils lack capacity for housing tasks — analyst

Robyn Chalmers

(123) BD 14/4/98

MANY local councils are not equipped to deal with their new housing tasks, which could lead to impaired housing effectiveness and a strain on their ability to perform other functions.

Mary Tomlinson, a former Council for Policy Studies analyst, interviewed three metropolitan councils and five merged and autonomous councils about their views on their increased housing functions.

The housing act, adopted last year, gives local government a far larger role in the low-cost housing market.

Her research showed that while the devolution of housing functions to local governments was moving ahead, national government had paid little attention to councils' funding and capacity constraints.

"Although councils may allocate housing subsidies, housing responsibilities are being transferred to them . . . without being given the resources to (take on the new tasks)," she said.

Local government officials had a clearer understanding of their limitations than the housing stakeholders who called for greater involvement by the public sector in housing delivery, particularly of rental stock.

All the authorities interviewed were keen to rid themselves of the onerous task of managing the rental housing, inherited from the previous government. They had no intention of becoming directly involved in delivering new rental stock — as suggested in the act.

"The reasons include their inability to collect outstanding rents, difficulties in maintaining the stock involved, and administrative justice problems in determining who qualifies for tenancy," said Tomlinson.

However, the municipalities were keen to become active in delivering new housing, which would mean their taking on the role of facilitators and developers with the private sector being responsible for delivery.

Partnerships required significant capacity from local governments to ensure they represented voters' needs, negotiated with private deliverers and monitored ensuing agreements. They did not, therefore, overcome the capacity problems which local governments were faced with.

Tomlinson said the role local governments would be able to play, and any gains from having these responsibilities transferred to them, would be more modest than national government expected.

# New housing body (123) gets R1,5m start up

et (MR) 15/4/98

ADELE SHEVEL

Johannesburg — The Housing Equity Fund, managed by the National Housing Finance Corporation (NHFC), yesterday approved a start-up loan of R1,5 million for the Transformation Housing Finance Corporation (THFC) to provide a form of bridging finance. The loan came into effect on Monday.

The THFC provides finance to moderate and low income buyers or sellers of houses, as well as emerging estate agents of previously disadvantaged communities. It is set to develop the Port Elizabeth market and then expand to East London, King Williamstown, Queenstown, Umtata and Grahamstown.

Andile Ben-Mazwi, the managing director, said the THFC would seek to institute this policy nationwide.

He said it would eliminate the frustrations for sellers and estate agents and facilitate the process of housing delivery. The THFC would provide end-user loans to

people selling properties to enable them to meet pressing needs related to housing while awaiting payment of their sale proceeds.

The service was to secure ownership and provide financial relief to clients unable to absorb costs during the purchase of a property.

The THFC would achieve its objectives by several means, including lending money to pay the deposit, costs of transfer and mortgage bond registration.

It would put a stop to foreclosure proceedings that overtook the transfer process and people losing properties because the transferring attorneys could not timeously issue guarantees to the bank, Ben-Mazwi said. It would also lend people money to pay off debts to bypass rejections by banks because of judgments against them.

Risk control would be implemented by Fisher Hoffman & Sithole, an accounting firm, which would enable the NHFC to monitor THFC activities.

## R1m planning education scheme launched

Deborah Fine

(127)  
17/4/98

THE Gauteng provincial government has set aside more than R1m to fund a pilot education programme aimed at providing land development and planning skills to people from previously disadvantaged communities

The pilot, known as the mass planning education programme, will be launched today by Gauteng premier Mathole Motshekga and Gauteng local government MEC Sicele Shiceka.

The project is a joint venture between the Gauteng development plan-

ning and education departments and will be conducted by the Johannesburg Technical College.

Aimed at people between the ages of 18 and 50 who were unable to attend full-time courses at tertiary institutions, the programme will impart skills such as land surveying, building construction, urban land use, transportation and infrastructure development.

Successful graduates will be assisted to find employment in provincial and local governments, and the private sector was being approached to provide additional funding for the project.

# Housing budget in the spotlight

By Joshua Raboroko

REDUCED housing budget allocation during this financial year and problems within delivery frameworks are set to dominate this weekend's national conference of the South African Residential Developers Association (Sarda) at Sun City

Sarda executive director Hendrick Kekana said yesterday hundreds of representatives from all segments of the housing industry would meet to debate crucial housing issues, particularly the delivery of low-cost housing

The theme of the conference is "Fulfilling the Nation's Housing Dream"

The association was formed in April last year as a merger of emerging contractors and experienced, larger and established developers aimed at closing the gap between the two kinds of developers

Since its birth, Kekana said, Sarda had played a key role in housing delivery

Local, provincial and national government officials, including Housing Minister Sankie Mthembu-Mahanyele, will address the conference

The reduced housing budget allocation would also come under the spotlight, Kekana said

Some of the issues to be debated include a plan to divide low-cost housing schemes over two financial years

Meanwhile, trends in the global

property industry point to a positive future for listed property in South Africa, Allan Gray Property Trust's annual report says

The most important of these trends is increased securitisation – the transfer of property from being directly held by owners to being listed on a stock exchange, says Jack Mitchell and John Ramier, chairman and managing director of the trust management company respectively

"Over the last eight years the real estate investment trust sector in the United States has grown on average by 43 percent a year to reach its current market value of R745 billion," the report says

It is said the current climate of declining rates of inflation and interest rates has caused listed property yields to fall and prices to rise

"Consequently, the investment performance of listed property, measured by total rate of return, has been very attractive"

Over the two years to December 31 1997, expressed in local currencies, the listed property sector of the United States enjoyed an annualised total rate of return of 27,8 percent

Britain's total rate of return was 27,2 percent and Australia's 20,3 percent

The report says that during 1997 the yield on the South African Property Trust Index reached historically high levels, closing at 15,2 percent nominal



# Key housing policy agreements being

Robyn Chalmers

**RUSTENBURG** — Key agreements in government's housing policy are being overhauled and new initiatives introduced in an attempt to channel much needed finance to the lower end of the housing market.

This includes reviewing the record of understanding between banks and government and introducing a new Housing Finance Bill to ensure that banks publicly disclose their lending patterns in the housing market.

institutions

The paper will include new ways to fund the lower end of the market and look at transitional housing. It will set out a housing code giving specific details on minimum standards for housing construction, initially outlined in the Housing Act of 1996.

Housing Minister Sanjiv Mthembu-Mahanyele told the first SA Residential Developers' Association conference (SARDA) yesterday that housing delivery had gained momentum, but a lack of finance was a key obstacle.

This related to both a diminished housing budget, possibly causing government to miss its 1-million houses target by

1999, and limited private sector lending to the bottom end of the market.

Mthembu-Mahanyele said the proposed Housing Finance Bill was approved at a recent Minnec meeting, a policy forum of the minister and the nine provincial MECs.

The bill, which aims to encourage housing finance for poorer people and sets out to monitor banks' lending patterns, would be circulated for comment soon.

She said government needed a mechanism to speed up lending to lower income areas as well as to monitor transformation within banks and to educate consumers.

It allowed consumers to check on

which banks were lending to communities and helping development.

The bill paved the way for the establishment of a supervisory structure to keep records of banks' lending patterns and to gather information.

Mthembu-Mahanyele said an announcement would be made soon on a review of the record of understanding. This agreement was signed in 1994 and aimed to structure a relationship between banks and government, with lending and other targets set. However, it had deficiencies.

The positions taken by banks and government would be made public at the time of the announcement. One issue which would be dealt with was the perception

that banks were required to lend to only 30% of the population.

More than 737 400 project-linked subsidies had been allocated to 987 projects by January this year, and it was estimated that government had given shelter to 3,3-million people since 1994. Housing was estimated to have contributed R1,5bn to the gross domestic product directly and R3,9bn indirectly.

The state had paid out R3,9bn in subsidies since 1994 and a total of 482 555 units had been built or were under construction.

The housing backlog could touch 4-million units if informal dwellings were not regarded as adequate housing.

overhauled

# Low-cost housing faces many obstacles

Robyn Chalmers

RUSTENBURG — A number of constraints hamper low cost housing delivery, although developers believe delivery has gained momentum.

Delegates at this week's SA Residential Developers Association conference in Sun City heard that diminished funds was government's main constraint. It was also grappling with capacity problems at provincial and local government level, limited co-ordination between housing and infrastructure provision and consumers' lack of funds.

However, almost 740 000 subsidies were allocated, close to 485 000 units built or under construction and R3,9bn in subsidies paid out since 1994. This was against an initial target of 1-mil-

ND 22/14/98

(123)

lion houses by next year, which was subsequently abandoned. "Let us agree that we are on the right track despite the problems and hiccups that we've had," said Housing Minister Sanku Mthembu-Mahanyele.

Perhaps the biggest hiccup for government this year has been a falling housing budget.

North West premier Popo Molefe said provinces which performed well on the housing front were promised financial incentives. "This year, we won't receive these funds due to fiscal constraints. This means some projects have to be frozen," he said.

Molefe said huge backlogs in housing and the need to overcome them often caused government to postpone aspects of residential development beyond the mere provision of housing.

North West housing MEC Darkey Africa said bridging finance was still a constraint. Financial institutions were still reluctant to give loans to small contractors who needed cash flow to sustain their housing projects, he said.

However, government institutions were in place which developers should use. These included the national housing finance corporation and the rural housing loan fund.

Africa said a wide range of housing needs existed. The challenge to developers was to begin creating a diversified housing market.

Stakeholders also needed to recognise there were other housing and tenure options. Rental housing could play a significant role in alleviating the housing backlog. People could organise themselves into housing associations

or co-operatives and apply for institutional subsidies in order to access rental housing.

On the side of the private sector, developers said the size of the subsidy remained problematic.

The subsidy works on a sliding scale according to income, starting with those earning less than R1 500 a month who qualify for a R15 000 subsidy. Developers said the subsidy was being eroded by inflation.

It was becoming increasingly difficult to provide services and build a decent sized top structure with existing subsidies, they said.

A lack of capacity, particularly by small local authorities, a lack of certainty within the housing environment and a complicated housing policy were further concerns.

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## Bill calling for five-year warranty on all new houses to be tabled soon

Robyn Chalmers

**RUSTENBURG** — A bill which is expected to equip all new houses with a five-year warranty against structural defects will be tabled within weeks.

Poor quality houses, often built by fly-by-night contractors, have been a problem in the industry. Defective homes have been a key reason behind bond boycotts.

The National Home Builders' Registration Council Bill was a key issue during a heated debate at yesterday's

SA Residential Developers' Association conference. Council MD Peter Allsopp said the most recent draft of the bill indicated that all houses built would have to be registered with the council. The council would become a statutory body.

Previously, only houses costing less than R250 000 had to be registered, and thus subject to a warranty, which was voluntary. The warranty is funded by a 1,3% levy on all houses built.

A quality workmanship manual would be produced in terms of the bill

and inspectors would ensure builders complied with its provisions.

The council could discipline builders by either deregulating or suspending them. All builders were required to register with the council if they wished to access bank mortgages.

Allsopp said 61 contractors had already been deregulated and a further 57 suspended from the council.

The biggest bone of contention for the construction industry was the warranty fund, or funds.

Building Industries Federation of

SA (Bifsa) CE Ian Robinson said the organisation broadly backed the council and the objectives. Bifsa had initially opposed the bill, however, as it did not believe there was a need for the council to be a statutory body.

The federation also argued that the council's board and the fund should be separate entities. Robinson said this was necessary so the private sector could compete. However, Allsopp said the bill was likely to implement a single fund entrenched for five years.

National Housing Finance Corpora-

tion MD Johan De Ridder told the conference that a system to provide housing credit to low income earners was being explored. This would look at blending government's housing subsidy with credit but would be targeted at employed people.

He said banks had generally not entered the market with loans of less than R50 000, while there had been an explosion of unsecured — generally cash — loans into this market. Retail lenders were making 15 000 loans of about R3 000 each month.

0202 2214198

## All new homes could have warranties

ET (PR) 22/4/98 (23) (123)  
ADELE SHEVEL

Sun City — All new homes may soon be covered by warranties, Peter Allsopp, the managing director of the National Home Builders' Registration Council (NHBRC), said yesterday.

At present, only homes that cost less than R250 000 are covered by warranties. Builders in this niche market are compelled to pay a 1,3 percent levy to the NHBRC to insure against structural defects and developers who do not fulfil contractual obligations.

"All houses will have a deemed warranty," Allsopp said at the South African Residential Developers' Association (Sarda) conference.

This was based on the most recent draft of the NHBRC and Home Owners' Protection Measures Bill.

The first draft of the legislation is expected to be released for public comment within the next two weeks. It will cover the future of the NHBRC.

The five-year structural warranty

means homebuilders will have to be registered with the NHBRC. It also implies that the NHBRC will remain as the overseer of the sole warranty fund.

There has been a battle between the council and various other factions, specifically the Building Industry Federation of South Africa (Bifsa), over a call by the government last year to change the NHBRC into a statutory body from its present voluntary format.

Two proposals have been put forward relating to the NHBRC and the forthcoming legislation.

The government, supported by the council, had suggested that the NHBRC and its fund carry on in its present form. The second proposal called for the board and the fund to be separated. It is supported by Bifsa, Sarda and the South African Property Owners' Association.

At the conference yesterday, overwhelming support was expressed through an informal vote for the second proposal, to open the homebuilders market to competition.

HOUSING

CF (PR) 22/4/98

### Sanco protests at closure of housing trust

The South African Housing Trust Association (SAHTA) has blasted Sanku Mthembu for not consulting it on the closure of the Housing Trust (HT) and the transfer of its assets to the Housing Trust of South Africa (HTSA). The HTSA is the successor trust of the HT.

In a letter to the HTSA, SAHTA expressed its disappointment that the HTSA had not consulted it on the closure of the HT. SAHTA stated that the HTSA had a duty to consult it on the closure of the HT and the transfer of its assets to the HTSA. SAHTA also stated that the HTSA had not consulted it on the closure of the HT and the transfer of its assets to the HTSA.

(123)

# System caters for the poor (123)

By Ido Lekota

THE Government yesterday announced a new system which ensures that all households in South Africa, including those of the poor, have access to basic services such as water and electricity

Named the Equitable Share of Nationally Raised Revenue, the system makes provision for the Government to transfer money for operational costs to local governments, based on a formula that ensures that even those households that cannot afford to pay for basic services have access to them

The system also ensures that poorer municipalities get an equitable share of the resources needed to provide adequate services

*Southern 22/4/98*  
**Covers 10 percent**

The system covers only 10 percent of local government revenue because 90 percent of their revenues are raised from local sources usually

Announcing the system yesterday, Finance Minister Mr Trevor Manuel said "In general the system will benefit municipalities with larger populations of the poor, especially in rural areas"

'It was also based on international trends and was therefore bringing South Africa in line with world standards for the provision of basic services, he said

# Low-cost credit leaves 'a big hole in the housing market'

CF (MR) 23/4/78 (123)

**ADELE SHEVEL**

Sun City — A mechanism to facilitate credit for houses below R50 000 had to be developed, Johan de Ridder, the chief executive officer of the National Housing Finance Corporation, said at the South African Residential Developers Association conference this week.

De Ridder said there was a big hole in the housing market when it came to the provision of credit for low-cost housing, and a product needed to be developed to fit

the market in the R20 000 to R50 000 price range. He said this was because originating and servicing the cost of mortgages in this market was too high, the break-even point was estimated at about a R40 000 loan. He said risk was high for the borrower, lender and developer and the process was cumbersome, time-consuming and expensive.

De Ridder said the corporation had a potential role to act as a secondary market buyer of such loans. He said there was also the possibility of creating

centralised payment processing of benefit to funders and lenders.

The corporation is conducting feasibility studies in the key areas of blending the credit and subsidy streams.

De Ridder said "A range of stakeholders need to buy in, including the national and provincial government, employers, unions, developers and lenders.

"There doesn't seem to be any indication that the government will open its cheque book to extend subsidies. We need to attract market money"

He said preliminary feasibility studies seemed encouraging. The Gateway concept, would blend subsidy and credit on subsidy-approved projects for formally employed people as soon as possible, using existing channels.

De Ridder said what was needed was a linked, simplified credit/subsidy process covering packages between R20 000 and R50 000. It would be linked to that transfer of property and the loan product would be simple, at a fixed rate over the medium term.

# Let there be light, water – and often it was so

By MELANIE-ANN FERIS

Star 24/4/98

(1233)

It may have become one of those clichéd boasts of the Government, but the fact that Lena Khutswa Modderspruit (68) in Northern Province is able to open a tap and have clean water on command is undoubtedly one of the greatest success stories of the post-apartheid era.

No longer does she have to make the 6km trek to the nearest communal tap and then stand in line for hours on end. Her village last year became a beneficiary of the Department of Water Affairs' programme of bringing water to within 200m of every citizen's residence.

The same goes for matric pupil Themba Zwane (19) from Diepsloot north of Johannesburg, who can now prepare for his final exams by the light of a 100 watt electric bulb instead of by candlelight.

Khutswa and Zwane are just two of the hundreds of people who have benefited from the introduction of upgraded water systems and the introduction of electricity to their areas over the past four years.

In the months preceding the 1994 elections political parties promised to turn the country into a virtual Utopia, with jobs, houses, water and prosperity for all.

Now four years on, thousands of people have been left disillusioned that the "pie-in-the-sky" promises that were made have not been fully realised. But in many rural areas and informal settlements, thousands of people lives have changed for the better.

One of the successes that politicians tout when asked to account for delivery is the delivery of water to hundreds of communities country-wide. The Department of Water Affairs has now been affectionately dubbed the "Department of Delivery" for the monumental successes it has achieved over the past four years.

But, the department is quick to say that its successes pale in comparison to what still needs to be done "Bringing water to 4 million people is an achievement, but there are still some 12 to 15 million, mostly in rural areas, that still do not have it," says Themba Khumalo, spokesman for Minister of Water Affairs Kader Asmal.

The department hopes to have reached at least 6 million by 1999 but, with the lack of basic infrastructure, the process will be difficult.

Other success stories can be laid at the doors of Eskom and the Post Office.

Thousands, for the first time in their lives received electricity, telephones and even postboxes.

Since 1994 Eskom, the country's main electricity supplier, has electrified more than 1,4 million households who never before benefited from electricity. Government-set targets aim to have 1,75 million more houses – about 25 000 a month – electrified by the year 2000 and the parastatal is well on target to meet these objectives.

An estimated 4 million households are still without street mail delivery or post boxes, but the Post Office has since 1994 provided address boxes to 200 000 households each year. The list of what-still-needs-to-be-done is undoubtedly longer than the what-has-been-done, but role players in these sectors have committed themselves to making a difference.



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Has the Government delivered on its election promises? Staff reporters examine the issue

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# A million houses is elusive goal

*Star 24/4/98 (123)*

By LEE-ANN ALFREDS

In the run-up to the elections in 1994, the ANC - as the then government-in-waiting - promised voters it would build 1-million houses in five years, with R50-billion to be spent by 2004 to wipe out the housing backlog.

This was one of its most ambitious election promises, but the ANC was confident of achieving the target.

"Our programme is not simply a set of aims. It is a realistic statement of the state action to be taken during the early days of an ANC government," the organisation said at the time.

Four years after being elected, only 482 555 low cost houses have been completed or were under construction by the end of January, according to housing minister Sankie Mthembu-Mahanyele.

In total, R6,8-billion had been spent on housing, with Gauteng providing the most houses, followed by KwaZulu Natal, the Western Cape, the Eastern Cape, North West Province, Free State, Northern Province, Mpumalanga and the Northern Cape.

In addition, several steps to facilitate the housing department's work have been effected. These include the setting up of institutions like the Mortgage Indemnity Fund (which helps people normalise their relationships with lenders), Serv-con (which deals with the issue of non-payment of mortgages in the banking sector) and the National Urban Reconstruction and Housing Agency (which guarantees loans made by commercial banks).

These may be notable achievements, but this key area of delivery has been beset by many problems. The late Housing Minister Joe Slovo's much vaunted Botshabelo Accord with the financial institutions did not really take off as banks continued to avoid the "high risk" low income market. Bond

and rent boycotts continue and many developers have built sub-standard housing.

Despite its promises, and Mthembu-Mahanyele's continued insistence, the Government is unlikely to have completed 1-million houses by next April.

Opposition parties and other stakeholders agree the target was overly ambitious.

"They confused the concept of housing with houses. Housing is a process. A house is the end product. They are concentrating on the end product when they should have said we will provide security of tenure with the necessary infrastructure. Then people could then build a house on their own land," DP housing spokesman William Mnisi said.

The number of completed houses is also unknown as "under construction" can also mean plans awaiting to be approved. So instead of Government having to build 500 000 more houses in a year, it could mean there are still 700 000 or more to be completed.

Observers point out that the Government created expectations it could not meet.

Instead of nice four-bedroomed houses people expected, they had to be satisfied with small, badly constructed, often incomplete houses. A R15 000 subsidy could buy

"The housing subsidy created expectations, but since its inception it has been clear the standard of housing would not satisfy the beneficiaries," NP spokesman Jack Rabie said.

These factors were complicated by red tape and a developer-driven programme which hampered people from building their own houses, and an unwillingness by financial institutions to provide loans.

The Government is beginning to realise the ideal of home-ownership for all citizens may not be attainable, even in the distant future, and officials seem to be seriously considering building rental stock

UNIQUE

# Delivering the impossible

DAN SIMON

(123)  
(7/24)

ET 27/11/98

**D**ELIVERING one million houses between 1994 and 1999 was always going to be an ambitious target for the government's housing delivery programme to fulfil.

Promising no fewer than 200 000 units a year, the ANC's housing delivery programme has fallen far short of the promised figure. To date, 482 555 houses have either been built or are under construction.

Recently, Housing Minister Sankie Mthembi-Mahanyele acknowledged that the government had not fulfilled its election promise, but said it had nonetheless provided shelter to some 3,3 million people.

Mthembi-Mahanyele cited a number of contributing factors to the current pace of housing delivery, including "long lead times" on capital intensive projects and adverse weather which sometimes caused projects to come to a standstill.

In a soon to be published book on South Africa's progress, Idasa co-authors Jeff Lever and Warren Krafchik say there is clearly a housing crisis in South Africa.

According to them, approximately nine million people live in shacks. There is much overcrowding of the formal housing stock and hundreds of thousands live in hostels designed for male migrant workers.

"This situation is made almost intolerable by the contrast with the superior accommodation in the nation's formerly all-white suburbs."

Lever and Krafchik say that since 1983, the South African government has looked increasingly to the private sector and non-profit organisations to meet the "pent-up demand" for cheap housing.

It is argued that the economy can't afford the public provision of formal housing to the mass of the population. The outcome has been

the proliferation of planned and unplanned squatter areas.

The authors say that by 1994, South African housing policy was based on the idea of a market-driven strategy, owner-occupancy, self-help, incrementalism on a site-and-service basis and limited direct state provision.

"The election promise of the new government's major partner, the ANC, to provide one million homes within five years, was necessarily initiated within this framework.

"Despite widespread opposition within its own ranks to a continuation of site-and-service schemes, the ANC has not been able to effect a radical change in formal housing due to fiscal constraints."

The authors say that South Africa's formal housing policy has been bedevilled by other factors:

"One was the long-standing boycott regarding mortgage installments, infrastructural service fees and site rentals that had begun in the 1980s. The inability or the refusal of the some tens-of-thousands of township dwellers, who had obtained bank finance for modest formal housing, to keep up the repayments was particularly ominous.

"Banks had been left with large debts and were reluctant to become re-involved in the middle-to-low-cost housing market.

"One continual theme of housing policy since 1994 has been to put in place mechanisms which could lure banks back into this market, but without great success. This situation left housing provision at the mercy of the private sector.

"There are several reasons for the lack of response from the private sector. It is not clear that the private sector has the capacity to produce over 200 000 houses per annum, given that production in previous years is approximately 40 000 per annum."

...the ratio has caused massive disruption ... especially in the ... Mr Hoff



# Law firms handed over after failing to submit

Farouk Chothia

DURBAN — The KwaZulu-Natal housing board has referred about 10 law firms in the province to the Natal Law Society for investigation after they failed to submit monthly reconciliation statements on housing subsidies they handled.

This was disclosed yesterday by provincial housing department deputy director-general Nico Malan.

The board's action came against the backdrop of an imminent proclamation by President Nelson Mandela authorising Judge Willem Heath's special investigating unit to probe alleged widespread housing-subsidy fraud in several provinces. These include KwaZulu-Natal, North West and Northern Cape.

Malan said he was unaware of the unit's possible investigation. However, he could confirm that the board had referred several law firms, including large, established companies, to the society for investigation.

He said the firms were required by the board to submit monthly reconciliation statements relating to the depositing of subsidies into their trust accounts. However, the firms had failed to do so despite reminders by the board. In some instances, firms had not made submissions for more than a year, Malan said.

He said "quite a lot" of money — "it could be millions" — was involved.

Malan declined to speculate on why the firms had failed to submit the reconciliation statements. However, he confirmed that one of the firms was Durban-based Mlaba & Makhaya.

City Press reported recently that the firm had allegedly mismanaged R19m deposited into its account as subsidies for the "poor and unemployed".

A co-director of the firm, Kwenza Mlaba,

had been struck off the roll of attorneys by the Maritzburg High Court after an application by the society. Mlaba has been appointed honorary consul in Durban by the Philippines government.

Heath unit senior legal adviser Gerhard Visagie said several other provincial governments, including North West's, had also been allegedly affected by the abuse of housing subsidies.

It was alleged that some lawyers were

making false claims for the R15 000 subsidy by entering claims on behalf of non-existent people and for properties that did not exist, Visagie said.

Heath was earlier quoted as saying that between 50 000 and 53 000 cases, involving housing officials and beneficiaries, might come under investigation.

A government source said the fraud in KwaZulu-Natal, the province believed to be worst affected, could amount to R300m.

# subsidy statements

BD. 29/4/98

(123)

~~123~~

## Samwu wants debtors named

(123)  
Deborah Fine

20/4/98  
THE SA Municipal  
Workers' Union has  
called on local authori-  
ties countrywide to pub-  
licise the names of busi-  
nesses which are in ar-  
rears with their rates  
and service payments.

The call follows re-  
ports the Kimberley city  
council refused to con-  
firm the names of compa-  
nies which owed the  
Northern Cape city a to-  
tal of more than R1,4m.

Businesses in greater  
Johannesburg have been  
accused of being respon-  
sible for a significant  
portion of the city's accu-  
mulated municipal debt  
of R1,7bn.

However, local coun-  
cils have been hesitant to  
reveal the names of de-  
faulters because of possi-  
ble legal implications.

# Smart card could counter subsidy fraud

BD 20/4/98

(123)

Robyn Chalmers

GOVERNMENT is seeking ways to eradicate widespread housing subsidy fraud, including the possible introduction of smart card technology via the Post Bank

Housing Minister Sankie Mthembu-Mahanyele said yesterday the fraud, which crossed provincial boundaries and amounted to many millions of rands, threatened SA's low-cost housing programme

The minister said she had received a document from the post and telecommunications department on smart card technology

It opened up the possibility of transferring subsidy funds directly into a smart card — essentially a form of credit card — held by beneficiaries. The funds could then be used to buy wholesale

building materials, for example, or a range of housing services

The smart card technology would be state of the art and would be aimed specifically at combating fraud

She said it was possible that the Post Bank could be used as a distribution agency, particularly in rural areas. The bank has been targeted to play an expanded role elsewhere, including in pension payments, savings and co-ordinating the proposed lottery

Mthembu-Mahanyele said there was to be a meeting of a number of involved ministries to discuss the new technology and to look at ways of closing loopholes in the subsidy system. "A lot of taxpayers' money is at risk here and we will fight this sort of crime with all our resources"

The ministry was aware of sub-

sidy abuse allegations in KwaZulu-Natal, Mpumalanga and Gauteng. Although there was no hard evidence, there were rumours of such fraud in other areas, such as the North West, Northern Province, Northern Cape and Eastern Cape

Mthembu-Mahanyele said her ministry had been gathering facts about alleged subsidy fraud from the offices of housing MECs in a number of provinces

The president's office is expected to authorise Judge Willem Heath's special investigations unit to probe allegations of widespread subsidy fraud in KwaZulu-Natal involving up to 53 000 subsidies

It is alleged that lawyers, housing department officials and beneficiaries are making false applications for the R15 000 subsidies

# Housing director-general bemoans R1,1bn

Vuyo Mvoko

CAPE TOWN — Housing director-general Mphumi Nxumalo-Nhlapo has criticised the overall reduction of her department's budget to R3,6bn from the previous year's allocation of R4,7bn.

Testifying yesterday before the parliamentary housing portfolio committee, she said housing was a priority of government and supposed to lead the country's urban and rural development, yet the department's budget had been decreased.

Nxumalo-Nhlapo said the department would, however, "reprioritise" within budgetary constraints and monitor how the provinces expended funds.

She also said that a new rural housing subsidy catering for people with informal land rights might be announced by the housing department next week. The announcement might be made on Monday after a Minmec meeting in Cape Town, to be attended by Housing Minister Sanku Mthembu-Mahanyele and the nine provincial housing MECs.

The subsidy would cater for people such as those living on communally and traditionally owned land.

People with informal land rights in urban areas would also be eligible.

Nxumalo-Nhlapo said no special allocation had been made in the 1998/99 budget for the proposed subsidy and provinces would also have to reprioritise their housing budgets should it be implemented.

"We can't use (withholding of) information to manage demand," Nxumalo-Nhlapo said. Government had to let people know how successful it had been so they could judge for themselves. Housing would become an election issue.

The department was so understaffed that it could not meet certain targets, but

(123) RD 6/6/98

she hoped the problem would be resolved before the end of the year.

The department was watching closely an expected decision by the state expenditure department on whether grant funds that had been earmarked for bulk and connector infrastructure would go to housing or constitutional development.

Housing subsidy schemes inherited from the apartheid government were an "embarrassment" and her department wished to "fast track" their phasing out. — Sapa

budget reduction

## Bill provides for 'strategic water users'

Wyndham Hartley

CAPE TOWN — The national water bill being discussed by the National Assembly's agriculture and water affairs committee makes provision for strategic water users to receive special consideration in times of drought.

In a departure from the bill approved by the cabinet, the draft before the committee makes specific mention of strategic water users in "times of shortage". The strategic use of water has also been included as a criterion in the conditions governing the granting of general authorisations and licences for the use of water under the new legislation.

It is understood that the measures are designed to secure the operations of entities such as Eskom for the

generation of economically vital electricity in times of drought

Schedule three of the bill provides that a catchment management agency, which believes "on reasonable grounds" that a water shortage exists or is about to occur, may limit or prohibit the use of water. It may also require any person who has control of stored water to release it, but in exercising these powers it must be fair and reasonable to all water users and "consider the strategic importance of any water use".

The highly technical and complicated water bill, which will replace present riparian rights to water with a system of regulation and licensing, is scheduled to be discussed by the committee for the whole of May before going to the National Assembly.

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# Business Day

WEDNESDAY, MAY 7 1998

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## Housing committee to push for increase in 'inadequate' budget

Vuyo Mvoko

CAPE TOWN — Parliament's housing portfolio committee unanimously agreed yesterday to press for a significant increase in the housing budget.

"Clearly this budget is inadequate. There is no way it can meet the housing needs of this country," said committee chairman Titus Mafolo.

The committee's decision, intended to send a strong signal that Parliament feels the housing budget is insufficient,

was made after hearing evidence this week on the housing budget vote. It will be tabled in the National Assembly next Thursday.

Mafolo would not say by how much the budget should be increased, but said the request, if accepted, would be only a "short-term measure".

The committee was determined to take the matter even further by calling for a review of the medium-term expenditure framework base line figures for housing.

Committee members agreed that "throwing money at a problem" was not a solution, but insisted that government was obligated to provide resources for its policy positions.

Housing department director-general Mponu Nzumalo-Nhlapo on Tuesday told the committee her departmental budget had been reduced by an overall 7,1%. She said that had the department been allocated the R4,6bn it had initially asked for it would be able to meet government's target of build-

ing a million houses by the year 2000.

Yesterday the Banking Council of SA (formerly the Council of SA Banks) told the committee "insufficient expenditure" was going towards building the administrative capacity necessary for expanding and smoothly implementing the housing policy. On average only 10 000 housing options were being delivered a month.

"At this rate it will take over 30 years to address the 3-million backlog — not including new family forma-

tion," council representative Mary Tomlinson said.

Equally important was a knowledge of how to spend money.

Tomlinson said it seemed that the housing department had "still not adequately taken on board the issue of setting yearly delivery targets". The council recommended adoption of performance targets and measurement.

Business Day reported yesterday that the 1997/98 housing budget was R4,7bn when it was, in fact, R4,037bn.

SA 7/5/98

(1/23)

Young & Rubicam 775/75X2



# Masakhane campaign has failed, says council

BOBBY JORDAN

THE Tygerberg municipality has served summons against 78 of its Khayelitsha employees for not paying municipal services, a move that signals the collapse of the government's Masakhane campaign on the Cape Flats

According to a report tabled this week by the council's financial director, Hein Herbst, scores

of defaulting council employees were shocking proof of the widespread culture of non-payment

Recent council figures showed less than five percent of Khayelitsha residents pay their accounts, the report said

"The fact that I have recently had to issue summons is not indicative of a successful Masakhane campaign, especially when it is borne in mind that the employees work for the council, and cannot plead unemployment or

poverty," Herbst complained. "The Masakhane campaign has failed. A recent report by the Department of Constitutional Affairs confirms this."

Herbst's report follows numerous complaints from Khayelitsha residents who claim service accounts are in a shambles — hence the reluctance to pay

Khayelitsha-based councillor Raymond Jada said most residents felt left out of the city structure and were still dissat-

isfied with the level of service. The people who did receive accounts were often unable to make sense of them, Jada said

"People are ready to pay for services — it just needs to be organised properly," he said

However, Herbst denied non-payment had anything to do with a lack of effort by the council's finance team. A recent plan to open cash offices on a Saturday yielded only R8 000, with costs of R5 000 being incurred, he said

(123) ST (CM) 10/5/98

# New curb on banks' home loans

ET(BR)12/5/98 (123)

**CHRISTO VOLSCHENK**

ECONOMICS EDITOR

Cape Town — The capital reserve risk weighting for banks would increase from 50 percent to 100 percent from October 1 on all new home loans exceeding 80 percent of the homes' value, Christo Wiese, the registrar of banks, said yesterday.

This could force banks to quote two home loan rates from October 1: one on loans smaller than 80 percent of the home value and another, higher rate on loans over 80 percent. Banks may also stop extending loans over 80 percent.

"On all existing home loans and new home loans smaller than 80 percent of the value of homes, the risk weighting would remain unchanged at 50 percent," Wiese said. He hoped the step would curb the trend for banks to extend home loans up to 100 percent of the value of homes.

"The extension of large loans was a major reason for the recent

growth in losses on home loans," the Banking Council said in its latest annual review.

Arrears on home loans grew by 24 percent, from R4,1 billion to R5,1 billion, in the two years to January 1997.

Bob Tucker, the council's chief executive officer, welcomed the increase. He said homeowners' monthly bond payments should not be higher than 30 percent of household income.

Current bond payments could be as high as 40 percent, he said.

With the 50 percent weighting, banks only had to hold 4 percent in reserve on home loans. The weight increase from 50 percent to 100 percent would increase banks' cost base and force them to quote higher lending rates, Wiese said.

Tucker said it would be up to the individual banks to decide whether they would quote two interest rates on home loans.

"To date no bank has decided whether it would quote two rates

or stop extending loans bigger than 80 percent of the value of homes," Tucker said.

Adele Shevel reports from Johannesburg that analysts believe this move may reduce the number of home buyers.

Jan le Roux, a director of the Institute of Realtors, said up to 40 percent of home loan bonds could be more than 80 percent of the property's value. He said the effects on the residential market would be especially prevalent at the bottom end.

Wiese also announced the capital reserve risk weighting for loans to provincial governments would be increased from zero to 100 percent on October 1, "since government had said it would not guarantee loans by banks to local governments and provinces."

The weighting for loans to local government and regional service councils would increase from 10 percent to 100 percent (that is, from 0,8 percent to 8 percent of capital), Wiese said.

# Greater commitment to rural housing urged

**JOVIAL RANTAO**

ET 12/5/98

(123)

PARLIAMENT'S Housing Committee has suggested that the government's housing budget should reflect a greater commitment to rural housing

The committee decided that all apartheid-era housing projects and commitments would be phased out over the next year. "It was argued that it was morally wrong and possibly unconstitutional to continue with these projects," the committee said yesterday

In a report to be submitted to Parliament, the committee noted that the R3,9 billion was "too little" and recommended that, as a short-term measure, the Department of Finance should look into possible savings brought about at the Housing Department

The committee also suggested that the departments of housing, state expenditure and finance should seriously reconsider reinstating the facility through which provinces would be able to withdraw money from the national housing budget when it would be required as a result of improved performance.

It also suggested that the government should review the minimum amount for housing and increase the allocation, taking into account that the subsidy was eroded

each year by escalating costs.

The committee also recommended that the budget should also ensure

- That the government should give priority to housing the poor
- That there was integrated development planning
- That the People's Housing Process was encouraged
- Safe and healthy living conditions and prevent slums and slum conditions
- Housing should be used to integrate society.

● That there was economic use of land and services

The committee welcomed the R2 million increased allocated for administering the housing budget, saying it would be crucial to improve efficiency, thus reducing spending on the usually expensive consultants

The committee said a decrease in subsidies would undermine the ability of the provinces and the private sector to effectively plan for medium and long term needs

It also proposed that the bulk and connector (water and electricity in bulk) infrastructure grant, which is held by the Department of Provincial Affairs and Constitutional Development, should be moved to the Department of Housing

*It was morally wrong ... to continue with (apartheid-era housing) projects*

# Masakhane has 'stabilised'

**POLITICAL CORRESPONDENT**

(123) ARG 13/5/98  
The Government will be briefed tomorrow on the latest figures on local government debt, a major indicator of the success or otherwise of the Masakhane campaign

Compiled by consultants to the provincial and constitutional affairs ministry, the report will give a detailed breakdown of debt owed to municipalities

Masakhane chief executive Chris Nissen said the campaign had "gone up and down" since its inception four years ago, but had stabilised

Efforts had been made to draw all political parties into the cam-

paign to depoliticise Masakhane, as well as involving the private sector.

Linkages to all government departments were being developed to draw in their efforts to the campaign

A Masakhane focus week was to be held in October

In other initiatives, the Masakhane office was to contribute about R1,2-million to a SABC television series on civic education

On May 21, an annual Masakhane award will be given to a municipality which has shown "best practice" in community participation, visible delivery and improvement in payments for services, among other criteria.

# New bank rules set to hit 100% home loans

ALIDE DASNOIS  
BUSINESS EDITOR

Taking out a 100% bond on that house you want to buy will be harder from October because of new rules set by the monetary authorities.

The Registrar of Banks said this week that from October banks would be expected to back each loan exceeding 80% of the value of a house with a higher proportion of their own funds.

At the moment, the banks must back each loan with 4% of their own funds and may use depositors' money for the other 96%. The new rules will mean that on loans of more than 80% of the value of the house, the bank must secure 8% of the excess with its own money.

The change was likely to discourage banks from granting mortgage bonds on the full value of homes, said Bob Tucker,

chief executive officer of the Banking Council.

It also would make it more expensive for banks to give bonds for the full value of houses.

There has been speculation that banks may try to recover the extra costs by charging higher interest rates on loans which exceed 80% of the value of the house. However, Mr Tucker thought this was unlikely.

"I'd be very surprised if the banks changed interest rates as a result of this. But they are likely to put more pressure on customers to save money, to put down a deposit of 20%, or at least get an insurance policy or other security outside the bank."

Mr Tucker said the move would help rein in excessive borrowing. "As a general rule, no one should spend more than 25% of income on home-loan repayments, 30% as an absolute limit."

MART 14/5/98 (58) (123)

# Provinces adopt housing policy

2015/5/98

(123)

Vuyo Mvoko

CAPE TOWN — The “tottering pace” of the housing industry in transforming itself had contributed to the problems of delivery of houses to poor and ordinary people, Housing Minister Sankie Mthembu-Mahanyele said yesterday.

Recounting her department’s progress and addressing the National Assembly on the debate on her R3,6bn budget vote, Mthembu-Mahanyele said the full spectrum of housing policy measures envisaged in the white paper had now been completed, with the seventh and final leg of government’s housing policy, the People’s Housing Process, having been ratified and adopted by provincial housing MECs on Monday.

The housing process, Mthembu-

Mahanyele said, would help the poorest families build their houses in such a way that would maximise what they could get out of their subsidies.

“Checks and balances have already been put in place and we have turned housing delivery on its head by creating an environment which makes it effortless for ordinary people to access the diverse housing opportunities,” she said.

Mthembu-Mahanyele announced during the debate that subsidies had now also been extended to rural communities occupying communal land.

Since 1994, more than R7,3bn had been spent on housing, with 47 901 units having been built or under construction in the Eastern Cape, 36 646 in the Free State, 144 120 in Gauteng, 29 345 in Mpuma-

langa, 39 599 in the North West, 14 658 in the Northern Cape, 25 354 in the Northern Province, and 67 811 in the Western Cape.

All the opposition parties, except the National Party, supported the minister’s budget vote, although they stated their various reservations.

Calling on the minister to speed up delivery, the opposition parties suggested that government do everything possible to inform people not only about subsidies, but about whatever problems were being encountered, so as not to raise their hopes.

“Ways must be found to break through the bottlenecks in the delivery system so that we can house our people,” the Democratic Party said.

All parties criticised the cut of the budget by an overall 7,1%.

# Fears as De Ridder quits housing body

Robyn Chalmers

THE resignation of National Housing Finance Corporation CEO Johan de Ridder has revived industry fears about the future viability of the organisation

De Ridder announced yesterday that he would be leaving the corporation later this year in order to return to the private sector to pursue certain business opportunities

His resignation follows hot on the heels of a dispute between corporation chairman Eric Molobi, De Ridder and management team members over the restructuring of the organisation.

The dispute led to Molobi tendering his resignation in April.

This resignation was withdrawn, however, after the dispute was settled and the corporation's board agreed to support De Ridder and his team while giving Molobi a strong vote of confidence

Government and housing industry officials indicated yesterday that De Ridder, who played a pivotal role in forging a new housing policy in SA as well as implementing it, would be difficult if not impossible to replace

"De Ridder has a wealth of experience in housing," said one official.

"He has the confidence of local and international bankers, the ear of government and an intricate understanding of the way that the

BO 15/5/98 (123)

market works in SA."

There were also fears that other members of the corporation's management team would follow De Ridder's lead and also decide to leave

However, De Ridder said that the foundation of the corporation was now firmly established, with a substantial funding base secured and wholesale facilities worth close on R400m being granted

These facilities had benefited close to 60 000 families over the past year, he added

"The time has come for fresh executive leadership to guide the corporation during its next development phase. My job was to establish the corporation and get it going, a task that has now been established," he said.

The corporation plays a key role in government's low cost housing policy. It was established in 1996 by government as a wholesale development finance institution mandated to promote social housing

This the corporation does through the provision of housing credit to underserved segments of the housing market.

Molobi said that the board and the housing minister would make an announcement in due course.

"We are taking steps to make sure that the organisation will continue to function effectively, as a priority," said Molobi

# New housing board will advise minister

VUYO MNTUYEDWA  
PARLIAMENTARY BUREAU

(123)  
CT 15/5/98  
A SOUTH African Housing Development Board is to be established to advise Housing Minister Sanke Mthembu-Mahanyele on housing development and monitoring how the national housing policy is carried out

Speaking in the National Assembly yesterday during her budget vote, Mthembu-Mahanyele said developers building houses using the government's capital subsidy would be monitored through strictly enforced norms and standards

She said this would ensure that quality structures were built

The subsidies of the previous dispensation, she said, would be phased out with the new national housing programme

Mthembu-Mahanyele said a national housing code would be published that would contain a synopsis of national housing policy.

Parliamentary committees would make recommendations to her on the appointment of the members of the South African Housing Development Board.

Mthembu-Mahanyele said 499 318 houses had been completed or were being built countrywide

Signature: \_\_\_\_\_



In his briefing yesterday Buthelezi said that it was Lock- in one of the tendering companies whose name he did not

## New housing board will advise minister

**VUYO MNTUYEDWA**  
PARLIAMENTARY BUREAU

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## Major changes in cabinet proposed, but govt not keen

**JOVIAL RANTAO**  
PARLIAMENTARY BUREAU

ET 15/5/98  
EVEN if it accepted some of them, it was unlikely that the government — with an election in less than 12 months — would implement the major recommendations in the Presidential Review Commission (PRC) that was released in Parliament yesterday.

Government sources said that at best the PRC report, which has proposed a major reshuffle of the cabinet, would form the basis on which the next head of state — expected to be Deputy President Thabo Mbeki — would want to reconstitute the government if he so wished.

The cabinet has appointed a 13-member ministerial team to evaluate the PRC's report, which has recommended that the Public Service and Administration, the Sports and Recreation, the Arts, Culture, Science and Technology and the Public Enterprises ministries should be abolished.

The commission also recommended that the ministries of Education, Justice, and Provincial Affairs and Constitutional Development should be reconstituted. The Ministry of Public Works should be restructured. The PRC has also proposed a "super presidency" that would swallow at least two ministries.

The report, compiled by a team led by Dr Vincent Maphai, recommended:

- A new ministry of higher education and technology.

- A new ministry of education and culture in which sports and recreation would be a directorate

- A new ministry of local government.

- The reconfiguration of the Department of Constitutional Development in which all its current functions other than local government would be in the Office of the President

- The establishment of the office of public management in the Office of the President to take over the many functions now carried out by the Department of Public Service and Administration.

- The location of a restructured Public Service Commission, an independent commission of three people, in the Office of the President

- The establishment of a number of new central executive agencies in the Office of the President, in particular for inter-governmental relations and information management.

The PRC also recommended that some ministries should be reconstituted to form "coherent and viable" combinations. It suggested that Water Affairs and Forestry should merge with Agriculture; Land Affairs with Environment; Trade and Industry with Tourism, Finance with State Expenditure

Public Service and Administration Minister Dr Zola Skweyiya said: "It is a good report. We accept it, but we are not necessarily bound by what it recommends"

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FPA 134(B)

## Low-cost housing may lose momentum as sharp budget cuts hit home

Robyn Chalmers

MOST provincial housing boards will halt new low-cost housing subsidy applications this year as sharp cuts in the national housing budget hit home.

There are also fears that capacity built up in the construction and associated professions over the past few years to sustain recent high levels of housing delivery will be lost.

This means the housing programme — which only recently gained momentum in most provinces — could experience a downturn next year and also in 2000. Housing projects have a lead time of 12 to 24 months.

In a recent submission to the National Council of Provinces' housing committee, provincial housing heads said that most would be able only to meet project commitments this year and could approve a limited number of new schemes. This was in part the result of an earlier housing department decision to allow certain provinces to overcommit on their budgets in a bid to give the ailing housing programme a

boost and facilitate planning.

Housing department director-general Mpuum Nxumalo-Nhlapo said yesterday average monthly expenditure on the low-cost housing programme had reached R260m.

As a result of a cut in the 1998/99 national housing budget to R3,6bn from R4,7bn last year, along with other factors, the national and provincial housing departments had been forced to reassess their plans. "It is acceptable to say that the funds do not match the plans, and that targets will be met at a

later date than previously envisaged."

However, Nxumalo-Nhlapo said provinces could still approve subsidies and projects in terms of the medium-term expenditure framework which set out allocations up to 2000/2001.

She said if a project were approved now, expenditure would take place only out of next year's budget.

Gauteng housing policy and administration director Monty Narsoo said the province needed R1,3bn this year to honour obligations but had instead received R725m. "We will be hard-

pressed to approve any new projects. We will try to cancel underperforming projects and reschedule others."

Durban metro housing executive director Dan Smit said the KwaZulu-Natal housing board had placed a freeze on new subsidy applications until the third quarter of this year.

Housing and construction industry analysts said it appeared that housing had fallen off the national agenda. Government had to decide whether it wished to limit the programme just as it was beginning to succeed, they said.

# MIPs 'to get tough' on service delivery

David Greybe

CAPE TOWN — Parliament's public service committee vowed yesterday to get tough with departments and provinces that were dragging their feet on implementing a policy to improve service delivery.

The committee's decision, in the words of its chairman Sahr Mame, to "wield the big stick" followed a plea for assistance by the public service department task team responsible for the Batho Pele (people first) project.

The project is intended to improve the efficiency of services for the public and introduce a "customer-oriented approach" to transforming service de-

livery in accordance with the national policy framework set out in the Batho Pele white paper, gazetted in October.

The task team complained that many of the top echelons of departments and provinces, including political heads, had not communicated the new service delivery policy to staff, despite the fact they were fully briefed at the end of last year.

Knowledge of Batho Pele among public servants and ordinary citizens was still not high, the task team said in a report to the portfolio committee.

"There seems to be little appreciation for the central role that Batho Pele can play in transforming the public service," Not enough pressure was be-

ing exerted on the public service to improve service delivery, the task team said in its report. Political role players were duty-bound to play a more prominent public role in popularising the project.

The committee decided to call on departments and provinces to provide details of what they had done to implement the Batho Pele project.

Mame said the success of the policy would not be judged on how well it was known, but on how well it was implemented. If that meant "wielding the big stick", so be it, he said.

Service delivery was at "the heart of any government," Parliament, as the national legislative body, had the pow-

er to create the environment for the implementation of policy.

Mame said that the Batho Pele policy was an "excellent" policy document, and the committee was "desperate" to have it implemented throughout the public service.

The task team said it was finalising a new programme, which included public rallies and a video, to popularise Batho Pele. The public service department had sought financial assistance from Britain.

The collective commitment, energy and skills of staff at all levels in society "still needs to be harnessed to tackle the massive task of improving service delivery", the task team said.

# Meter tampering 'costs Eskom R300m'

Robyn Chalmers

MORE than 40% of prepaid electricity meters on average are believed to have been tampered with at an annual cost of at least R300m in lost revenue for Eskom and local authorities

Industry and government officials have indicated that allegations of fraud involving consumers, and in some cases technicians, bypassing meters are rife "The problem is far more serious than Eskom or municipalities are letting on," said one official

However, Eskom executives were adamant yesterday that they had the problem under control Eskom spokesman Peter Adams said regular audits of prepayment meters were undertaken "There is evidence that about 5% of meters on average are being tampered with This has remained steady for the past year or two"

*BD 21/5/98*  
This contradicts an earlier statement by Public Enterprises Minister Stella Sigcau that energy theft in the prepaid environment had been reduced to a weighted annual average of 26% last year from 38% in 1996 About 1,2-million meters have been installed in SA at a cost of more than R500m

Adams said countermeasures were being put in place to combat energy theft These included sealing meters and ultimately removing them in cases of proven tampering, and installing them outside rather than inside homes "The overall impact is that the situation has been controlled and progress has been made in stopping tampering," he said

However, industry observers indicated that prepaid electricity meters were not only unpopular among some consumers but were inappropriate technology for township residents who

*(123) (25)*  
used limited amounts of electricity

John Heath, CE of electronics and electrical metering company Zaptronix, estimated that underprivileged people spent R18 a month on electricity on average, which equated to 130kW hours This was well below the break-even point of 600kW hours

Heath said a flat rate tariff circuit breaker was perhaps more appropriate as it gave people certainty in terms of their electricity bills and could not be tampered with "A number of communities have been calling for this solution for some time"

A former government official claimed that "hundreds of millions of rands" were being lost every year as a result of improper systems and alleged fraud Technology existed to ensure that the metering system became more effective via constant monitoring However, this would require further investment

# Government pledge to boost housing budget fails to materialise

(123)  
Robyn Chalmers

PD 21/5/98

A COMMITMENT from the state expenditure department to boost the housing budget by R1bn when delivery took off has not materialised, contributing to government abandoning its target of 1-million houses by 1999

Housing department director-general Mpumi Nxumalo-Nhlapo said yesterday provinces were allowed to commit more funds than they were allocated last year on the basis of a formula known as the 70 50 20 formula. This allowed provinces to approve projects for subsequent financial years on the basis of 70% of their budget in year one, 50% in year two and 20% in year three. This was mainly to facilitate planning because of the long lead times in housing.

"This formula was adopted on the understanding and commitment by the state expenditure department to increase the housing budget by R1bn from 1996/97 in order to meet the 1-million houses target," Nxumalo-Nhlapo said. However, no new money was allocated to the housing budget in 1996/97 and the R1bn increase did not materialise, she said.

"This is what has forced both the national and provincial departments to reassess their plans on the basis of the allocated budget for 1998/99," she said.

Flip Rademan, deputy director-general of the state expenditure department, put a different spin on the agreement. He said the housing department did not use the funds originally allocated and the allocation was suspended for other priorities. In subsequent annual budgets, the final allocations were approved by cabinet according to national priorities.

"The responsibility then vested in accounting officers to adjust and manage programmes within allocations through reprioritising specific projects to stay within available funds."

He said the medium-term expenditure framework allocation for the next three years reflected government's commitment to housing programmes.

Nxumalo-Nhlapo said the medium-term expenditure framework had replaced the 70-50-20 formula and housing had been allocated an amount equivalent to the 1998/99 year for the next two years.

# Bill to provide homes for rental to the poor

22/5/98 (122)  
New approach will speed up delivery, says minister

BY JOVIAL RANTAO  
Cape Town

The Government is to introduce legislation in Parliament aimed at speeding up the slow pace of delivery in housing by making provisions for the state to build houses for rental by low-income earners.

Housing Minister Sankie Mthembu-Mahanyele said in

## Public will soon have an option

the National Council of Provinces yesterday that the tabling of the Housing Rental Bill would represent a shift from the Government's focus of encouraging communities to own their properties.

"One of the most important aspects addressed within the housing environment is the issue of rental housing. Not only will increased investment in rental housing have to be considered care-

fully, but (also) the relationship between tenants and landlords, rent control and assured tenancy," Mthembu-Mahanyele said.

She said the bill would soon be presented to the Cabinet and would provide the option to either buy or rent. The bill would also govern the other important aspects of rental housing.

The legislation was also aimed at redressing the current situation where white people who occupied government flats before 1994 have continued to do so and thus unfairly benefited from the system.

Mthembu-Mahanyele said major changes had been made to the National Home Builders and Registration Council Bill and the Consumer Protection Measures Bill following in-depth consultation with stakeholders in the home-building industry.

Both pieces of legislation, which would be tabled in Parliament soon, would promote consumer protection against unscrupulous home-builders.

They would also contain

norms and standards that home-builders would have to adhere to, such as quality, size and the cost of materials.

She said the National Home Builders Registration Council, established to protect the consumer against shoddy workmanship in the building industry, had received 1 614 complaints from homeowners.

Mthembu-Mahanyele also

## Standards to be spelt out

issued a warning that the Government would act ruthlessly against those who were guilty of defrauding and abusing the subsidy scheme.

She said corrupt civil servants had been fired, and charges had been laid against civilians, with some already serving sentences.

"We will clamp down on all forms of fraud and corruption," Mthembu-Mahanyele said.

# New deal for tenants in pipeline

ARG 22/5/98

(123)

PARLIAMENTARY BUREAU

**Housing Minister Sankie Mthembu-Mahanyele has announced a reform of legislation on home rentals.**

The new legislation, which will govern the relationship between tenants and landlords, rent control, assured tenancies and other issues, will be put to the Cabinet for approval soon

Ms Mthembu-Mahanyele was speaking during her policy review debate in the National Council of Provinces

She also announced that there had been substantial rewrites of the National Home Builders and Registration Council Bill and the Consumer Protection Measures Bill after in-depth consultation with stakeholders in the home-

building industry. The legislation is to be put before the National Assembly shortly

It would promote consumer protection against unscrupulous home builders for all new home owners, irrespective of race, gender or income level, Ms Mthembu-Mahanyele said

Within the next six months, the SA Housing Development Board provided for in the Housing Act would be appointed, to advise on development and implementation of national housing policy

Minimum standards for permanent residential structures would have to be strictly enforced by developers that used the Government's capital subsidy

The new national housing programme will mean the phasing out of

the current structure of subsidies

Ms Mthembu-Mahanyele said a user-friendly national housing code would be published, outlining national housing policy and programmes

She said a total of R7,3-billion had been spent on housing since 1994, and 774 182 subsidies had been approved countrywide

There had been rare cases of fraud and abuse of the subsidy scheme, she said

Charges had been laid, some people had been arrested and some were already serving sentences. Government officials responsible had been fired

"We will clamp down on all forms of fraud and corruption," Ms Mthembu-Mahanyele said

# A promise of homes for rent

**JOVIAL RANTAO**

ET 22/7/98

THE government is to introduce legislation to speed up the slow pace of delivery in housing, by providing for the state to build houses for rent to low income earners.

Housing Minister Sankie Mthembu-Mahanyele announced yesterday in the National Council of Provinces that the tabling of the Housing Rental Bill would represent a shift from the government's focus on encouraging communities to own their properties.

"One of the most important aspects addressed within the housing environment is the issue of rental housing. Increased investment in rental housing has to be considered carefully, and the relationship between tenants and landlords, rent control, and assured tenancies must be addressed," she said

She said such legislation, contained in the Housing Rental Bill, would soon be presented to the cabinet. The bill would provide an option to buy or to rent.

The legislation was also aimed at redressing the current situation in which white peo-

(129)  
ple who occupied government flats before 1994 had continued to do so and unfairly benefit from the system

Mthembu-Mahanyele said major changes had been made to the National Home Builders and Registration Council Bill and Consumer Protection Measures Bill after in-depth consultation with stakeholders in the industry.

Both pieces of legislation, to be tabled in Parliament soon, would promote consumer protection against unscrupulous home-builders and contain standards that home-builders would have to adhere to

Mthembu-Mahanyele said the National Homebuilders Registration Council, established to protect consumers against shoddy work, had received 1 614 complaints.

She also warned that the government would act ruthlessly against those guilty of defrauding and abusing the subsidy scheme

She said civil servants had been fired and charges laid against civilians, some of whom were already serving sentences. "We will clamp down on all forms of fraud and corruption," she said.



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(123)

# AC is much cheaper than DC

Sechaba ka'Nkosi

**N**ational electricity supplier Eskom and local authorities are fighting an uphill battle against the booming illegal business of "alter-native" electricity supply.

It's alternative, say its practitioners, because most residents whose power has been cut by town councils for non-payment prefer to use their services rather than paying the R650 reconnection fee.

The practice is most prevalent in Gauteng and the Free State. It nets the practitioners millions of rands in profits, at the expense of Eskom and local authorities. Even respected business people use the illegal connectors when they experience problems with the authorities. Despite the police crackdown on

electricity theft throughout the country, Eskom admitted losses totalling a "significant and troubling" percentage of its R3-billion net income last year, prompting senior managers to look at other strategies to combat the escalating problem.

Town councils are fighting an equally losing battle against defaulters. Immediately after supplies are cut, residents turn to the connectors, who charge as little as R100 for a reconnection.

In some instances, syndicates bypass meters and residents continue to use electricity for years without paying a cent for consumption.

Sipho Mabuza (not his real name) is one of the kingpins behind illegal connections in Thokoza on the East Rand, one of the areas hard hit by credit-control measures instituted by the local town council.

Although Mabuza does not possess any formal qualification for his job, his skill is in such demand that he is called to reconnect at least six houses a day. He used to be employed as a handyman at electric equipment company Barlows.

He says his prices vary, depending on whether he knows the customer. For a reconnection he charges friends R40, twice that amount for strangers, up to R300 to bypass the electricity meter and R800 for businesses.

Although at first reluctant to talk about his methods, Mabuza eventually showed the *Mail & Guardian* how he bypassed the council's electricity meter. "I want to make sure these people never ever worry about an electricity bill in their lives," Mabuza explained confidently.

He takes an accomplice with him to keep an eye out for the authorities

while he is busy. He starts by switching off the supply at the nearest substation to ensure no electricity flows to his customer's house. Then the cable connecting the meter to the substation is cut inside the house. Another cable is run from the house to the substation, and in a little less than an hour the operation is completed.

"Sometimes I walk home late in the evening and find people waiting for me," says Mabuza. "I take my tools and go. Even though the business is risky, I continue because that is the only means for me to survive. What else can one do?"

"I help the community, and the community appreciates my work by paying for services rendered. When business is good, I can make more than R1 500 a day."

In nearby Eden Park, Sid Willemsse (also not his real name) offers a similar service. Willemsse's customers are a little more affluent than those in Thokoza and his prices are a little higher than Mabuza's. On a good day, he says, he can make up to R2 000.

"If I operated in town, I would be rich by now. But still I survive on what I make here," says Willemsse.

Most people who make use of the "low-cost electricians" blame Eskom and municipalities for the escalation of the problem. They say new councilors have adopted apartheid-style credit-control measures to adjust to realities in local governance.

Eskom representative Peter Adams says the problem is not only



Plugging in: A 'low-cost' electrician at work

experienced in the townships; affluent communities also use illegal connectors. "It's an international problem. Countries such as Brazil, the United States and some in Europe are faced with the same predicament."

Adams adds that while Eskom is aware people consume electricity illegally, there is little it can do because illegal use can only be detected if it occurs on a large scale. Another problem is that surrounding communities refuse to co-operate with the authorities to detect abusers.

Says Adams: "We now rely on education and pamphlets to alert the public to the legal implications as well as the dangers of interfering with electricity. So far the extent of the problem has dropped from 28% last year to 17% this year."



# One-stop shops 'reduce provincial service costs'

(123)  
David Greybe

BO 26/5/98

CAPE TOWN — Parliament yesterday welcomed the Northern Cape government's introduction of one-stop shops, and said the cost-cutting service delivery concept could be emulated in other provinces.

Director-general Martin van Zyl told a public service committee hearing into the Ncholo audit on the Northern Cape that the first facility was opened in Roodespan, outside Kimberley, three weeks ago.

Because of the vastness of the sparsely populated Northern Cape, it was costly to bring services to people in remote areas, Van Zyl said. It was therefore decided to concentrate provincial services at specific points in the province, using computer links and video conferencing equipment.

Another two were in the pipeline, and the administration planned to transform the province's six regional offices into one-stop shops. Canada's New Brunswick province had provided funding.

Committee chairman Sahe Manie said the centres could, through the "better allocation of funding, staff, premises and equipment", go a long way toward improving service delivery and prioritising resources.

"This is one way of bringing together all three spheres of government (central, provincial and local) in an efficient and effective way," Manie said. One-stop shops could also free resources for use in other areas. Other provinces could benefit from the idea.

The committee requested details for inclusion in its final report on the Ncholo provincial audit.

Van Zyl said the Northern Cape was "firmly committed" to decreasing resources used for administration and increasing those for service delivery. Avenues being explored included privatisation and outsourcing, for instance at Kimberley Hospital.

The province had reduced its ministries from 10 to seven. While rationalisation efforts were focused mainly within departments, the province did not rule out another cut in departments and ministries.

Van Zyl said that the province's departments "have to produce more with less".

## S REPORT

# Kluever recommends thorough probe of trust

Linda Ensor

ED 26/5/98 (123)  
CAPE TOWN — A special investigation into the activities of the SA Housing Trust, allegedly involved in widespread irregularities, would be carried out, Auditor-General Henri Kluever said in his report on the national accounts for the 1996/97 fiscal year.

At the time the report was completed no audited financial statements for the trust — set up in 1986 to provide loans to the lower end of the housing market — were available for 1995/96 and 1996/97.

The previous government invested R445m in the trust and underwrote a further R890m.

Kluever said his office had received allegations of maladministration and mismanagement in the trust. Its auditors investigated the allegations but did not uncover anything of substance. Subsequently further allegations were received.

“In the interest of transparency and accountability, this office is of the opinion that a thorough investigation should be carried out to determine among other things whether there is any truth in the allegations, why audited financial statements are not released, what the prognosis is and whether proper management practices are applied by the Housing Trust and its subsidiaries.”

Housing Minister Sankie Mthembu-Mahanyele announced last month that the trust would be wound down as it had been hit by bond boycotts, especially its subsidiary, Khayaletu Home Loans, which was said to be owed R500m by about 15 000 defaulters.

Last year the trust was unbundled into three companies: Khayaletu Home Loans, Nu-Way Housing Development and Nu-Loans, which bought the performing loans from Khayaletu.

# 'Govt must let well-regulated private firms provide services'

Nicola Jenvey

**DURBAN** — Monopolistic enterprises which could be viable corporate entities had to be privatised, said Alastair Morton, adviser to the ABB Daimler-Benz Transportation group executive board.

This was because the regulation of market behaviour was a government responsibility whereas the ownership of factories was not, he said.

Morton, who is also the Eurotunnel honorary chairman, said at the annual SA Property Owners' Association convention government had to ensure the efficient supply of the public services it believed the community required.

This was achieved by co-financing, regulation and concession contracts. Public-private partnerships ensured government delivered on its promises despite financial shortages, he said.

"The government must be entrepreneurial in its thinking, but (acknowledge) it lacks the competence as the project entrepreneur. It must specify the services or the operating performance of the infrastructure to be provided and allow well-regulated private enterprise to get on with it under tightly negotiated contracts."

During his opening presentation, Deputy President Thabo Mbeki called on the commercial property industry to contribute towards achieving a greater equity in ownership and control. Economic empowerment, realigning historically distorted development patterns, conformity with international standards and the development of public-private partnerships were the main challenges, Mbeki said.

Government would use the procurement and the disposal of goods, services and property by the state to localise empowerment. Economic empowerment meant altering the skewed property ownership and control patterns, empowering black individuals and firms through outsourcing and subcontracting and empowering employees by ensuring equitable recruitment practices and appropriate training.

Mbeki said the state alone could not achieve these goals and the private sector had a vital role to play by adopting, pioneering and championing policies aimed at redressing past inequalities.

Public-private partnerships are required to create much-needed infrastructure in black townships, as well as in endeavours to link townships with city centres and other employment areas via development corridors, he said.

One corridor was Spoornek's Barabank and the public works department's Nasrec development, which linked Soweto to the Johannesburg city centre and greater metropolitan area.

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# Govt won't write off housing debts

ET 29/6/98 (123)

**JOVIAL RANTAO**  
PARLIAMENTARY BUREAU

THE government has no intention of introducing legislation to write off the millions owed to local authorities, nor will it consider giving council or state-owned houses to the poor in lieu of rentals paid in the past, Housing Minister Sankie Mthembu-Mahanyele has announced in Parliament.

In a reply to a question from Abdul Mohamed of the National Party, Mthembu-Mahanyele said that

instead of giving council houses to the poor, the government was providing discount benefit schemes for houses that were occupied before March 15, 1994.

"In terms of the current housing subsidy policy, the discount benefit schemes provides that houses occupied before March 15 1994, may be sold at a discount price of up to R7 500 on the selling prices. In many instances this discount will cover the full selling price or outstanding balance of the original selling price and

the property, upon application, can be transferred without any further costs.

"In cases where the discount does not cover the full selling price or outstanding balance of the original selling price, the balance owing must be secured by means of mortgage finance repaid at a market-related interest rate. Houses allocated with effect from March 15, 1994 are subject to the provisions of the new housing subsidy scheme," Mthembu-Mahanyele said.

ASMAL VICTIM OF OWN SUCCESS

# Water target reached — budget almost halved

**THE NEAR** halving of its budget will mean Water Affairs will have "to reschedule planned projects and, worse, stop committed projects", says Kader Asmal. **ANDRÉ KOOPMAN** reports.

**W**ATER Minister Kader Asmal said yesterday that his stellar ministry might become the victim of its own success as it had reached its target level of delivery in the last financial year and would have its formal budget allocation cut by almost half in 1998/99.

Introducing his budget vote, Asmal said that to date more than two million people had been provided with a basic water supply and about 40 000 jobs had been created every year in this process involving 268 projects.

But his department might have to cut-back radically on its programme, with its budget being halved from almost R1 billion last year.

Asmal said that although his department was seeking alternatives, "we will have to reschedule planned projects and, worse, stop committed projects." Projects where contracts had been signed might even have to be cancelled despite the penalties.

The situation was not necessarily a signal for gloom and despondency and should be viewed as the challenge of success. "For the first time we have to choose between our priorities knowing that we have the capacity to deliver in many of them, in terms of our own policies."

Asmal said "severe internal steps" had been taken to minimise the budget cuts. His department was also seeking R200m from the Finance Ministry's discretionary fund for poverty and R150m from the infrastructure fund.

A proposal for continuing funds for the working for water project had also been submitted, in view of the importance of short-term job creation.

Problems in its investment programme should not distract the department from ensuring that services provided were sustained. "We have no desire to install taps which run dry," he said.

His department was reviewing the possibility of establishing a national water utility to take over the operations of existing major infrastructure and

development of new water management infrastructure

Establishing this national water utility could make for up to R600m in new water-related investment a year without recourse to the budget.

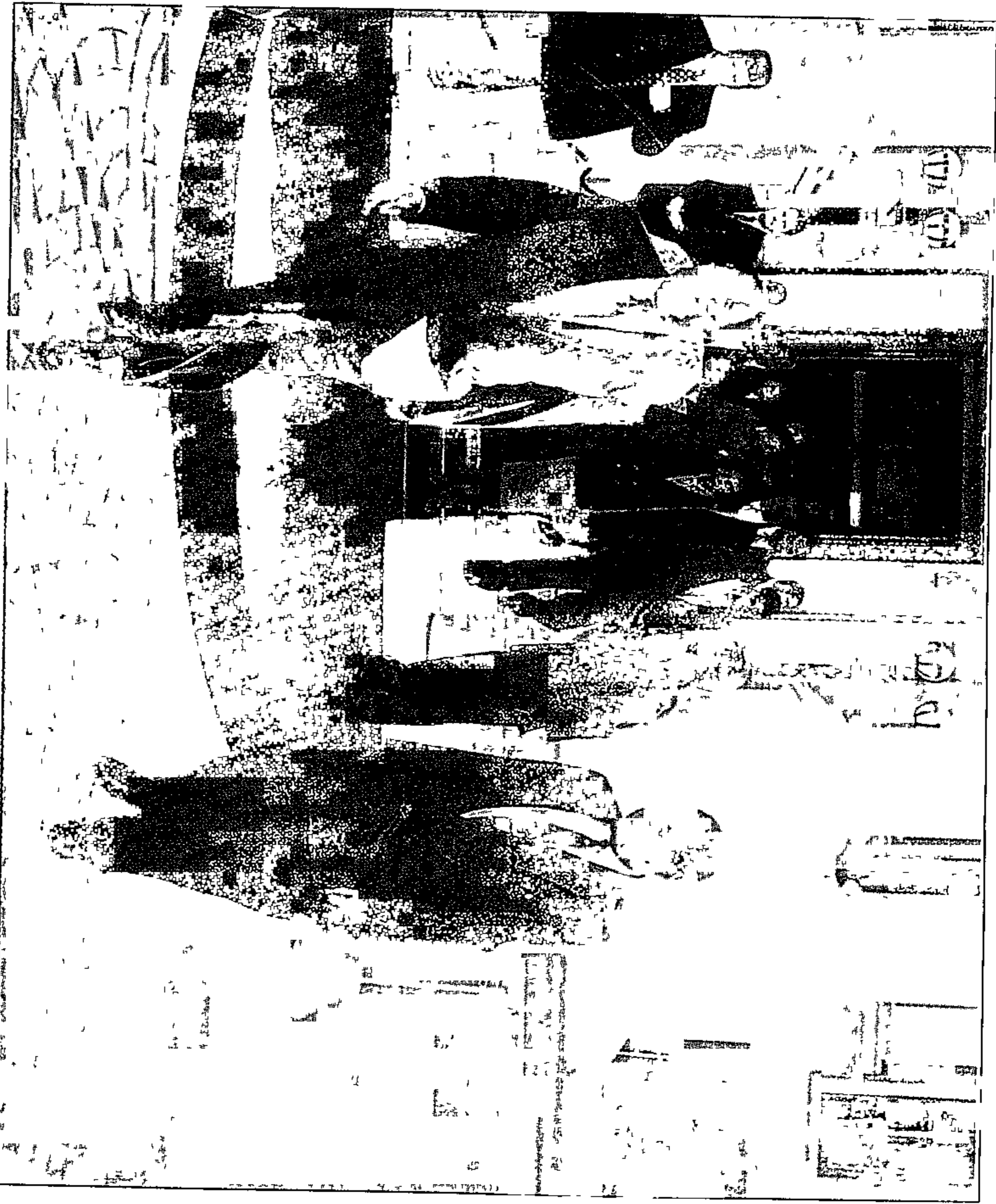
Preliminary indications were that this would permit repayment of perhaps R3bn in loans to the treasury which had given up all hope of recovering outstanding payments, Asmal said.

If the approach proved feasible he would introduce legislation before the end of this Parliament, he said.

On transformation in his department, Asmal said that within a year or two half the top management should be black, in line with equity targets.

"Contracts have been awarded to black companies which have grown and developed even in the few short years that we have been involved, from labour-only sub-contractors to main contractors in their own right." Projects under way would bring water to another 4 1/2 million people, Asmal said.

Stanley Mogoba, leader of the PAC, said Asmal was a "hero" in both the cabinet and the entire country as he had been "very effective" in bringing water to people.



**VISITING SOUTH AFRICA** Malawian President Bakili Muluzi leaves the National Assembly yesterday after meeting with Speaker Fene Ginwala and National Council of Province chairperson Patrick Lekota. Muluzi had earlier met with President Nelson Mandela and pledged to work with SA to strengthen economic ties between the two countries.

**PICTURE: THEMINKOSI DWAYISA**

# Weighing letter of the law against principle of water for all

A LITTLE less than a year ago there was embryonic panic in the country caused by a small child of Spanish origin, El Niño. The prediction was that the El Niño phenomenon — the warming of the waters of the Pacific ocean — would bring severe drought to SA late last year and early this year.

Parliamentary committees were briefed on the approaching disaster and Agriculture Minister Derek Hanekom warned the old order habit of bailing out drought-hit farmers with billions of taxpayers' rands was at an end. They should choose their crop plantings with greater care.

As it happens the predictions were inaccurate and the El Niño-inspired drought has not transpired. Yet what the surge in concern over water dramatically illustrates is both the importance of water supply and how scarce this transparent gold really is in SA.

A major concern, certainly in government, over a concentrated El Niño drought was that the nation's poorest communities that draw their water supplies from springs, streams and rivers would be rendered waterless, threatening their health if not their lives.

This pointed to a disparity in access to water between rich and poor. One of the most graphic illustrations of this disparity is in the already arid, water-deprived Northern Cape. Along the banks of the Orange there are wonderful

Heated debate marked the conclusion of parliamentary committee deliberations on the National Water Bill. Political correspondent **Wynndham Hartley** reports on the legislation that will change the basis of water rights in SA.

green farmlands under irrigation from the river. Some distance from the river there are shanty settlements that blend into the arid landscape, as they have no ready access to the nearby water.

A colleague tells of his childhood experiences in the townships near Port Elizabeth. In New Brighton, each house had a tap outside the back door and a flushing toilet shared with neighbours.

In nearby Kwazakhele, however, there were communal standpipes in the street servicing about 10 houses and a bucket system for the toilet. New Brighton's people were seen as somehow socially superior and the only possible reason was their access to water.

Ironically the introduction by Water Affairs Minister Kader Asmal of the National Water Bill coincided almost exactly with the predictions of El Niño.

It was published after cabinet approval late last year and began its exhaustive passage through Parliament early this year.

Under the guidance of Janet Love, the African National Congress's chairman of the agriculture and water affairs committee, the committee has painstakingly reviewed the bill ensuring that ev-

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Water and Forestry Minister Kader Asmal

ery word was in its correct place and that the legislation would do what it was intended it should do, namely to create a water reserve to which all in SA have fair access.

It took more than a month of intense work to process the legis-

lation with officials of the department and to include amendments to address the concerns of other stakeholders such as industry and organised agriculture.

The bill in essence will remove all currently entrenched riparian rights, or rights to water on an individual property, and vest them in the state. Thus a farmer whose land straddles a river will no longer automatically own the water. Even water taken from a borehole will not automatically belong to the property owner.

A system of licences is provided for and bulk users of water such as agriculture and forestry will have to apply for licences. The principle of users paying for the water they consume is also introduced.

Despite more than generous modifications to the licence provisions — which will allow them to automatically "roll over" unless the water supply to which the licence applies "comes under stress" — opposition parties have announced their intention of challenging the legality of the water bill in the constitutional court.

The argument goes something like this: Properties with access to water, particularly in agricultural areas, have always been considered more valuable than those without. Thus the riparian or water rights attached to a piece of land are an intrinsic part of the value of the property and hence part of the property itself. Property rights are protected

in the constitution and thus the bill, which takes away water rights without compensation, infringes the constitution.

It is argued further that the constitution clause that places a limitation on the rights granted if it is "reasonable and justifiable in an open and democratic society based on human dignity, equality and freedom" does not justify the interference in property rights as contemplated in the water bill.

The counter argument is a moral one based on the obvious disparities such as those in the Northern Cape. It has as its central theme the notion that all in SA have a fundamental right to clean water.

Thus a farmer cannot simply extract water from a river until it runs dry without taking into consideration communities relying on the same river but living lower down, nor should rural residents have to go cap in hand to holders of riparian rights for their water.

There is no question that if legislation seems to be unconstitutional then it should be tested in SA's highest court. Yet, regardless of the legal arguments, it has to be acknowledged the moral perspective wins hands down.

If the water bill does not pass muster in the constitutional court then it should be modified, but hopefully the principle of fair and equitable access to water for all will not be lost in the process.

# World Bank set to ignore complaints

Simon Barber

WASHINGTON — The World Bank's executive board was set last night to approve a \$45m loan for the second phase of the Lesotho Highlands dam and weir project, despite complaints from SA civics that the extra water it will deliver to Gauteng could be obtained more cheaply through management of existing supplies.

Earlier, the European Investment Bank (EIB), the long-term finance arm of the European Union, announced a \$110m package for the project, which is expected to cost \$1.1bn by the time it is completed in 2003.

Most of the remaining finance is be-

ing raised on the SA capital market

The World Bank's inspection panel — a kind of ombudsman — has agreed to look at a complaint lodged by anonymous members of Gauteng civics who fear going ahead with the project will lead to unnecessary hikes in water rates. Costs, they believe, will be passed to consumers.

The panel has given Bank management until June 16 to present its case.

Josey Ballenger reports that one of the claimants said he was "not surprised" by the board's decision to approve the loan.

He said there was no provision requiring it to wait until the claim was settled.

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# Government places unnecessary obstacles in homeowners' path

ADELE SHEVEL

Johannesburg — The government was undermining home ownership by placing barriers to prevent first-time buyers entering the market or existing homeowners from upgrading, Keith Wakefield, the chief executive of Wakefields-JHI, said this week

Home ownership needed to be revitalised by the government and financial institutions. It should be treated as a wealth and job generator, not as a source of taxation for the state or as a profit centre for banks, he maintained

He said VAT and transfer tax should be scrapped immediately,

while the banks should look to give more consumer benefits through home loan packaging

Wakefield was reacting to the recent announcement that banks would only allow home loans of up to 80 percent of a property's purchasing value from October 1. Loans on the differential between 80 and 100 percent of the bond would carry a penalty interest rate

He expressed astonishment at the latest imposition inflicted on would-be homeowners because there was little doubt the higher interest rate for the additional amount of the bond would be passed on to consumers

The banks could stop 100 percent loans altogether, but that

would eliminate up to 40 percent of present buyers from the market. Both scenarios would weaken the market

The move follows the recent restructuring of civil servants' home loans. Instead of basing the amount of the loan separately to the applicant's salary, as has been traditional, the banks are adding the two to determine the amount. This will reduce the ceiling on the bond allowed to civil servants

The restructuring, which was introduced with the first of three adjustments in March this year, is being phased in over nine months. It has already had a negative effect on sales in lower-priced homes

CT(MR) 5/6/98 (123)

# Government helps DIY house-builders

**CHARLES PHILLANE**  
PARLIAMENTARY BUREAU

People used to band together and help one another build houses - without the help of contractors

Recognising this, the Government has devised the Supporting the People's Housing Process, which the housing department explained to legislators this week.

Pilot projects have begun, and progress is being made

The Victoria Mxenge project, which was visited by United States President Bill Clinton, is one of the department's success stories

There are about nine pilot projects in total, including the Piesang River one near Durban

The policy sets up financial, technical, logistical and administrative support to help people build or organise the building of their own homes

This will be done by making access to housing subsidies easier and

promoting the most cost-effective use of resources and skills

People settled informally on land not belonging to them, living in overcrowded houses or backyard shacks, will have support services available to them to fast track the process of getting a house

The policy encourages and supports individuals and communities in their efforts to fulfil their own housing needs

It will help them to get land, secure tenure and services and to find technical aid, which will lead to the empowerment of the community

Support organisations, to help people get houses, will have to establish themselves as legal entities to secure the houses

These entities will facilitate acquisition of land on the basis of secure tenure, and provide technical, financial, logistical and administrative support to housing subsidy beneficiaries for the building of houses

A group of families, or a community-based organisation, may establish itself as a legal entity or contract with legal entities

In the case where people are living on land to which they do not have any rights, the local government will need to decide if the site is suitable for residential development

The legal entity will help the community elect a housing support project committee, which will identify families who wish to take part in the project and establish a register of residents

The legal entity and the community will determine planning criteria for plots, roads and other land uses, the degree to which services are to be upgraded, and formulate service agreements, including costs

The legal entity will prepare a proposal, including a business plan to be presented to the Provincial Housing Board (PHB), which will approve the proposal if it meets the

required criteria

The legal entity, using the skills of the community where possible, will peg out plots and roads and install the services needed

On the hand-over of the serviced sites to the local government, the PHB will pay the legal entity

The legal entity then will transfer ownership to each family, subject to the sale of the sites

The legal entity will also establish the housing support project functions facility, where the group of beneficiary families will draw up guidelines and rules, design their own houses and, once approved by local government, the family, supported by the legal entity, will begin building the house

Three other variations of the model outlined are also possible with the emphasis being on people settled on fully serviced sites, with or without ownership rights, and "landless tenants"

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## Straw houses stand up to huffs and puffs

(123)  
Josey Ballenger  
BO 8/6/98

LOW-cost, energy-efficient, straw bale houses, which can be easily built without previous construction experience, could be the solution to SA's housing crisis, the US Information Service said.

Although the idea of a house made of straw immediately conjures up concerns about wind, fire and vermin, experts say straw bale houses have proven to withstand winds of up to 166km an hour and do not attract vermin because of their concrete or plaster exteriors.

They also passed building code testing, which covered wind and fire resistance, in the southwestern US, and homeowners were able to get permits and insurance, said Pat McArdle, the director of the US Information Service's cultural centre in Johannesburg, which held an information session last week.

Straw bale construction originated out of necessity in the treeless prairies of Nebraska in the late 1890s and has taken off in the US, India, the UK and Ireland.

McArdle said her organisation would leverage funding for a workshop if a local organisation could contribute land for a demonstration.

# Putting more bricks into the subsidy wall

(123) MD 9/16/98

We must look at innovative ways of extending the value of government's housing subsidy if it is to contribute to a move away from matchbox houses, writes **Mary Tomlinson**

CONCERN has recently been raised by key housing stakeholders that the slashing of the housing budget this year from R4,9bn to R3,6bn will negatively affect housing delivery. Whether there is a serious cause for concern seems to be linked to how one understands the way the housing department manages its money.

At the same time an additional set of concerns is arising over the decreasing value of the housing subsidy, due to inflation, since it was first introduced in 1994. Moreover it appears that there will always be a shortage of national funds to do anything to address this problem. This situation will only serve to increase the rejection that has built up around the standard the policy delivers – “progressive” housing rather than a four-roomed house.

It is worth recalling that at housing sector level, the decision to accept a limited standard by the negotiators of the policy was allied with the view that the sector should seek significant increases in the national housing budget's allocation in order to deliver the required number of housing units over a reasonable period.

At a macro-economic level the debates were very different and in essence concerned opinions as to where resources ought to be allocated in order to address problems of low growth, high unemployment, income inequalities, fiscal constraints and so on. The growth, employment and redistribution (Gear) strategy, which the government has since adopted, commits the state to a conservative monetary and fiscal economic policy. While we would all agree that economic growth is fundamental to address these issues, the fact is that the macro-economic policy will continually be shifting the economy away from social investment.

How can we move beyond this dilemma? If we accept that the standard to date has by and large been unacceptable to the beneficiaries, while also accepting the limits of the national housing budget – at least until the country sees some stunning economic growth – then we need to apply ourselves to looking for ways to enhance the housing subsidy. The goal should be to ensure that it can provide something more in line with our housing vision, rather than continue to press on with the delivery of unacceptable 20m<sup>2</sup> houses – which will only get smaller over time – on the outskirts of the city.

More specifically, rather than central government struggling to increase the amount of the subsidy – which it cannot afford to do and would nonetheless be inflationary if it could – shouldn't we instead look for ways to “gear” the value of the subsidy? This could be done through the addition of,

for example, the individual household's savings, appropriate credit, local authority top-ups and so on.

The international experience clearly demonstrates the value of “gearing” government resources. Many of the world's most successful housing policies, for example, Singapore and Germany, have a significant savings component attached to them. Moreover, the insistence that beneficiaries add some savings to the pot is a powerful leverage when one is looking for sources of appropriate credit.

In addition, many local authorities are already adding top-ups to the subsidy amount – either in the form of cash or in kind. These additions should be tied to the subsidy in such a way so that they can be leveraged as much as possible and through whichever delivery approach a household uses.

A consequence of this approach would surely be felt in the urban areas, where the need for urban regeneration requires more investment than simply the subsidy can provide.

One of the conventional wisdoms propagated at the National Housing Forum was that if households were given a tenured site, they would begin to “consolidate” their circumstances. Anecdotal evidence suggests that “consolidation” may not be occurring at nearly the scale anticipated, as many of the poorest families on the urban periphery are still not sure where they wish to locate. Rather than putting down roots in the urban area, they often sell their site at a fraction of the subsidy's value when they need to move on, often in search of work.

Hence the task of reconstructing and renewing SA's cities is not going to be met easily. If, on the other hand, households had to demonstrate some commitment to the urban area in order to qualify for the full subsidy, then in the metropolitan areas at least, the standard delivered would be suitable to the task.

A careful re-reading of the white paper on housing reveals that the national subsidy was never intended to be the only financial contribution to housing delivery – “government regards personal equity in housing as a cornerstone of a sustainable housing delivery process”. With the realisation that national housing funds will in fact be tight for a very long time, it would seem an appropriate time to revisit the subsidy's limitations realistically.

By not “gearing” the subsidy, and allowing “subsidy-only-delivery”, we are ensuring that the policy falls short of meeting the fundamental principles it was based on.

□ Tomlinson is general manager, housing research with the Banking Council

# No sour grapes over the new water bill

**O**NE of the more interesting conversations about SA's new National Water Bill was between US ambassador James Joseph and Roux at Prof Kader Asmal's budding grape vineyard, specifically access to US markets for SA table grapes.

Chile has apparently grabbed a substantial proportion of the US off-season market, shipping in an estimated 80-million trays a year. SA sends just 1-million trays a year at present.

The ambassador, suitably cornered, promised to assist if Le Roux encountered any of the myriad potential obstacles, which come under the generic label of non-tariff barriers to trade, in getting his grapes on to US tables.

And the connection with the National Water Bill? A few weeks previously, at a ceremony at Broodkraal, near Plettenberg in the Western Cape, the local community joined Minister Asmal, farmer Le Roux and assorted dignitaries to celebrate the completion of a new dam.

The dam will enable the expansion of Le Roux's latest farming venture, hence his concern about export opportunities. Its construction was made possible by anticipating the approaches of the new water bill, specifically the provision that water will not be allocated automatically to riparian landowners but rather preferentially to users who are able to make optimal use of it.

At a time when the opening of new water schemes has begun to strain the patience of journalists and their news editors, we are reluctant to exaggerate the significance of each project. We sometimes sense a certain suspicion that the same story is covered with yet another contrived angle.

But Broodkraal was different, although there too, as in more than a thousand other projects, water was also being delivered to poor households.

In this case, though, it was not just water but houses, and not just water and houses but jobs as well, and not just promises either; more than 100 new houses were already there to see. And to cap it all, no public money was involved. It is this combination that highlights a key promise of the national water policy and the legislation that will implement it.

The new bill does not aim to assure that everyone has equal access to water. While the slogan of one person, one bucket might

The National Water Bill is designed to maximise the benefits the resource provides, says Water Affairs and Forestry director-general Mike Muller in defence of the legislation that was passed yesterday despite the uproar it has caused.

make sense in terms of basic services, the idea of one person, 1 222 buckets is just ridiculous.

Farmer Le Roux demonstrated this well. He showed that access to water could, with the judicious mix of capital and expertise (and fair access to markets), be translated into jobs and a better quality of life for all involved in the farming enterprise.

He also highlighted the need to find ways to allow water, like capital, to flow to the applications where it can yield optimum benefit for society.

National Water Bill should pass its critical second reading in the national assembly in the week of the poverty conference called to consider the findings of the report on poverty and equality.

This is not because the bill addresses the provision of basic water supply services — one of the highest priorities for many poor rural communities. The bill in fact deals with this critical issue only peripherally. It does indeed entrenched the rights of those who take water directly from source for their subsistence. It also gives priority to allocations intended to

meet basic human needs. But it does not focus on the difficult business of getting the water from the river to the tap, a local government responsibility regulated under another piece of legislation, the Water Services Act, which was passed last year.

The real contribution of the new legislation to the alleviation of poverty will be to the more fundamental economic challenge spelled out in that 1994 election poster that read "Jobs, jobs, jobs".

The discussion around last-minute amendments to the bill by the portfolio committee has highlighted this focus.

The amendments raised worries about a behind-the-scenes policy reversal. What was at issue was more significant and ultimately more reassuring.

The concern of the majority party in the committee was that the bill as drafted would give current water users property rights in perpetuity. Their fear was that far from creating a climate to encourage effective water use, this could produce incentives to hold water "rights" for speculation rather than for productive and beneficial use.



Water and Forestry Minister Kader Asmal's bill seeks to provide clean water for all South Africans

The amendment they suggested in turn raised the fears among important user groups — including farmers, foresters, industry and the Banking Council — that the concept of a "rolling licence" which would give existing and new water users some certainty about their future access to the resource, was being eroded. In between these two perspectives, from the point of view of administration, the concern remained that whatever approach was taken, it would have to be one that was implementable.

In the event, the resulting draft appears to have achieved a reasonable degree of consensus although only time, the parliamentary process and appropriate tests of judicial interpretation in specific cases, will tell.

What is notable is the convergence in the discussions around a common set of objectives that all parties now seek to attain. Most existing water users acknowledge that in a water-stressed country like SA, they will have to adjust their use, over time, to meet the changing needs of society. Conversely, the need for a structured and predictable approach that enables water users to plan their activities to make the most of the water to which they can gain access, is recognised. At the heart of the common goal is to ensure that water is used beneficially, in the public interest.

Beyond that, even as the discussions are being held and the decisions made, hard-nosed investors are putting their money into using water better — and not just at Broodkraal but at Ceres, also in the Western Cape, at the Parris Dam near Pongola in KwaZulu-Natal and at Maritje in Mpumalanga, to mention just a few practical examples — and a few hundred million rands worth of investment.

The new National Water Bill will affect the economy beyond the hard investments. The devolution of powers to catchment agencies will, it is intended, make administration more responsive and efficient. The provisions that reserve water for the environment will ensure that the economic value of the natural heritage is assured, and with it the promise of further jobs and development.

Taken together, they make the point that the objective of the new water constitution for SA is not equal access to water for all, but equitable access to the benefits derived from using the water.

# Asmal vows to carry on despite cutbacks

(123)

Water Affairs may have to stop a number of projects

By JOVIAL RANTAO  
Cape Town

**B**udget cuts were threatening government projects to deliver water and sanitation to millions of people but efforts were being made to maintain at least the main features of the programme, Water Affairs and Forestry Minister Kader Asmal told Parliament

Introducing the debate on his budget vote in the National Council of Provinces, Asmal said although the current water affairs and forestry budget has been cut to less than half of what the department received in 1997/98, "there has never been a greater necessity for basic resourcefulness than now"

"We have had to face the possibility that we shall have to cut the (water and sanitation) programme back radically. Although we are seeking alternatives, we will have to stop some projects, and reschedule others, ie with the co-operation of contractors who will be asked to spread contracts longer than intended. We may even have to cancel projects where contracts have been signed, despite the

Star 10/6/98  
penalties incurred. That we shall try and avoid as far as possible. The prospects are sobering, although not totally devoid of solutions I must emphasise that we have to work within our national budget framework," Asmal said

He said over two million people have received a basic water supply to date and about 40 000 jobs had been created in a process involving over 1 020

**Prospects  
sobering  
but solution  
is possible**

projects

"Projects that are currently under way should bring water to another four and a half million people within the next few years. That will break half the water supply backlog in South Africa, with the balance being dealt with in the early years of the new century," he said

The minister said the Water Affairs Department had set itself a task of getting access to

adequate sanitation facilities for the 21 million South Africans currently below the basic level of service by the year 2011

The projected budget for the departmental sanitation projects currently being implemented nationwide was R52-million for the 1998/99 financial year, while spending up to the end of March 1998 was R22-million. These funds were spread over 245 community projects nationwide and 1 500 toilets have been constructed

"The goal of my department is to enable access to adequate sanitation facilities by the year 2011 for the 21 million that are currently below the basic level of service. Over the next six years the aim is to reach a level of serving over two million new customers per year at an annual cost of R500-million," he said

Asmal said the Government was committed to restructuring the state's forestry assets in a manner that would reduce the deficit of nearly R300-million, and to promote new development and investment and jobs, particularly in the Eastern Cape

# IFP reprieves water bill by abstaining from voting

Wyndham Hartley

CAPE TOWN — The Inkatha Freedom Party (IFP) late yesterday reprieved the National Water Bill from a possible Constitutional Court challenge by the combined opposition in Parliament, by abstaining in the vote on the bill's second reading.

Last week the combined opposition, including the IFP, vowed to challenge the bill in the Constitutional Court after it was approved by the National Assembly's portfolio committee on agriculture and water affairs.

The opposition said the challenge would be made through a constitutional provision that said legislation could be referred to the Constitutional Court if one-third of the members of the National Assembly agreed to it.

The combined opposition could not muster the required one-third support without the IFP

However, the IFP applied pressure on Water Affairs Minister Kader Asmal by asking him to take remedial action on the party's objections to the bill when it was sent to the National Council of Provinces for final approval.

Should the IFP not be satisfied with the minister's response during the bill's passage through the council of provinces, a challenge by Asmal said he was prepared to "seriously" consider amendments when the bill went to the council of provinces but urged Inkatha not to abstain but rather to support the bill.

IFP MP Jure Mentz said that his party supported many of the provisions of the legislation but called for traditional leaders to be consulted fully and for them to be given permanent positions on the catchment management authorities which would be created by the bill when it became law.

National Party MP Means Nel said the removal of private ownership of water as provided for by the legislation was an infringement of the property clause of the constitution. The NP would continue to investigate ways of achieving a constitutional court review of the legislation.

Democratic Party MP Mike Ellis said the objections of organised agriculture and business had indicated that more homework needed to be done on the bill and urged Asmal to take it back to the drawing board. However, the DP had decided to oppose the legislation when this was not done.

Meanwhile, the National Water Bill had the potential to "penalise wise use of water", and would scare off investors, Mike Edwards, forest Industries Association executive director said yesterday, reports Louise Cook.

The bill also did "very little" to encourage people to manage water resources effectively.

He said the association could not support the bill in its present form as several issues of major concern had not been addressed.

These included the "unilateral" removal of existing ownership rights and use of water without compensation, the issuing of water licences for a limited time period, provision for "discrimination against forestry".

Other concerns related to powers given to the minister to regulate and charge for water use and rainfall, and administrative instead of market-related mechanisms to allocate water.

"From now on, when other plantation forestry countries have recognised the enormous economic, social and environmental benefits of developing timber plantations — as opposed to exploitation of natural forest resources — and are doing their utmost to encourage plantation forestry investment, SA appears intent on doing the opposite," Edwards said.

"As forestry is responsible for only about 3% of the total consumption in SA we take a keen interest in ensuring that new water legislation does not lead to further substantive water use restrictions being placed on the industry."

Meanwhile, the SA Agriculture Union (SAAU) rejected the bill and said it would consider financial help to opposition parties — the NP, IFP, FF and DP — to take the bill to the Constitutional Court. The money would be needed only if the court rejected the application with costs, the union said.

SAAU spokesman Nic Oppertman said the proposed licences would be open to cuts while the person would receive compensation only if the cuts "seriously" affected operations.

Opposition to the bill stemmed mainly from a provision to limit existing water rights without compensation.

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# NBI helped lift number of housing subsidies

THABO LESHILO

BUSINESS EDITOR

Johannesburg — The National Business Initiative (NBI) facilitated private sector support which helped increase the number of government housing subsidies issued from 220 000 in August 1996 to 778 000 in February this year, Theuns Eloff, the chief executive said yesterday

The number of houses involved increased from 60 000 to 500 000

The NBI is a private, public inter-

(123) CT (123) 11/6/98  
est organisation with members drawn from more than 175 companies

Eloff said the NBI's 50 employees and corporate members had also been active in education and training, local government development and capacity building since its formation three years ago

"We can now look back and say we have identified areas critical for the success of the country

"The NBI has done well but has to go into higher gear to make socio-

economic delivery work," according to Eloff

The NBI, he said, had in partnership with the government and through its member companies, brought business skills to 50 schools. The target is to reach 300 schools this year

Eloff said 38 local authorities along the Maputo Development Corridor were being trained to take advantage of opportunities resulting from the corridor development.

The NBI held its AGM yesterday



# Germany gives SA housing a boost

15/6/98

(123)

Melanie Sergeant-Haape

MUNICH — SA is set to receive a DM30m German loan for urban low-cost housing infrastructure, despite the slow take-up of existing loans.

According to Egbert van Breuern of the Kreditanstalt für Wiederaufbau (KfW), the new loan will be made to the Development Bank of Southern Africa. "We are now writing the appraisal report and the loan should go through during the next few months."

Of the DM30m, DM5m will be allocated to a study fund for projects. The KfW granted DM50m for low-cost housing in rural areas two years ago, but only between DM10m and DM15m has been disbursed to the National Housing Finance Corporation.

Von Breuern says take-up was initially slow, but "it seems to be getting better. We have a German consultant in SA to assist and to monitor the projects," he said.

An agreement for another DM60m loan to the development bank for housing in urban areas was signed at the beginning of this year, but Von Breuern said that this is still "sitting with SA's finance ministry".

Project proposals for urban housing developments had been received in the meantime, but the money could not yet be released for them.

"We have a mission in SA from June

20 to 27, and discussions will be held with the (development bank), there have been administration problems on both sides," he said.

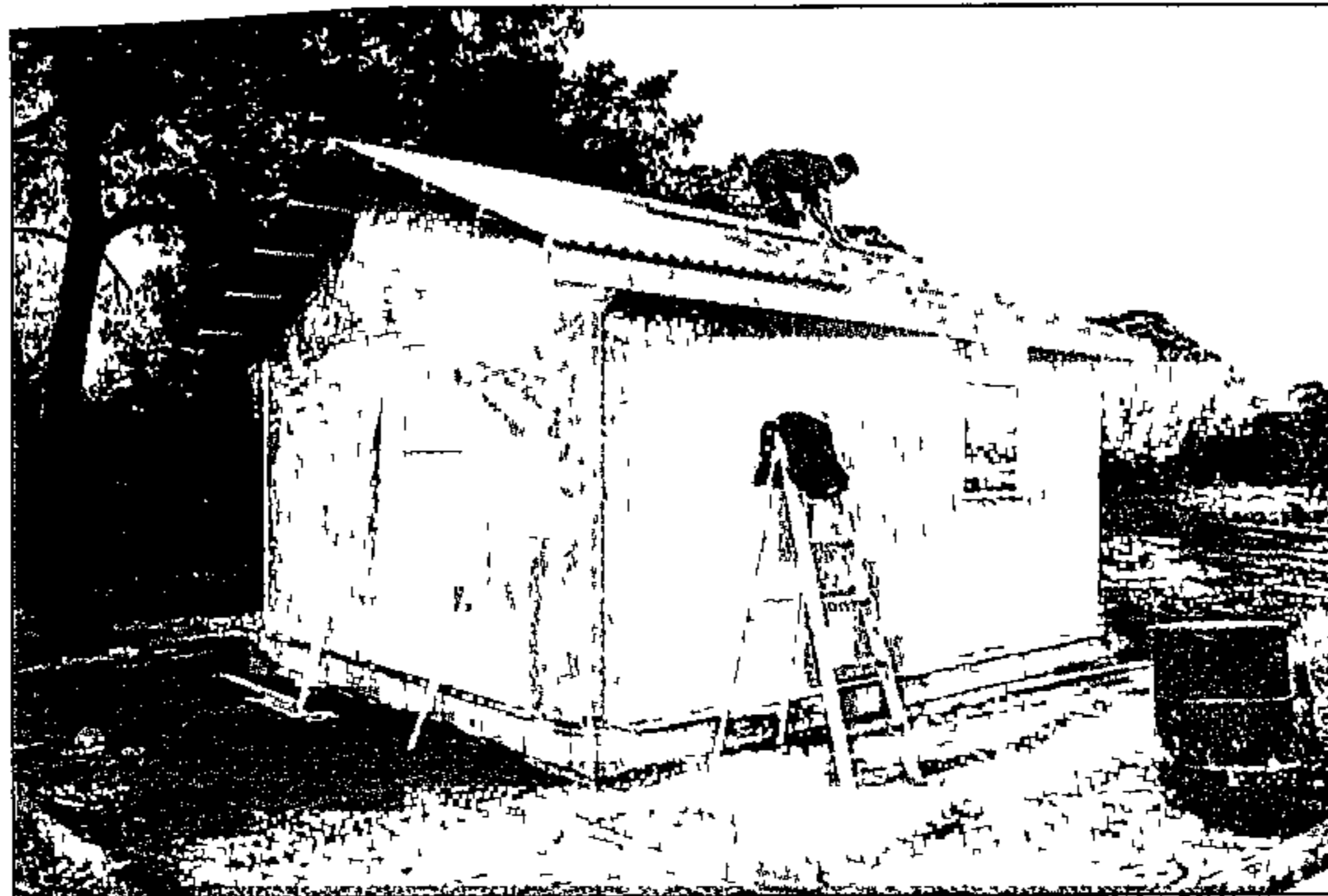
In another development, the Cologne-based German Investment and Development Company has plans for new projects in SA worth around DM50m for this year.

According to senior investment manager for southern Africa, Beate Baethke: "New projects in the pipeline include some in the agricultural sector and in infrastructural development."

Because we work primarily with private investors and through projects with financial institutions, she said it had not experienced delivery problems. "Our loans are long-term, and granted at market-oriented rates."

Generally, she said SA was not attracting much new German investment because many of the larger companies were already heavily invested and smaller groups preferred to invest in countries in Eastern or central Europe rather than in SA.

"Since 1994 we have provided loans totalling around DM170m mostly into the financial market as a shareholder in venture capital funds for small and medium-sized businesses, but also providing some credit lines for small and medium-sized enterprises through the Industrial Development Corporation, for example."



Low cost: work in progress on one of the prefabricated houses

## Firm 'has answer to SA's housing poser'

GRAHAM NORRIS  
PROPERTY EDITOR

A Norwegian company has come up with a novel solution for South Africa's urgent need to provide low-cost housing quickly and efficiently.

Sverre Basberg, export manager of Norsk Handelskompani A/S, said the company had assembled some of the best minds in low-cost housing and drawn on Norway's long tradition of wood construction to create a prefab housing concept which could take the local market by storm.

"We can't solve the whole country's housing crisis, but we can offer a valuable solution. In Norway after World War 2, houses could not be built fast enough - we needed a technology that could supply houses quickly."

The idea is to provide as many houses as possible in as short a time as possible.

The company approached Lars Tronud, a civil engineer who had studied at Edinburgh University and whose talent was being able to put ideas and theories into practice.

"Why make a complicated thing out of something which is not complicated?" asks Mr Tronud, who designed a house which is supplied in a kit form - one doesn't have to cut anything and two people can assemble a 20m<sup>2</sup> dwelling in a day, using a hammer and nails. The only prerequisite is that foundations are laid beforehand.

A demonstration house has been erected at Spier Estate near Stellenbosch where the concept will be introduced to contractors and housing officials from around South Africa on Friday.

The panels for the walls are made

from two plates of hardened chipboard that have been subjected to extensive testing. For instance, a panel was left at the mercy of the elements for nine months, in temperatures of -25 deg C, snow, rain, sunshine and wind - and was not warped or damaged in any way.

"We needed a supplier, so we approached Ugland Industries, a company with 28 years' experience in prefab housing in Norway," said Mr Basberg.

After two years' research they were in a position to produce 10 000 of these houses a year with the capacity to increase production to 30 000 a year. The houses, packed in containers, would be transported to South Africa by the Maersk shipping line, the world's biggest container shipping operator, which recently expanded its service to this country.

"We have looked at the challenge of supplying low-cost housing in South Africa and decided to turn the conventional concept on its head.

"People have been taking the approach of putting in serviced sites with plumbing and electricity first, which does not leave enough of the state subsidy of R15 000 to build a top structure. We say: 'Put the house there first and supply the services later'. At least people will be in proper houses, even if they must use a communal water point and dry toilets.

The kits, which come with an assembly guide, can be trucked from South Africa's ports and the company says it can supply them for R12 500.

Mr Basberg said he had written to President Mandela and to the housing departments in all nine provinces with the proposal to import ready-to-build houses from Norway. He had received a lot of support from the South African Embassy in Oslo.

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(123)

# Masakhane projects are to be documented

17/6/98

(129)

**Pearl Sebolao**

SOME of the best practices which emerged from projects undertaken by the Masakhane campaign in the past year would soon be documented in the organisation's new publication due to be launched in the next few months.

Masakhane liaison officer Mike Makhura said the publication would be used to clarify the concept of Masakhane, which was more than a "drive to collect payment for services".

Makhura said planning for the publication was at an advanced stage. "We already have the data and it should not take more than a month to put it together."

The publication would contain information on how communities and municipalities could use their own resources to change and improve their conditions, he said. The focus would be on "how to do it" and also the

ingenious developments by communities and local councils in Masakhane initiatives, including the Presidential Award for Community Initiative.

"Encouraging people that they have the responsibility for shaping their own destiny is part of (the goal)," Makhura said.

Other Masakhane programmes for the next six months included the "learning to live together" programme in partnership with SA Breweries.

The programme was designed to encourage the youth to volunteer for community work and participate in cleanups, he said.

The Religious Leaders Forum and Masakhane focus week are scheduled for October.

Masakhane's civic education project, aimed at reminding people that their socioeconomic rights involve responsibilities and obligations, would be televised from October until next year, he said.

# RDP houses: gold mine for some

By HANGWANI MULAUDZI (123)

THE government's good intention of building low-cost RDP houses is being abused by well-heeled non-qualifying owners in Thohoyandou, Northern Province, who make fortunes by renting them out

These owners do not need the houses as they already have homes of their own and should not qualify for the RDP subsidy

A City Press inquiry has revealed that in 1995, when it became known that an area known as Unit C was to be an RDP site, many people who already had homes made a rush to buy prime residential stands

They did not qualify for these stands and are alleged to have bribed officials to allocate stands to them illegally, some who could afford it bought more than one

They did this because they were aware that when Thohoyandou

came under new administration there would be a scarcity of accommodation and they could rent out the properties at high rentals

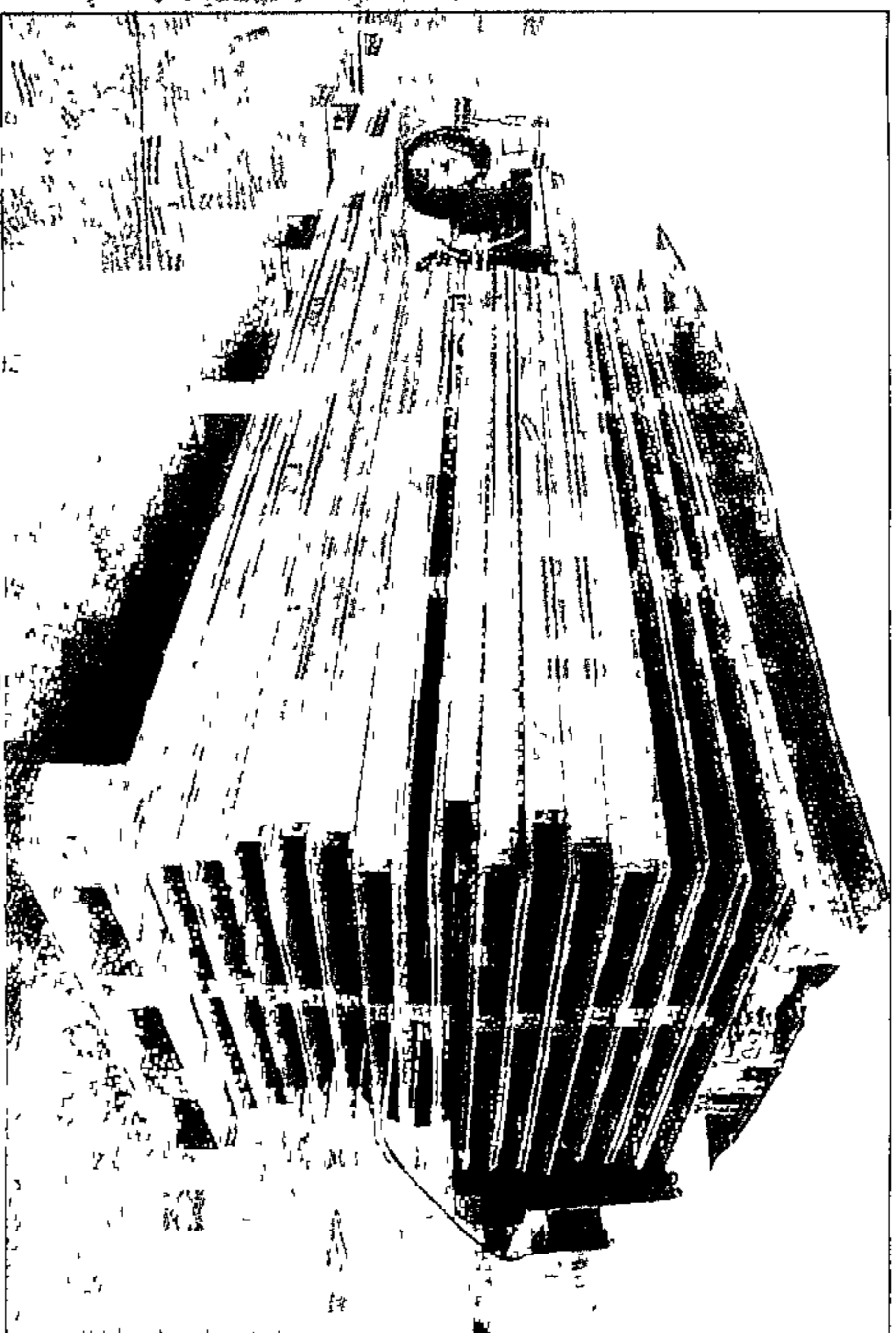
Greater Thohoyandou Transitional Local Council (TLC) spokesman Aluwani Netsianda confirmed that there were people who had obtained property by fraud

"We have formed a committee to investigate the irregularities and we expect their report very soon," said Netsianda

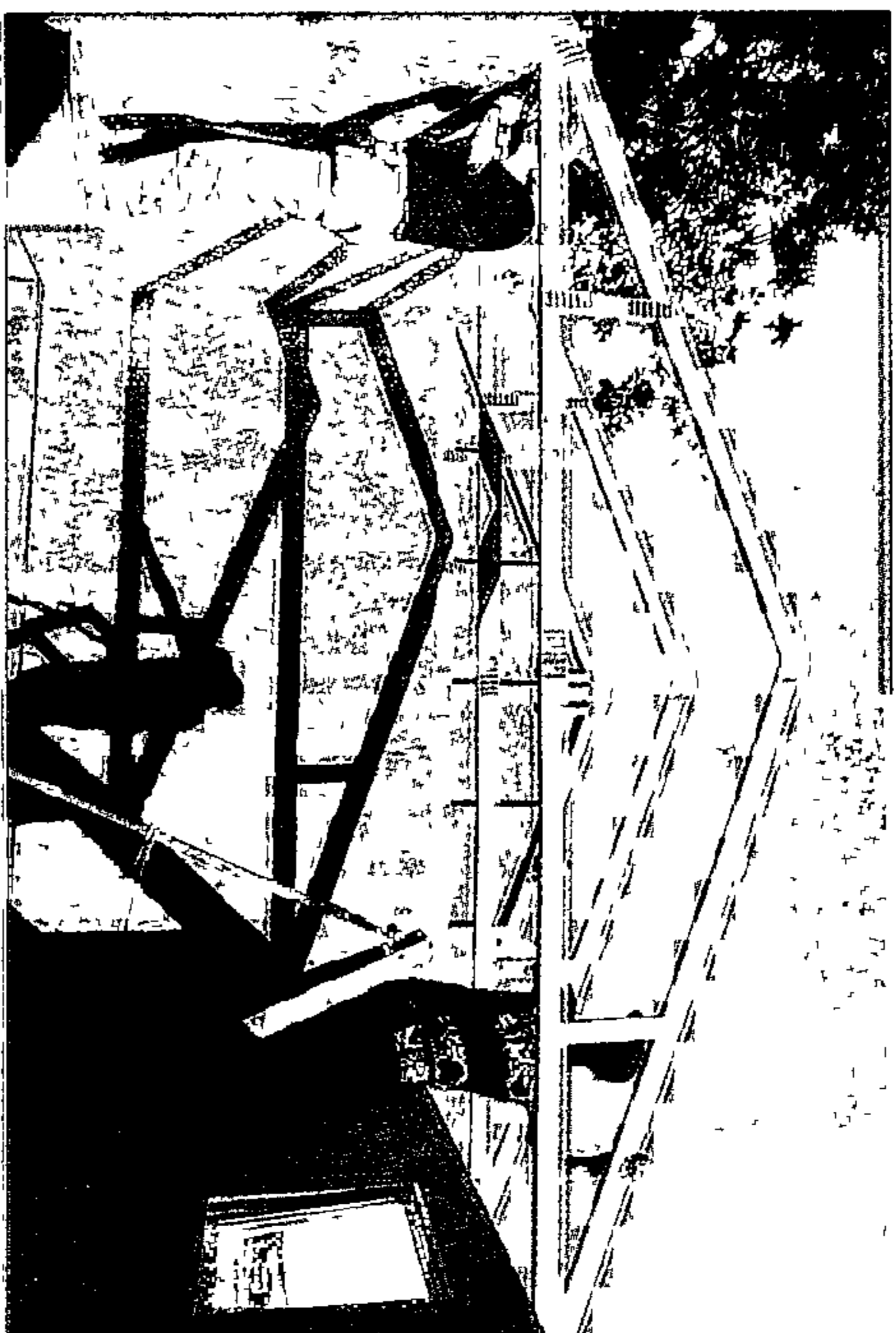
Pan Africanist Congress provincial secretary Nicholas Dangale said the TLC preached democracy but acted like dictators

"The greedy are taking advantage of the poor who do not have the power to voice their concerns, until they do, the poor of the poorest will never be liberated," said Dangale.

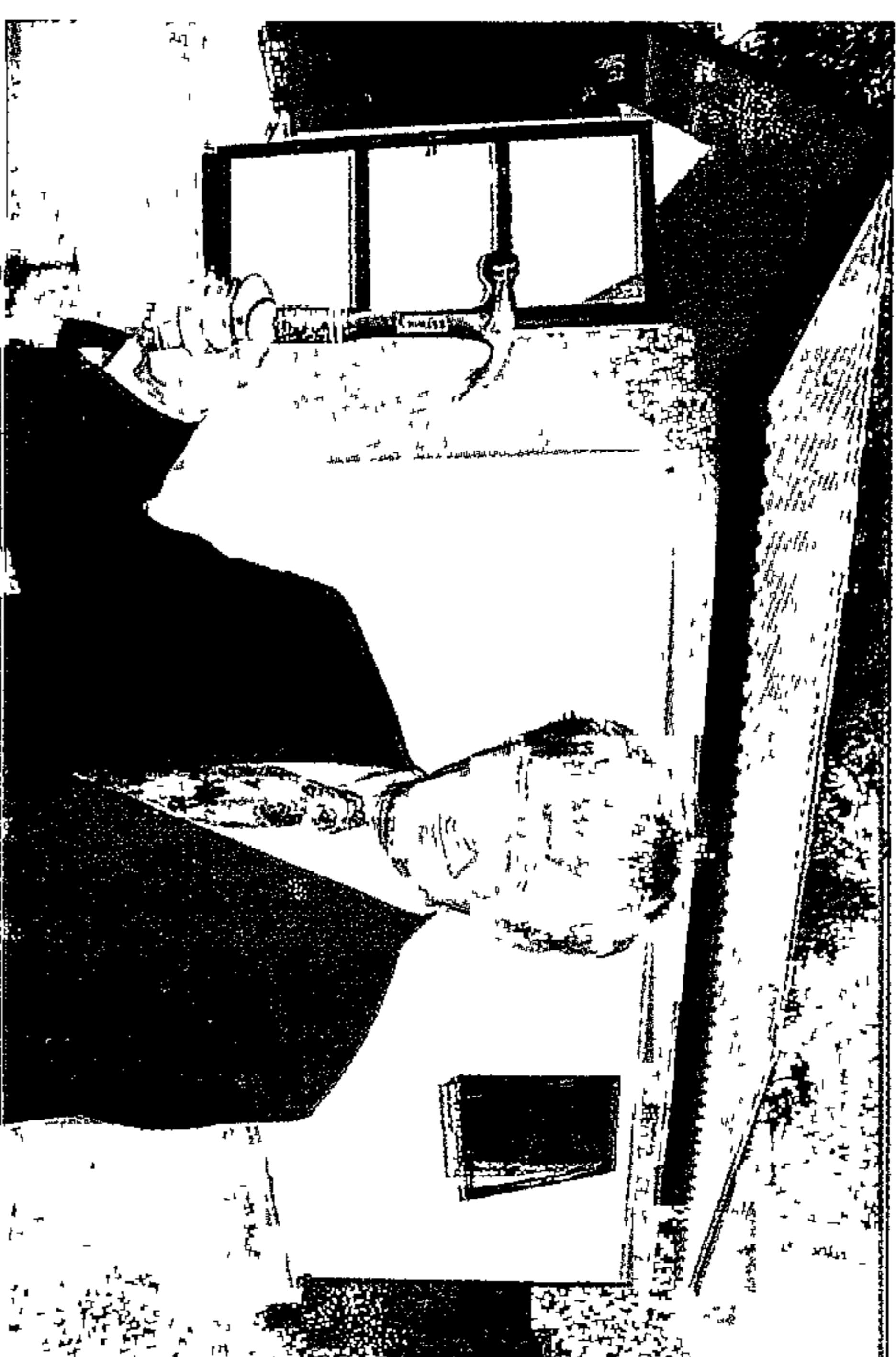
CP 21/6/98



Ready to roll: an Element House arrives on site in kit form — wall panels, windows, doors and all. Now, all that's needed now is a solid foundation, willing hands and a hammer.



Halfway there: once the four walls have been put up, the roof trusses are put into place. The Element House has been designed so that each component adds more strength to the structure.



The finished product: Norwegian entrepreneur Sverre Basberg stands in front of a completed wooden house, which he sees as the answer to South Africa's needs.

# Housing solution might lie in Norway's forests

DAVID YUTAN  
FEATURE WRITER

Contrary to what the story of the three little pigs and the huffing wolf would have us believe, Norwegian entrepreneur Sverre Basberg says that when it comes to basic housing, the material of choice should, indeed, be wood.

If Basberg is right, the answer to South Africa's chronic housing shortage lies not in brick and mortar, but in the slow-growing pines of Norway.

Basberg's import/export company, Norsk Handelskompani, has come up with a concept he believes will provide low-cost housing for those thousands of South Africans who need it.

"Element House" was born of the severe housing crisis facing Norway at the end of World War 2.

"What was needed in Norway then were solid, high-quality, durable, inexpensive wooden houses that would not only provide shelter from the bitter northern climate, but also give people a basis from which to build as their needs changed," says Basberg.

export manager of Norsk Handelskompani. "And, from what I have seen, this would seem to be what is needed in South Africa now."

After leaving school, this son of a potato and grain farmer opted for a sea-going career.

That is how he came to first set eyes on Table Mountain and the Cape of Good Hope when, in the autumn of 1973, we stopped over at the Cape to collect mail en route to the Middle East," he explains.

"From the moment I first set eyes on Cape Town and its mountain, it captivated me and I knew that one day I would return."

His infatuation with the place led Basberg to take a keen interest in the country and its history.

During his five years working for Norwegian ship owner Wilhelmsen, Basberg qualified as a marine engineer at the College

of Marine Engineering in Oslo, after which he joined the Royal Norwegian Coastal Artillery, where he was trained as a naval officer. He then returned to Norway to work on the family estate, growing potatoes and grain.

Ironically, it was not his seafaring nature, but the farmer in him, that brought him back to the country of his boyhood dreams.

**'From the moment I first set eyes on Cape Town and its mountain, it captivated me'**

In 1994, soon after the country's first democratic elections, Basberg returned to South Africa to explore the possibility of importing South African potatoes to Norway, then in the throes of a critical potato shortage because of adverse weather.

During his two-year sojourn here, he became increasingly aware of the plight of the country's many homeless people.

Basberg also knew how, in his home country, prefabricated wooden houses had provided the much-needed solution to a post-

war housing shortage.

"Norwegians have been building wooden houses for 800 years," he says, "and there are some that old still standing."

Enthused by his knowledge, Basberg lost no time in applying it to the South African problem.

True to his nature, he meticulously researched South African conditions and housing requirements, and also communicated his ideas to the South African government and the local Department of Housing.

"Element House" was one step nearer to becoming a reality.

Norsk Handelskompani has now contracted with the Norwegian factory Ugland Industrier which has produced housing kits for 25 years, and shipping giant Maersk, to build and supply housing kits for the South African market.

Norsk Handelskompani's prefabricated house comes in colour-coded kit form with wooden panels for the walls, roof trusses and

ceiling panels, and aluminium-coated sheets for the roof, two windows and a door.

The wall panels are a mixture of wood, resin and glue and are designed to withstand the harsh Norwegian climate, where temperatures range from -25 deg C in winter to 28 deg C in summer. They also are designed to withstand high rainfall, humidity and strong winds, says Basberg.

Best of all, he says, the houses are easy to assemble and can be put up in two days with little supervision.

**'We have been building wooden houses for 800 years, and some that old are still standing'**

A modest Basberg attributes his entrepreneurial spirit to his "desire to create" — an instinct that manifested itself early in his life when he worked on his father's farm in central Norway.

To this day, Basberg has remained a farmer at heart, with an intense love for the land and the country.

"Farmers are the backbone of every country, and in every country they do the same work from sunrise to sunset and fight

against the elements.

"When I have sown a seed in the spring and see the tiny plants appearing through the soil, it never ceases to amaze me."

Maybe because he comes from a country that is predominantly urban (about 75% of its people live in an urban environment), Basberg feels we have much to learn from the rural lifestyle and culture.

"There are many values it teaches one — a humility towards the environment, of which we are all part, and a feel for nature. I think city children lose out on something if they do not understand where their milk or bread comes from."

Before its involvement in low-cost housing, Norsk Handelskompani's main activity was the importation of coffee to Norway.

The company was also instrumental in introducing "Fair Trade" to Norway. The "Fair Trade" movement was established to prevent the exploitation of predominantly third world coffee-exporting countries, and to ensure coffee growers a fair price for their product.

"We will apply the same kind of integrity, dedication and service to the production of 'Element House'," says Basberg.

(123) AKU 25/6/98

# Turning shacks into houses

APR 27 16 1988 (123)

## New technique urged

### PROPERTY EDITOR

Some of the best builders of timber-frame houses can be found in informal settlements and a Cape Flats company wants to give these builders and the communities they serve the modern technology to turn such structures into quality homes

Sylvan Korsten, manager of MFI Housing, says he has approached local government for help in training people to put up their own houses using a technique that involves putting up a timber-frame structure, covering it with a special mesh and then plastering it to form ferrocement

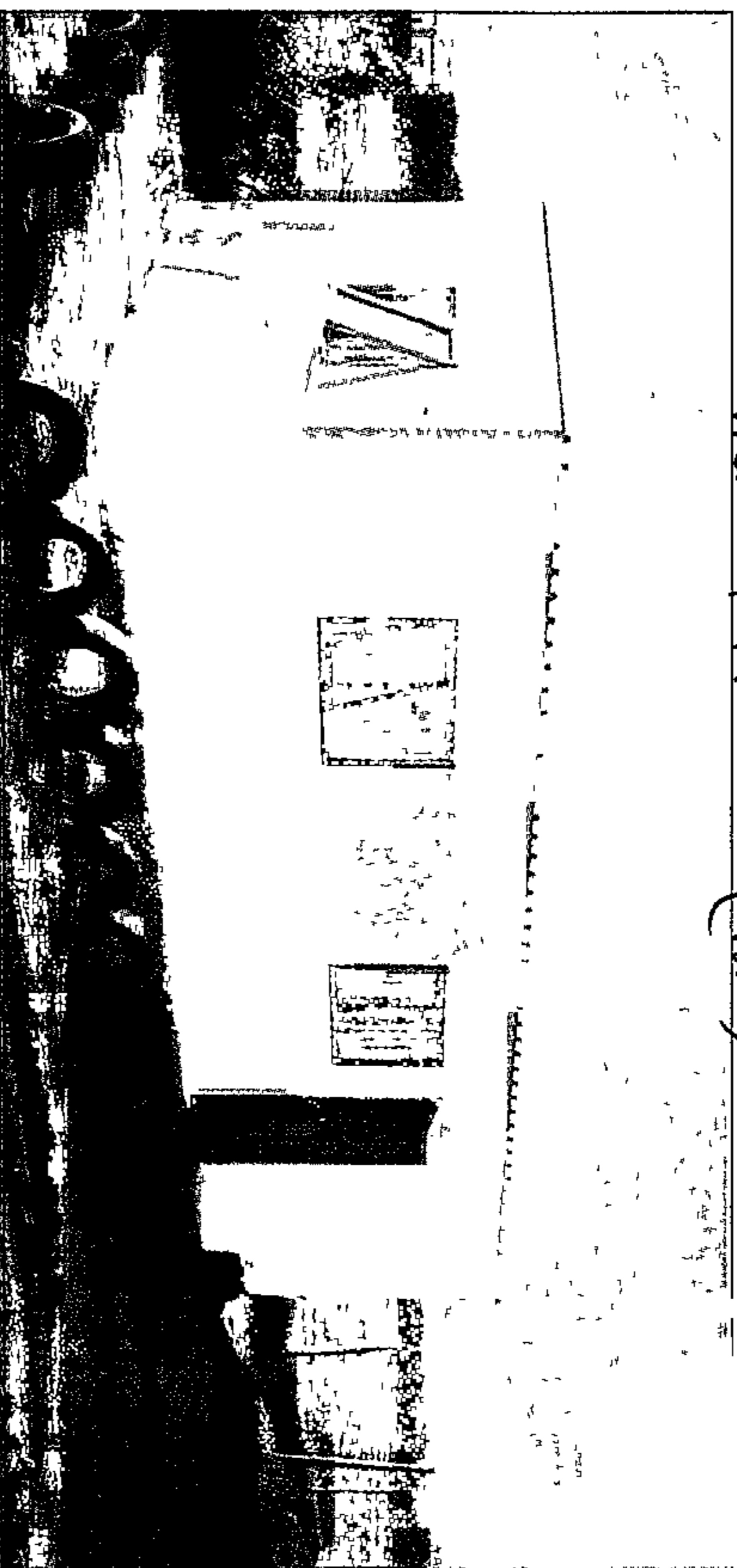
Mr Korsten says a 30m<sup>2</sup> house costs about R12 000, which would be a cost-effective option for people qualifying for the state housing subsidy of R15 000.

MFI Housing will sell their timber-frame houses to individuals, but the idea is to take 100 to 200 people out of every community and train them to build their own houses

His business partner, Tony Dorfling, expressed frustration at the slow pace at which innovations in housing technology were being channelled to the community

"We want to address the housing shortage in a meaningful way and to empower people to build decent houses as cheaply as possible"

Mr Korsten and Mr Dorfling can be reached at (021) 731295



LOW-COST: an example of a 30m<sup>2</sup> house which MFI Housing says can be built for R12 000

# Prisoners learn a new trade building houses

(123)  
MICHAEL SCHMIDT

ST 28/6/98

YUSUF ADAMS is doing 10 years of hard time for the brazen robbery in 1992 of a cash-in-transit van that netted him and his accomplices R1,3-million

Instead of a luxury lifestyle, his crime earned him endless nights behind bars in Durban's Westville prison

But during the day, Adams, 45, is not caged up. A qualified master craftsman, he spends a good four hours every day building the new South Africa.

In just 28 days, a team of 50 convicts overseen by Adams — and discreetly guarded by armed prison wardens — has built 22 low-cost houses in Lovu, Kingsburgh, south of Durban.

Now being painted in mint, apricot, pastel pink and baby blue, the simple cinder-block houses range from bachelors' huts to larger family homes.

The R330 000 pilot project is the first of its kind in South Africa and the first step towards Correctional Services Minister Sipo Mzimela's vision of getting prisoners to earn their keep.

So far, Adams and his volunteers earn only a few rands more for their work than their usual prison pocket money, but Mzimela's plan, revealed in the Sun-

day Times in April, should see convicts earn a living wage building houses, schools, clinics and roads.

Mzimela's intention is that not only will convicts pay their dues to society through work, but they will earn certificates as semi-skilled construction workers. He hopes they will eventually be able to pay their board behind bars, and contribute to a reparations trust for victims of crime.

It is Adams's job to train the prison work crew in the finer points of plumbing, bricklaying and plastering.

"I love to do this kind of work," he said. "I was qualified before I went to prison. I built supermarkets, high-rises. back then there was nothing like these low-cost housing schemes."

Local community leaders were consulted in advance on the project, and civilian workers on site were quite happy to work alongside the prisoners.

Said one foreman: "Their work is good, they know their plastering."

James Byrne, the manager of BGM Housing, the company that supplied the materials to the KwaZulu-Natal housing development board, said the pilot project had been "extremely successful."

"If they can replicate this on a larger scale, they can create jobs and address the housing crisis."

# Sactwu starts housing scheme for members

(123) (124) (125)

SHIRLEY JONES

KWA ZULU NATAL EDITOR

CT (OR) 30/6/98  
Durban — The South African Clothing and Textile Workers' Union (Sactwu) would launch a housing scheme this week, thanks to an investment fund that began with just R2 million six years ago but is now more than R1 billion

Jabu Ngcobo, Sactwu's general secretary, said the union had decided to provide a housing fund rather than have its members continue living in shacks.

Homelessness was a major problem within Sactwu, compounded by non-recognition of members by commercial banks

because of low incomes and perceived high lending risks

Ngcobo said Sactwu was working on a scheme known as Khuphuka, a supervisory process that trained people to build their own houses. Through this, a three-bedroomed house with a kitchen and living room could be built for R26 000

The scheme would not work on handouts. It would be administered through Unibank. If members could not repay loans, Sactwu would allow them to fall back on the provident fund rather than repossess houses.

The maximum repayment period was eight years, and repayments could not exceed 25 percent of a member's salary

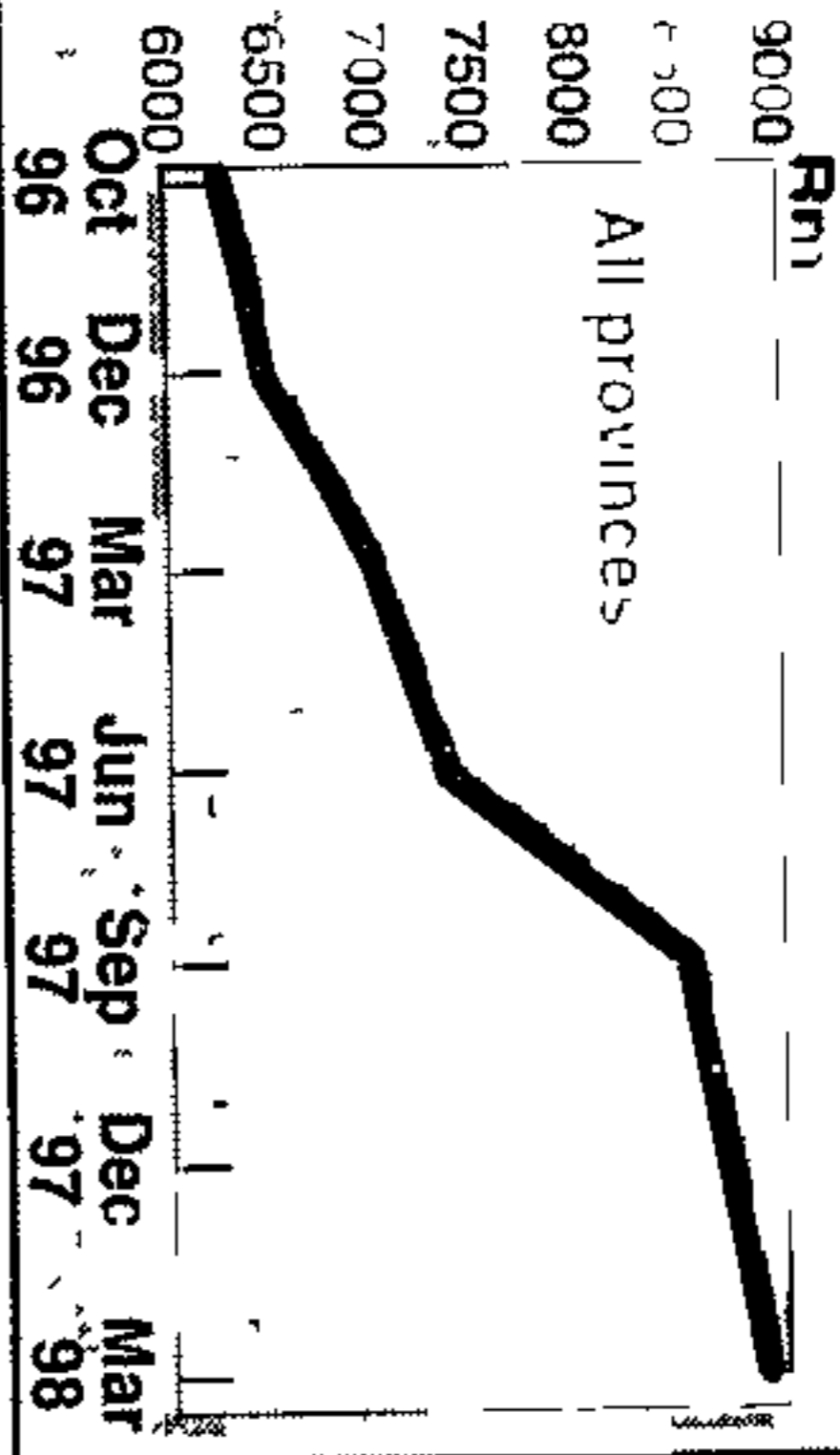


# Services payment 'improving despite R9,

## Outstanding municipal debtors

Comparative statistics included in this graph represent a core group of 282 urban municipalities, who responded to project viability questionnaires between October 1996 and March 1998. This group can be used to determine a trend in respect of all municipalities.

Graphic: KAFENI/OOLMAN  
Source: CONSTITUTIONAL DEVELOPMENT DEPARTMENT



### Deborah Fine

PAYMENT for municipal services was slowly improving despite the fact that outstanding revenue owed to municipalities countrywide had risen to R9,7bn by March this year, the constitutional development department said yesterday.

This represented a R1,9bn increase in outstanding debtors compared with R7,8bn in March last year.

The bulk of the outstanding debt was located in Gauteng (R4,9bn), followed by the Western, Cape (R1,1bn), KwaZulu-Natal (R929,4m), the Eastern Cape (R885m), the Free State (R639,4m), North West (R410m),

Mpumalanga (R384,9m), the Northern Cape (R221,8m) and the Northern Province (R115,3m).

The figures form part of government's Project Viability programme which monitors the short-term liquidity of municipalities to detect financial difficulties and facilitate intervention or support where necessary.

Data to determine viability is collected by means of quarterly questionnaires sent to SA's 843 municipalities, although only 615 local authorities responded to the March 1998 survey.

The March report indicated that outstanding debtors increased dramatically from R7,9bn to almost R9bn between June and

September last year, after which the growth-rate of outstanding payments slowed down significantly.

Local government finances chief director Jackie Manche attributed the improvement to various forms of intervention by the national government and the provinces. Municipalities had also significantly improved their capacity to apply credit control measures, including the discontinuation of defaulters' services and the attachment of assets.

While the average percentage of those provinces which paid regularly had remained static at 71%, payment levels had improved because the number of accounts issued nationally between October 1996 and March this

year had increased by 39%.

Manche pointed out that the report did not analyse the age of the outstanding debtors. She said at least R6,5bn of the debt dated back to December 1996. Such debt would be written off by the private sector, but municipal accounting systems precluded local authorities from doing the same.

Local government deputy director-general Chippy Oliver said although corrective processes were slow, "small but positive" recent trends indicated "light at the end of the tunnel". Further reforms to institutional structures and municipal boundaries would also help to place municipalities on a sound financial footing, he said.

7bn outstanding debt, (123) 02 277/98

## Electricity regulator to introduce poverty tariff

NCABA HLOPHE

Johannesburg — The National Electricity Regulator would introduce a poverty tariff by the end of the year as part of the government's programme of poverty alleviation, Magate Sekonya, the chief executive officer, announced yesterday

Sekonya said the poverty tariff, which would in effect give poor people a discount, would be implemented in line with the restructuring of the electricity distribution industry, which was already under way

"The strategy would be supported by proper rationalisation, which would ensure reduction of distributors to create a mix of both poor and affluent communities," Sekonya explained

He said the strategy would be supported through a cross-subsidisation by all users of electricity to boost the electrification programme of

indigent communities.

"The best way to use the electricity surplus that we have is to give more people access to electricity, by giving them lower tariff charges as they use very little electricity," he said

Sekonya said the regulator was also investigating alternative sources of energy and would table a study detailing which energy sources were suitable for which communities.

It had ascertained that the proposed Eskom Bill, which has been opposed by labour, would not have any negative effects in the short term, he said.

"Now ownership matters will be sorted out and leadership and management will be streamlined to the national interest," Sekonya said

The government-driven restructuring of the distribution industry hit a snag earlier this year when stakeholders failed to agree on the final model of the distributors.

(123) CT (BR) 2/7/98

# Township housing market stagnant, survey

(123) MS 3/7/98

# Shows

**Robyn Chalmers**

THE housing market in former townships has remained stagnant since legislation preventing blacks from owning property was abolished because of a lack of stock, bank credit and affordability.

A survey of six townships by US-based Abt Associations and SA's Social Surveys, found there were four times as many buyers as sellers and most home owners were paying more for their houses than they

could afford.

In the main, bond lenders were not interested in the lower-income market, saying lending was not viable below monthly household incomes averaging R2 500 or loan amounts of about R95 000.

However, competition for selling micro loans to the formally employed segment of the low-income market appeared to be stiff. The survey found SA's huge housing backlog of up to 3-million units in the low-

er end of the market created an "extremely tight" housing market in which there was little room for movement in the secondary housing market.

Secondary activity is seen as essential to a fully functional property market. It provides increased ownership opportunities for lower-income people and also contributes to collateral-based lending.

The study indicated that lower income earners had "extremely limited" housing options due largely to financial con-

straints exacerbated by a lack of housing stock appropriate to income levels.

Most first-time buyers took on average 14 months to find a suitable property, while 22% of sellers said severe financial constraints had forced them to reduce their housing situation.

Sellers in higher-income brackets tended to move to other areas with better housing and more facilities.

Johan de Ridder, outgoing CEO of the National Housing Finance Corporation,

which commissioned the survey with the Mortgage Indemnity Fund, said it was vital to build lending capacity in the housing market. "As stock is increased through government's housing programme, the viability of the secondary market will increase. But this will not occur unless lenders have sufficient faith in the market to make appropriate loans available," he said.

The survey said it was essential that townships' potential be maximised.

THE government is to sell 834 residences worth more than R2-billion in South Africa's biggest property and land sale yet.

The Department of Public Works has decided on the sale after a two-year government audit of assets revealed the state owns 209 000 properties, almost double its estimate beforehand.

Gugu Mazibuko, the department's chief director of state property holding, said on Friday the 834 properties had been identified as "redundant".

The sale will include the luxury ministerial complexes of the former homeland leaders of Transkei, Venda, Lebowa and Gazankulu, and hundreds of "affordable" properties targeted at first-time black home owners.

Mazibuko said about 450 of the residences for sale were in the Eastern Cape and the rest were scattered throughout the

# State to sell 800 homes in Public Works spring clean

## Hundreds of properties up for sale as department audits its land assets

(R23) ST 5/7/98

country, mainly in the former homelands. Also on sale will be five huge tracts of prime land in the main city centres. These include the historic Old Bailey Supreme Court property in Maritzburg, 125ha of the farm Randjesfontein in Midrand, 32ha in Waterkloof Heights, Pretoria, 95ha of the Silvermine site in Cape Town and two smaller stretches of land in Brooke's Hill, Summerstrand, in Port Elizabeth. The Midrand site could fetch more than R100-million.

But the most sought after will be the properties in Waterkloof Heights, known as the "diplomatic area", and in Silvermine, which has sweeping

views over False Bay.

"The department will begin selling the properties at open market values as from next month," said Mazibuko.

Property values would be assessed by independent valuers and confirmed by the Land Affairs Board. The sales would be effected by tender and administered by the

department's regional offices. A unique feature of the sale will be special purchase guidelines that will see first-time black home owners getting first option on affordable homes.

The exhaustive search to identify properties surplus to the needs of the government will, over the next few years, see billions of rands being raised on the sale of redundant state assets.

Although the proceeds of the sales will go directly to the treasury, it is envisaged some of the revenue could land in the hands of cash-strapped provinces or specific departments.

Mazibuko said this week that the register of all known state property, managed by both the national government and provinces, had been completed.

The mammoth task of compiling a comprehensive register has resulted in the government listing 70 000 more properties on its books. Mazibuko said the next phase of the process



**PUBLIC PROPERTY:** The government plans to sell its 95ha of land at Silvermine, overlooking False Bay in Cape Town

would be a final verification of leaseholds, which would entail department teams visiting each of the 209 000 sites. "We have divided the country into 41 geographical areas and, between now and April next year, officials will visit each and every property listed in the register to confirm its existence," he said. The register is part of an overall plan to streamline the administration of

what is arguably one of the most bureaucratic and wasteful government departments.

The radical restructuring, which has taken three years so far and has yet to run its course, includes transforming the cumbersome bureaucracy into a leaner and more efficient asset management machine.

Public Works Minister Jeff Radebe has already announced that the department will retrench 3 671 employees as part of an exercise that will reduce its annual salary bill by R77-million.

The department this week also announced that it had saved R24-million last year by terminating "uneconomical" leases.

Public Works media spokesman Zaid Nordin told the Sunday Times that the sale of properties would be done in terms of clear guidelines.

"Although the department aims to maximise profits from these sales, we are also conscious of how we will be able to further our broader socio-economic objectives in the process," he said.

# Local power prices set to lose 'cheapest' status

Robyn Chalmers

SA LOOKS set to lose its status as having one of the cheapest electricity prices in the world, with business consumers hit for three years running by the steepest rise in electricity costs out of 16 countries surveyed

The annual National Utility Services survey showed that a 5,61% rise in electricity prices for business and industrial consumers in the year ended April 1998 left SA second to only Australia as producing the cheapest electricity. But this is unlikely to last for much longer

Tommy Taylor, sales and marketing manager for the survey, said the Eskom Amendment Bill recently approved by the National Assembly would be a catalyst for price increases

The bill means Eskom will become a limited liability company paying taxes and dividends — from which it is currently exempt

Eskom may have to hike prices to help fund its commitment to provide electricity to 75% of the population by the year 2000

The electricity utility may also have to increase its capital expenditure in the coming years should its overcapacity dwindle in the face of the ongoing expansion of its grid to meet its electrification commitments

Eskom MD Allen Morgan said ear-

(123) ~~123~~ 007/7/98  
 her that a significant percentage of the utility's sales were under threat as a result of the impact of volatility in commodity markets on business. This could undermine revenue growth, projected at 1,8% in the year to December after a 9,4% rise to R20,4bn last year

Taylor said government was still talking with municipalities, the national electricity regulator, large users, provincial governments and Eskom on the restructuring of the electricity industry

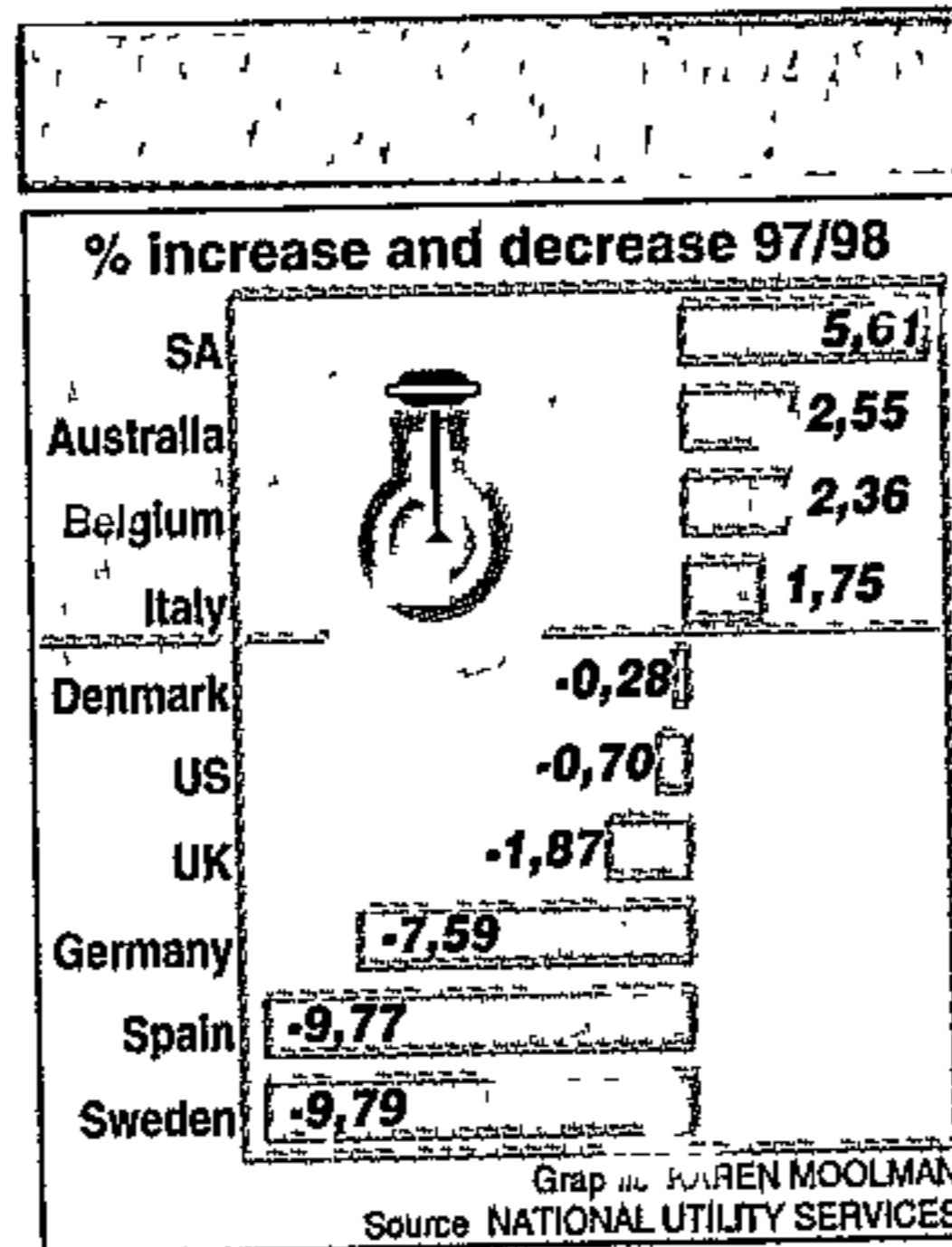
"But everything points to much more expensive power," he said

The survey said the latest price increase could be attributed largely to changes in certain suppliers' tariffs. This was most notable in Durban where bulk tariffs were consolidated and larger consumers offered a "time of use" tariff.

Average price bands are set during usual production hours with

peak times in the early morning being more expensive. "It is clear that many industrial consumers will see a rise in average costs because the most favourable tariff will not be available in the early morning when they are most active," he said

Internationally, the survey shows that 10 of the 16 countries surveyed showed a drop in prices, with Swedish consumers benefiting most with a fall of 9,79%. SA provides the second lowest prices at 17,49c per kilowatt hour.



# Business, govt owe rates

Pule Molebeledi

BD 14/7/98 (123)

A NUMBER of large companies and government departments owe huge sums of money for rates and services, but are responding well to the latest round of the Masakhane campaign, says Masakhane project manager Chris Nissen

He said that contrary to popular belief, it was not only communities that owed local authorities millions of rand but commercial institutions and government departments too "We are, however, working on that and we have been receiving very good responses"

Nissen said the culture of nonpayment was not only prevalent in black townships but applied to all SA communities.

He said the strategies undertaken by the campaign and local authorities were making headway in recovering much of the R9,2bn countrywide debt

Convenient paypoints at a major supermarket allowed people to pay for their rates while shopping

Nissen said the Johannesburg's southern metropolitan substructure had recovered R2,5m from 8 214 people during the first six months of this year Port Elizabeth registered 10 000 new transactions and the Cape Town metropolitan council had 80 000 new people on its list since the paypoint programme started

He said the campaign was planning meetings with banks and post offices to extend accessibility

"People do struggle; it is not that they don't want to pay. There are others who can afford, but have jumped on to the bandwagon of claiming that they are poor and unemployed," he said.

Nissen emphasised that the campaign was meant to encourage civic responsibility rather than just collect payment for rates and services

# Bill will give 'fair access' to water

Josey Ballenger

WATER Affairs and Forestry Minister Kader Asmal addressed yesterday incoming concerns over the national water bill, which was passed by the National Assembly last month.

He praised it as "a showcase of participative formulation."

Asmal said it had been one of his priorities since becoming minister in 1994 to "totally recast" existing fragmented legislation, which favoured a priority of South Africans and spread control between 11 different government agencies.

The new bill would provide fair access to the scarce resource and would free women in rural areas from having to walk kilometres to fetch water. They would be able to allocate more time to activities such as food gardening.

Asmal said in this sense, the bill gave effect to the constitutional right to dignity and would also have positive health spin-offs.

He said the water affairs department had provided water to 2-million South Africans since 1994, and the new bill would allow 10-million more to have access to it.

Asmal was speaking in Midrand at the launch of an information campaign sponsored by petrol corporation Shell

He said it was an SA "first" for business to help a government department to publicise a bill. Shell was contributing R250 000 and distributing brochures at its 850 outlets.

Asmal said the bill would create a special tribunal to hear appeals against decisions by authorities and applications for compensation as a result of the "deprivation" of water use rights. The proposed new regulatory system would provide for compensation in certain circumstances.

Responding to opposition parties' questions and criticisms, Asmal said all licence holders from a particular resource would be equally affected if it were necessary to reduce existing allocations.

He said licences could be extended repeatedly "even though the word 'indefinite' is not used in the draft", and the original time period could not be reduced unless the affected licensee consented and was compensated.

The Forest Industries Association has said long-term investment into the timber industry would be threatened if access to water was not guaranteed beyond a licence's lifetime of 50 years.

The bill will be debated from July 23 in the national council of provinces, where last-minute revisions can be made before it becomes law.



Water Affairs and Forestry Minister Kader Asmal toasts the launch of the national water bill campaign in Midrand yesterday with a tall glass of water.

Picture: TREVOR SAMSON

!nou bouetow...

# 'Key lessons' in programme

BD 16/7/98 (123)

**Robyn Chalmers**

A NUMBER of key lessons have emerged from the low-cost housing programme over the past four years which will have to be incorporated if delivery is to take place more effectively in the future

Speakers at a National Housing Forum Trust seminar held yesterday indicated that the largest obstacle was a lack of funding although there were other problems

Banking Council analyst and researcher Mary Tomlinson said research indicated there was too great a focus on private sector housing delivery instead of on public-private partnerships

Tomlinson said many housing beneficiaries were dissatisfied

with the product they received, with complaints of poor quality, limited choice and small homes. However, this often related to promises which were made to beneficiaries and not kept

Research, she said, showed a general dissatisfaction with traditional, 20-year bonds as people felt they were trapped and could not control their own finances. There was a strong move to micro loans over mortgages

"Micro-loans are less complex, the costs are transparent, the term is shorter, the interest rate fixed and there is no compounded daily interest," she said

Tomlinson said there was a need to examine whether government's emphasis on ownership over rental was the right way to

go, particularly as the expected "consolidation" process had still not taken place

This related to the creation of neighbourhoods and the improvement and extension of core homes built with the maximum R15 000 state subsidy

She said moves to gear up the low-cost housing subsidy through savings should be examined so as to distinguish between transient people and those wishing to settle and establish themselves in and around towns and cities

Mark Napier of the CSIR said a research project undertaken at Inanda near Durban and Cape Town's Khayelitsha area showed government's incremental or consolidation approach experienced limited results



# Housing target 'thwarted by budget constraints'

Tim Cohen

(123)

LONDON — The number of government housing subsidies had reached 744 000, but government was forced to restrain increases because of budgetary pressures, Housing Minister Sankie Mthembe-Mahanyele said yesterday.

Speaking in an interview during a three-day visit to the UK, Mthembe-Mahanyele said government's target of building 1-million houses during its first term of office was technically achievable, but budget constraints meant it would not be reached by the time of the 1999 elections.

She insisted that the target was not over-ambitious, expressing the conviction that the missed housing target would not become an election issue.

She pointed out that rather than looking at the issue negatively, it should be looked at from a positive point of view about half a million homes had been built and 3,7-million people who did not have shelter before, now did have a roof over their heads.

"Technically it (reaching the target) is no problem. The framework is in place but in terms of possibilities, to reach the final target we have to have finance for it," she said.

The problem was not just the decline in the most recent budget to R3,6bn from the previous year's allocation of R4,7bn, but progressive cuts to the housing budget over the years. "In terms of funding there is nothing we can do, it is beyond our control."

It would be "very risky" for government to say to a developer "get on with the job".

"We must be sure that we are able to pay, so we have to slow down until we are sure of the money," she said.

"We don't regret that target and we don't want to talk about future targets. You can only talk about future targets when you have an assurance about

the budget," she said.

On the effect of the target on the election, Mthembe-Mahanyele said her interaction with ordinary people led her to believe it would not be an issue. "I am talking to people who are aware that we have budget problems," she said.

Mthembe-Mahanyele visited a variety of housing projects over the past three days in the UK, discussing particularly the formation of housing associations and the UK government's "lease to buy" housing projects.

The visit precedes the publication in SA of a second housing white paper and new legislation on rental property.

BD 17/7/98

# Norwegians

# have answer to housing crisis

CT 17/17/98

(123)

**A** INNOVATIVE solution to South Africa's backlog of low-cost housing was recently introduced in Cape Town.

The proposed solution came not from local quarters but from Norway in the form of Element House — a kit-style house which can be delivered at a capacity of more than 30 000 a year and erected in two days using unskilled labour and a hammer.

"Norway's answer to its drastic housing crisis at the end of World War II could be part of the solution to South Africa's housing shortage," said Sverre Basberg, of Norsk Handelskompani at the launch of Element House.

"What was needed in Norway then was solid, high quality, durable, inexpensive wooden houses that would not only provide shelter from the bitter northern climate but also give people a basis from which to build as their needs changed," he said.

"And, from what I have seen, this seems to be what is needed in South Africa now."

Basberg has opened an office in South Africa to market his concept to government, non-governmental organisations involved in development, and squatter communities.

"Without backing in all three sectors, the best ideas in the world would come to nothing," he said.

"In 1995 we started our research in South Africa and in November 1997, we built a prototype, which we showed to the South African embassy in Oslo and now it has been built in South Africa at Spier near Stellenbosch.

"The response has been enthusiastic," he said.

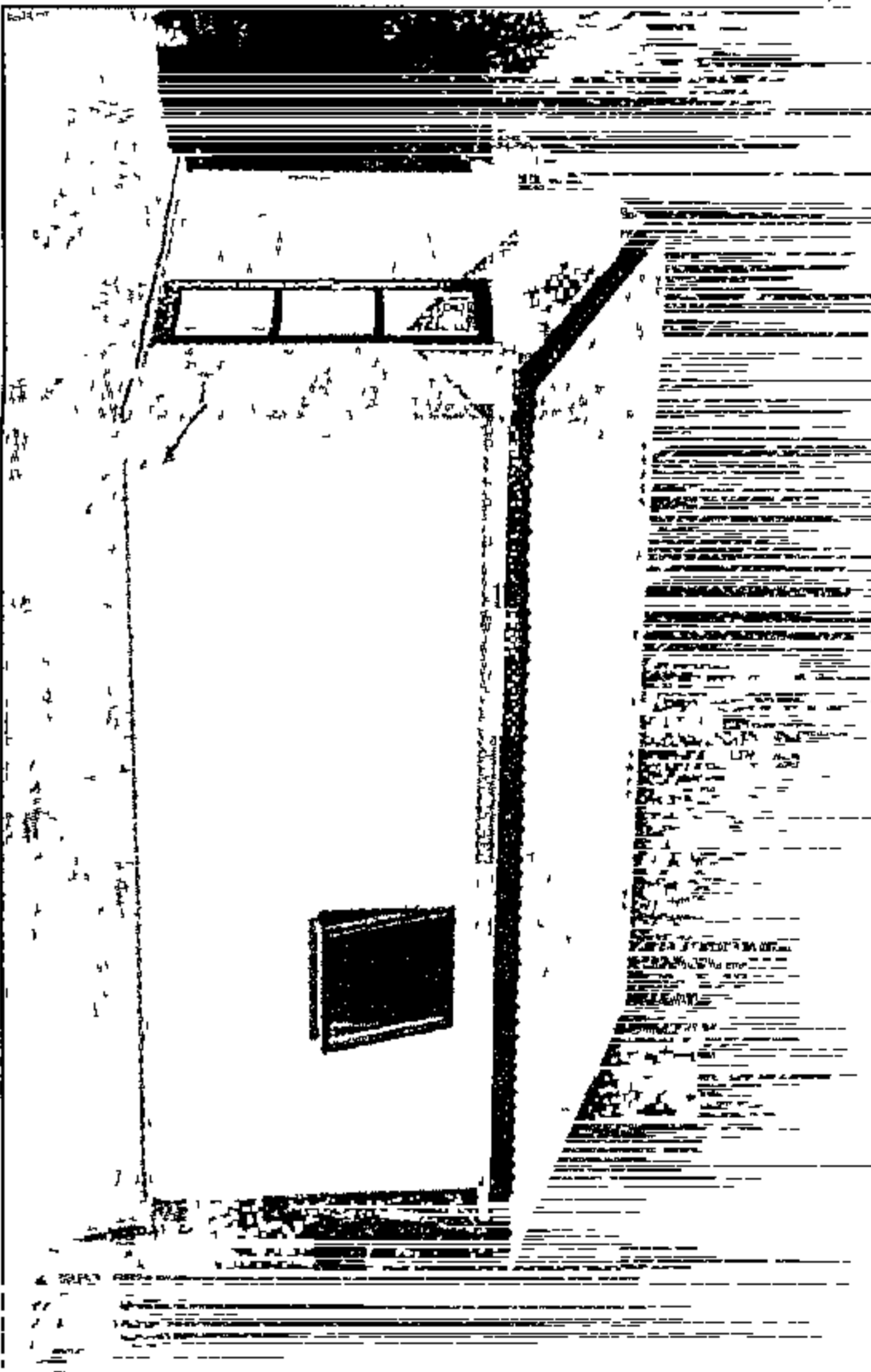
Research shows that squatter communities still offer some resistance to wooden structures but Basberg feels that attitudes are changing in the squatter communities as government's inability to deliver brick houses becomes increasingly obvious.

"When I tell people that it takes two days to erect the house once the kit has arrived they are very excited," he says. "I have found more interest than resistance."

"Norwegians have been building wooden houses for 800 years and there are some that old still standing."



**SQUARING UP:** Once the four walls have been erected the roof trusses are put in place. Element House has been designed so that each component adds additional strength to the structure.



**FINISHED PRODUCT:** A high quality, robust home suited to South African conditions.

**Sarah-Jane Bosch**  
*on property*



Norsk Handelskompani has contracted the Norwegian factory Ugland Industri, which has been producing prefabricated housing for 25 years, and shipping giant Maersk Line, to build and supply the housing kits for the South African market.

The factory is currently geared to produce 10 000 units a year, but within 12 months could raise this to 30 000 yearly and then add a further 30 000 to its production, should the need arise.

While the materials carry Norsk Handelskompani's guarantee of high quality, it is the delivery capacity and speed with which the house can be assembled and the fact that no building training is required that attracts most people — particularly women — needing low-cost housing.

"We believe the developer would have to supply some supervision on site but it is possible for two completely unskilled people to put up this house within two days," Basberg said.

"The only im-lement needed to erect the

# White farmers will pay for new dam

Josey Ballenger

THE water affairs department was committed to a new pricing structure aimed at established white farmers' partially paying off the costs of a new dam but also giving incentive to emerging farmers in Mpumalanga's Komati basin area, Minister Kader Asmal said at the weekend

PO 20/7/98 (123)  
The completion of the R488m Driekoppies Dam would enable the development of close to 10 000ha of irrigated agriculture in the black district of N'Komazi, Asmal said at the opening on Friday.

At the same time, the predominantly white irrigators in Onderberg would benefit from "higher assurance of supply" for close to 20 000ha already developed. Phase two of the development — the Maguga Dam in Swaziland, scheduled to be completed by December 2000 — would increase water access to 9 500ha for potential Swazi farmers.

Asmal took a hard line on water pricing and agriculture subsidies, saying that past practices "all too easily result in inappropriate and wasteful uses of water". Any future subsidies or investment would be specifically targeted at the development of farmers "who in the previous era were neglected".

He warned, however, that subsidies would last only until black farmers were able to keep pace with established ones. It was for this reason that emerging farmers in the area would initially pay a tariff which covered only operation and maintenance, but which would increase in the next few years towards "a more realistic price".

Meanwhile, Onderberg farmers would pay for operation, maintenance and part of repayment for the capital costs, as was agreed to in a 1992 agreement with the department.

# Parties offer way out of water bill challenge

Wyndham Hartley

(123)

CAPE TOWN — A Constitutional Court challenge to the controversial National Water Bill is still on the cards, but opposition parties offered a way out for the water affairs department yesterday by suggesting changes that would fully endorse the property rights clauses in the constitution.

The parties vowed to challenge the constitutionality of the bill when it was approved by Parliament's agriculture and water affairs committee and then by the National Assembly. They argued that it weakened the property protections offered in the constitution.

The agriculture committee of the National Council of Provinces yesterday began its work on the bill by asking opposition parties to table their suggested amendments for discussion. The National Party (NP), Democratic Party (DP), Inkatha Freedom Party and Freedom Front asked for the payment of compensation to be implemented for the loss of water rights.

The bill now provides for compensation to be paid in cases of "severe" prejudice to farmers' economic viability. The parties demanded that the word severe be removed and the clause changed to say compensation would be paid in terms of section 25 of the constitution.

DP spokesman Errol Moorcroft said that the constitution stated that compensation be paid where state action caused prejudice to

property rights. The water bill should do the same.

The Front's Piet Gous and the NP's Adriaan van Niekerk were involved in a sharp exchange with water affairs deputy director-general Thami Sokutu. Sokutu challenged Van Niekerk's contention that a host of organisations, including Rand Water and the Sugar Growers' Association, were determined to challenge the bill. He also refused to give committee members access to the legal opinions the department had obtained.

Van Niekerk claimed that R3m to R5m of taxpayers' money had been spent on the legal opinion. He suggested that the department had consulted widely because there was doubt about the legality of the bill. Moorcroft said one opinion he had seen said "a cart and horses could be driven through some clauses".

Sokutu assured the committee that the problems the Banking Council of SA had had with the legislation had largely been resolved. He said the department had taken great pains to ensure that the bill was constitutional and was confident of its legality.

When the bill was approved by the assembly last month, Forestry and Water Minister Kader Asmal promised that amendments could be made at the national council stage, and appealed to opposition parties to co-operate. Asmal said legal challenges to the bill should be made during implementation, and not before it was signed into law.

# Landlords renting out unfit housing 'must face charges'

Nicola Jenvey

DD 21/7/98

DURBAN — Landlords renting out properties unfit for human habitation should be outlawed and face criminal charges similar to those proposed in the UK, says Trafalgar Property and Financial Services CEO Neville Schaefer

Schaefer said a recent report by the UK government's coalfields task force called for action to revive declining conditions of old mining houses and for landlords to be penalised.

"The proposals put to the government are expected to have much wider implications than just the mining towns and could include changes to legislation," the report stated

Many houses in former mining communities had deteriorated to the extent that "the area resembled a war zone" It recommended changes to the law to introduce unlimited fines for landlords who failed to comply with repair notices and to make it an offence not

(123)  
to maintain a property in a condition fit for human habitation Schaefer said the 'shortage' of residential properties in SA had led to tenants being forced into renting substandard properties

"There is little prospect of developers investing in residential developments with lending rates as high as they are now Hence, the outlook is gloomy for those who cannot afford to purchase their own homes," he said

The high bond rates reduced margins budgeted for maintenance and repairs, resulting in an increasing number of properties falling into disrepair However, landlords who blamed poor payment ethics for their properties being in disrepair were most likely the same landlords who had not maintained their premises

"Tenants renting properties which have been maintained are prompt and regular payers. Landlords not prepared to pay for upkeep should not be surprised if tenants are poor payers," he said

# ANC 'frog-marches' water bill

20 July 1998

(123)

Wyndham Hartley

CAPE TOWN — The African National Congress (ANC) closed ranks and used its majority muscle to "frog-march" the national water bill through the National Council of Provinces agriculture committee yesterday, in spite of opposition pleas for amendments.

The move, plus the almost certain approval by the ANC majority in the council's plenary session this afternoon, virtually guarantees a constitutional court challenge to the legislation on the basis that it violates property rights.

ANC members on the council are believed to have discussed the party's position on the bill at an emergency caucus which preceded the committee meeting.

The caucus resulted in ANC members, including the commit-

tee chairman, being late for the meeting — to the irritation of opposition members.

NP MP Adriaan van Niekerk said he had asked at the committee's meeting on Monday to be granted access to the legal opinions which the water affairs department had obtained, but deputy director-general Thami Sokutu had refused.

Van Niekerk and the Inkatha Freedom Party's provincial representative, Mike Tarr, said Sokutu's refusal was unconstitutional because section 32 of the constitution provided for freedom of access to information.

Sokutu said the opinions were private, while Van Niekerk said they could not be because they were paid for by the taxpayer.

Democratic Party MP Errol Moorcroft said after the meeting

that the ANC was busy "frog-marching" the national water bill into law, in spite of the doubts about its legality and opposition pleas for the protection of property rights to be included.

He asked why, if Water Affairs Minister Kader Asmal had estimated that it would take eight years to implement the legislation, the bill had to be forced through Parliament without the concerns of the opposition being addressed.

Moorcroft and Van Niekerk said it was almost certain that private sector institutions would challenge the constitutionality of the legislation, which seeks to remove the riparian rights enjoyed currently and regulate water use through a system of licences. It was likely the challenge would come from organised agriculture.

## Namibian Fishing Industries Limited

(Incorporated in the Republic of Namibia)  
(Registration number 342/1947)  
("Namfish")



## Namibian Sea Products Limited

(Incorporated in the Republic of Namibia)  
(Registration number 709/1953)  
("Namsea")

### Results of general meetings regarding the acquisition by Namsea of the pelagic interests of Namfish ("the transaction")

HSBC Simpson McKie (Proprietary) Limited is authorised to announce that, at the respective general meetings held on Monday, 20 July 1998, the requisite majority of non-related shareholders of both

# New law to put onus on home builders

20 families evicted for refusing to pay bonds

BY CATHY POWERS

Parliament is debating new legislation which will go a long way towards ensuring that people do not have to tolerate defective, poor quality homes

This week more than 20 families in Vosloorus on the East Rand were evicted from their homes for not paying their monthly bond instalments. Residents were boycotting payments claiming that the houses, built almost 10 years ago, were of poor quality. They are the latest of a number of communities which have complained about poor quality houses for which they are forced to pay

The National Homebuilders Registration Council Bill, expected to be passed in the next couple of months, will oblige all home builders to register with the council and meet its exacting standards. Registration of builders is currently voluntary and the 5 000 home builders registered cannot be expected to cover the gamut of fly-by-night operators

Banks already insist that builders register with the council before they grant mortgages if the total selling price of the house is R250 000 and under, says media liaison officer Annerine Reger of the NHBRC. Reger says the NHBRC will have more teeth and become a statutory body when the law is passed. A home built by a registered builder is protected under a defect warranty valid for five years. Complaints are inspected and rectified by the builder if it falls under the warranty.

Since the NHBRC started three years ago, it has de-registered 94 builders. "The builders are registered under the name of the director and we ensure they don't start up again."

The number of shoddily built houses is difficult to quantify but Kalpana Mohanla, managing attorney at the Housing Consumer Protection Trust, says the problem is vast, with complaints pouring in daily.

Mohanla says, in the face of evictions, the only recourse the Extension 14 residents have is to seek legal aid and sue the builders for damages.

However, this may be difficult because, according to financier Khayalethu Home Loans (KHL), some of the builders have disappeared or gone insolvent.

KHL is negotiating with communities but politics and divisions within community groups intervened, bringing the talks to a stalemate four years ago, says corporate and public affairs manager William Maponya.

Yesterday KHL and SA National Civics Organisation (Sanco) discussed the evictions. Maponya says, once people make arrangements with the company, they will be moved back.

One home owner was moved back on Tuesday afternoon after being evicted in the morning.

The agreement is that residents should pay 80% of their total monthly instalments while the financiers fix the houses, Maponya says. In some areas, like Mamelodi in Pretoria, resi-

dents are paying and their houses are being fixed.

KHL has set aside R35-million to fix the affected houses in areas like Vosloorus, Soshanguve, Thembisa, Soweto, Jouberton, Kanana in

Klerksdorp, Sebokeng and Everton.

"The problem started with unscrupulous builders and consumers do not understand the difference between the builder and the financier. They are now boycotting us who assisted them," he says.

The original developers were the now defunct SA Housing Trust.

Etienne Golding, business manager at New Way Housing Development, currently involved in developing property in Vosloorus, says the situation is far more complex than mere shoddy workmanship.

"There are a lot of problems in housing because of the lack of maintenance by home owners and the alterations done by them which do not comply with building regulations."

It is simplistic to blame poor workmanship.

Two of the construction companies involved in building the Vosloorus Extension 14 houses 10 years ago were Stocks Housing and Continental, which are now bankrupt.

**Residents are told what steps to take**

# City's dinosaur by-laws crush legal eagles

CHARL DE VILLIERS

THE City of Cape Town needs help in tackling the mammoth job of reviewing and rewriting a welter of by-laws — some of which predate the great 1919 flu epidemic; says its legal adviser, Chris Glaum

The by-laws cover a wide range of civic responsibilities and duties, from pitching tents (1918) to controlling offensive trading (1930) and regulating children's parks (1933)

Glaum confirmed that two efforts to review by-laws had ground to a halt when the scale became apparent. A metropolitan process was aborted by April because of a lack of resources

The Cape Metropolitan Council, deciding to go ahead on its own, resorted to a tender procedure that dealt solely with its by-laws — but this attempt, too, has been quietly abandoned

Cape Town city manager Andrew Boraine has recommended a programme of action to excó, but Glaum says his legal department is understaffed and swamped with other work.

"We have to cut back on the volume of by-laws and look at what we want to cover," Glaum said. "We're not talking about simply rationalising the by-laws — the most important exercise is for local government to review its functions under the Constitution"

Boraine has urged excó to ensure the by-laws are applied equitably to all communities

(184) ST (CM) 26/7/98



Management of water can

# Water can save billions'

Josey Ballenger

SD 27/7/98

MANAGING the demand for water cannot completely replace the need for an increasing supply, but it will save government billions that could be used for other socioeconomic upliftment purposes, a senior water affairs department official says.

Conserving and managing demand so that water was used efficiently was necessary not only because it was a scarce resource in SA, but also because government had limited financial capacity to increase supply, said Barbara Schreiner, chief director of water use and conservation.

The department estimates that within three decades SA's water resources will be fully utilised if consumption and population growth trends continue.

"As pressure on the resource grows, we must give as much attention to limiting use of water as to supplying it," Schreiner told a two-day workshop in Pretoria hosted by the World Conservation Union last week. "Government resources can be better spent on other development needs such as housing, education and health. The premature development of water infrastructure imposes opportunity costs."

Postponing supply projects meant authorities could reduce negative effects on the environment and have more time to develop appropriate supply options.

Water affairs studies show a 10% reduction in future water requirements would be sufficient to delay the implementation, for example, of the Western Cape's Skuifraam Dam for about four years, while a 20% cut could push implementation back by eight years. In the US, successful programmes of demand management had resulted in total consumption falling by 40% in Goleta, California; and irrigation water use dropping between 25% and 40% in Lubbock, Texas.

In SA, Hermanus saved 16,5% in the first year of its programme compared with the average of the previous three years. Water not accounted for had dropped from 18% to 11%.

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# NP, DP call for housing deal probe

By Cecilia Russell  
Political Staff

Gauteng's housing department yesterday defended its decision to award a R412-million low-cost housing project to a developer who paid the province's housing board chairperson R10 000 a month to "facilitate" the contract.

Opposition parties demanded the contract be suspended pending an official inquiry.

The contract to build 27 500 houses at Hammanskraal, north of Pretoria, and Vlaktefontein, near Vereeniging, over the next eight years, was awarded to a private developer, Keith Lawrence.

He is a director of Felorday Investments and Antelom Investments and head of SA Land Development Organisation.

But Gauteng's housing department and the board's chairman, Martin Van Zyl, yesterday defended the contract.

Democratic Party spokesperson on housing, Ian Davidson, said the "award was totally unacceptable and confirms the perception of sleaze, nepotism and corruption in the housing department - under whose jurisdiction the board falls".

National Party leader, Johan Kilian, has demanded a judicial inquiry.

The department's head, Mogopodi Mokoena, said Van Zyl had admitted he had a conflict of interest and had recused himself from the meetings in which the matter was discussed.

Van Zyl told The Star Lawrence paid him a retainer of R10 000 a month.

"I would be happy for a forensic audit to be undertaken of my personal and business affairs," he said.

# Basson must testify before TRC

OWN CORRESPONDENT  
AND SAPA

Wouter Basson, head of the apartheid government's chemical and biological warfare programme, must appear before the Truth Commission tomorrow and answer questions put to him, the Cape High Court ruled yesterday.

Mr Justice John Hlophe said that, given the high profile of the case, he would give a ruling and provide reasons later.

Basson wanted the court to set aside a decision by the TRC that he be forced to appear before the human rights violations committee to answer questions put to him pending the outcome of his criminal trial.

In addition, Basson sought a declaratory order which prohibits the TRC from compelling him to waive his right to remain silent in relation to any of the criminal charges he faces.

He is facing a number of charges of conspiracy to murder, instigation to murder relating to the assassination of a Orlando Christiana, assault to do grievous bodily harm to Christiana, the manufacture of 1 000kg of Mandrax and 1 000kg of Ecstasy, possession of Ecstasy, defeating the ends of justice and the possession of classified material.

Once an investigation by the Office for Serious Economic Offences is completed, a further 10 charges of fraud amounting to R50m will be joined.

Yesterday, in papers before the court, Basson claimed that Cuban troops had used chemical weapons against South African soldiers in Angola.

Basson said he had been instructed by the former SA Defence Force in the early 1980s to research the establishment of a defensive chemical weapons capacity. This was because it had

been established that Cuban troops in Angola had chemical weapons and had started using these in the Angolan war against South African troops, among others, he said.

The SADF had been seriously disadvantaged because it had "absolutely no defensive capabilities" against such weapons, Basson said.

"Members of the SADF were furthermore absolutely defenceless against any such onslaught."

His evidence was submitted to the court in the form of an affidavit.

The court was told that Basson was the project officer for "Project Coast" and that evidence before the TRC by other participants in the programme had implicated him in various acts of gross human rights violations or an intention to commit gross human rights violations.

# Soldiers find body of another woman killed by Kruger lions

Pafuri - South African soldiers patrolling the border between South Africa and Mozambique stumbled across the body of a woman who was attacked and eaten by lions in the Kruger National Park on Saturday.

This is the second known lion attack in the world-famous park in the last week. On Wednesday, park rangers found a young Mozambican girl wandering aimlessly in the north of the reserve after lions attacked her family. Only her mother's head was found.

In the most recent case, a 30-year-old woman, also suspected of trying to cross illegally into South Africa from Mozambique, was killed near Pafuri on Saturday. The back of her head and buttocks had been eaten.

Police spokesman, Captain

Ailwei Mushavhanamadi said yesterday that the woman's intestines were also torn out.

"The woman's face can easily be identified since as it was not eaten," he said.

He said the woman was found naked, wearing only takkies on her feet.

Mushavhanamadi said police were not certain whether the woman was alone during the attack or with friends and relatives.

"Soldiers are still searching the area to find out whether she was the only one attacked in the area," he said.

Meanwhile, Kruger National Park officials could find no evidence to show that the surviving girl's other family members had been eaten. - African Eye News Service

# Bok thieves sell revellers a dummy

A celebratory potjiekos following the Springbok rugby team's triumph this weekend turned sour for a group of friends in Orange Grove after robbers stole the meat out of the pot, leaving only "gravy and a few floating carrots".

Social worker Jane Gerakaris, one of the disappointed guests, said her host had saved three Springbok shoulders for a special occasion, and decided to cook them for visiting family members. The potjie was left simmering on the veranda while people socialised inside.

"The potjie had been going for hours. But when my friend lifted the lid he found that someone had already taken the meat," Gerakaris said. "We were all in a state of disbelief. Someone actually had the nerve to take the meat." - Crime Reporter

# State needs to review housing policy

(123)

By Gumisai Mutume

THE Government has been slow to deliver on its promise of one million houses within five years and argues that the country's housing policy needs to be reconsidered, analysts say.

The African National Congress-led Government began implementing its ambitious housing policy four years ago, immediately after President Nelson Mandela was elected President.

"During the first two years of implementation, pessimism began to creep in," says Mary Tomlinson, a housing analyst and researcher.

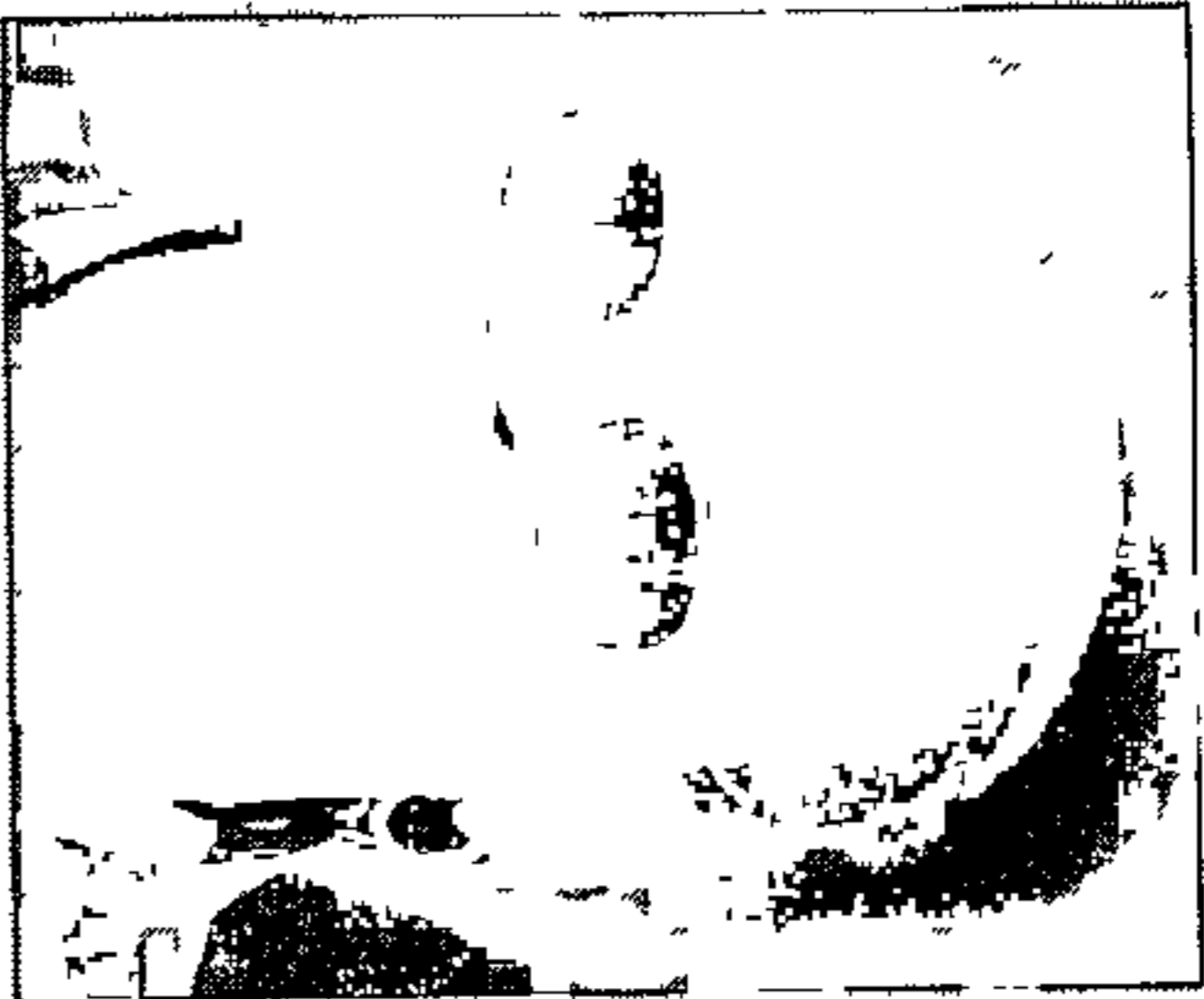
"It all sounded good on paper but we soon found out that things were different on the ground."

Much of the first few years were spent trying to develop fancy financial engineering to make mortgages affordable, involve the banking sector and communicate the policy to the homeless.

The first beneficiary assessments carried out in 1996, soon after the first houses were built, raised questions about the product, process and policy, Tomlinson says.

"People with four-room houses were the least satisfied," she says.

"They were credit-linked and the mortgage bonds were more than they



Housing Minister Sankie-Mthembu Mahanyele.

had bargained for. There was also a lot of unhappiness about the quality of the product delivered."

Under the policy families with a total income of less than R3 000 a month were extended once-off housing subsidies of R15 000 to build houses either through public, private or community-based builders.

Without collateral, borrowing power and very little money of their own, the Government had a huge task to take these people out of shacks and into decent housing.

"In St Helena Bay people got R15 000 but R11 000 was subtracted for services, R4 500 for materials and so on," says beneficiary Albert Tshabalala.

"We can't erect houses. We haven't got houses but we got the subsidy."

Another beneficiary, Florence Mhlabi, says: "Others brought down their four-room shacks for these one rooms. How can a family live in one room?"

Dudley Hoffman told the recently concluded Poverty Hearings, "We have RDP (Reconstruction and Development Programme) houses with a bedroom, kitchen and bathroom."

"It is my wife and I and two children, a boy of 10 and a girl of 12. How does a parent sleep like that? We are satisfied we were given houses but had hoped for some privacy."

But policy formulation is an ongoing process and stakeholders are now assessing whether the 750 000 subsidies extended to the homeless have achieved the aim.

One major concern is that there does not seem to be much consolidation - setting up a neighbourhood and living in it so that it becomes a suburb.

One of the reasons is that high

unemployment means people are transient and do not settle in one area as they search for opportunities.

Lack of jobs also means there is no steady, reliable income to further develop built units and the neighbourhood.

Local authorities, eager to extend funding and services to a historically disadvantaged group, are also facing the possibility of going bankrupt as people fail to pay for services.

## Slow delivery

A ministerial task team report in 1996 blamed slow delivery on inadequate administrative, technical and management skills, an imbalance between responsibility, accountability and authority at the local level and inadequate public awareness of the programme among other reasons.

"We know everything about the housing policy, housing delivery and types of housing being put up," says Mark Napier of the Centre for Scientific and Industrial Research Shelter Unit.

"What we don't know is what happens when people move in. Government policy is based on the hope that people will consolidate."

One of the major contributors to urban poverty in post-apartheid South Africa stems from the apartheid gov-

ernment's failure to acknowledge that Africans lived permanently in towns.

Housing Minister Sankie-Mthembu Mahanyele has admitted that it is technically possible to build one million houses in five years but it is not realistic because of the budgetary pressures squeezing the Government.

The promise of houses was one of the major issues that saw millions vote for the ANC in 1994 and on which its success will be measured in the 1999 elections.

Politicians say a reasonable dent has been made into the staggering figure of nine million people living in shacks and informal settlements in South Africa out of a population of 37,9 million.

"From the Government's point of view, everything is going well," says an official.

"We have nearly reached 500 000 units and R774 million has been spent on subsidies.

"But are we building the right houses? We need to know whether what we are building is viewed positively by beneficiaries."

The Government says about 500 000 homes have been built and 3,7 million people who did not have shelter before now have a roof over their heads - *Supra-PPS*

*Roseleen*

28/7/98

ANALYSIS & COMMENT

# Water bill's opponents have no right to confidential legal papers

**Deputy director-general of water affairs and forestry, Tami Sokutu, responds to allegations of secrecy surrounding legal advice sought by the department over the National Water Bill**

WRITING under the headline "Democracy Bill could prove pot of gold to legal fraternity" (Business Day, July 24), political correspondent Wynndham Hartley had precious little to say about the legal fraternity, accuracies and speculations about the National Water Bill, and my personal conduct in parliamentary hearings.

Hartley's central speculation, borrowed uncritically from opposition parties in the National Council of Provinces, was that I acted unconstitutionally in declining to share with these politicians the confidential work product obtained by the department in anticipation of litigation over the National Water Bill.

In no civilised legal system anywhere in the world is a party faced with imminent litigation compelled to hand over to its analyst or potential opponents the advice and analysis produced by its lawyers. This is the fundamental basis of an adversarial legal system.

It is common knowledge that the department has been seeking opinion across the political spectrum of lawyers for more than eight months now. Yet there was no de-

mand for these opinions during this extended period, including in the more than one month of debate on the bill in the National Assembly.

In these parliamentary and public debates, opposition parties showed no lack of confidence in their own views on the constitutionality of the bill. They showed no desire to have sight of our department's confidential opinions in order to make what they now call an "informed decision" on the legislation. It is only now, with mere days to go before the final vote, that the desire to see the opinions is suddenly expressed.

In these circumstances, the desire to see the opinions is plainly motivated not by a concern for an informed legislative process (which already has largely run its course), but rather by a desire to glimpse the intended litigation strategy and constitutional theories upon which my department will defend the National Water Bill in any constitutional challenge launched by these opposition parties themselves. More than a

month before requesting the legal opinions in the National Council of Provinces debate, the National Party indicated that it would challenge the constitutionality of the bill in the Constitutional Court.

In effect, the opposition parties want to sit in on my department's confidential consultations with legal counsel. This cannot happen in any properly functioning legal system. The disclosure of privileged legal opinions, confidentially rendered, would not be ordered by a court during the dispute phase of litigation, let alone in a political debate conducted in anticipation of litigation. The opposition parties are attempting to extract from the political process strategic advantages for the benefit of their intended constitutional challenge. This attempted manipulation makes a mockery of the rule of law.

Hartley states that the opposition parties "saw variously that sections 32 and 69 of the constitution obliged Sokutu to make the information available" Section 32 pro-

vides that national legislation must be enacted to give effect to the right of access to information and that this legislation "may provide for reasonable measures to alleviate the administrative and financial burden on the state". If the opposition parties — whom Hartley uncritically quotes — were correct, then the freedom of information provisions abrogate the state's ordinary right as a litigant (or potential litigant) to the confidentiality of legal counsel. This would place the state, every time it litigates, at an impossible strategic disadvantage relative to private litigants.

Every time the state is involved in actual or potential litigation, it could be argued that its legal advice is obtained "at the taxpayer's expense" and that the state's opponents therefore have a right of access to privileged legal materials.

This absurd result, of course, is not mandated by the constitution. Summary, section 69 of the constitution merely states the power of the National

Council of Provinces to summon persons to appear and to order them to "produce documents". This provision does not empower political parties in their own right to make such demands. The committee as a whole, which was divided on the question, made no demand of me.

Moreover, the council of provinces' power to order the production of documents cannot in itself sweep away the fundamental principle that a lawyer's legal advice to a client is privileged against disclosure to that client's opponents.

Hartley seems unaware, for instance, that a senior state law adviser advised against making the opinions available, because releasing the opinions would compromise the integrity of the potential litigation in the Constitutional Court.

Incidentally, legal opinions are opinions, not facts. They are not legally binding and they often differ on particular points. They are not uniquely available to the state. Private parties are entitled to seek legal opin-

ions on draft legislation at their own initiative, and several have in fact done so.

We believe that the legal advice (opinions and otherwise) obtained by the department, and the legal strategies devised as a result, are light years ahead of the calibre of opinions obtained by opponents of the legislation. This is a legitimate competitive advantage which, as a litigant, my department will not relinquish lightly. The department's opponents have no constitutional right to be freeloaders. If they threaten litigation they must conduct their own constitutional research, rather than try to raid my department's files.

I am confident that even if the Open Democracy Bill was law, Hartley, the opposition parties, or anybody else, would fail in trying to force any government department to make legal opinions that are central to future defence of the state against them available, given their stated intention to challenge the department in court. The Open Democracy Bill is intended to bring order, not chaos.

□ Sokutu is also chairman of the department's policy and strategy team.

# Working together to secure housing

Community-based projects are delivering, writes Trish Murphy

**P**roviding decent housing for poor South Africans has proved difficult for the government. There has been some success, however, when NGOs and communities work together to solve their problems.

Government supplied housing has often been uniform, hastily built and not structured to the needs of the residents. People offered such housing have in many cases rejected it as of too low a standard, too small or simply less than they had expected.

Mary Tomlinson, of the Centre for Policy Studies, spent three years researching these and other housing problems. She found that community participation, as opposed to people simply being beneficiaries, led to much greater satisfaction with the end result, even if the house itself was smaller.

Low income South Africans — earning less than R2 500 a month and with dependents — are eligible for an individual government housing sub-

sidy of R15 000. But those who don't want to live in these houses face a mountain of obstacles.

Lack of access to affordable land, limited access to mainstream banking systems, unfamiliar bureaucratic processes and potential exploitation by the private sector are just some of the impediments to attaining affordable, individualised housing.

Tomlinson points out that people with low incomes lack the economic manoeuvrability to cope with volatile mortgages. And without job security, they face losing their new homes if retrenched.

Around South Africa, NGOs have been piloting new community based approaches to housing delivery which have seen increasing success in providing housing alternatives.

Community models vary from the formation of an institution — a trust or section 21 company — to pooling individual subsidies or applying for an institutional subsidy, to communities which already own their land upgrading inadequate housing and setting up a civic structure to manage the settlement.

This approach has been criticised for not being able to deliver housing at scale. However the Urban Sector

Network (USN), which comprises nine affiliate NGOs, all of which encourage community participation, has provided 4 419 completed houses and 11 710 serviced plots since 1995.

The USN has also trained 1 724 people in housing related skills in the same period. The USN supplies end user finance to overcome funding difficulties and seeks to equip marginalised communities to take part in local government.

Communities are encouraged to work collectively at every stage of the delivery process, from planning to building. Local contractors are preferred, and in many cases community members are trained to assist the contractors.

This has the flow-on benefit of increasing local skills and therefore earning power, of providing employment for local tradespeople and returning the money to the community.

The Built Environment Support Group (BESG), affiliated to the University of Natal, has demonstrated the benefits of community participation in the Southern Pinetown Housing Consolidation project. The Independent Development Trust used to service the sites, but with a subsidy of only R7 500 each, resi-

dents of the Luganda and Zilweni communities were unable to complete their houses. "It was a classic toilets-in-the-veid scenario," said the BESG's Robert Mann.

With a top-up subsidy, bringing the total to R15 000, the houses could be completed. The BESG set up a system to transfer the funds to the beneficiaries, while at the same time verifying suppliers. Residents were able to choose what to do with their subsidy — some extended existing houses, while others added their own money to build a larger house.

Mann said that people knew what they wanted, and being able to choose how to use their subsidy was a much more satisfactory alternative.

By contrast, the Cope Housing Association, an NGO operating in Gauteng, uses the "social housing" model in which the residents form an institution, which then owns the project, and lets houses to the residents at reduced rates. For its two Bertrams projects in Johannesburg, which will deliver 57 bachelor, one- and two-bed room units, Cope has formed a section 21 company.

To qualify for membership, residents need to be earning between R2 000 and R3 500 a month — "fairly low income earners", according to director Margaret Fish. Residents pay a deposit of between R1 600 and R2 300, and must be able to pay service and maintenance charges of between R600 and R800 a month.

On a different scale, the Umzamo Development Project started in the 1980s as the Western Cape Hostel Dwellers' Association. In 1995 the number of people living in hostels in the Cape metropolitan area was estimated at 84 470. The Langa, Nyanga and Guguletu hostels, which are owned by the city council, have 15 000 bed spaces. However, in 1995 they were estimated to have 50 000 inhabitants, with an average household income of R750 a month.

Through upgrading, Umzamo estimates it can provide homes for 50 000 people. A pilot project of 38 units has been successful, with a 100% payment record in the first three months. However, other housing projects have now been given priority, stalling funding for Umzamo. Sarah Thurman, representative for Umzamo, points out that additional problems arising from apartheid days include a lingering habit of not paying rent, and a suspicion of local authorities.

Colin Marx, director of the BESG, adds "Not enough has been done to create a climate where NGOs and particularly the local state can relate to each other constructively. Local government still regards NGOs as a threat or a competitor at best, while NGOs' sanctimonious claims to a moral high ground and suspicion of local government distort any efforts to build constructive relationships."

## Affordable stability and quality

(127) 2117-618/98  
Trish Murphy

**M**ore than 250 people in the Lanseria-Muldersdrift area north-west of Johannesburg have saved money, bought land and drafted plans for a residential development.

Molefi Silebo, a businessman who has been in the area for 15 years, was approached by residents to consider what to do about the lack of suitable accommodation. "Everybody waited for the government to do something about housing. Then we realised that it is a very, very long process and people were becoming dissatisfied. So we decided to do something about it ourselves. I believe that if people take action themselves, then we shorten that process," he says.

The trust saved "so that we would be taken seriously", contributing R100 a month, not an easy task, Silebo points out — most members are rural people with very low incomes.

Once enough money was saved for land, the group encountered some stumbling blocks. The bank which held the trust's savings account of more than R100 000 proved coy when asked to provide additional housing finance, as did other banks.

With the help of a lawyer, they eventually negotiated a direct purchase from the property owner, leaving the banks out of the loop entirely.

With the help of an estate agent they found suitable land. It needed to be near water and sewage mains, Silebo said, because the development is to be properly serviced. However, the property was swiftly bought by neighbouring white farmers, Silebo says, to stop the project.

A neighbouring property was finally secured. It was checked by a civil engineer to make sure it was suitable for residential development, and a rezoning application was made to the Krugersdorp Town Council.

The development, on 8,5ha, was planned by a town planner. There are to be around 350 houses, a shopping area, crèche and taxi rank.

The trust has bought a brick-making machine to reduce the cost of construction while providing employment for local people during the construction phase. Members include bricklayers, plumbers and electricians, so expertise is immediately at hand, and the trust intends to use local services wherever possible.

Silebo estimates the paperwork will be completed by the end of the year, and that building can start early next year.

Silebo says whites confronted with blacks wishing to move into "white" areas expect "a squatter camp". The establishment of stable black communities, he says, should begin to address that fear.

He is adamant that the Muldersdrift development is intended to provide "quality, affordable housing" and a stable civic environment for its members.



**Group for Environmental Monitoring**

The Group for Environmental Monitoring (GEM) is a non-profit environmental Trust implementing programmes in the fields of sustainable development and environmental justice.

### GEM VISION AND MISSION:

GEM is committed to securing the rights of South Africans, in this and future generations, to -

- Ecologically sustainable development,
- Sustainable use of natural resources,
- Enhancement of biological diversity,
- A clean and healthy environment, and
- The redress of past and continuing environmental injustices

### It does so by:

- Promotion of ecologically sustainable development options for adoption by government and civil society in policy and practice,
- Building environmental awareness and confidence in historically disadvantaged sections of civil society in order to make appropriate decisions and take appropriate action,
- Ensuring effective opportunities are created for civil society to participate in environmental governance, and to influence policy and decision making processes, helping to build strong and active networks of environmentally-conscious civil society organisations in support of these strategies,
- Research into sustainable development issues and case studies of successes and failures in the sphere of interest

The organisation's work is structured into broad programme and project areas. These are at present:-

- The Global and National Environmental Policy Programme
- The Rural Programme
- The Urban Programme
- The Defence and Development Project

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Member of IUCN The World Conservation Union

Member of Environmental Justice Networking Forum

Member of the International Campaign to Ban Landmines

— Winner of the 1997 Nobel Peace Prize



### National Language Project (NLP)

is committed to creating awareness about the link between language and power; supporting the democratisation of the language policy and planning process, promoting multilingualism and multiculturalism, and facilitating equal access to national resources.

NLP's Language Policy, Education and Health projects provide services covering Language Policy Planning, Community Health Interpreter Training, Translations Services, Curriculum and Materials Design and Development, Teacher Development and Empowerment, Action Research into Language and Communication issues, Xhosa Conversation Lessons for Teachers.

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## Mortgage Indemnity Fund report to show it aided in arranging R10bn in home loans

Robyn Chalmers

THE Mortgage Indemnity Fund will soon release its closing report, which is set to indicate that the state-owned fund facilitated more than R10bn in home loans, mostly in areas banks regarded as risky.

Former fund MD Nkululeko Sowazi said the fund, which closed its doors on May 31 this year, had achieved its main objective of laying a foundation for long-term, sustainable mortgage lending.

"We helped get 15 financial institutions into the market," he said.

(123) These institutions were estimated to have granted more than 144 000 loans worth R10bn. About R4,5bn of it went into government subsidised housing.

The state-owned fund, set up on June 1 1995, was always intended to be a temporary intervention aimed at encouraging banks to lend in risky areas.

The fund indemnified financial institutions against losses where they were unable to realise their assets — or evict defaulters — because of a breakdown in law and order.

Sowazi said full de-

tails of the fund's activities during the past three years would be outlined in the closing report, to be released in about two weeks' time.

Sowazi said there remained a number of inhibitors to bank lending to the lower end of the housing market. The recent rise in interest rates and a sluggish economy added to the problem.

The inability of court officials to carry out their duties due to community resistance, boycotts and a lack of interest on the part of a few local authorities were previously cited as further problems.

BD 3/8/98

# Loans to help homeless workers

(123)  
**By Mzwakhe Hlangani**

A MULTI-MILLION rand housing project aimed at making it easier for workers to own their own homes was launched in Gauteng at the weekend.

South African Clothing and Textile Workers Union (Sactwu) president Mr Amon Ntuli said the move was a challenge to big business to join hands with the union to uplift the living conditions of the poor.

The problems encountered by low-income earners trying to buy houses in areas of their choice would be alleviated by the granting of low-interest loans, he said.

Ntuli said members in other regions would also benefit from the scheme.

The project is the brainchild of Sactwu, which set up the investment company in conjunction with financial giant Unibank.

The investment trust - made up of

the provident funds of union members - now had assets in excess of R1,2 billion, Ntuli said.

Gauteng MEC for housing Mr Dan Mofokeng emphasised the importance of a sound working relationship between government, trade unions and the formal business sector.

In addition, Ntuli said the union had awarded bursaries for tertiary education to 6 800 children of Sactwu members.

*Sowetan 4/8/98*

# Brave new Water Bill passed

(123)

ET 6/8/98

**ANDRE KOOPMAN**

APARTHEID era water legislation was thrown into the dustbin of history when the new National Water Bill was passed yesterday.

Water and Forestry Minister Kader Asmal said previous legislation was not only "outdated and Eurocentric, it caused untold misery among impoverished communities in the rural areas". It had no relevance to the current economic and social needs of the country.

Asmal said at a media briefing the new bill would decentralise functions to catchment management agencies, which would be established at local level.

"Users of water will now play direct role in decisions affecting water resources and will know exactly what their money is used for and how," he said.

It would also remove the monopoly of water use rights from those who by virtue of having a river passing their properties had the right to use as much water as they wanted, to the detriment of downstream users.

The bill takes a pro-active approach towards the water requirements for those countries with which South Africa shares its rivers. "It is not based on military or economic might that one country might have over another," Asmal said.

The bill also provides for a Water Tribunal for the fast resolution of disputes.



# Minister asks for hike in housing subsidy

Vuyo Mvoko

CAPE TOWN — Housing Minister Sankie Mthembu-Mahanyele has asked the cabinet to consider increasing government's housing subsidy to the poor from R15 000 to R16 000.

The move is understood to have raised eyebrows in the cabinet as it has huge implications for the fiscus at a time when money is tight for every government department. It also follows assurances by the minister that she would not increase the subsidies.

About R2,88bn has been allocated this year for housing subsidies. If Mthembu-Mahanyele does not get the extra funds she requires but increases each subsidy by R1 000, the number of subsidies will decrease by 11 000.

The minister said yesterday inflation and rising building material costs

were just some of the reasons that had made her decide to approach the cabinet. The matter had now been taken to the state treasury and a response was expected within two weeks.

Sources close to the minister felt that she might get something as it would be "politically insensitive" for the cabinet to reject her request so soon before the elections. They predicted that if the money did not come straight away, the cabinet might ratify her request but award the money later.

Government has built more than 500 000 houses since 1994, just more than half of its promised target of 1-million houses by 1999.

Mthembu-Mahanyele had considered asking for more funds before, but did not want to raise the issue until she had exhausted all other possibilities.

It was unlikely that she would con-

sider increasing each subsidy by more than R1 000 as that could reduce funds even further, sources said

Mthembu-Mahanyele also announced that government would increase subsidy levels for the disabled by between 8% and 36%, depending on the severity of a person's disability.

The minister also said government had come up with new definitions of norms and standards for building low-cost houses.

This comes in the wake of unscrupulous behaviour by contractors and developers taking advantage of unrestrictive and loose definitions to produce substandard work.

A document stipulating "strict specifications that clearly define the basic parameter within which housing development should take place has now been drafted".

# BTR Sarmcol agrees to pay axed workers

Reneé Grawitzky

A 13-year old court battle between BTR Sarmcol and the National Union of Metalworkers of SA (Numsa) has finally come to an end with the company agreeing to pay R11,7m in compensation to the 970 workers dismissed during a strike in 1985.

The settlement — which will ensure that each worker receives R13 000 — brings to an end the longest and one of the most bitter disputes in SA's labour history. The dismissals caused major hardship for the community of Mpopomeni near Howick where two-thirds of the residents were employed by the company. Tension was heightened when the company hired workers

from the United Workers' Union of SA, an Inkatha-aligned union, sparking off violent clashes between Inkatha Freedom Party supporters and Congress of SA Trade Unions and United Democratic Front supporters.

Workers at BTR Sarmcol — which was bought out in March this year by Dunlop Africa — went on strike on April 30 1985 over the alleged failure of the company to agree to certain clauses in a recognition agreement which was being negotiated with the Metal and Allied Workers' Union. Workers were dismissed three days later.

Since first being heard in the Industrial Court in 1987, the matter has faced five hearings by various courts. In March the appellate division of the

High Court overturned a decision handed down by the Labour Appeal Court in December 1995 and held the dismissals to be unfair

The court referred the case back to the Industrial Court to determine compensation for the dismissed workers, with the recommendation that the parties should attempt to settle out of court. Sources close to the process said the new owner — Dunlop Africa — was serious about resolving the matter whereas BTR Sarmcol had made little attempt at reaching a settlement, except for an offer of R1,5m.

Dunlop Africa CEO Mike Hankinson said the company had inherited this unfortunate issue and it was pleased the matter was now finalised.

Key Market Movements

# Housing subsidies to be raised

(122)  
CT 7/8/98  
HOUSING Minister Sankie Mthembi-Mahanyele said a proposal had been put before the cabinet which would give the government the opportunity to increase the R15 000 housing subsidy for low income earners to R16 000.

She said the R15 000 subsidy was now worth about R12 500 taking inflation and the increase in building materials into account. This has shrunk the size of houses that government can build.

Feedback from communities who had occupied these houses showed that some of the units did not provide adequate shelter and living space for families, Mthembi-Mahanyele said.

This was caused by a lack of sufficient information from beneficiaries on housing-related issues like size, cost of material and ability to read plans to assist in deciding on options for size of units. This matter was being addressed.

The other reason was that some developers had taken advantage of loose definitions of norms and standards which had been left to the discretion of developers.

The government had announced new minimum norms and standards to govern housing development using government grants, she said.

These would provide a basis to determine basic levels of services that may be financed from the subsidy and quantify the cost.

Subsidy levels for people with disabilities would be increased by between 8% and 36% depending on the severity of the person's disability, she said. — Parliamentary Bureau

# Housing Bill meets *(128) Sowetan 7/8/98* opposition

By Joshua Raboroko

**A** BILL aimed at protecting new home buyers from unscrupulous builders will be tabled before Parliament next week

This comes after protests from major stakeholders in the building industry and opposition groups

The National Home Builders Registration Council (NHBRC) Bill has been hotly debated by the Building Industries Federation of South Africa (Bifsa), the Democratic Party and the National Party

Bifsa executive director Mr Ian Robinson said yesterday that the association, which represented the majority of builders, was extremely concerned that the fund proposed by the Bill offered no guarantees of recourse to consumers

He said the fund remained what was loosely termed a best endeavour fund with no guarantee that defects would be rectified

These views were also held by stakeholders, the DP and NP, who have been vociferous in opposing the Bill when it was published on July 20, Robinson said

The Bill makes provision for the establishment of a new statutory board to protect all new home buyers and to regulate all home builders in the industry

Furthermore, it will lay down contractual terms for all home buyers where the home builder is deemed to provide warranty ensuring that any defects occurring within the first three months and any roof leaks occurring within 12 months are repaired by the builder

It will also ensure that any structural defects occurring within five years are repaired by builders at their cost

In addition, should home builders fail in their warranty obligations, the consumers can complain to the board, which will act on their behalf

Robinson said Bifsa was concerned that the Ministry of Housing proposed reversing the Government's privatisation trend by absorbing the existing NHBRC, which was a privately owned Section 21 company, into a statutory council.

# Housing grant proposal hailed

(123)  
BY THEMBA SEPOTOKELE

10/8/98  
Housing organisations have welcomed a proposal by Housing Minister Sankie Mthembu-Mahanyele that the R15 000 subsidy for low income earners and disabled people be increased.

Mahanyele said the subsidy was currently worth about R12 500 in real terms. This has shrunk the size of house that the Government can build.

The proposal put before the Cabinet will give the Government three options to increase the subsidy to R16 000.

She said subsidy levels for people with disabilities will be increased by between 8% and 36% depending on the severity of the person's disability.

Sarah Shezi of the Homeless Peoples' Federation said the increase will help to alleviate the backlog in housing.

"The federation welcomes any move to build houses for poor people. It will also help homeless people to register with the federation as members so that they have their roofs over their heads."

The federation now has about 60 000 members.

Penny Beck of the Housing Consumer Protection Trust said the increase will further enhance people's accessibility to housing.

She said the Department of Housing has shown commitment to deliver houses by increasing the subsidy.

Beck urged homeless people to contact the HCPT on 008-111-663 before entering into contracts with building companies.

# Minister calls for a higher home subsidy

By Joshua Raboroko

HOUSING Minister Mrs Sankie Mthembu-Mahanyele has been asked to consider increasing the Government housing subsidy to the poor, particularly women, from R15 000 to R16 000

Speaking on the role of women in housing in Pretoria at the weekend, a Centurian Town Council Planner Ms Novwe Qegu said women should be empowered through housing

Women should benefit from the housing subsidy and be ensured that no marginalisation would be formalised during the process.

The occasion was attended by homeless women's associations such as the South African Homeless People's Federation whose chairperson Ms Rose Molokoane spelt out the role of women in housing

Molokoane said traditionally women played a major role in the provision of housing for their families rather than the popular perception that construction was a man's job

Qegu said women should be

ensured that they gained access to housing and that constraints and obstacles that block their access were addressed and unblocked through various mechanisms and strategies

Qegu said one of the women's objective was to promote the inclusion of gender sensitivity in all decision-making bodies that impact on housing so that policies begin to reflect a gender-sensitive approach

Lobbying and educating women in the housing industry on how they could be involved as contractors, sub-contractors or labourers in projects should be encouraged, she said, adding that women must generate income and create wealth through housing

Women tended to take the backseat position that they had been relegated to, and not challenge their exclusion from the process, she said. They needed to be aware of their rights and responsibilities

She urged banks and financial institutions to consider their policies or positions regarding giving loans to women

Sowetan 10/8/98

129

# Public servants able to bypass home loan criteria

Robyn Chalmers

PUBLIC servants will be able to circumvent the onerous home loan criteria introduced by banks recently in terms of a new agreement between the SA Residential Developers Association and FutureBank Corporation.

Association president Chris Cudmore said yesterday that after extensive talks with several banks, FutureBank Corporation had provided an alternative approach. The approach alleviated "the re-

strictive and unpopular lending criteria for public servants" first introduced in December 1996 by the Association of Mortgage Lenders.

Residential developers and public servants were outraged at the new criteria. Public servants who previously qualified for a bond of R70 000 would qualify for only R33 000.

The construction industry estimated that the new criteria could lead to 80% of the 60 000 houses facilitated by private developers each year not being built.

The formula changed from an original captive subsidy, under which the size of repayments was calculated by adding 25% of public servants' income to the total amount available to them as a housing allowance.

The new formula sees housing allowances being added to individuals' income before repayments are calculated at 25% of the total. The criteria were first introduced in December 1996 but after much negotiation between stakeholders, it was agreed they would be phased in

during an 18-month period from March last year to October this year.

At the time of introducing the new criteria last year, the Association of Mortgage Lenders said the old formula was placing consumers at risk as public servants could borrow up to 43% of gross monthly income.

The international standard for calculating affordability for a home loan is that not more than 25% of monthly income should be spent on repaying a bond. The association believed consumers

should not be encouraged to borrow to the maximum of their affordability. This was particularly relevant in the light of SA's high consumer debt rate, a large number of unpaid mortgages and recent hikes in the home loan rate.

Cudmore said FutureBank Corporation had undertaken to work out the logistics of a system that would qualify public servants for bond finance which would effectively allow them to enjoy more realistic home loans. Good lending practices would not be compromised.

(123) (234) 80 12/18/98

# State offers cut-price houses

## Discounts for disadvantaged in big sell-off

(123) Part 13/8/98

**GLIVE SAWYER**  
POLITICAL CORRESPONDENT

Public Works Minister Jeff Radebe today announced the sale of about 800 state-owned residences in a move expected to raise millions of rands in revenue and open up new home ownership opportunities.

People who were socially and economically disadvantaged by the previous political dispensation and who have not previously owned immovable property, directly or indirectly, will get a 20% discount on the selling price.

Previously disadvantaged people who have previously owned or own immovable property will get a 10% discount.

Legal entities which are at least two-thirds owned by one or more previously disadvantaged people, and whose management and operations are controlled by one or more previously disadvantaged

people, will get a 10% discount. Sworn statements will be required as proof of eligibility for these concessions.

In a briefing to parliamentary journalists, Mr Radebe said the Cabinet had approved the decision to sell redundant state-owned residences because of the high cost of maintaining them. They will be sold by tender.

State-owned residences that qualify will be submitted to provincial state land disposal committees, made up of representatives of the national departments of public works and land affairs and of provincial governments.

"All residences superfluous to the needs of national and provincial governments will be disposed of".

Tender notices for the first 34 residences to be sold by the Department of Public Works would be published in the next three weeks. Residences identified by

State-owned residences in the Western Cape identified by the national Department of Public Works for possible sale are

- 5 Neulhof Street, Milnerton
- 2 Mimosa Street, Milnerton
- Ft2711, Constantia Way, Constantia
- 7 Oaktree Avenue, Kenilworth
- 1 Tenant Street, Kenilworth
- Hooggelegen, Herschel Way, Claremont
- 8 Zion Street, Paarl
- 39 Gympie Street, Woodstock
- 4 Maroela Way, Pinelands
- 152 Second Avenue, Rondebosch East

provincial governments for disposal so far included 453 in North-West province, 335 in the Eastern Cape, and 35 in the Northern Province.

The Free State, KwaZulu Natal, Mpumalanga and Northern Cape had indicated there were no redundant residences at present.

The Western Cape intended disposing of 17 residences and Gauteng 38.

The market value of all redundant residences will be assessed by registered valuers and adjudicated by the land affairs board.

Mr Radebe said those not classified as previously disadvantaged would be eligible to participate in tendering for properties but would not get discounts.

Although there will be no limit on the number of tenders which those eligible can submit, no one will be allowed to acquire more than five residences.

When a successful tenderer is both previously disadvantaged and a first-time buyer, there will be a 20% discount on a residence of the buyer's choosing and a 10% discount on the other four residences.

To prevent speculation, conditions in title deeds will spell out that the property will not be allowed to be sold within five years

of the date of purchase, unless it is first offered to the state at the original purchase price.

Deeds will also stipulate the sale will not be allowed without the consent of the minister of public works, and this consent will be given only on payment of compensation "equivalent" to the discount originally allowed to the owner.

Mr Radebe said public servants now illegally occupying redundant residences would be given first option to purchase them at market value and would also qualify for concessions where eligible.

Public servants will be given 30 days from the date on which they get a formal offer to buy a residence to exercise their options.

Public servants who do not want to exercise their options will be given three months to vacate.

People illegally occupying state-owned residences will be given 30 days to vacate, failing which they will be evicted.

# Disadvantaged to benefit from housing sale

Vuyo Mvoko

CAPE TOWN — Government is to dispose of at least 878 redundant state-owned residences countrywide through a scheme that will give previously disadvantaged individuals a 20% discount on the selling price

Public Works Minister Jeff Radebe said yesterday the cabinet recently approved the disposal of "superfluous" properties, "in view of the high cost of maintaining state housing"

Radebe said the market value of the properties still had to be assessed by valuers and adjudicated by the Land Affairs Board. The properties would be sold by tender afterwards.

Reuter reports that Radebe said the start of the sale was possible because government now had a fair idea of how much property was involved.

"The state is going to really get some return on this," he

said, noting that properties that had already been sold in London and Paris had raised tens of millions of rand.

Some of the houses are in sought after residential areas such as the KwaZulu-Natal beach resorts of La Lucia and Umhlanga Rocks and the wealthy Cape Town suburb of Constantia.

One problem still facing the government is to track down the houses overseas that were acquired clandestinely either by the apartheid state or its satellite homelands.

Radebe said that his gut feeling was that there could be an extensive list of such properties, but it would require painstaking investigation to find them.

The first batch of 34 residences would be publicised within the next three weeks.

"SA citizens who were socially and economically disadvantaged by the previous political

dispensation and never before owned immovable property, directly or indirectly, will be afforded a 20% discount," Radebe said.

Those who owned or currently own property would be afforded a 10% discount.

Eligible persons could buy a maximum of five residential units and a previously disadvantaged, first-time property owner would be given a 20% discount on the first property and 10% on the rest.

Radebe said people who were not previously disadvantaged would also be allowed to purchase the properties, but not at discounted prices.

Juristic entities would be allowed to participate in the scheme only if they were at least two-thirds owned by people from disadvantaged backgrounds, or their management and daily operations were in the control of such people.

Public servants who legally occupied redundant residences would be given the first option to buy at the market value and would also qualify for applicable concessions.

People who bought discounted property would not be allowed to sell it within a period of five years from the date of purchase, unless they sold to the state or with the consent of the public works minister.

Radebe also announced that government would use "proposal calls" for the development of certain "strategic" state properties as an alternative to simply disposing of fixed properties to the highest bidder.

"Creative inputs" in the development of public land would be a decisive factor and could entail such possibilities as the owner providing public facilities and amenities, he said.

Five such properties had been identified.

(123) 00 14/8/98



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# Housing delivery rises 'substantially'

Mzwandile Jacks

BD 19/8/98

HOUSING delivery picked up substantially throughout the country in the past year, says the National Urban Reconstruction and Housing Agency, a nonprofit company whose job is to facilitate delivery of adequate and sustainable housing.

In its annual report, the agency said an increasing number of homes was built in the 1997/98 year and the construction tempo was keeping approximate pace with "family formation".

"Until recently, the rate of housing delivery failed woefully to match the housing demand. However, there are grounds for believing that in 1997 the national housing effort at last kept pace," it said.

However, the report said it would be wrong to think housing delivery problems were over. In addition to government belt-tightening, the report said a lack of credit

(123)  
could hamper progress.

"Fiscal discipline may result in smaller allocations for housing subsidies. In the last budget, the housing allocation fell 24% from an adjusted R4,7bn in 1997/98 to R3,6bn less than the provinces say they need to meet their housing commitments.

"A smaller housing allocation from government could slow the pace of delivery just as the public and private sector are gearing for growth. Inflation averaged a little below 10% for four years since the introduction of the housing subsidy. There is little hope the R15 000 subsidy will be inflation indexed.

"Over time, low-income home owners will be able to build less and less with their subsidies," the agency reported.

In February this year, the housing department's figures showed that since 1994, 700 000 subsidies had been allocated and that 480 000 homes had been built or were under construction.

# No funds ... no water

*Rowe/Jan 19/8/98*

**J**UST as the Ministry of Water Affairs and Forestry has gained speed in its capacity to deliver water in rural areas, budget cuts have forced it to put several projects on hold

The ministry was allocated only R432 million in this year's budget, although it asked for R1,2 billion

Ironically, that ministry - like that of Housing and Constitutional Development - now has shortages because in previous years they had "roll-overs" (unspent money carried into the next financial year) simply because they did not have the capacity to deliver their services

To avoid the possibility of roll-overs the Ministry of Finance reduced the budgets dramatically. So now that they are in a position to spend the money, there is none left and the Ministry of Water Affairs is busy assessing the cost of cancelling and stopping several hundred projects around the country

In 1994 it was estimated that 12 million people did not have access to clean water in rural areas and 2004 was set as the target by which this backlog would be eliminated (even if there were just pipes in the ground), provided the ministry had around R1 billion to spend each year

The budget constraints now mean that projects started this year may have to be put on hold until the next financial year, and the schemes not already being worked on will only be started then

Ultimately, it is expected that people will have to wait for up to two years longer to get piped water. Projects already started, but which might be put on hold, will be delayed by at least six months (the next budget is in March next year), resulting in loss of earnings for numerous subcontractors

## Money shortage

Director-general in the Ministry of Water Affairs Mike Muller said they were working closely with the Finance Ministry "to minimise the impact" of the money shortage

There was as yet no tally of how many schemes would be halted, he said, as the ministry was still working out ways of getting more money

It has secured money from the European Union and other donors and Muller says his ministry is also trying to get a portion of funds set aside by Government for poverty alleviation

He said the ministry had saved about R90 million by being prudent with everyday costs like telephone calls, overseas travel and computer services

"We are trying to avoid cancelling contracts at this stage we are optimistic that maybe we will still be able to get more money"

The ministry's growth in capacity is prob-

South African rural communities may have to wait a while to get clean water as projects grind to a halt due to lack of funds. **Sharon Chetty** explains. (123)



It was estimated in 1994 that 12 million people did not have access to clean water in South Africa's rural areas.

ably best demonstrated in KwaZulu-Natal, which this year received R143 million, about a quarter of the ministry's budget

In 1994 it announced a mere two projects. Over the next two years (1995-1996) that increased to 119, although work on them began only last year

A further 50 were announced in 1997 and were due to be completed this financial year

According to regional director Thys Badenhorst, 13 of the 171 projects announced since 1994 had been completed and 47 more would be finished this year

A further 19 will receive bridge funding from the Umgeni Water Board and local authorities in and around Richards Bay

At issue are 71 schemes that are only in the planning and design phase, and on which no work has begun

In KwaZulu-Natal alone, an estimated R70 million worth of work, mostly to small contractors, will have to be postponed if the money is not found soon

But not only commercial organisations are affected

The Mvula Trust, a non-governmental organisation which was set up in 1994 to work with

rural communities in providing water and sanitation facilities, stands to lose as much 70 percent of its work is on government contracts

Although no decisions have yet been taken, concern has been expressed over the sudden stopping of some schemes (service providers were told just over a month ago that the ministry was bankrupt) instead of slowly phasing them out

In Eastern Cape employees of the Mvula Trust have been threatened by angry communities

The ministry also contracts out to consortiums comprising what are termed "build, operate, train and transfer" (bot) organisations. Small contractors stand to lose the

most

"We may be forced to ask some of them to hang in there for six or seven months," Badenhorst said, but acknowledged that small contractors would not be able to find other jobs - "nothing is being built in KwaZulu-Natal"

He said there were an estimated 4,5 million people who needed clean water in the province, and the initial 171 projects would have catered for about 40 percent of the needy

There are even larger numbers without sanitation

## Possible compromise

"In some of the projects we are recommending that they be wrapped up since the main infrastructure is there. There are pipes and pumps but we may not be able to take the water right up to the houses"

Badenhorst said that a possible compromise would be to provide water in the temporary pipes, which might be about half a kilometre from people's homes

And while that would not meet the Reconstruction and Development Programme requirement of a tap 200m from a home, it would ensure that a community had access to clean water

## 'More homes than ever built in 1997/98'

(123)  
BY HOPEWELL RADEBE

STW 20/8/98

The pace of housing delivery in South Africa is gaining momentum, despite new challenges of educating emerging contractors and a reduced national housing budget, says the annual report of the National Urban Reconstruction and Housing Agency.

Nurcha financial director Knowles Oliver said an assessment of approved housing development projects had proved that "more homes were built in 1997/98 than ever before".

Nurcha was launched three years ago, to encourage greater private sector participation in the low-income housing market by sharing risk through guarantees with developers and lenders.

According to Department of Housing figures, more than 700 000 subsidies have been allocated to numerous projects since 1994 and an estimated 480 000 houses have been built or are under construction.

Gege Kekana, spokesperson for Housing Minister Sankie Mthembu-Mahanyele, said the Government had warned contractors that if they did not use their subsidies, these would be taken away and given to builders who showed the potential to deliver.

"It is partly this approach that has led to an increased delivery of low-cost housing"

# Labour movement to punt housing at jobs

Nuyó Mvoko

**CAPE TOWN** — The labour movement's number one programme on its list of proposals intended for submission at the presidential jobs summit, scheduled for next month, could catapult housing into the forefront ahead of next year's general election.

Housing was seen to have taken a back seat following the public acknowledgment by President Nelson Mandela last February that government would be unable to meet its target of one-million houses by 2000.

Then suddenly, more than a week ago, the cabinet indicated it had finally bought into Housing Minister Sanku Mthembu-

Mahanyele's view that something ought to change in the area of housing subsidies.

A cabinet statement said: "Housing subsidies should be reviewed with the view of adjusting the maximum amount to R16 000 from the present R15 000. This will be achieved through accessing additional funds or reducing the number of subsidies."

It said the executive would make a submission to the treasury committee to determine if access could be gained to more funds.

On Friday the Congress of SA Trade Unions (Cosatu), the National Council of Trade Unions and the Federation of Unions of SA released details of their 21 programmes to be tabled at the job summit.

Labour is proposing that a million units of publicly owned housing, rental stock built over the next three years at a cost of between R30bn and R35bn. A "major" financial contribution would come from the fiscus, as well as from a proposed three-year levy of 5% on the pretax profits of the business sector.

Labour also wants the introduction of a prescribed investment requirement on pension and provident funds, the life insurance industry and the assets of the public investment commissioners. These would invest 5% of their funds in special government bonds or other public development vehicles.

The proposal could net more than R50bn

for SA housing and, directly and indirectly, create between 350 000 and 550 000 jobs over a three-year period.

Crucial to the initiative's success would be for it to be driven by a housing parastatal that would co-ordinate financing and overall management. Organised labour believed this would help secure economies of scale and lead to a decrease in prices.

President Nelson Mandela indicated earlier this year — an assertion denied by Mthembu-Mahanyele — that government was looking into setting up a housing parastatal to intercede where market imperfections and failures undermined delivery.

Cosatu's deputy general secretary, Zwe-

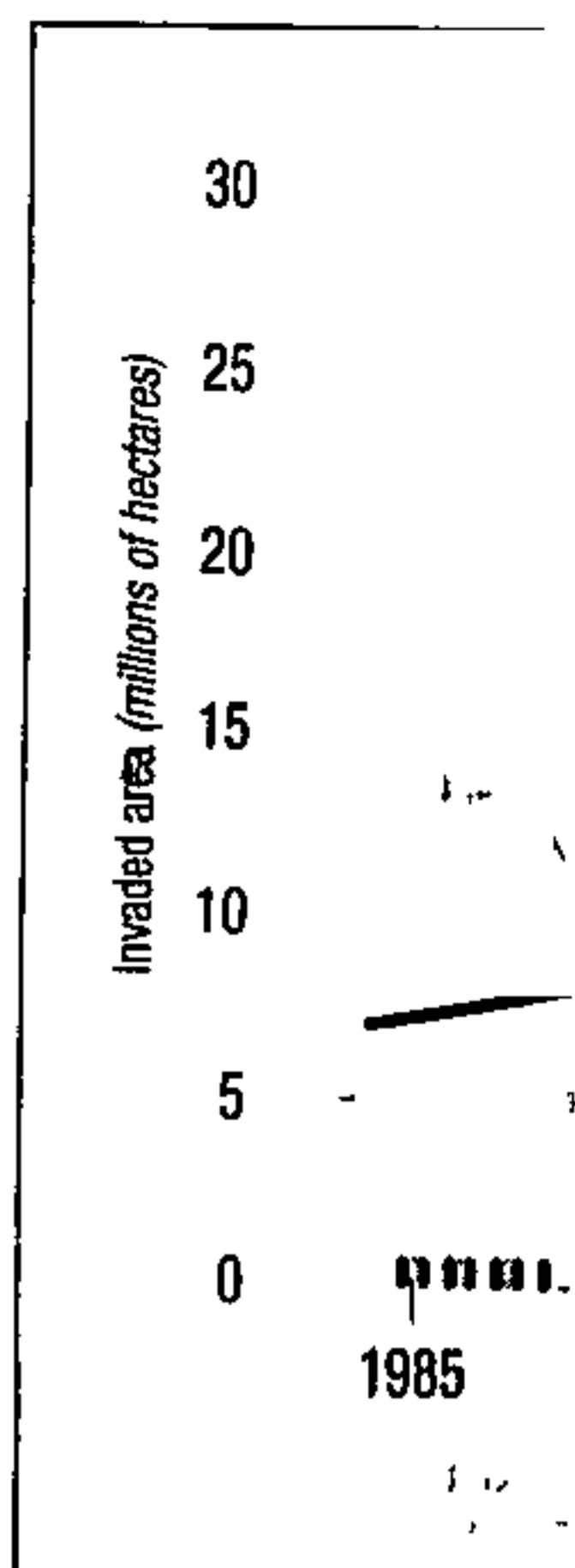
luzima Vavi, said at the weekend the programme could "yield a continuous stream of income from occupants to help pay for the cost of construction".

The option to buy at any stage after occupation, either individually or through housing collectives, could be built into the scheme to foster and encourage ownership," Vavi said. Since 1994, more than 500 000 houses have been built.

Trade and Industry Minister Alec Erwin said at the weekend the National Economic, Development and Labour Council supervisory structure on the jobs summit would meet on Thursday to discuss the exact date of the event.

summit

(123) 02 241898



Working for water (above): some of the workers rooting out alien vegetation  
 To act or not to act (right): projections for the spread of invasive alien vegetation throughout South Africa, based on various levels of funding for clearing programmes.

# Ambitious water project

**JOHN YELD**  
 ENVIRONMENT REPORTER



Income up nearly ten-fold in just over two years, a workforce expanded from less than 7 000 to more than 42 000 in the same short period

In any normal business operation, these kind of figures on a balance sheet would have had the managing director rubbing his or her hands in glee in anticipation of a huge performance bonus!

But the reward from this particular "company" - the Working for Water programme of the Department of Water Affairs and Forestry - is much more substantial than just a monetary dividend

Politicians, sociologists and economists agree that new employment opportunities are central to the healing of South Africa

The achievement of the Working for Water programme - which essentially involves using previously unemployed people to remove "water-hungry" invasive alien vegetation from South Africa's precious water-catchment areas - in creating 42 000 new jobs is a hugely significant contribution to the nation's healing process

But there has also been an additional array of associated benefits

These include health benefits - directly through paid employment and indirectly through relevant training, such as HIV/Aids education - and welfare benefits, because of the programme's emphasis on enhancing the quality of life of the most marginalised sectors of South African society: the poor, the disabled, youth, rural communities and women

In environmental terms, the programme's work in clearing invasive alien vegetation is proving to be a winner

Not only is the programme helping to reduce the serious threat that this alien vegetation poses to South Africa's unique natural heritage,

but it is also playing a critical role in the Government's drive to promote equity, efficiency and sustainability in the supply and use of the nation's severely limited water sources

This is because scientists have proved that the invasive alien plants use substantially more water than indigenous vegetation and impact severely on South Africa's rivers and wetlands

Also, the programme's rehabilitation of degraded land is a vital component of the strong emphasis the Government is now placing on "land care" as part of its bid to secure the sustainable productivity of South Africa's land

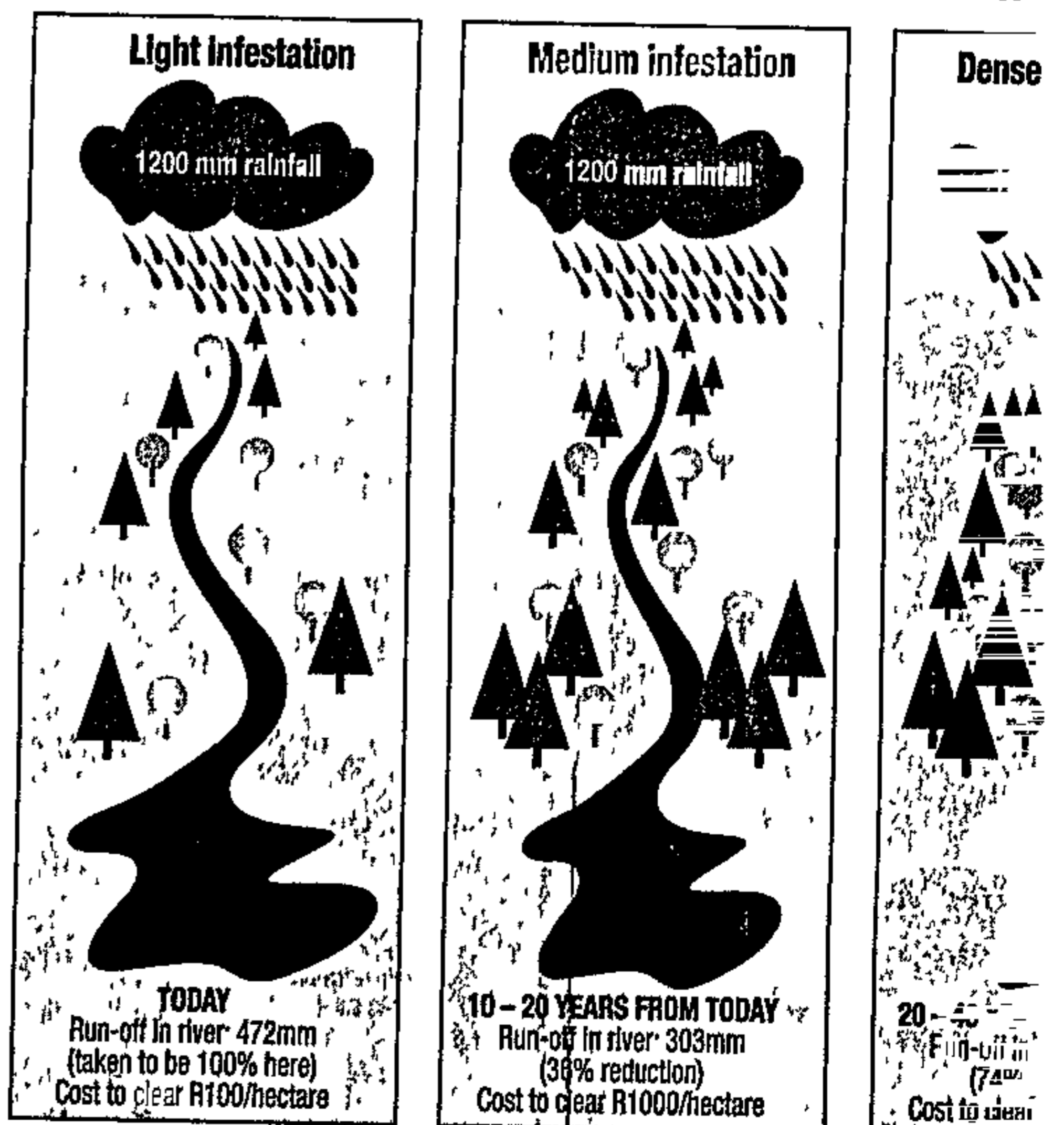
"Working for Water is a product of the Government's commitment to the renew-

al of our country," says leader Guy Preston in the report, officially launched

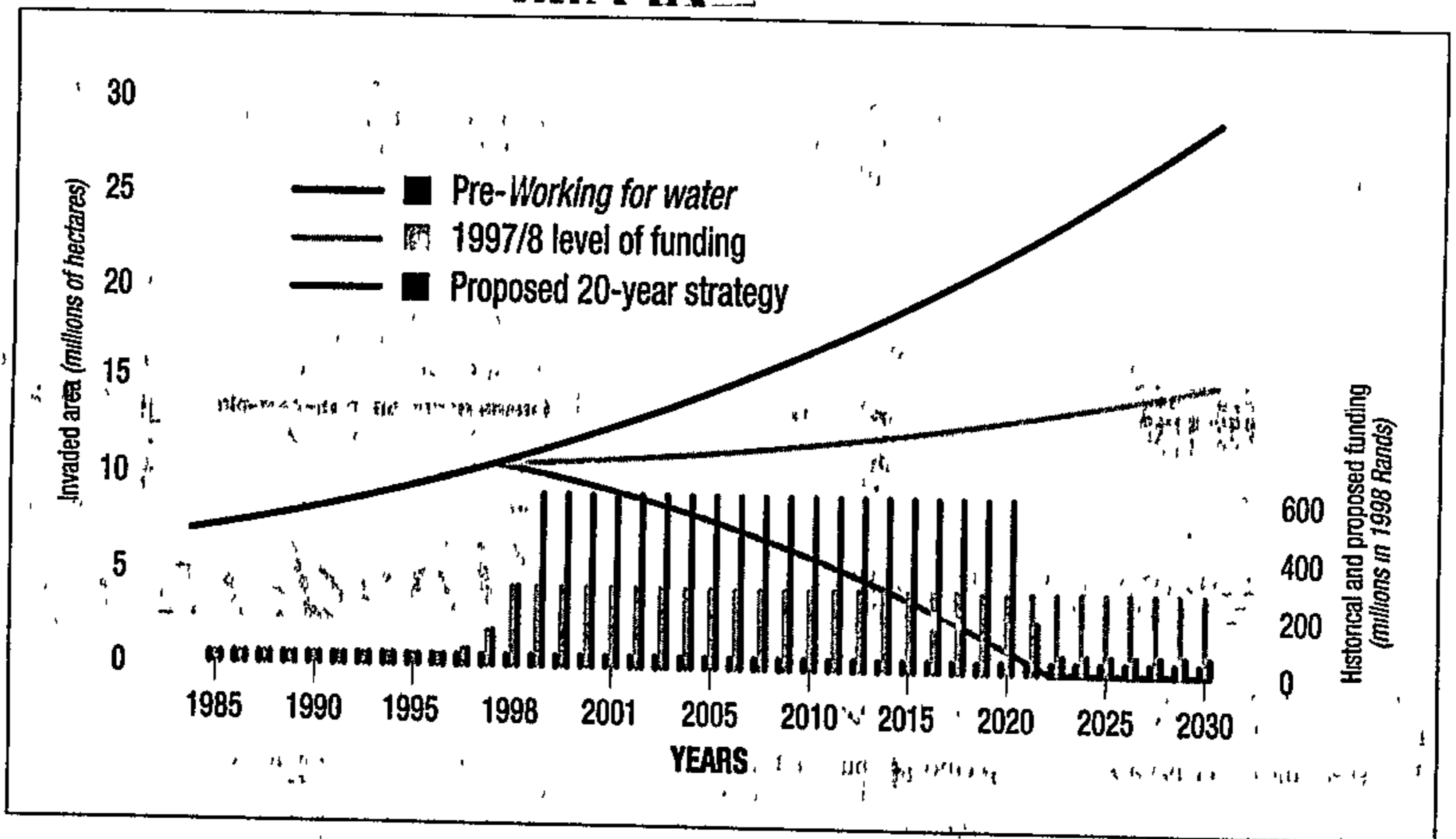
"The programme is an example of how we can lead across line functions, and promoting governance" wounds of the past."

In its first year of operation the programme had an cost of over R27-million. At it employed 6 686 workers - 229 hectares of land

During the last financial 1997 to March 31 this year rocketed to R251,5-million employees cleared a staggering 240 projects across the



Vanishing water: scientific evidence shows that infestations of invasive alien vegetation reduce available water from South Africa's rivers



...vegetation  
...alien vegetation throughout

# water project looks like a winner

ARG 31/8/98

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...of our country," says programme  
leader Guy Preston in the 1997-98 annual  
report, officially launched this week  
"The programme is a developing  
example of how we can craft partnerships  
across line functions, and of how we are  
promoting governance that can heal the  
wounds of the past."  
In its first year of operation -1995-96-  
the programme had an income of just  
over R27-million. At that stage it  
employed 6 686 workers who cleared 33  
229 hectares of land.  
During the last financial year - April 1,  
1997 to March 31 this year - its income  
rocketed to R251,5-million, and 42 059  
employees cleared a staggering 220 884 ha  
in 240 projects across the country

"The Working for Water programme  
has played a major role in the fundamen-  
tal changes in our management of water,"  
says Water Affairs and Forestry Minister  
Kader Asmal  
"With an estimated 7% of South  
Africa's mean annual (rainfall) run-off  
already wasted by invading alien plants,  
the programme has kick-started the con-  
cept of integrated catchment manage-  
ment in a way few would have thought  
possible when the programme started  
two-and-a-half years ago  
"Equally, few would have anticipated  
the way in which the programme has  
been the catalyst for water-management  
initiatives (which) hold enormous  
promise for our efforts to ensure long-  
term water security"

ty, but that its social relevance is another  
"compelling" reason for the Govern-  
ment's commitment to it  
"In many ways, poverty and unem-  
ployment are the most problematic envi-  
ronmental problems facing the country  
"Unless we deal with what was an  
assault on the quality of life of so many of  
our people, there can be no hope of ecolog-  
ical integrity, let alone sustainable liv-  
ing," Dr Jordan states  
Public Works Minister Jeff Radebe  
describes the Working for Water pro-  
gramme as one of the flagships of his  
department as well as "helping to demon-  
strate the wisdom of investing in labour-  
intensive approaches to heal our land"

"And indeed it is an investment just  
the value of the additional run-off of  
water makes the programme worthwhile,  
let alone all of the other social, ecological  
and economic benefits," he says  
Of last year's income for the Working  
for Water programme, R150-million came  
from the Government's Poverty Relief  
Fund, and was only released in November.

This additional funding was a massive  
boost for the programme which had been  
budgeting for only 38 projects employing  
some 8 000 workers  
But attempting to spend the extra  
R150-million in just 95 working days was  
always going to be an ambitious under-  
taking, Dr Preston admitted

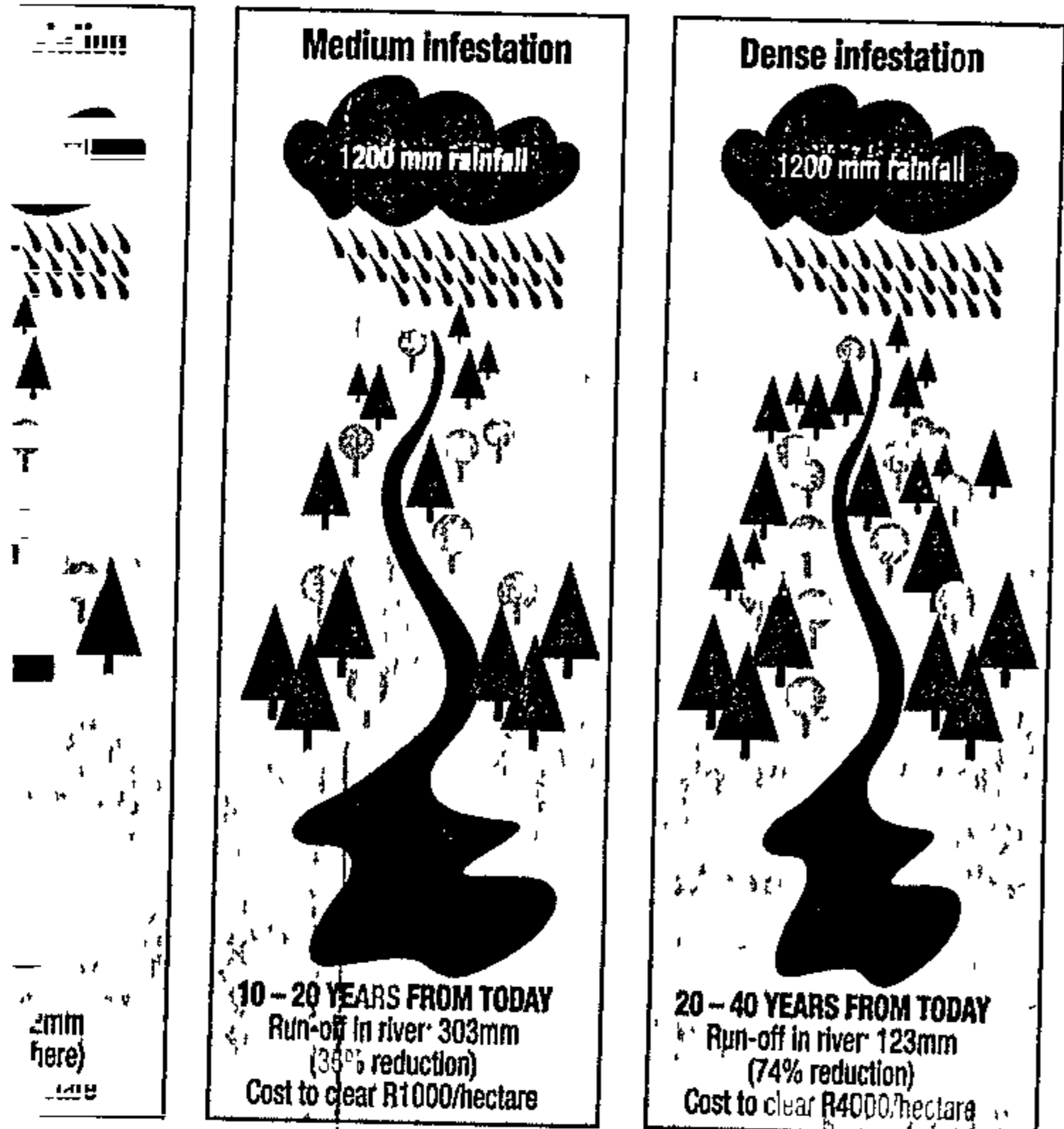
"There is no doubt that it stretched to  
breaking-point a programme that was  
already under-managed, and that it tested  
the already dedicated commitment of  
those having to administer the finances,"  
he said

"Furthermore, the building up of a  
massive work-force, which then had to  
stop - temporarily - at the end of March,  
had disruptive side-effects"

But accepting the challenge of the  
additional funding had been the right  
decision, Dr Preston added

"There is also no doubt, however, that  
by putting this Poverty Relief money to  
work, we have helped alter the quality of  
life of many desperate people

"We have also cleared stands of invad-  
ing alien plants that would otherwise  
have spread and grown, making them far  
more expensive to clear at a later stage"



...ic evidence shows that infestations of invasive alien vegetation greatly reduce  
...th Africa's rivers

Environmental Affairs Minister  
Pallo Jordan says the programme is  
crucial to conserve South Africa's  
exceptionally rich biological diversi-

# Water affairs department short of R300m to meet targets

Louise Cook

WATER Affairs and Forestry Minister Kader Asmal says his department lacks funds to meet this year's water supply targets, as R300m is needed to finish several projects that have ground to a halt.

The department was granted less than half the money it requested for the current financial year and was seeking funds from the European Union and government's dis-

cretionary fund, Asmal said.

Several projects to provide communities with fresh running water had to be postponed and there were also unconfirmed reports that sugarcane farmers near Komatiport were also short of water for irrigation.

In KwaZulu-Natal projects in the early stages of development had to be postponed while in the Eastern Cape 76 projects were affected. Thys Badenhorst, the

KwaZulu-Natal director of water supply and sanitation, said.

"About 20 projects are going ahead on skeleton staff, but construction has been suspended for the next seven months. If we do not get additional funds, the province will run over budget by several million rand."

The department said affected projects were intended to provide water for an additional 4-million people. Throughout the country,

there were still about 12-million people without running water and sanitation.

Meanwhile, irrigation farmers at Jacobsdal in the Free State are protesting against what they term the "exorbitant" cost of water. The water tariff in the area went up by 40% to R692,64/ha recently.

Water advisory committee chairman Kobus Nel said that, besides the actual cost of the water, farmers were also upset because they had to pay for

a full water quota, even if they did not use the full quota.

"The answer lies in switching to permanent crops like grapes or citrus, but most farmers are not financially geared to do this."

"They have sunk large investments in irrigation equipment and cannot afford to switch at the drop of a hat," Nel said. The provincial water affairs department was not available for comment.

## Rate of low-cost housing delivery increases

(127)  
DD 2/9/98  
Robyn Chalmers

THE construction of low-cost homes last year kept pace for the first time with the increase in family units, estimated at 200 000, but a number of factors could put the brakes on the pace of delivery.

Cedric de Beer, MD of the National Urban Reconstruction and Housing Agency, said although the target of 1-million houses by 1999 had been abandoned, the tempo of housing delivery

had picked up considerably

However, De Beer warned that smaller government allocations for housing, limited availability of credit and a steep learning curve for emerging contractors were among the challenges facing the low-cost housing programme.

The agency was launched three years ago to encourage greater private sector participation in low-income housing by sharing risk with developers and lenders. Its principle instrument is a guarantee mechanism that is backed with funds attracted from various sources.

De Beer said that in 1997/98, the agency's guarantees rose to R115m, facilitating 61 projects that should produce 16 000 houses for low-income groups.

"Our emphasis is on top-up finance for those with some means, but who nonetheless were previously stigmatised as unbankable..." he said in the agency's latest annual report.

De Beer said the subsidy was a starting point on housing finance for low-income groups. There was an implicit challenge to lenders to develop top-up, end-user finance products. The major banking groups generally had failed to meet this challenge.

He said the agency hoped to increase the involvement of lenders in 1998/99 by establishing a track record to show that the lower end of the housing market could deliver profits at acceptable levels of risk.



# Housing department clears the air

Vuyo Mvoko

CAPE TOWN — The housing department moved yesterday to clear the air over the draft bill that nearly pitted it against African National Congress (ANC) members in the parliamentary housing committee.

The ANC study group was dismayed the National Home Builders Registration Council Bill did not address itself to the poorest sections of the country.

This was despite the bill's purported aim to protect the consumer against bad workmanship in housing delivery.

The pillar of the government's housing delivery programme — the R15 000 subsidies — was not covered by the bill, which only covered houses valued from R25 000.

Housing director-general Mpum Nxumalo-Nhlapo said yesterday: "I want to concede

it's a valid concern". provincial housing boards would enter into agreements with the building industry to cover state-subsidised housing on a project-basis to cut costs. The arrangement would cost the state R37,5m countrywide and the money could come through a budget allocation, Nxumalo-Nhlapo said.

She said enabling legislation would be discussed with provincial housing MECs, bearing in mind the different conditions and capacity levels of each province.

She also responded to concerns about the suggestion in the bill that there should be a single national fund to operate a discretionary warranty scheme, and that such a scheme should exist for at least five years without a competing product.

The Building Industries'

Federation of SA (Bifsa) recently criticised the suggestion.

Bifsa was expected to present before Parliament next week, a "guilt-edge" product which it said would offer more guarantees than the one suggested by government.

Nxumalo-Nhlapo said multiple funds would only result in "cherry-picking" — with many insurers not wanting to go near high-risk areas where they thought they might have to fork out money often.

The fund was discretionary to avoid contingent liability on the state, she said. "I'm not sure government wants to take the risk any further than the R500m we provide."

She said government wanted to gather statistical information on the nature, extent and cost of the problems and then, decide on what policy to put firmly in place, she said.

BD 3/9/98 (123)

ANALYSIS

# Policy framework allows for delivery options

MOOSA (127) 21/9/98

Service delivery is part of the broader context of transformation, says Constitutional Development Minister Valli Moosa in response to concerns raised by Cosatu

THE issue of service delivery is critical in government's attempt to improve the quality of life of our people. Government welcomes any opportunity to interact with relevant stakeholders to find long-lasting solutions to matters relating to municipal services, and is committed to finding common ground and arriving at appropriate solutions.

While the white paper on local government sets out general principles on how to deal with the vexing question of efficient service delivery, we would like to continue our search for the most viable options by tabling a basket of mechanisms that government is putting in place to ensure municipal service delivery.

Government has made a commitment in the reconstruction and development programme to provide access to basic services. It specifically mentions the provision of these services to poor and marginalised communities. To give effect to this commitment, government has implemented the municipal infrastructure programme, the extended programme and the community water supply and sanitation programme, which provide municipal services in urban and rural environments.

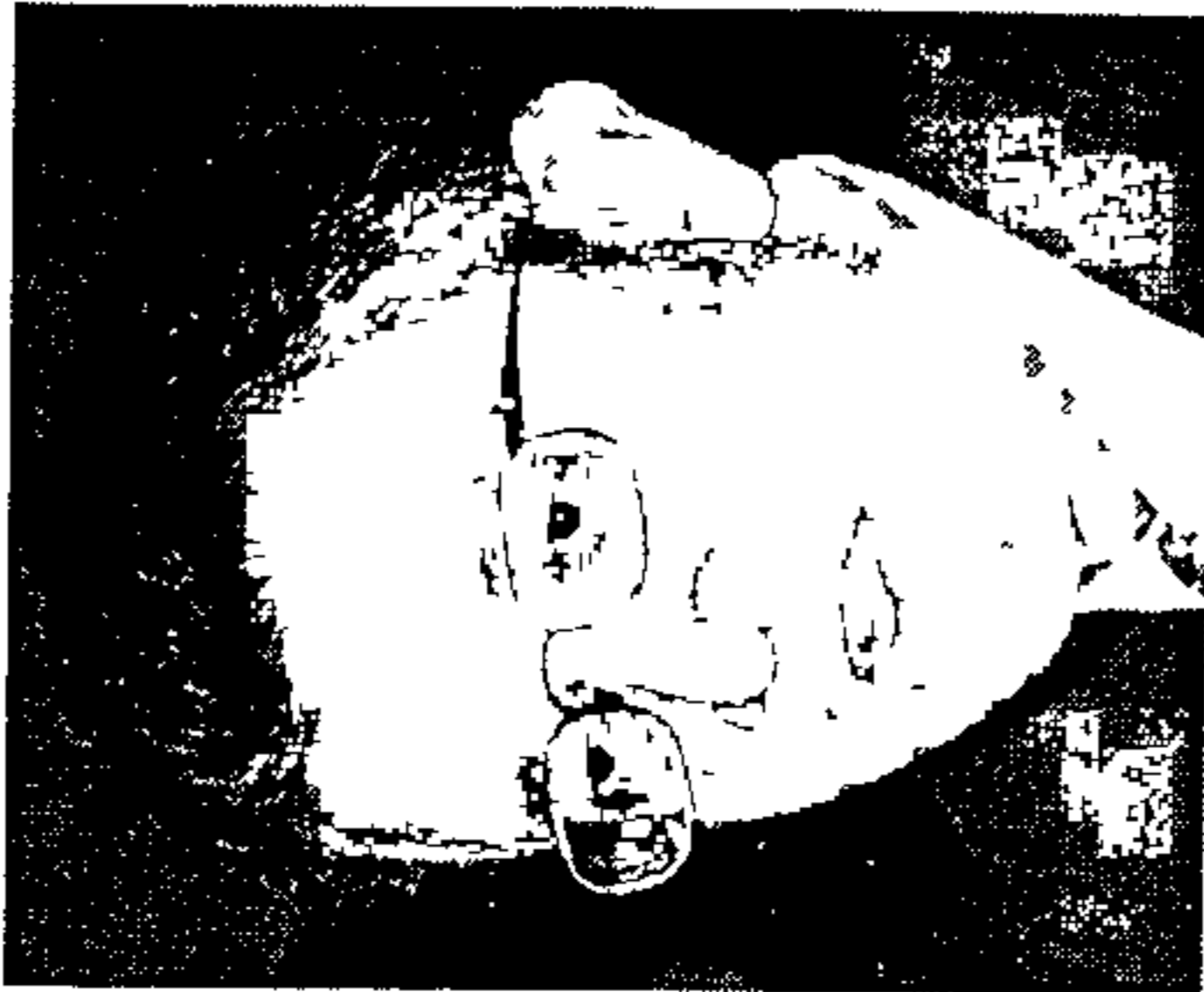
Due to the close correlation between municipal infrastructure and housing, the first two programmes have been collapsed into a substantial municipal infrastructure programme called the "consolidated municipal infrastructure" programme by government. This is a formidable effort by government to deal with municipal infrastructure issues.

In its budgetary processes, government has to take into account not just municipal infrastructure issues, but must address other back-

logs in health, education and other critical areas. In recognising this limitation, government has made a policy framework that allows for alternative service delivery options. The local government white paper identifies three primary municipal service partnership categories as flexible and viable options for more effective service delivery. These are, however, not exclusive to the privatisation route as the Congress of SA Trade Unions (Cosatu) seems to suggest. In fact, the white paper proposes a range of partnerships with nongovernmental organisations and communities. It also outlines other options such as public-private partnerships, where two municipalities can jointly provide a better service. Below are just three examples of these partnerships:

- A public-private partnership is a contract between a municipal council and public service provider to perform management services, assume commercial risks or even provide long-term investments in municipal services. These partnerships are between municipalities and public agencies (e.g. water boards and municipalities) or regional municipalities.

- A public-private partnership is a contract between a municipal council and private sector service provider to access outside sources of long-term financing for infrastructure investment, as well as management, operation and maintenance expertise. The service provider can assume commercial risks and responsibility for municipal service fee collection.



MOOSA

- An NGO-community-based organisation partnership is a contract between a municipal council and nonprofit service provider to support delivery of municipal services. They generally assume minimal risk, but their close community linkages make them valuable intermediaries in development initiatives.

- Common examples of municipal service partnership arrangements in SA are service contracts, management contracts, lease agreements and concession contracts. These may also be structured through combinations of the above contractual arrangements. Further, they can be structured with a wide variety of service providers, including a corporatised municipal service de-

partment, another municipality, a special service district formed by several municipalities, a parastatal and a joint venture between the municipality and a service provider.

Government has now embarked on providing a "regulatory framework" for service delivery. This will cover a range of issues and is aimed at empowering municipalities to follow a transparent decision-making process to improve the availability, quality and cost-effectiveness of local public services; minimising the risks and uncertainties regarding municipal service partnerships; allocating appropriate institutional arrangements at all spheres of government; providing opportunities for black economic empowerment in this sector and facilitating an efficient and effective delivery system to communities.

This process is driven by a task team including the Independent Municipal and Allied Trade Unions and the SA Municipal Workers Union, which have made valuable contributions to discussions and raised concerns about the need to provide capacity to labour in this sector.

Government's municipal service delivery strategy therefore is looking at how sustainable partnerships can be created to augment government's own limited fiscus so that all South Africans have access to basic services.

There are a number of technical issues raised by Cosatu recently on this matter. We would like to bring to its attention that the rationale for finding alternative solutions for ser-

vice delivery falls squarely within the executive ambit of the local authorities. In terms of the constitution, local authorities are expected to "ensure services are provided within their areas of jurisdiction". This does not necessarily mean they have to provide the service themselves — they could engage with an alternative service provider.

The process of looking for alternative service delivery options is part of the local authority's own strategic planning and management process which should result in informed decisions when municipalities choose a particular service delivery option. We acknowledge that in some instances, decisions to go the privatisation route have been made in the absence of a regulatory framework. It is with this concern in mind that government has embarked on a regulatory framework.

Government is not aware of actual job losses in any of the projects taking the public-private partnership route. This sector is only emerging in SA and with the assistance of the Municipal Infrastructure Investment Unit, best practices will be identified to safeguard the public and the service providers. We do believe, however, that the issue of job loss must be given its context within the transformation process at local government level.

The transformation of local government is an ongoing process. This transformation could, in certain instances, lead to job losses and in others lead to increased jobs. The overall transformation of local government service delivery systems cannot be seen in isolation, but must be contextualised with this broad transformation process taking place at the local government level.



**NEW BEGINNINGS:** The People's Liberation Party hopes to win support with its call for improved access to financing for members of the previously disadvantaged communities. From left are party officials Shaheed Noor, Mariam Hendricks and Moegamat Salie Hendricks, and members Edwin van der Byl, Swile Nuke and Zenzile Nuke

PICTURE: MUJAHID SAFODIEN

# New party to target discriminatory bank loans

ET 8/9/98 (123)

**YAZEED FAKIER**  
SENIOR WRITER

**FREEDOM** from the crippling conditions under which banks make housing and business loans to poor South Africans is the main focus of the soon-to-be launched People's Liberation Party (PLP)

The party plans an inaugural event that will also kick off its participation in the 1999 general election two months from now at the Wittebome Civic Centre

With the housing loans issue, the PLP may be onto a good thing. Banks are notorious for holding the

financially desperate hostage, especially in black communities

Businessman and property developer Shaheed Noor, one of the two founders of the PLP, says: "Interest rates are going sky-high, financial resources are in the hands of a few people who control every-

one. "If a guy comes from a poor background like Khayelitsha, makes burglar bars for a living and needs some money to finance a two-year contract, for example, the banks will refuse him point blank

"But if someone from the advantaged group has a car, shares

or whatever in their name, they will be financed immediately and be given an overdraft facility," said Noor

He said the banks' stranglehold should be challenged to give poor communities access to loans

He remarked that it was a "farce" to put out to tender prime properties secured exclusively by the privileged in the past, such as property at the Waterfront "Who in the marginalised communities can put up that kind of money? It will again go only to the rich

"We say, okay, let those properties go out to tender — but let the

developers put up 30% of that deal for education, for the President's charity funds or to health care. The money must go to people who need it most

"We feel we have some answers. We say those people who control the wealth should utilise that wealth but it should also be used for the benefit of the larger community, like the people on the Cape Flats, Mitchells Plain, and Khayelitsha"

Noor's partner in the PLP, fellow businessman Salie Hendricks, says the party will also address educational issues that would be

linked to present expenditure on the prisons system

Hendricks says the millions of rands that the government spends on inmates and the prisons system and the effort that organisations put into fighting crime and gangsterism would yield better results if these energies were directed at education for youth from pre-school age — especially those who are slow learners

Hendricks said he supported what the government and the ANC were trying to achieve, but that they were unable to handle the question of education

## Govt to set 'realistic' housing target

Moses Mlangeni (123)

BD 9/9/98

HOUSING Minister Sankie Mthembu-Mahanyele said yesterday government would set a new low-cost housing target, after indications that its initial target of 1-million houses by next year would not be reached.

Mthembu-Mahanyele said at a housing conference there were no accurate statistics on SA's housing backlog, but it was broadly estimated at 2,6-million units.

She said her department would set new and realistic goals and delivery targets. It was clear now that the housing backlog could not be eliminated by government alone.

"To date we have registered a total of

545 006 houses built or under construction — an increase of more than 300 000 on last year," she said.

The department had focused on a number of options. These spanned five, 15, 20, 25 and 30 years.

Mthembu-Mahanyele said innovative ways of delivering houses would have to be explored.

The department was contributing to a computerised housing system, dubbed Huis, that would supply information to all participants in the housing process.

Among other things, the department's focus was on meeting basic housing needs, promoting housing quality, and environmental awareness in human settlements.

# Public servants get home allowance hike

David Greybe

CAPE TOWN — Recent interest rate hikes meant homeowner allowances for SA's 229 000 public servants would be increased next month at an additional cost of R540m a year to the state, Public Service Minister Zola Skweyiya said yesterday

Replying in Parliament to a written question by Democratic Party (DP) MP Bukelwa Mbulawa, Skweyiya said the additional cost had not been budgeted for. The reason for the increase in homeowner allowances was an agreement signed by the state and public service unions early last year to review the allowance every quarter, starting from January 1 this year

Mbulawa expressed shock at the news, particularly because, she said, the figure could possibly increase at the next review at the end of the year

"There is no sign of an early cut in interest rates in SA due to the continuing turmoil in world financial markets"

The fact that central government had not budgeted for the increase meant the provinces would end up footing most of the bill, she said. However, the provinces had not either budgeted for this. She warned that the issue could develop into a "major problem" for central government because "many of the provinces are experiencing their own financial difficulties"

Skweyiya said government departments and provinces would have to fund the increases "from their existing budget allocations"

Madeleine van Niekerk reports that Carel Oosthuizen, banking analyst at stockbrokerage BoE Securities, said up to 30% of all bondholders were expected to have difficulty in meeting their mortgage instalments following

(123) ~~123~~  
the recent increases in interest rates

It was "virtually impossible to anticipate the impact the current high interest rates will have on bad debts as we are moving into uncharted waters"

"We anticipate that the mortgage rate will increase at least one percentage point this month, should the prime rate remain static and the repo rate remain around current levels," he said. The repo rate was unchanged at 21,855% yesterday

Banking group Absa said it had not increased its bad debt provisions due to higher interest rates. "However we will do so as and when necessary. It is still a little early to measure the extent of any increase in the requirement for provisions," said Frans du Toit, group executive director of Absa

Oosthuizen said that after nine

BD 11/9/98 Continued on Page 2

## Public servants (123) ~~250~~

Continued from Page 1

BD 11/9/98  
years of high real interest rates, SA had adapted to operating under conditions of severe financial discipline. Companies had acted "rationally" by driving gearing down to comfortable levels. Unfortunately, the man in the street had not followed suit, becoming

highly geared in the past eight years with personal indebtedness now equating to almost 70% of personal disposable income. "This constitutes a major risk for the banking sector."

Based on the rise of six percentage points in the prime rate, the consumer would have to pay R20bn more in interest on an annualised basis. This represented a one third increase in interest payments, which Oosthuizen said was "a massive jump by any measure"

# Bill aimed at stopping poor-quality houses

CHARLES PHHLANE  
POLITICAL CORRESPONDENT

ARLT 22/9/98

registered developers

Consumers who have occupied homes only to find structural design problems and leaking roofs will have their rights protected by a bill passed by the National Assembly.

The Housing Consumers Protection Measures Bill would bring about ethical behaviour in the building industry, set parameters within which home builders and home-owners can interact and, in the long term, lead to the "snuffing out" of fly-by-night developers, said Housing Minister Sankie Mthembu-Mahanyele.

The bill provides for a database comprising home builders and for provincial authorities who grant Government housing subsidies to deal with

Ms Mthembu-Mahanyele said "With this bill, we hope not only to put a halt to the crumbling or gaping walls in newly erected houses, but also to create an environment within which home owners can get a warranty on top structures for at least five years

"Through this measure, we will ensure that home-owners who take delivery of poor-quality houses will have recourse "

The bill stipulates that standards for building houses that are fit for habitation in accordance with the National Home Builders Registration Council's (NHBRC) technical requirements apply to all houses

All houses will have a five-year structural warranty. A one-year roof leak and a three-month defect period apply to all homes

A BAROMETER OF GOVERNANCE AND DEVELOPMENT

## Electricity subsidy to save millions

*(23)* *mtg 25/9 - 1/10/98*

**Ann Eveleth**

**A**lmost four million households could soon benefit from subsidised electricity in a move expected to save hundreds of millions of rands in health costs associated with the use of inferior fuels

The National Electricity Regulator told Parliament last week it plans to introduce a subsidy, or poverty tariff, to reduce basic cooking and lighting electricity costs for the poorest 60% of the population from early 1999. This could save the country's overstretched health services more than R750-million each year.

At least 16 000 South African children are hospitalised each year as a result of paraffin poisoning. A recent Medical Research Council study also shows that 86% of children who burnt to death suffered their injuries from alternative fuel sources, including boiling water, paraffin lamps and heaters and cooking fires.

Eskom's rapid progress on the national electrification programme since 1994 has done little to reduce the pall of black smoke that rises each night over most townships and informal settlements as residents burn coal to cook their food and warm their homes.

The regulator says this is because many newly electrified households simply cannot

afford to abandon cheaper fuel sources like coal and paraffin.

These cheaper fuels increase indoor pollution, which in turn increases the incidence of lung disease, particularly among children.

The same fuels also leave thousands of families homeless each year as unnecessary fires raze informal settlements to the ground, often killing sleeping residents.

The Medical Research Council study says that 83% of burn incidents nationwide take place in informal settlements.

The council predicts that if 54% of South African households switch completely to electricity, the country could save R762-million in health costs associated with respiratory disease, burns and paraffin poisoning.

The regulator says this is equal to half Eskom's annual electrification programme costs. Eskom currently spends R3 000 per new household connection, and has kept pace with its annual target of 450 000 new connections each year. At least 62,4% of households are expected to be electrified by the end of 1998.

But the regulator says much of this investment is wasted as long as newly connected households can't afford to pay for electricity and continue to use alternative fuels instead.

"The government is going ahead with the

electrification process to ensure the majority of households have access to electricity, but the provision of electricity does not automatically result in its use as the sole domestic energy carrier. In certain electricity regions (for example Soweto), high levels of coal use have persisted," says the regulator.

The poverty tariff marks an attempt to bridge this gap — and encourage more efficient use of existing electricity infrastructure — by offering poor families a minimal, basic electricity quota at a reduced price.

The regulator plans to subsidise between 50% and 60% of the costs associated with lighting four bulbs per household for five hours daily and two hours of cooking costs on a two-plate electric stove.

Pensioners, unemployed and disabled people and indigent South Africans who are "unable to make any monetary contribution toward basic services" will receive a 60% subsidy on the total costs of these minimal lighting and cooking needs, or the first 162kWh of electricity used.

Impoverished individuals, households or entire communities which are "unable to command sufficient resources to satisfy their basic needs" will receive a 50% subsidy on their cooking costs only, or the first 124kWh of electricity used.

Consumers will have to apply to local

authorities to qualify for the poverty tariff, but this will depend on household income levels which are still to be determined.

The regulator says it has not yet finalised cost projections for the subsidy, but points out that South Africa's electricity transmission network was designed to accommodate the full use of its generation capacity.

"On increasing the amount of energy transmitted across the network, there would not be any additional costs other than transmission losses and slight increase on the maintenance side," says the regulator.

It says financing options for these and other costs associated with the installation of pre-paid meters in poverty tariff households include channelling a portion of Eskom's prospective tax bill back into the industry, or cross-subsidisation of these costs by wealthier consumers.

Wealthier consumers tend to consume high levels of electricity, requiring expensive high-capacity connections, and can generally afford to pay full connection costs in addition to contributing towards the subsidisation of low-consumption households.

"South Africa is renowned as one of the cheapest providers of electricity in the world, but the majority of its inhabitants still do not believe it is cheap in real terms," the regulator adds.

# Protection for buyers of low-cost homes at last

By Joshua Raboroko

A BILL aimed at protecting home-seekers against fly-by-night developers who defraud destitute families of millions of rands through building of poor quality low-cost houses was read in Parliament this week.

During the second reading of the Housing Consumer Protection Measures Bill, Housing Minister Mrs Sankie Mthembi-Mahanyele said housing consumers did not have any form of protection against unscrupulous developers who delivered poor quality structures.

She said consumers did not have access to a database of reputable builders and contractors who were legally bound to honour their contracts and produce quality work.

"No one is protected against cheating contractors and developers who do not adhere to minimum standards to ensure quality workmanship,"

Mthembi-Mahanyele said

The Bill stipulates that

● The contractual obligation to build a home in a workmanship manner, fit for habitation must be in accordance with the National Home Builders Registration Council,

● The warranty scheme obligations of five-year structural warranty, a one-year roof leak and a three month defects period applies to all homes,

● All provincial housing boards must contract to the NHBC;

● All subsidy projects must be enrolled by the home builders on a project basis,

● Provincial housing departments are obliged to ensure that the home builder is registered, the project is enrolled and cannot make any payment for a subsidy to a home builder unless this is so,

● It will be an offence for a home builder to fail to enrol projects

25/11/98  
Sankie Mthembi-Mahanyele



# Rural housing loans could total R180m

Robyn Chalmers

RURAL housing loans worth R180m are expected to be released into the low-cost housing market over the next three years by retail lenders under the National Housing Finance Corporation's rural loan fund

Fund chairman Nonhlanhla Mjoli-Mncube said yesterday that in the past year, 10 different retail lenders had made nearly 3 500 rural housing loans totalling more than R16,4m. This was expected to increase significantly.

Mjoli-Mncube was speaking at the fund's annual workshop with retail lenders. The workshop was

held to assess the rural housing finance programme.

"One of the most important findings is that the (fund) is reaching its target of low-income rural black households who wish to access credit to improve their housing and living conditions," she said.

The fund is an important component of government's overall housing strategy and was effectively set up by the housing department last year, making use of German financial contributions.

Mjoli-Mncube said the fund, which was managed by the National Housing Finance Corporation, acted as a wholesale capital fund that channelled market-related housing credit via intermediaries to low-income rural households.

Intermediaries ranged from community-based nongovernmental organisations to established national financial services institutions and included building materials suppliers.

Willem van Emmenis, manager of the fund, said that four new retail lenders had started business this year due to the fund's support.

Another three should kick off in rural areas in the next year.

Van Emmenis said that in the rural context, housing concerns did not revolve so much around homelessness issues as around the improvement of living conditions.

"End-user loans (financed by the fund) may be used for an array of purposes, ranging from house extensions and home improvements to the purchase of land for residential purposes," he said.

RD 29/9/98 (123)

# Rent control to go in terms of new bill

Robyn Chalmers

RENT control is to be abolished and a host of housing rental tribunals established under a draft bill that signals government's first big push towards low-cost rental housing

This will end a lengthy hiatus in the provision of new rental housing stock, particularly in lower-income communities where there is growing demand for rented accommodation

Public sector investment in rental housing has been limited to apartheid municipal housing schemes, and rental stock is actually diminishing as a result of sales. The housing subsidy programme does not promote the building of homes to rent

The Housing Rental Bill, published this month for comment, said there was general agreement that rent control curtailed investment

20 20/9/98 (123)  
The abolition of this control would allow the market to operate more efficiently, but regulation and "positive intervention" were still required

The bill indicated that the housing minister could introduce a rental subsidy programme, as part of the national housing scheme, which should be separately funded by the state.

Regulation would focus on areas where the property market was not functioning properly, for instance where excessive rentals were being charged or tenant-landlord relations had broken down

Areas to be regulated could be declared by provincial MECs and overseen by housing rental tribunals appointed for no more than three years and consisting of five to seven members. Tribunals would, among other things, determine reasonable rentals, appoint mediators, hold public hear-

ings and appoint inspectors

The housing department said a rental policy framework would be established, a key objective of which would be to enhance private sector investment in the market. This would be done by removing the "perceived threat" of rent control, and introducing measures to resolve conflict. An unspecified "financial incentive" would also be provided, and new private investment should be directed to rental housing in inner cities

The creation of a social housing movement was to be promoted by formally recognising, and helping to fund, the social housing foundation. A key aim is allowing tenants to participate in the management of rental stock

Private sector management capacity and expertise would also be mobilised to administer rental stock for disadvantaged communities

# Major housing developer under fire

Robyn Chalmers (123)

SA HOUSING developers, including the man who recently secured SA's largest housing contract, are increasingly coming under the spotlight of complaint investigation organisations

Tinus Schutte, assistant to the public protector, said the office had been approached by a number of community representatives about problems with subsidised housing projects, most concerning developers and conveyancers

A full forensic audit of some of the projects had been approved to establish the extent of alleged irregularities

He said the public protector and the auditor-general were investigating a complaint received from the National Party regarding Keith Lawrence, the developer who secured 27 500 low-cost housing subsidies totalling R412,5m, the country's biggest housing contract

The Transvaal Law Society is believed to be checking complaints by up to 170 individuals relating to attorneys Van Rensburg Schoon & Cronje and Venter de Jager. Both firms have undertaken significant work for Lawrence's companies

Gauteng housing department head Mogopodi Mokoena confirmed yesterday that a number of allegations about Lawrence's handling of subsidies had been made. He could not comment until the investigation was completed.

The complaint lodged with the law society relates to a large group of individuals, represented by Salang Tshabalala of Rephonyohule Home Ownership, which recently split from the Soweto Home Seekers' Association

Tshabalala said contracts had been signed between the SA Land Development Organisation (Saldo), a Lawrence-owned company, and a number

BD 26 1/10/98  
of subsidy beneficiaries at Naledi, in Soweto. The recipients had then been informed, without consultation, that they had been allocated land at Sebokeng in the Vaal Triangle. A search of the Deeds Office found that the recipients had land registered at Sebokeng

He said no new contracts had been signed with beneficiaries and no homes built, but records showed they had been paid out by Saldo's conveyancers. A complaint against the conveyancers had been laid with the society.

Lawrence has since contacted all the recipients, saying the substitution of Naledi stands for Sebokeng had been agreed to by the Soweto Home Seekers' Association, which Tshabalala denies

Lawrence has given recipients the option of being allocated stands at Protea South, having the subsidy refunded or retaining the status quo. He could not be contacted yesterday.

# Proposed Housing Bill gives hope to low-income home owners

BY HOPEWELL RADEBE

Companies and organisations in the housing industry have lauded the proposed Rental Housing Bill, saying it will provide a safety net for people being forced onto the street through high interest rates.

The draft bill, which proposes the abolishing of rent control and the establishment of tribunals to determine reasonable rentals, has been pub-

lished for public comment.

Non-governmental organisations (NGOs) said the bill's provisions would help reduce hopelessness and give an alternative to people facing difficulties in paying home loans.

Nedcor Bank's retail banking division mortgage lending head Pieter Marais said he believed the proposal would stimulate housing projects in the rental market.

"It's also encouraging to see

the bill looking into subsidising many projects of such a rental housing stock. People still have to get used to rentals because in the past the system was not properly practised in South Africa and especially not open for the private sector."

Increasing interest rates were discouraging new potential buyers and also threatening to "force low-income home owners onto the street" should their houses be repossessed.

Sazila Farouk, spokesperson for the Urban Sector Network - a federation of NGOs targeting housing development for low-income groups - said member organisations were studying the document and would soon be submitting comments.

The Germiston council has teamed up with local businesses to build rental flats for low-income groups and started the project before the bill was formulated.

(123) 2/10/98

# Builder's dream and answer to housing crisis

A new quick, cheap and high quality building method

(123) Star 5/10/98  
BY CATHY POWERS

DEBBIE YAZBEK

A low-cost, high-quality housing concept which can save up to 70% on building costs could revolutionise the low cost housing industry and solve the housing crisis in this country

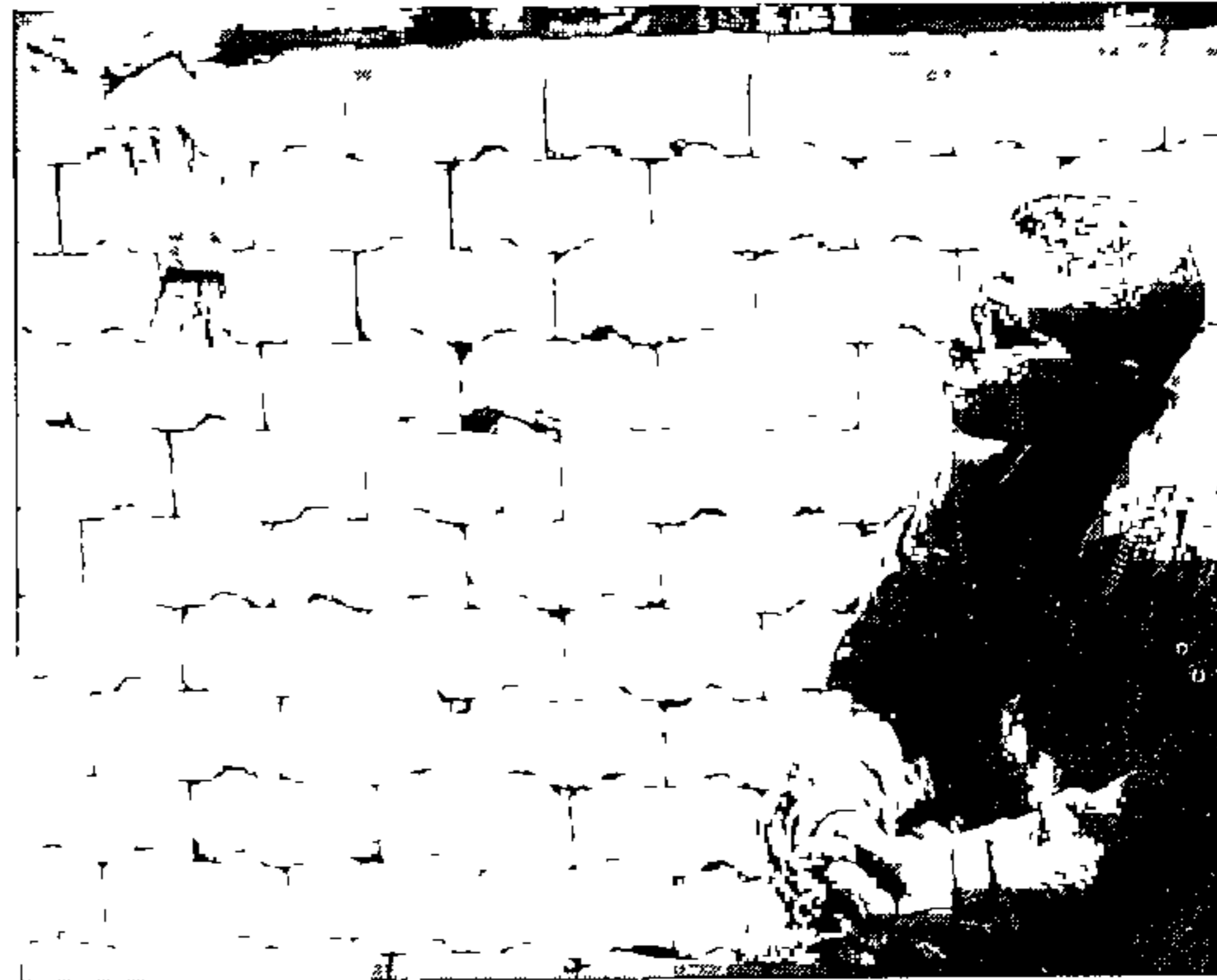
Interlocking bricks made from soil, fly ash or coal dust and a small portion of cement are stacked together to form walls and entire houses - much like sticking pieces of lego together. Requiring no cement, tools or the skills of a masterbuilder, these environmentally-friendly houses can be built in a day by unskilled labour, said entrepreneur and managing director Bernard Rudden of Afrikyia Developments.

This quick, cheap building method could go a long way to solving South Africa's housing crisis. The Government is way behind on its promise to build a million houses for the country's previously disadvantaged in its first five years of governance. Some 596 059 houses had been completed or were under construction by the end of July, according to Gege Kekana, spokesperson for the housing department.

Even if the Government managed to build one million houses, South Africa still has a housing backlog of 2,6 million houses, according to recent statistics. Gauteng alone is short of 836 784 houses.

With his new concept, Rudden asks "What housing problem?"

The idea was born when Rudden, a frequent visitor to India, discovered a machine used to make bricks out of soil. He and his partners re-designed the cumbersome, slow machine which produced 400 bricks a day into a high-tech hand-operated machine that could churn out 2 000 and a power-driven hydraulic machine that can make 15 000 a day. The interlocking bricks are about two and a half times the size of a nor-



Perfect solution ... builder Johannes Senamela shows off the wall of interlocking bricks that forms part of a revolutionary concept in low-cost housing.

mal brick and almost twice as expensive. But the saving comes when you start the building, Rudden said. Building becomes a process of stacking the bricks, which are left to dry for a week after being compressed, and within an hour anyone can become a master builder, he said.

A 120 square metre house costs R26 000 - a cost of about R200 a square metre - when built with these interlocking bricks compared to the conventional method which could cost a whopping R100 000. The Jehovah's Witness church bought one of Afrikyia's brickmaking machines last year.

"We've built church halls for R30 000 when the normal cost would have been double," said church member Jacob Rautenbach.

"This is totally unheard of; nobody builds a house like this and makes it livable," Rudden said.

The only skills needed are to lay the foundation straight and the rest can be done with unskilled labour. The concept in low-

cost housing does not mean low quality, Rudden said. The houses are also environmentally friendly and the soil bricks are good insulators.

Afrikyia Developments has sold about 50 brick-making machines to date. They range from R15 000 to R25 000. Afrikyia also runs a building centre where groups of people can come and learn how to make the bricks and build their own houses.

But the big construction companies don't want to know about Afrikyia and its innovation. "The big companies don't want to demystify building," Rudden said.

"They have too much invested in it."

"We will never solve the housing problem in this country because there are too many people creaming it," he said.

■ The bricks and machines will be on display at the South African International Trade Exhibition (Saitex), from Tuesday to Saturday, when Rudden builds a house a day.

# New board has job of winding down housing

Robyn Chalmers

THE cabinet has appointed a new board of directors at the beleaguered SA Housing Trust. The board will meet for the first time on Friday to plan the winding down of the organisation.

The housing ministry said in April that the trust, in which the previous government invested R445m and underwrote a further R890m, would be wound down. This was due largely to continuing bond

boycotts with estimates earlier this year that about 15 000 defaulters owed the trust up to R500m.

Housing Minister Sankie Mthembu-Mahanyele said yesterday several institutions had already shown interest in buying the trust along with its companies Nu-Way and Khayaletu Home Loans. "All parties were requested to be patient until the new board decides on a process for the wind-down. The process will be totally open," she said.

Mthembu-Mahanyele said consultants had been appointed to assist the trust's board. A formal announcement on details of the process would give all interested parties an equal opportunity to respond.

"The board will meet on October 9, to take stock of the current situation and agree on an action plan for the winding-down process," she said. The winding down of the trust's operations comes despite last year's implementation of a restructuring plan. This

involved unbundling the trust into three companies: Khayaletu Home Loans, Nu-Way Housing Development and Nu-Loans, which bought the performing loans from Khayaletu.

Mthembu-Mahanyele said that as part of the winding-down process, it was decided that Nu-Way would be sold at net asset value. Khayaletu Home Loans' existing performance book would be sold to the highest bidder and the minister would facilitate the transfer of assets from the

trust's development division to Nu-Way.

Nu-Way MD Laki Constantinides said it was possible the company could be sold to a private sector organisation, but discussions were still under way.

Khayaletu corporate affairs manager William Maponya said earlier that the trust would be wound down over three to four years. Loan stock in issue was guaranteed by government for capital and interest repayment and these guarantees would remain in place.

trust

# Govt has helped house millions, says minister

Robyn Chalmers

GOVERNMENT has facilitated the construction of almost 600 000 low-cost houses to date, giving shelter to millions of families, says Housing Minister Sankie Mthembu-Mahanyele

Speaking at this week's Gauteng housing awards dinner, Mthembu-Mahanyele said the nation was beginning to be housed "in earnest" and she called for more innovation in building homes for the poor

"We are now producing densification to accommodate the low-income market (and) rental stock is now a form of housing which will be extended to the poor (limited) affordability remains (problematic) but the future looks bright as partnerships emerge in an attempt to join hands towards sustainable delivery," she said

Mthembu-Mahanyele said the low-cost housing industry was the Cinderella of the home building industry, characterised by marginal profits

She also expressed concern about corruption in the sector, saying some conveyancers had embezzled money earmarked for low-cost housing.

Government was determined to clean the industry of corruption with cases being forwarded to the courts

She said consumers would now be

DD 7/10/98 (127)

protected from shoddy workmanship and poor structures as a result of the Housing Consumer Protection Measures Bill which was moving through Parliament.

Gauteng housing and land affairs MEC Dan Mofokeng said at the awards dinner that the provincial government had facilitated the delivery of more than 80 000 houses and 148 000 stands since the 1994 elections.

Mofokeng said the department had approved the release of 240 000 subsidies in Gauteng in its first five years of government. The housing backlog in Gauteng was more than 760 000 families in 1994

He said the backlog was increasing daily as a result of the migration of people from other provinces and countries to Gauteng.

It is estimated that 20 000 people move to the province every month.

Gauteng had allocated 15 000 sites to landless people under the auspices of the Mayibuye programme which aimed to provide planned settlements with secure tenure

To meet housing needs, government had committed itself to releasing land to prevent land invasion; the provision of secure tenure; the planning of towns and the provision of water, sanitation, lighting and houses

# Five-year warranty given on all newly built homes

David Greybe

(123) 80 12/10/98

CAPE TOWN — Legislation to protect the owners of all newly constructed homes against unscrupulous builders completed its passage through Parliament last week.

Under the Housing Consumers Protection Measures Bill, all newly built homes, irrespective of price, will be covered by a five-year warranty. The bill will become law after it is gazetted.

In future, contractors will have to repair all "design, materials and workmanship" defects in the first three months after completion of a home, leaking roofs in the first year and any major structural defects occurring in the first five years.

The bill reconstitutes the National Home Builders Registration Council as a statutory body and all builders will have to register with it. The new "consumer watchdog" council will become operational next June.

The council, which presently operates as a company, has so far concerned itself only with new homes priced between R20 000 and R250 000.

Peter Allsopp, the MD of the outgoing council, told a media briefing last Friday the council had received 2 342 formal complaints against builders and resolved 1 748. A total of 114 contractors were "deregistered" and 103

suspended. The council aimed to deal with complaints within 90 days.

Consumers needed to be made aware of their rights and that they had legal recourse when contractors built defective homes, Allsopp said.

The council has 20 inspectors (with more planned) throughout SA who carry out an estimated 1 000 inspections a week. Allsopp said the council's approach was "preventative", but "curative" when it was necessary to act against a builder.

More than 6 200 contractors had applied for registration with the council: 5 138 were certified and 185 rejected. The council had "no idea" how many builders were in SA.

To date 75 937 new homes had been "enrolled" with the council. Contractors were liable for an enrolment fee which, Allsopp said, was generally added on to the price of the house.

The council had adopted a policy of "easy in, easy out" when it came to registering builders as it was important not to exclude "emerging contractors" who had no experience. "But we watch them very carefully, with five visits to a site if necessary," Allsopp said.

An estimated 64% of builders in SA had been in operation for less than five years, compared to the international figure of about 80% of builders in operation for more than 15 years.



# Masakhane is a way of thinking

BD 14/10/98 (123)

THE Masakhane campaign has ebbed and flowed over the past four years but it has become generally known and enjoys support across the political and ideological spectrum

This support indicates that agreement is possible around critical issues that are of common concern

The main challenge of the campaign has been to link its central values such as civic responsibility, partnership and participation with issues such as local government, service delivery, poverty alleviation, job creation, nation building and payment for services

The main purpose of Masakhane focus week is to highlight positive developments within our country in an environment wherein the movement for change justifies a sense of optimism that the puzzle is beginning to fit together. It is a sequel to last year's successful Masakhane week

In 1995, President Nelson Mandela launched the Masakhane Campaign to mark the beginning of a new era of democracy, reconciliation, reconstruction and development

The objectives were to use the campaign as a vehicle to promote community participation, encourage partnerships, develop civic responsibility, facilitate the provision of services, encourage payment and promote a sense of patriotism

Initially, some issues, in particular service delivery, payment for services and reconstruction were successfully linked with the campaign

However, one misconception emerged, namely that the campaign was solely about payment. This narrowed the social base of the campaign

The correct version is that the campaign is a "recipe" that can be used to approach issues that are essential to building a better life for all

The initial awareness-building phase was followed by concerted efforts to deepen understanding and expand the campaign's social base

New initiatives last year as-

The Masakhane campaign was launched in 1995. As part of Masakhane focus week, Mike Makhura looks at its progress over the years



Constitutional Development Minister Valli Moosa in Alexandra township at this week's clean-up campaign

Picture BRETT ELOFF

sisted in shedding the image of a government-controlled campaign and shifted ownership to the local level

The campaign launched two awards to recognise and reward good practice

Hundreds of municipalities took part in this programme, demonstrating support for the campaign and a commitment to improve the quality of life

The current phase of the campaign is informed by the fact that the new policies, strategies and institutions to effect change are in place. The implementation of these has already generated practical lessons that need to be highlighted and replicated

Through the Masakhane awards programme, a number

of interesting best practices have emerged in community development and local government, which are theatres for civic duty and partnerships

The Masakhane focus week is an opportunity for all South Africans to display their achievements in nation-building. This indicates that Masakhane is not the responsibility of government alone, it is a task that requires reinforcing activities from all sections of the community

Masakhane Focus Week also underlines community spirit and the unity of purpose and action around issues of common concern, that is, reconciliation and reconstruction

It is often argued that the campaign does not have perfor-

mance targets. A proper measurement of progress of the campaign would be to look at both quantitative and qualitative achievements. If it were appreciated that the campaign is a communications effort, the measurement put to it would be well understood

The implementation of change is not the responsibility of the campaign. Its function is to influence perception and behaviours through the provision of information

The delivery achievements are inseparable from the contribution of the campaign in terms of promoting the new way of thinking and doing things

The extent to which programmes reflect values such as community participation, responsibility, partnership and nation building would be important from the campaign perspective

The extent to which the stakeholders buy into the campaign process would also indicate progress. The moment the concept and practice of Masakhane is embraced by other stakeholders and support is translated into conscious and practical steps would be an important milestone

For instance, if the estimated 71% awareness that has been reached in black communities were attained in white areas, real progress would have been made

The next phase of the campaign will focus on ensuring that experiences accumulated to date form a platform for consolidation and expansion

The campaign will therefore address national priorities using the tested principles of community participation, initiative, partnership, patriotism and civic duty

The challenge in the coming period is to utilise the concept and practice of Masakhane in approaching issues around job creation, moral renewal, poverty alleviation, and anti-crime initiatives

□ Makhura is the Masakhane National Liaison Officer

# Judgment clears way for rates increases

Star 19/10/98

Far-reaching consequences for councils nationwide

(123)

BY ANNA COX

**T**he landmark judgment by the Constitutional Court last week will have far-reaching consequences for local councils nationwide who will now be able to increase rates without restrictions

The court handed down the ruling in response to challenges from a group of 10 influential Sandton businesses. They also found that the procedural requirements of the budgets had been fulfilled

Sandton residents and businesses that had partially boycotted rates payments for two years would have to pay their arrears.

The businesses objected to an increase of about 400% in their property rates. They challenged the lawfulness of certain resolutions adopted by the Greater Johannesburg metro and Eastern councils in relation to their 1996/97 budgets which had given rise to this increase. The businesses challenged the resolutions on four grounds:

■ They argued that the resolution increasing property rates within the council was unlawful since the additional funds were necessary, not for the Eastern council's own purposes but rather for the payment of a levy to the metro

This challenge was unanimously rejected by the court

The court found that the Eastern council drafted and approved its budget on the basis that it would be required to pay a levy to the metro in

that financial year

Therefore, even if the metro levy was unlawful, the fact that the Eastern council provided in its budget for such an expenditure, did not undermine the validity of the property rates imposed by the Eastern council

■ The businesses contended that the metro's resolution to impose a levy on the Eastern and Northern councils was unlawful because the levy was not equitable and was not based on the gross or rates income of the local councils. Here the court was evenly divided on the question. A joint judgment of President Chaskalson and justices

## Restrictions on councils are lifted

Goldstone and O'Regan with justices Ackermann and Madala concurring, held that the levy was not closely linked to either gross or rates income for it to have been based on such income

The evidence indicated that the levy was based on the surpluses generated in the Eastern and Northern councils therefore they concluded that the metro levy was unlawful

In a separate judgment, with deputy president Langa and justices Mkgoro, Sachs and Yacoob concurring, Justice Kriegler found that it was not necessary that the levy be based exclusively on gross income. Justice Kriegler held that the levy was directly related to

the Eastern council's gross income and that this challenge should fail

■ In the third challenge, the businesses contended that the levy was unlawful on the basis that it was not necessary for the metro to exercise its power and perform its functions and that it was not based on a uniform structure for the metro's area of jurisdiction. In Justice Kriegler's view, the interdependence of the metro and its councils, the metro's constitutional duty to provide for the wellbeing of all persons within its area of jurisdiction, entailed that it had the power to impose a levy on one of the councils for the purpose, not only of balancing its own budget, but also of making a grant to subsidise another council's deficit.

Furthermore, given the cooperation between the metro and its councils in financing each body's expenditures, and in particular the decisions to standardise property rates and service tariffs across the greater Johannesburg region, the levy was based on a uniform structure for the metro's area of jurisdiction, therefore according to Justice Kriegler's view, the metro's levy was lawful

■ In the fourth challenge the businesses claimed there were certain procedural irregularities in the manner in which the metro's and the Eastern council's budgets were prepared and approved. The court found the required procedures had been followed and unanimously dismissed this challenge

# 'Bond defaulters could lose houses' (123)

By Joshua Raboroko

DISGRUNTLED home owners who fail to pay mortgage bonds as a result of the recent interest rates hikes could lose their homes or face legal action from banks

This warning by banks comes after numerous angry bond holders took several banks and a building society to high courts in the Western Cape, KwaZulu-Natal and Gauteng in a last ditch effort to persuade judges to declare interest rate hikes invalid

Chairman of the Banking Council Mr Bob Tucker said last week that if borrowers won their cases and succeeded in getting banks to reimburse the excess interest rate paid, banks might call in their loans

He said that failure to pay mortgage bonds meant that home owners would be in breach of contract and banks could ask individuals to pay the full amount of the loan, or lose their houses

Banks said earlier this year and in September last year that there were two judgments in Gauteng, which held that a clause in the

Natal Building Society's mortgage bond contract regarding the banks' rights to vary the rates was invalid. The matter is on appeal

More recently, there has been an Amalgamated Banks of South Africa matter in the KwaZulu-Natal High Court where the judge appeared to have taken the opposite view - that the banks could vary the interest rate. However, the matter is also on appeal

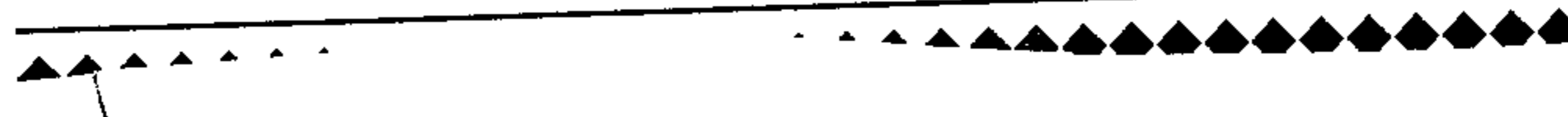
In the latest case, more than 60 borrowers took Absa to the Cape Town High Court hoping for relief from increasing interest rates

Banks said that there have been numerous advertisements in the newspapers placed by "interest recalculators" advising the public not to pay increases in interest rates. They warned that such calls were extremely dangerous

Tucker said that the matters on appeal had not been decided. Those who fail to honour their obligations would not only be in arrears, but in breach of their contracts

In fact, he added, they would immediately be liable for the repayment of the debt in full, and land in a situation where they could conceivably lose their houses

Seymour 19/10/98



# Water services trickle to grassroots level

Public-private partnerships have been mooted as one way of solving service delivery problems. Richard Holden looks at the issue

(129)

10/10/96

Use of a private company to provide services on its behalf. However the consumers in the water services authority area are responsible for paying the overhead costs associated with any institution.

In rural areas, the communities are too scattered and the revenue generated from each scheme too small to make a centralised provider viable. In the most progressive areas, local government has allowed the community to become the water services provider. In some cases service centres have been established where hills from all service providers can be settled on an agency basis.

This has provided an enabling environment to small, medium and micro enterprises so that they can provide technical support to communities and manage relationships with bulk suppliers.

The Myvula Trust is working with a number of communities to improve their level of water service from the existing programme standard (water within 200m of the dwelling) to yard connections. The community has been encouraged to save money, which can be used as collateral to borrow money at lower interest rates than from a retail lender, to improve the infrastructure.

Once the water infrastructure is complete, the facility exists for other improvements in the community.

It is this vision of continuous development that has encouraged payment levels on existing water supply schemes to increase from 40% to 80%.

The result is a public-private partnership but very different from the monopolistic venture envisaged in Karachi. Management is devolved to the lowest level. This is outside local government (the public) but still within public control (at community level). Small private firms are encouraged to collect bills on an agency basis and provide technical support to the water service providers at community level.

This approach recognises the potential within communities and harnesses it to ensure that there is continuous development within the community — and that this is not just for water and sanitation services.

Richard Holden is the technical manager of the Myvula Trust. The article is written in his personal capacity.



Will public-private partnerships be more effective in bringing services to the people?

WHAT does local government do when a water reticulation system reaches only 66% of its consumers, the sewerage reticulation 40%, water losses are 35%, revenue collection is less than 40% of the total potential and neither local nor national government is able to provide enough finance to improve the system? The answer put forward by many institutions is to involve the private sector which, it is thought, will be able to provide finance to serve more consumers, collect revenue and provide an acceptable standard of service.

Although the above example could apply to many areas in SA, the example is from Karachi, Pakistan. In the 24th Water, Engineering and Development Centre Conference held in Islamabad, Pakistan, earlier this year, this was the argument put forward by the Karachi Water and Sewerage Board and its consultants, Banque Paribas-Halcrow and the World Bank.

Opponents of this argument often cite the major tariff increases that follow privatisation as a reason not to involve the private sector. This was the experience of the water industry in Britain after its privatisation in the eighties.

The proposal in Pakistan reckoned that a 300% increase would be required to achieve a sustainable water supply.

Increases enable the water services provider to achieve cost recovery and are needed to finance the replacement of neglected infrastructure.

In SA, such increases are also likely as the water affairs and forestry department transfers water supply schemes to local authorities and stops financing the operation and maintenance of these schemes.

For example, in one rural area consumers are paying 18c a cubic metre when the actual cost of bulk supply is R2,50 a cubic metre.

Since many of the local authorities in these areas do not have the institutional capacity to run the schemes, or the credit

rating to enable them to raise finance for the scheme, the argument of involving the private sector by granting 20 to 25-year concessions seems strong.

However Creed Alliance, a nongovernmental organisation in Pakistan and the Myvula Trust, a nongovernmental organisation working with rural water and sanitation provision in SA, would argue that such concessions, while increasing the standard of services to existing consumers, will not give access to services to poorer residents in unserved areas.

Experience has shown that financial institutions charge such a high rate of interest that the cost of expanding a scheme becomes unaffordable. Further, they refuse to lend because of the risks of default. Finally, the cost of a centralised water service provider is beyond the means of dispersed rural communities.

Unless there is a well-run water service provider with an

existing and efficient billing and technical-support capability by which can afford to absorb the surrounding per-urban areas, such as the Durban Metropolitan Council, a very different type of public-private partnership is required to enable the unserved to gain access to sustainable water and sanitation services.

The department's policy is that it will provide the capital cost to bring water to within 200m of the house and a R600 subsidy to assist the household improve its sanitation. All operation and maintenance and higher service levels must be financed by consumers. With present budgetary constraints, the department and local government is unable to pay for capital expenditure, let alone for the operation and maintenance of many of the water schemes in the former homelands.

The department has, through the Myvula Trust, looked into the possibility of

raising loan finance to provide yard connections.

After two years it concluded that banks would not lend and that the risks for retail lenders were so high that a combination of high interest rates and short repayment periods made the loans nonviable.

How is it possible, then, to improve the standard of water and sanitation services given the above constraints? The first thing to recognise is that improvements can be any number of small incremental steps.

The second is to recognise the ability of rural and per-urban communities to save. The third is to provide support in a way that maximises the community's contribution.

In SA, in terms of the Water Services Act, the local government structure has a duty to provide access to water and sanitation services. It can provide the services itself or contract another water services authority, water board, water commit-

## Over half live in urban areas

By TEFU MOTHIBELI

Gauteng is the most urbanised province in South Africa, while the Northern Province is the most rural, the results of Census 96 reveal

The results reveal that 97% of Gauteng residents live in cities. In the Northern Province, 89% of the population live in rural areas.

The results also show that more than half of the entire South African population (54%) live in urban areas

While Africans are in the majority, only about 45% of them live in their own houses. About 21% of them live in shacks and 7,8% live in backyards of formal houses. About 24% of Africans live in "tradi-

tional dwellings".

Ninety-five percent of white residents live in their own homes and they are closely followed by Indians at 91% and coloureds at 82,3%.

Just more than 4 million residents have access to electricity and use it as a source of energy for cooking, heating and lighting.

Just under 1,5 million people have access to electricity in Gauteng and more than 750 000 people in the Western Cape have access to electricity. More than 320 000 people around the country rely on coal as their main source of energy

Fifty-eight percent of houses have electricity for lighting, but 29% still use candles and 13% use paraffin.

# Subsidies for houses raised by R1 000 <sup>(123)</sup>

Robyn Chalmers

THE housing department has raised the housing subsidy by R1 000 across the board, although it has not yet received a supplementary budget to meet the increased costs.

The decision to raise the subsidy, which the private sector has lobbied for over the past few years, is a bid to reduce the effect of inflation on the size and quality of low-cost housing. The ministry has come under much pressure from the private sector to ensure the subsidy is inflation indexed.

It is possible the number of subsidies approved and houses built could decrease as a result of the higher subsidy. This, however, depends on the size of next year's housing budget as the increased subsidy will take effect only from April 1.

Housing Minister Sankie Mthembu-Mahanyele said at the Institute for Housing SA conference in Durban yesterday that both the R15 000 and the R12 500 subsidy would rise by R1 000. This could cost about R80m to R150m, depending on the number and type of subsidies granted.

"We only have to look at the rise in building material costs since 1994 to see an increase is necessary," she said.

Mthembu-Mahanyele also said 65% of funds allocated to the constitutional development department for the provision of bulk services would be linked to the housing subsidy project.

She said there was concern that if the subsidy was not increased, the size of units built would shrink. Government was also keen to ensure the housing backlog, estimated at 3-million

units, did not increase further

The ministry would lobby for a significant increase in the housing budget next year, in the face of a growing population and the higher subsidy.

In terms of medium-term expenditure estimates, housing would receive R3,74bn in 1999/2000 and R3,64bn the following year — or 2% and 1,8% of the total estimated budget respectively.

The housing department was hit by a reduction in its budget this year to R3,6bn from R4,7bn. This put the brakes on delivery of low-cost housing just as it was picking up momentum.

Mthembu-Mahanyele said that as a result of insufficient funds, provincial governments had been forced to renegotiate some of their contractual commitments. Most would be able to approve new housing projects only in the 2000/01 financial year.

About R2,9bn of the budget was allocated this year to provinces for housing subsidies. It was estimated earlier that the number of subsidies could decrease by 11 000 if the subsidy was increased by R1 000 across the board without a supplementary budget.

The minister said more than 700 000 subsidies had been allocated since 1994 and 600 000 houses had been built or were under construction.

The department had embarked on a consultative process to produce a second housing white paper. It would reassess housing needs and redetermine the backlog in light of the 1996 population census. The national housing policy and strategy would be reviewed, policy deficiencies addressed and norms and standards established for the sustainable financing of housing.

BD 23/10/98

**HOUSING** April '99 move necessary to address rand's value and high cost of materials

# State to raise subsidies

(123) CP (BR) 23/10/98

SHIRLEY JONES

KVAZULU NATAL EDITOR

Durban — The government would increase housing subsidies by R1 000 across all bands from April 1999, Sankie Mthembu Mahanyele, the housing minister, said yesterday at the Institute for Housing of South Africa conference

The increase — which would not be retrospective as this would further erode government's subsidy base — was necessary to address the erosion of the value of the rand and the increased price of building materials, she said. Without government intervention, the size of basic housing units would shrink.

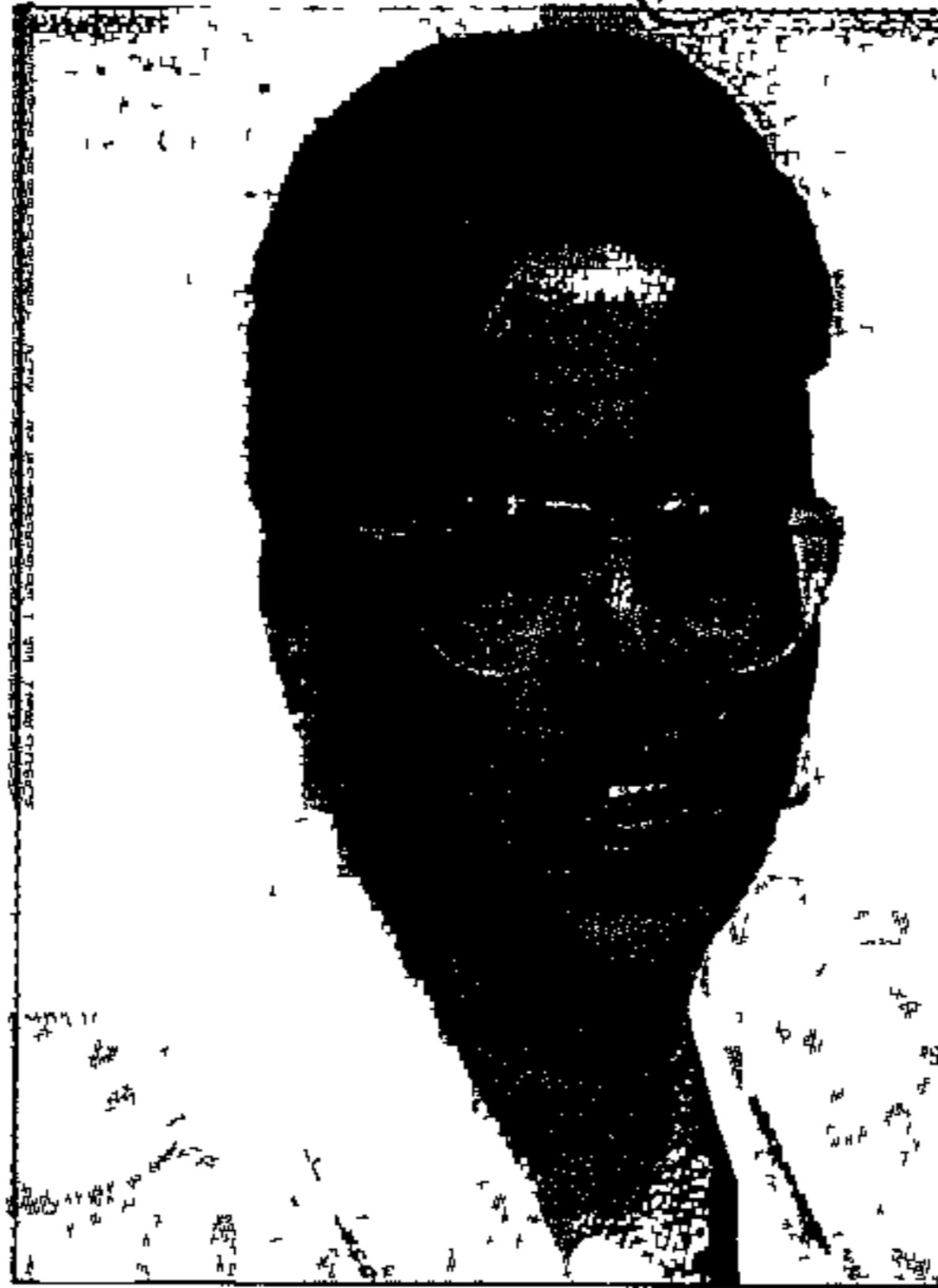
Although the housing department was close to delivering on its initial promise to build 1 million houses by April 1999, this plan had been scuppered by a lack of resources. More than 11 000 housing projects had been approved, while 600 000 houses had been built or were under construction. By the end of this year, this would rise to 900 000.

Ideally, by the end of the fifth year of the housing programme housing would have laid claim to 5 percent of the national budget.

Now, when the housing framework was in place and the programme running at a fast pace, the resources were no longer there, as the government had used them to bail out provincial governments facing welfare and education crises.

"In the current financial year R2,9 billion has been allocated to the nine provincial governments to finance housing programmes," Mthembu-Mahanyele said.

"Of this, R1,140 billion was spent in the first five months of the financial year. It is



**POSITIVE START** Sankie Mthembu-Mahanyele, the housing minister

expected that provincial governments will spend R3 billion in the current financial year.

"As a result of the lack of sufficient funds, provincial governments have no choice but to renegotiate some of their contractual commitments to ensure they do not exceed the available amount.

"Furthermore, most provincial governments will only be able to approve new housing projects in the 2000/1 financial year.

"For a long time, we might not have the money we need. The housing need just keeps on growing."

But Mthembu-Mahanyele said her department would continue lobbying for an

increased allocation and would look abroad to increase its budget. The subsidy increase was a positive start.

She said that since the housing subsidy scheme was introduced in April 1994, R7,3 billion had been allocated to provincial governments to finance housing programmes.

Of this amount, R4,7 billion was spent up to the end of the previous financial year.

Although spending under the subsidy scheme was slow to get started, with only R12,7 million in the 1994/5 financial year, it gradually gained momentum with expenditure of R471,3 million in 1995/6, R1,523 billion in 1996/7 and a peak in the 1997/8 financial year of just more than R2,7 billion.

Another positive move was the fact that approval had been granted for 65 percent of funds allocated to the constitutional development department, for the provision of bulk services, to be linked to the housing subsidy projects.

Mthembu-Mahanyele said that against a background of insufficient funding, lack of capacity at provincial and local levels and long lead times, new means of measuring performance had to be developed.

Targets had to be realistic and sustainable. The ideal for the elimination of the housing backlog was five to 10 years.

To revise goals and address policy deficiencies, the housing department would produce a second white paper on housing to tackle "on-the-ground" issues such as the provision of rental stock and the introduction of minimum building standards.

This process would probably only begin after the election to avoid "other objectives" affecting the outcome, she said.

# Housing the masses

**M**ANY communities have been less than excited about Masakhane in the past, seeing it mainly as an attempt to break down a supposed "culture of non-payment" in communities that have long been victims of the "culture of non-servicing".

But there are different understandings about what Masakhane means - and Masakhane events organised by communities and workers, such as voluntary clean-up campaigns, often show how committed citizens are to improving their own lives and the lives of others

Masakhane is much more than simply paying for services or providing short term relief in crisis situations. The basic principles behind Masakhane, according to Ministry of Constitutional Development spokesperson JJ Tabane, encompass "community participation, civic responsibility and societal partnerships"

"This means that Masakhane is about a new approach to participation in the governance of our country"

Tabane says that, far from being simply a means to recover lost rates, Masakhane includes "community participation in fighting crime, participation in our children's education and encouraging communities to complement government programmes improving the quality of life for our people"

While community participation in government programmes is rightfully an integral part of any democracy, it would have been nice if rather more emphasis was placed on current realities

Masakhane Week gave no indication about how the Government plans to tackle the problem of desperately poor communities who are unable to pay for even the most basic of services

If communities are to be able to initiate projects aimed at improving the quality of their lives, there needs to be a lifeline service simply to get people through the day

Without a lifeline service in place, talks delivered by the Government at Alexandra schools last week - imploring citizens to accept personal responsibility in the rebuilding of their communities by paying for services as an integral part of the delivery chain - are largely meaningless

Rather, the Government should have addressed the perception that Masakhane is only for the disadvantaged Alexandra schoolchildren may have been so impressed by the Government speakers that they told their parents to set aside more of their meagre incomes each month to pay for poor quality services

But their Sandton neighbours, who owe Johannesburg close on R400 million, probably spent Masakhane Week doing little more than chatting over lunch about how to cut down their

(123)  
The Masakhane Week road show will have to clarify current problems with service delivery and provide solutions to be successful, says **Petrus Mashishi**

*Journalist 23/10/98*



**For Masakhane to win the full support of communities, it needs to provide access to basic services like housing.**

PIC PICTURENET

personal income taxes and whether the recent Constitutional Court judgment is really the end of their rates boycott

Cross-subsidisation of rates is a key to equalising service delivery. The demands made frequently on the disadvantaged, need to be made publicly by the Government on business and advantaged citizens

Both must accept once and for all that their rates are vital to subsidise services in poorer areas. Business, in particular, has for years built up rates arrears, using this money as an interest free municipal loan at the growing expense of communities

Government could also have taken the opportunity of being closer to the ground than usual to collect useful data around tariffs. How much could people above the indigent level afford to pay for services they would receive above the lifeline level?

With water, a strong system of rising block tariffs, based on income as well as usage, needs to be implemented soon if any services are to be sustainably delivered

As beneficial to the community as they are,

structured tariffs would conflict with current trends towards privatisation of water

Where profit is the motive, the burden falls to the consumer to pay a tariff high enough to sustain that profit, and sustainability often becomes the victim

Consultants investigating the privatisation of Pakistani water recently estimated that only a 300 percent increase in tariffs would ensure a sustainable water supply!

The National Utility Services survey has just announced that South Africa's water bills are among the cheapest in the world

Recognising that there are many who cannot pay for services even at this internationally cheap rate, the Government will be setting sustainable water delivery up for failure by handing the reins

for delivery over to the private sector

Every failure means money down the drain that could have been better spent on building the infrastructure of the public sector

To address the problems of water in isolation or desperately needed housing would be foolish

The Masakhane campaign must include a drive towards utilising the expertise of local government to continue to build more houses and firmly move away from partnerships with the private sector that have resulted in corruption

Any campaign to improve the quality of people's lives needs to make a strong call for more council-owned, rent-controlled, affordable homes. If citizens are really to make sacrifices in building their communities in the name of Masakhane, there must be guarantees from the Government that their efforts will be supported politically

At the very least, communities need assurances that they will have access to a level of basic services necessary to sustain life, as provided for in the Reconstruction and Development Programme

(The writer, Petrus Mashishi, is president of the South African Municipal Workers Union)



# NHFC houses masses

*Company rise above economic gloom to house low income sector*

By ZOLILE NGAYI

CP 24/10/98

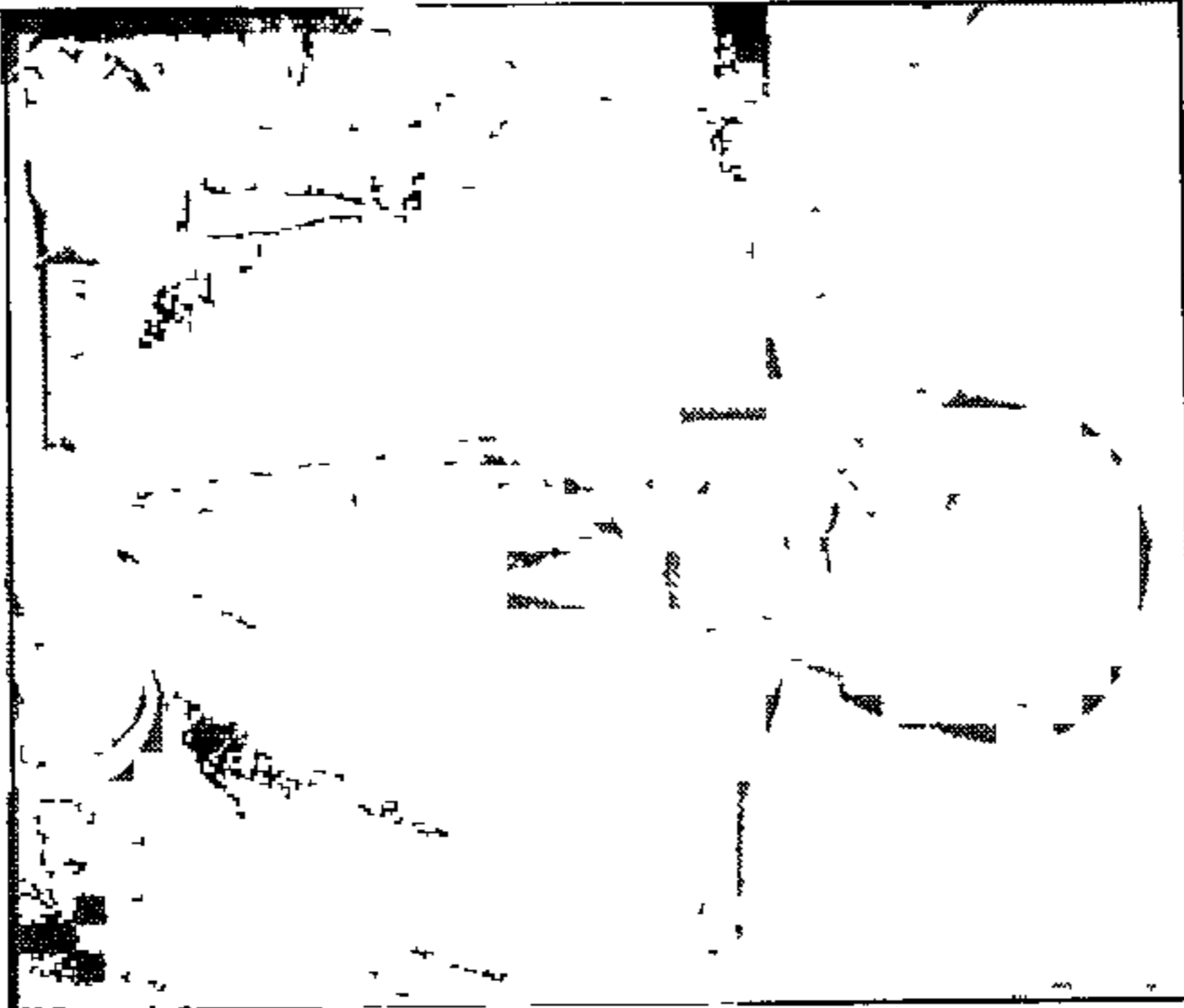
LESS than two years since the government formed a company to help alleviate the country's housing shortage, close to 60 000 low and moderate income households have benefited.

In the same period, the National Housing Finance Corporation (NHFC) spent over R500 000 in funding for affordable housing, said Eric Molobi, NHFC's chairman.

"Thus progress, in a remarkably short space of time, shows that there remains strong demand for credit for affordable housing, despite the difficulties caused by high real interest rates and the effect of a sluggish economy," Molobi said.

This was announced during the launch of NHFC's annual report last week in Johannesburg.

"The NHFC was launched by government because of an absence of housing finance in the R15 000 to R50 000 house price range in the market. This market segment was traditionally served by non-traditional retail lenders and the NHFC was to develop (and if necessary rationalise) the capacity of these lenders to make an in-



**MILESTONE...** Eric Molobi, chairman of the National Housing Finance Corporation who announced the company had recently approved more than half a billion rand housing finance for low and moderate income sectors

creasing contribution at the lower end of the market," said Mphumi Nxumalo-Nhlapo, the director-general of the Housing Department.

Although NHFC's task is to make it possible for people who hitherto had nowhere to turn to house themselves and their families, it does not directly deal with these people.

It provides finance in the form of loans to retail lenders and housing associations. NHFC's clients include banks and non-bank lenders, with over half of these being new institutions.

"NHFC-backed micro-lender clients have expanded rapidly during this year and are now providing loans in every province. During its 1998 financial year, the corporation tripled its approved facilities while raising net income for the year to R67m," said David Porteous, acting chief executive officer.

Molobi said the three-fold increase in approved housing finance figures was an indication that affordable housing finance was "indeed alive and kicking, despite the gloom and doom" in this country's financial markets during the last few months. He said these figures also pointed to the success of the concept embodied by NHFC.

ANALYSIS & COMMENT

# SA's human settlements should follow economic forces

Planners and policy makers need to adopt a different approach to the sprawling informal settlements which evolved out of apartheid's displacement of people, say Ann Brynsgjig and Jeff McCarthy

**DURING** the apartheid era, millions of South Africans were forcibly relocated. They originated mainly from former "white" towns and farming areas and were "dumped" in new settlements located almost invariably behind homeland boundaries in places such as Dimbaza (Ciskei), Botshabelo (Bophuthatswana), Winterville (Bophuthatswana) and in settlements in the former KwaNdebele. These people became known as SA's "discarded people".

Most settlements had rudimentary origins as tent/camp towns. In time additional resources were committed. In the absence of suitable housing opportunities near to cities and with subsidised bus services available between these places and cities, many became displaced "survivors" containing large urban commuter populations. Thousands of people commuted daily, weekly or monthly to work — from Dimbaza to King William's Town, Botshabelo to Bloemfontein, Winterville and KwaNdebele to Pretoria.

For the past two years the Centre for Development and Enterprise has conducted research into contemporary realities and trends in such displaced settlements, to information about the difficult policy choices that need to be made in respect of such places and their inhabitants. This research included a national sample of eleven detailed case studies and a survey of 2 500 households.

About 10% of SA's population live in displaced urban areas. As apartheid settlement controls crumbled from the late 1970s onwards, many of those who most wanted to leave these areas did so. However, simultaneously, other people moved in, given harsher living conditions elsewhere in the country.

Levels of income and education in these displaced urban areas are very similar to national averages for black South Africans. The "discarded people" are better off than those in rural areas but not as well off as their urban counterparts.

There are, however, unusually high levels of dependency (proportions of household members dependent upon employed adults) and commuting distances in these areas. Seventy-seven per cent of household members in such places are dependent upon an employed adult versus a national average for black South Africans of 65%. Average monthly travel costs are 72% higher than the average for black workers. This is despite the fact that those who use buses are heavily subsidised by government, and most commuters do so only weekly or monthly.

Buses are no longer the main form of transport for commuters from displaced urban places — only 16.4% travel by bus, compared with 48.3% who commute by taxi. In some cases (unsubsidised) taxis are cheaper than (subsidised) buses. This varies by locale, frequency of travel and nature of ticket. Twenty-two per cent of those currently living in displaced urban areas indicate an intention to move in the future and just over half would move (most to the town/city nearest to them) if a housing subsidy was available to help people to live wherever they liked.

Surprisingly, the distance of the residential area to the place of work does not appear to be related to either levels of dislike for the area or movement intentions. Other considerations (such as quality of services) seem more important to them.

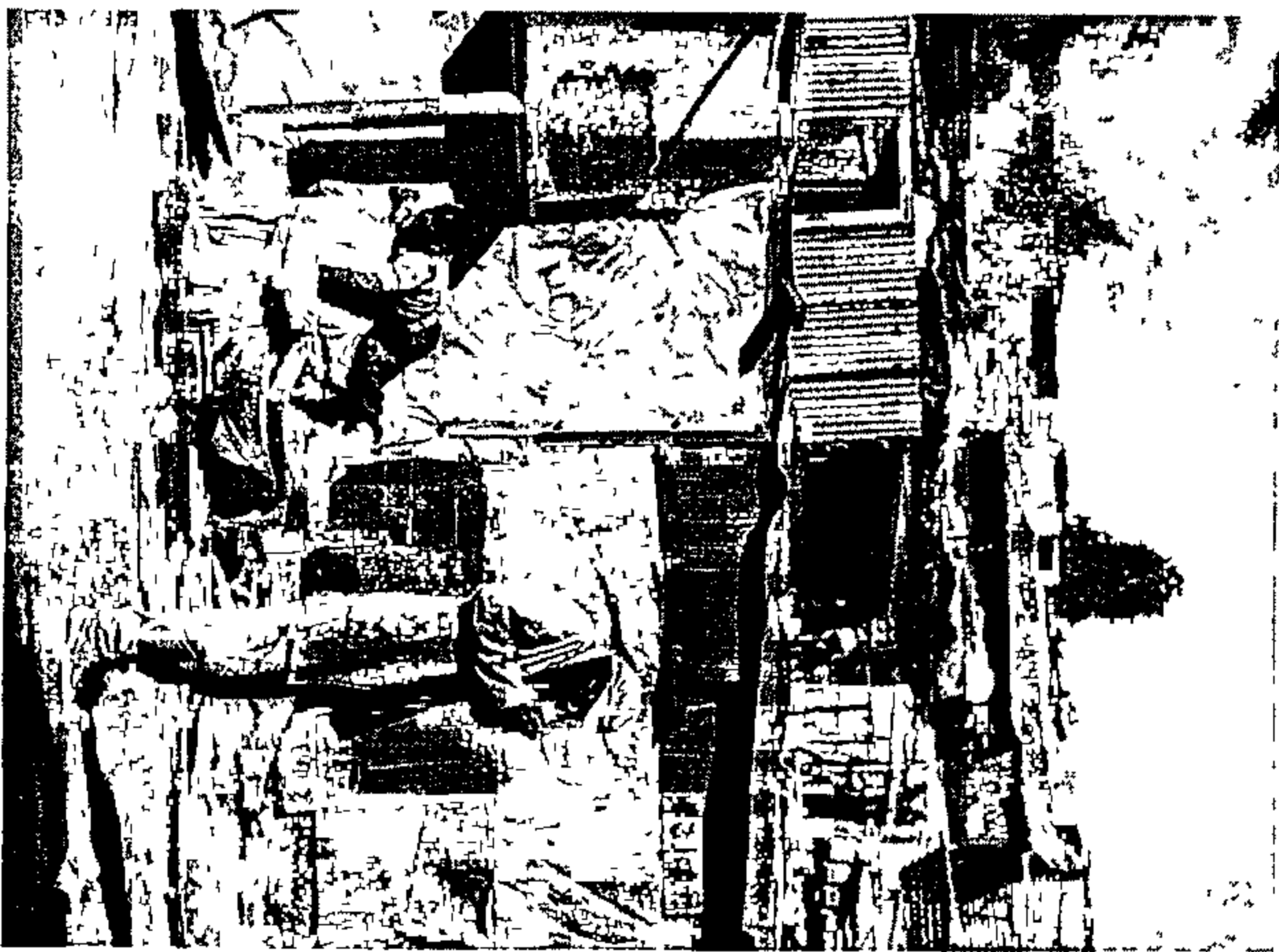
There are complex policy issues raised by the phenomenon of displaced urbanisation. A number of broad themes emerge in general, people living in displaced urban areas now do so in large measure out of choice, their socio-economic conditions are not significantly different from those of black South Africans generally, many residents who most disliked these places appear to have all ready left.

Today, there are no compelling reasons for viewing either the residents of these places or the places themselves in terms of a special category of "victim" deserving of unusual levels of state assistance.

While many people will move out of these places in time and others will continue to migrate in, their future prospects vary. A place such as Zwelitsha near King William's Town — one of the earliest areas of forced resettlement in the Eastern Cape — will probably continue in the future as a popular suburb of King William's Town. This is partly because it is relatively close to King William's Town (about 8km from the town and now incorporated into the town's government) and partly because it is on a natural development axis in the direction of East London.

By contrast, Winterville, which is a de facto (but displaced) suburb of Pretoria (80% of those with jobs work in Pretoria), is not a part of the Greater Pretoria metropolitan area. It has an uncertain future as an unpopular, poorly serviced area, about 40km north of the city (40% of Winterville inhabitants plan to move — most closer to Pretoria — in respect of possible policy inducements).

The centre's work has shown the enormous complexity of dealing with the legacy of apartheid. Their



SA's 'discarded people' need another approach to their problems

recommendations for action include the following:

- Learn the lessons of SA's apartheid past. Successful urban development will accrue around places with economic advantages, seeking to engineer settlement patterns that defy such forces will yield poor and costly results.
- Acknowledge how little we really know. SA is a large country that incorporates enormous diversity. With apartheid gone, we are only now starting to

learn what has been happening beneath the surface of race politics in a diversity of communities and regions of the country.

□ A national process is required. SA needs a commuter register of all displaced urban areas and the development of an effective strategy for each settlement's particular circumstances.

These places are not towns in the conventional sense in that they lack the commercial, industrial and other economic activities and infrastructure ordinarily associated with urban development.

Thus register must be a part of a national register of the wider set of all places occupied by the poor which embrace at least 14 different settlement types.

□ Planning for the future for displaced urban areas will require continual reference to their links to adjacent cities/towns and recognition of their contexts within wider settlement/economic systems.

Thus would not only allow displaced urban areas to be put in proper context but would assist in the hard choices about future resource allocation in a context of scarcity.

□ Make choices about the "where" of development. The country needs an urbanisation strategy based on new, accurate data about migration and urbanisation to provide a framework for making decisions. Cities and large towns need to be much more

effectively managed, and public eye future must be designed to secure maximum developmental returns. Incentives are needed to encourage local/metro-politan government to function in a more productive developmental manner, and bus and service subsidies need reassessment.

The centre's study has raised crucial questions about national priorities as well as the potential folly of a "victim" driven approach to national policy.

It provokes some fundamental questions — for instance, where will this society get maximum return for "public hands" for most people now and in the future? What are the best spatial frameworks for development in post-apartheid SA now and for the next 20 years?

And lastly this work serves as a reminder that SA should never again ignore the fundamental truth that human settlement normally does and should follow economic forces and not vice versa.

□ *Bernstein is executive director of the Centre for Development and Enterprise. McCarthy is a centre consultant and professor at the Graduate School of Business at the University of Durban-Westville. This article is based on the Centre for Development and Enterprise publication, SA's Discarded People: Survival, Adaptation and Current Challenges.*

# Tough decisions on the displaced

ARG 26/10/98 (123)  
Johannesburg - Government and private investors will face tough future choices on displaced urban settlements where four million South Africans live, as they will have to decide where to best spend scarce financial resources.

Executive director for the Centre for Development and Enterprise Ann Bernstein said. "Is good money being thrown after bad apartheid decisions?"

She said there were 60 known settlements in the country, all the result of former apartheid policies to keep black people out of the cities and towns and in the former homelands.

Most of these settlements, such as Winterveldt near Pretoria and Botshabelo near Bloemfontein bordered on former homeland territory and involved great travelling expenses for the residents, as most of the employed people worked in the major centres

Speaking at the launch of a research document by the CDE, Ms Bernstein said the government would face tough choices about the development of these settlements "They will have to ask if the returns on the money put into developing these settlements will be greater than the input"

She said in a country such as South Africa, where the need of the people far outweighed the resources, government or private investors must be sure of their returns if they put their money somewhere.

Bernstein said the fact that nearly 10% of South Africa's population lived in these settlements indicated it was not an insignificant phenomenon, and its implications should be carefully considered

According to her eight percent of people moved into these settlements in 1994, while 30% voluntarily moved to the settlements in 1996. Some are of the opinion there is less crime in these areas, and they would rather commute to work every day than face the crime found in cities and towns. As a society, this is a vote of no confidence in our cities and towns."

She said the country needed a national process to deal with displaced urbanisation. Many of these places were not rooted in a government system and were therefore, in a sense, nobody's responsibility

South Africa needed an urgent rural strategy and a clear indication of what contribution rural areas could make to the economy, Ms Bernstein said

She warned that an apartheid victim-based approach on the settlement problem would not be helpful. "Any new interventions we make for the future should not create new victims" - Sapa

**HOUSING** *Cosatu proposal to jobs summit 'feasible'*

# Building houses will ease two crises in SA

ET (PR) 26/10/98 (123)

It is by no means impossible for South Africa to build a million houses in the next three years at a cost of between R35 billion and R50 billion, maintains Llewellyn Lewis, a director of Building Research Strategy consulting unit

Lewis bases his contention on labour federation Cosatu's call to punt housing at the upcoming presidential jobs summit and on the relevant proposals it has submitted

How can a housing proposal be made to gel at a jobs summit?

"The affordable housing backlog and need in South Africa has an aura of destiny and of paradox about it. It is seemingly an immense and almost insurmountable problem but at the same time it is a tremendously exciting challenge and opportunity which could create up to 500 000 jobs in the building industry"

No-one denies that the need is there, but can the building industry deliver?

"They can if they put their minds to it," says Lewis, "and the country cannot afford not to find the money. In fact, Cosatu's proposal is very feasible. If it could be done, it would fundamentally change the building industry and the economy"

Lewis says the current total investment in residential building is about R8 billion a year. An investment of R35 billion to R50 billion over the next three years would more than double residential investment

"That is a fundamental change, particularly if considered together with the other structural changes which would result in the industry. The importance of the building industry in employment creation in the South African context needs to be recognised, particularly because of its high labour intensive nature, as well as the opportunities for informal sector employment and the growth of small entrepreneurs.

"No other industry offers better opportunities in this regard. Moreover, the housing backlog and annual need, due to population growth, guarantees sustainable activity and

employment in the building industry for the next three and more decades"

In tackling the housing crisis, the building industry could influence the strategic political issues of redistribution of income through subsidies to create affordability; wealth-creation through home-ownership; employment in the building of houses; growth through contribution to GDFI and gross domestic product, social stability through delivery on expectations; a massive reduction in



**JOHN SPIRA**



**CAN DO** *Llewellyn Lewis believes SA's housing goal could create up to 500 000 jobs*

crime, an appropriate mechanism in a developing country, and nation building and reconciliation

Lewis insists that the elimination of the housing backlog by 2010 is achievable

"A phased housing delivery

skills takes place. Thus, over time, the informal sector is assisted and mentored to enter the formal sector — in particular through strategic alliances and joint ventures. By 2010, the so-called emerging contractors will be the industry"

Lewis believes that alliances and joint ventures are best formed when each of the parties has something which the other lacks or requires.

The formal/informal sectors in the building industry clearly have potential for such symbiotic relationships

"The affordable housing problem in South Africa can be transformed into a triumphant opportunity because the objective is worthwhile, it is aligned with the larger needs and interests in society, it is supported by the majority of interest groups and stakeholders; and it can make a major contribution to job creation and growth."

"It is estimated some 30 to 35 man-years of employment are created for every R1 million invested in building. Thus, R35 billion of investment over the next three years can create employment for 350 000 people yearly."

Lewis recommends that the method of financing proposed by Cosatu, that life insurers and pension funds invest in government bonds, should be seriously

considered

"There is no point in the institutions reducing their investment in property by investing offshore to give their shareholders a better return while the majority of people are suffering, unemployment is escalating and crime increasing as a consequence and the country virtually burning

"Shareholders will find little comfort in improved returns and little prospect of enjoying it in a devastated country. It is time to start thinking long-term, not short-term, with eyes fixed only on the bottom-line"

programme at about 350 000 units a year can provide a kick-start to the building industry and will also stimulate the economy. The record level of investment in building in 1984 can again be achieved and exceeded"

Lewis identifies the building industry as a practical example of the operation of a dual logic economy, where the organised sector provides the finance, the management expertise and the organisational ability and the informal sector provides the labour.

"In the process, a sharing of knowledge and a transfer of

# Housing project a threat to low-cost homes market, analysts warn

Reneé Grawitzky  
and Robyn Chalmers  
29/10/98

A R1bn-R3bn housing project proposal set to be unveiled at tomorrow's presidential jobs summit threatened to distort the low-cost housing market by imposing a two-tier subsidy system, analysts warned yesterday.

The government proposal calls for subsidies of R25 000 — compared with the government subsidy of R15 000 — on up to 150 000 units. Sources said a combination of public and private funds would be used to finance the construction of between 50 000 and 150 000 houses, with three quarters being allocated for rental stock and the remainder for private ownership. This scheme would become a national presidential lead project and feed into other infrastructure development projects already taking place, as well as governments' spatial development initiatives. A pilot housing project would take between two and three years to complete and would attempt to focus on rural areas.

Last night government, labour, business and organisations representing civil society were discussing the housing proposal and other unresolved issues. Sources said failure to reach agreement earlier was largely because of a dispute over funding. The current proposal is for a two-pronged approach to funding that would increase government's existing R15 000 housing subsidy, which is set to rise to R16 000 next year, to R25 000. However, it is uncertain where the additional funds would come from, as

government has indicated that it will not be granting a supplementary housing budget. At the outset of discussions there was speculation that government would grant R1bn over the period of the pilot project to fund the shortfall. Analysts said yesterday a two-tier subsidy system would cause confusion, distort the housing market and undermine the resale value of existing units. The second aspect of the proposal is to make a R25 000 subsidy available through a sophisticated financing mechanism, dubbed "gateway", which

has been put forward by the National Housing Finance Corporation. Industry sources said the intention was for the funds to be raised through a bond issue at market rates, underwritten by pension funds and employers. They said the project had been approved by the banking sector. Analysts said this was largely based on the fact that banks' risk burden would be reduced with a higher subsidy.

Better policies needed: Page 4  
Comment: Page 19

(123)

(123) CP 11/1/98

# Housing provision is not all bad news

By **HANGWANI MULAUDZI**

**P**ROVIDING affordable housing in adequate quantities has been a difficult task for governments throughout the world, and South Africa is no exception

During the apartheid era blacks were forced to live in squalor. With the dawn of democratic rule, the government has tried to redress the situation

The Northern Province, one of the poorest of the country's nine provinces, has made significant progress in housing the rural homeless despite budget cuts

From 1994 to now, more than 79 342 housing subsidies worth R1,3 billion have been approved by the provincial housing development board

A total of 50 774 units spread over 112 projects have either been constructed or are being built

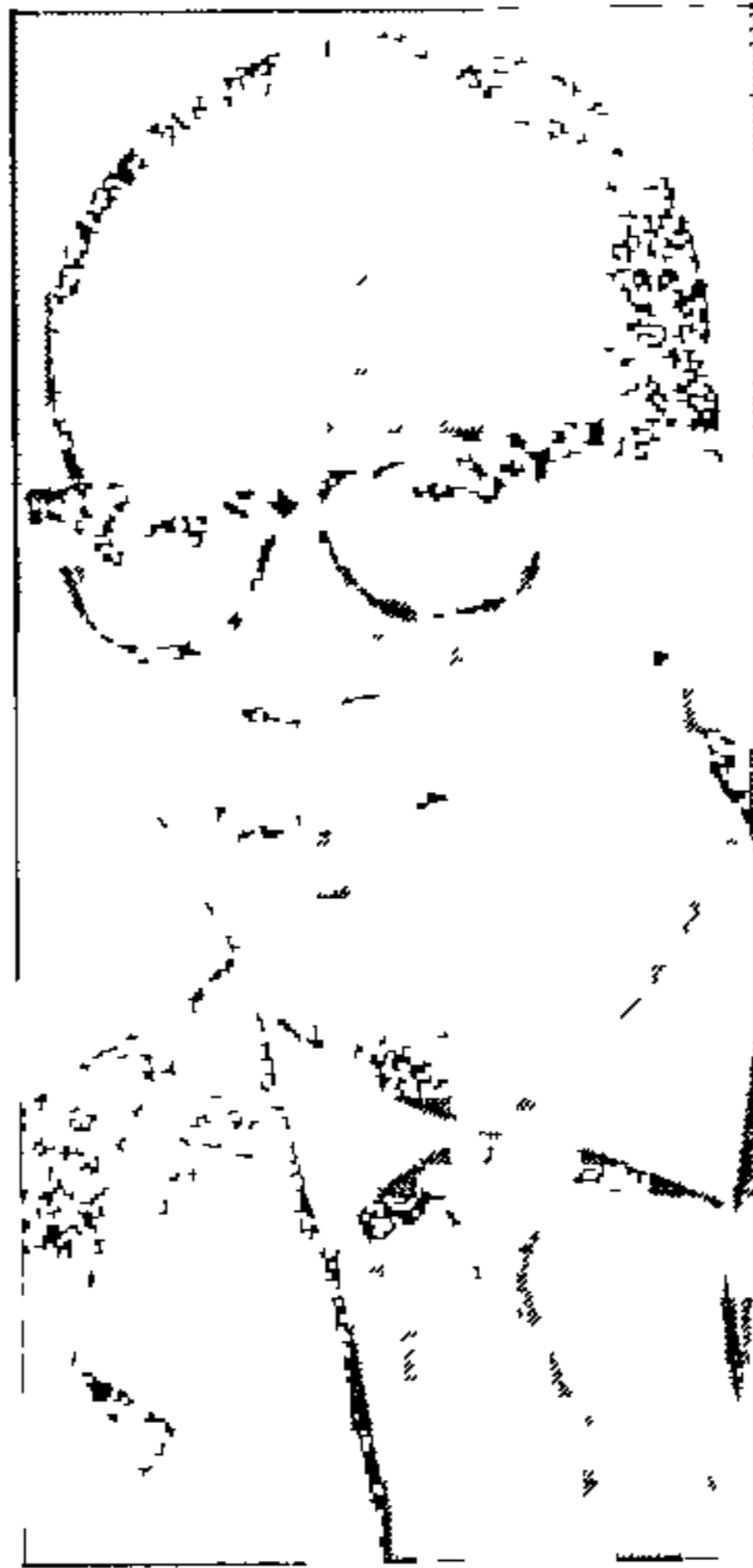
Early problems faced by the housing department regarding the size and quality of houses have been resolved

Sprawling new townships are under construction in Dendron, Dzumeri, Giyani and Xikundu where the housing subsidy is being directed towards the unemployed, the disabled and women with dependents

With regard to size and quality, the province has made it a priority that all units built are not less than 40 square metres

Whereas the tendency may be to blame shoddy developers who built smaller houses, the fact is that there is no national standard as to the actual product to expect

It is worth noting that the housing programme has not been a free-flowing process and numerous problems have been



**ON TRACK...** Housing MEC Edgar Mushwana is providing houses for Northern Province's rural homeless

encountered

The most significant of these has been the tendency by some of the intended beneficiaries to subvert their subsidy schemes by not using the houses for the intended purpose

One other major problem is the situation of unoccupied houses in, for example, Mhingaville – the first rural project in the country

More than 2 260 Reconstruction and Development Programme houses were built in 1996 and more than half of them are

standing empty, falling prey to vandals

Ephraim Makhubela, a resident of the village, said the people were reluctant to occupy their houses because there were no services being provided

"There are no jobs in this area, and electricity would come in handy to alleviate the poverty that we are facing," he said

"We travel long distances to go ask for food parcels from family and friends. Until something is done, we are just a lost nation," said Makhubela

Provincial housing MEC Edgar Mushwana said that while the situation has been portrayed as hopeless, he was convinced all was not lost

He added that problems between traditional leaders and the local authorities should also not be underestimated

"This has to some extent led to a state of paralysis which does not only require the intervention and input of the department but also that of other government departments

"The department and the TLC, community structures and the developer concerned have instituted an audit (in Mhingaville)," said Mushwana

"This will ultimately result in those who are not willing to occupy their houses having to be substituted by new beneficiaries"

He said a task team would investigate how to speed up the installation of infrastructure on a sustainable basis

"The majority of our people continue to benefit in terms of shelter and job opportunities," Mushwana said

"We have no doubt that the housing agenda is on track in the Northern Province"

NATIONAL

# ANC caucus rejects housing scheme

## Public works proposal to sell official housing causes uproar among MPs

(1998) SD 6/11/98

David Graybe

CAPE TOWN — The African National Congress (ANC) parliamentary caucus yesterday rejected a proposal for a new housing allowance scheme for politicians, saying it was ill-conceived and unrealistic.

"We threw it out," an ANC MP said after the party's last caucus meeting of the year. MPs were "in an uproar" at the meeting over what was "a very sensitive issue", another MP said.

The public works department proposed on Wednesday that all political office bearers except the president and deputy president be paid an accommodation allowance

of 25% of gross annual income after next year's elections to allow for "superfluous" official accommodation to be sold off.

This would replace the arrangement whereby the state is obliged to provide accommodation for, among others, premiers, ministers, MECs and national and provincial MPs.

The parliamentary public works committee, which met soon after the ANC's caucus, resolved to refer the department's proposal to a cabinet committee of ministers on service conditions of political office bearers, which has to find a long-term solution to the issue of official accommodation.

At an ANC news conference later, outgoing ANC chief whip Max Sisulu called the proposal "unrealistic", especially considering that the proposed 25% accommodation allowance for politicians at national and provincial levels had not been budgeted for.

Thabang Makweta, chairman of the ANC caucus, said if the proposal was implemented in its present form it would cause "serious disruption" in the lives of politicians.

Public works committee chairman and ANC MP Moss Chikane, speaking after his committee met, gave four reasons why the implementation of the proposal "could cause panic" among politicians.

While the scheme would end up encouraging MPs to buy property or enter long lease,

government had still to resolve the sensitive issue of the seat of Parliament.

The state would continue to incur high maintenance costs of unoccupied official accommodation while it was trying to sell the properties. The department, for instance, told the committee on Wednesday it cost R10.2m a year to maintain 61 ministerial houses — an average of R168 000 a house a year.

Without official accommodation, it would be difficult for "new MPs" entering national and provincial politics after the elections to find private accommodation in cities and towns they did not know, and.

MPs in Cape Town had, over the past four years, furnished official houses with personal household items such as stoves and fridges and were worried yesterday about

what to do with the items if the proposal was implemented, as parliament was going into recess from today.

Public works chief director Gugu Mazibuko told the committee on Wednesday that the main reason for the proposal was that the maintenance of state-owned properties was proving too expensive.

She said the accommodation allowance would be based on 25% of gross salary "excluding the parliamentary allowance" and would be taxable.

Where it was necessary for political office bearers "to continue leasing as an interim measure, it will be at undiscounted market rates", Mazibuko said.

"Superfluous" state property would either be sold off or rented out at market prices. The only exception was where houses formed "an integral part" of the presidential estates in Pretoria and Cape Town.

Mazibuko said the sale could include Aca-cia Park, Pelican Park and Labora Park, where MPs and ministerial staff are housed in Cape Town.

(123) CT 6/11/98

## Allowances to replace most state housing, bill proposes

**ANDRE KOOPMAN**  
PARLIAMENTARY BUREAU

A PROPOSAL to sell most state houses — many of them in Cape Town — should not have appeared before the Public Works Committee of the National Assembly because it has not yet been considered by the cabinet

In terms of the proposal, state houses used to accommo-

date public representatives and government staff in Acacia Park, Pelican Park and Laboria Park would be sold

All public representatives would have to provide for their own accommodation from a 25% allowance based on their gross salary

Only the President and Deputy President would continue to be accommodated in state housing

ANC chief whip Max Sisulu said at a press conference yesterday that the proposal had financial implications

Sisulu, who is leaving politics for the private sector, said the issue was also linked to the decision about where the permanent seat of Parliament would lie

The question of what would be done with the current stock of government hous-

es was also problematic

In terms of the proposal, all office-bearers, including premiers, ministers, members of provincial executive committees and national and provincial MPs, would be granted a 25% taxable allowance based on their gross annual income

For an ordinary MP, this would mean an additional R44 155 a year or R3 680 a month



One of the main values of big dam projects is to catch votes for unpopular politicians. The besieged apartheid government launched the Lesotho Highlands Water Project to show off its power, and now the mountain kingdom and South Africa are paying the cost

Wars over water have come to southern Africa, starting with the bloody occupation of Katse Dam installations in Lesotho. We need to look anew at the destructive effects of big dam projects all over the subcontinent, argues **GRAEME ADDISON**

Sometime before dawn on September 22, South African forces, including elite parachute battalion troops, moved into the Katse Dam area in the highlands of Lesotho. They called on mutinous Lesotho soldiers to lay down their arms, and when this did not happen, there was an exchange of gunfire. Several buildings burnt down.

About 16 Lesotho men and two South Africans died in the firefight, which formed part of Operation Bolias, the Southern African Development Community incursion into Lesotho to prop up its government.

From a source in the water planning authority responsible for the Katse Dam, I have learnt that protection of the dam and its pipeline, which supplies Gauteng with water, was a top priority of the occupation force.

There is no doubt that Gauteng's water lifeline would be constricted if Katse ceased its supply. The future growth of South Africa's industrial heartland depends on a constant flow of liquid wealth from its poor neighbour, the tiny kingdom of Lesotho.

Long before gunfire shattered the peace, the degraded life of the Maloti Mountain communities in central Lesotho had already been severely disrupted by the project. Squatter camps mushroomed, the workforce brought AIDS, and prostitution and alcoholism increased. There was fighting and shooting, and the authorities were criticised for failing to make good their promises of compensation and assistance to villagers who lost their land.

Phase 1A of the Lesotho Highlands Water Project (LHWP), was the construction on the Malibamatso River of the R7.5-billion Katse and Muela dams. Phase 1B, now under way, is the R6.7-billion Mochale Dam on the Senquanyane, or Little Orange River. Together they represent one of the biggest public works projects in the world.

### Water politics

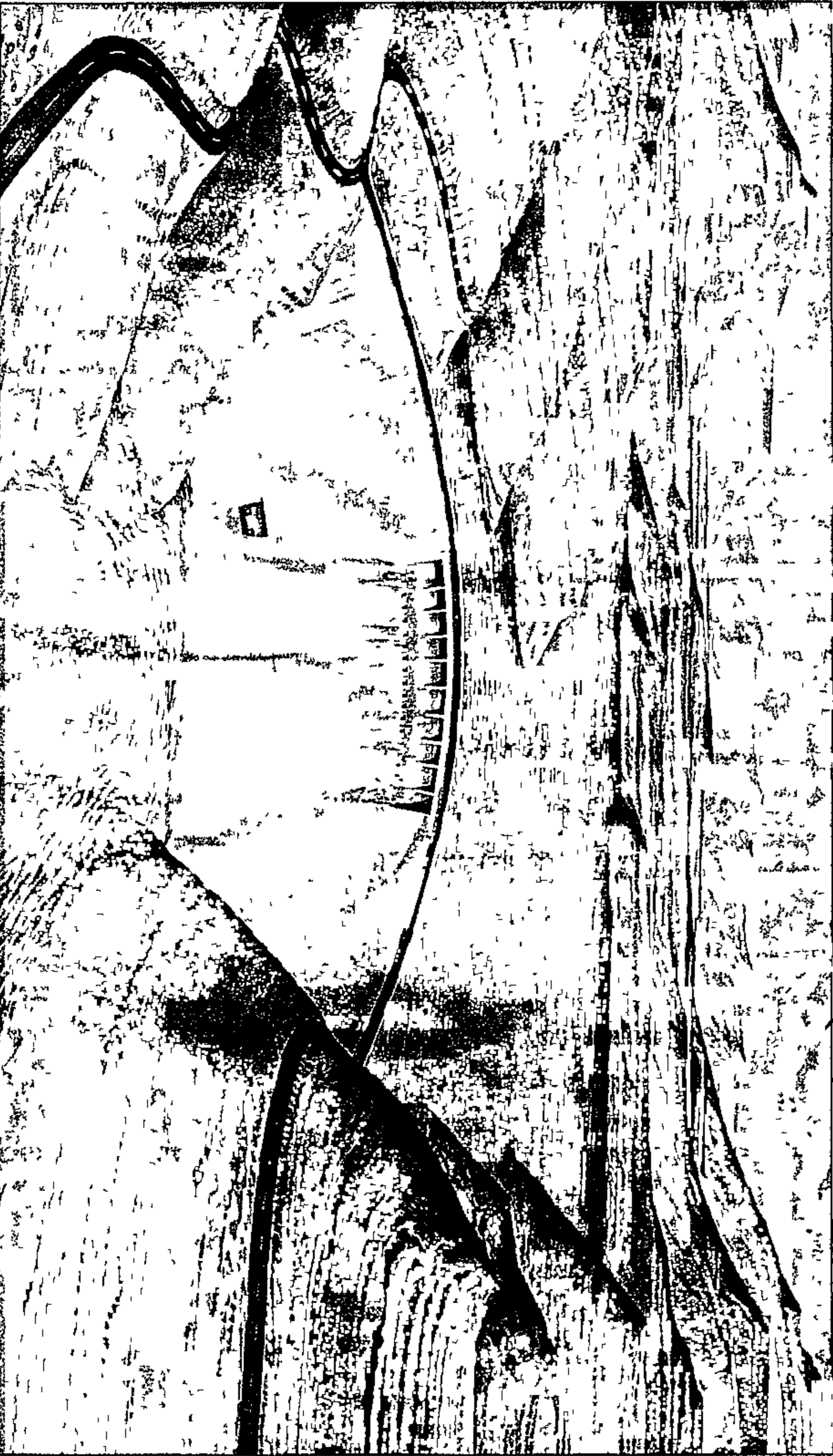
But all is not well on the ground or in the offices of the planners. A watering World Bank - facing an onslaught of criticism over its support for big dams worldwide - is rethinking its financial commitments. And Professor Kader Asmal, South Africa's Minister of Water Affairs and Forestry, is coming in for unprecedented criticism.

Last year he was appointed by the World Bank and the World Conservation Union (UNEP) as the

# A case of dammed and bee damaged

By Sam 5/11/98

(129)



**POLITICS ASIDE** The recent bloody fighting over the Katse Dam was all about safeguarding a vital lifeline to the industrial heartland of Gauteng

clerk has personally passed every drop of water - several times. Yet even Windhoek's hot atmosphere is becoming steamy as opponents of the planned dam at Epupa, on the Cunene River, claim President Sam Nujoma wants it for its prestige value only.

The R3.2 billion project is unmiss-

on the Internet and at conferences. The coalition also includes South African bodies such as the Group for Environmental Monitoring and the Southern African Rivers Association.

South African and Lesotho media are carrying letters and articles questioning; the high social and environ-

These included Lesotho, the Orange River, the Tugela and Mkomazi basins, and the Mzimvubu in the old Transkei - the last remaining source of water for conventional damming.

But Asmal made the significant admission that dam-building would not solve South Africa's water problems in the long term. He said all the water resources in the country would be fully used in about 30 years and it would not be possible to build more dams to augment supplies.

Conservationists pointed out that this was a confession that dam-builders were bankrupt of ideas for the future. By continuing with big dam projects, Water Affairs and civil engineers were ignoring one of the key principles of the Reconstruction and Development Programme and of development generally: sustainability.

Water Affairs was compared to a motorist crossing the Karoo knowing he is going to run out of petrol, yet carrying on until the tank ran dry and he was stranded. Critics said alternatives should be sought now.

Desalination of the sea - which suited a semi-arid country surrounded by oceans - was suggested as the only realistic programme.

"What we are saying to the minister is that he should assume the high moral ground now by proactively finding alternatives," said Mark Calverley, a KwaZulu Natal landowner whose ecotourism business will be hurt if the proposed Jana Dam on the Tugela River goes ahead. Calverley is a member of the Tugela Biosphere, a game reserve that would lose most of its riverine hushveld under the dam.

Calverley said his conclusion after attending meetings on the KwaZulu Natal dams was that the water authorities and engineers were merely going through the motions. They had selected a few sites for economic reasons, and were presenting environmentalists with false choices.

"The engineers see themselves as conquerors of the rivers, and we are merely asked for our input at the end. On the Tugela, an alternative damsite on the Klip River was recommended by the environmental study group as the one likely to have the least impact, but it seems that Jana was chosen anyway. It's crazy."

### Expertise

"The law should ensure that environmental impact assessments must carry weight and it should be mandatory to apply them. And then we need precious river areas to be designated as inviolate. You can't just slap a dam in a convenient spot which happens to be a biosphere reserve," said Calverley.

The South African Rivers Association (SARA), representing ecotourism companies, has called for a thorough re-examination of policies on dams and rivers. This would include:

- Research and development in d-

peace, the dignified life of the Maluti Mountain communities in central Lesotho had already been severely disrupted by the project. Squatter camps mushroomed, the workforce brought Aids, and prostitution and alcoholism increased. There was fighting and shooting, and the authorities were criticised for failing to make good their promises of compensation and assistance to villagers who lost their land.

### Water politics

But all is not well on the ground or in the offices of the planners. A wary World Bank - facing an onslaught of criticism over its support for big dams worldwide - is rethinking its financial commitments. And Professor Kader Asmal, South Africa's Minister of Water Affairs and Forestry is coming in for unprecedented criticism.

Last year he was appointed by the World Bank and the World Conservation Union to head the World Commission on Dams. Now his role as a neutral arbiter on environmental and social issues is being questioned in the light of his vocal support for big dam projects in southern Africa.

The Lesotho situation is a signal that southern Africa has entered the era of water politics. Internationally and domestically, the political wrangling and strife over rivers and water supply is predicted to be one of the fundamental issues of the next millennium.

As world water scarcity bites deeper into economies dependent on cheap water supplies, there is conflict over river catchments and lakes. Dams such as the Three Gorges Dam in China have become symbols of official tyranny, with entire cities being flooded and engineers resettling river valley populations.

For dam planners, things have gone seriously wrong. In southern Africa, opposition to river impoundments - the closing of valleys to make artificial lakes - is mounting.

Critics argue that the main reasons advanced for dams do not hold water. Hydroelectric power can be produced more economically in smaller-scale water schemes or by wind and wave power. Irrigation water can be tapped off flooding rivers rather than impounding them for all time - thus destroying both upstream and down stream ecologies. And water can be better conserved and recycled to reduce factory and domestic wastage. As they say in Windhoek, the town



**POLITICS ASIDE** The recent bloody fighting over the Katshe Dam was all about safeguarding a vital lifeline to the industrial heartland of Gauteng

clerk has personally passed every drop of water - several times. Yet even Windhoek's hot atmosphere is becoming steamy as opponents of the planned dam at Epura, on the Cunene River, claim President Sam Nujoma wants it for its prestige value only.

The R3.2-billion project is unnecessary, say environmentalists, because the Kudu Gas plant can more than meet the country's electricity needs.

Other proposed dams under fire are in the Cape Cedarberg, mooted to be one of the largest ever. Asmal recently flew over the river and remarked that the need for the dam would have to be balanced against nature conservation.

Dams on the Tugela, Mkomazi and Mzimvubu rivers, bitterly opposed by conservationists and recreationists.



**DAM BOOSTER** Water Affairs Minister Kader Asmal is a vocal proponent of big dams

Proponents of the dams point to the developmental impact of current spending and future irrigation and power spinoffs. But the history of megadams suggests these promises are usually overblown and that Third World governments like dams because they are easy to build, bring in foreign capital, and create jobs in the short term.

The Lesotho dams are the jewel in the skewed crown of southern Africa's dam-builders. In January, celebrations and media hoopla to mark the start of water transfer from Katshe to Gauteng gained the LHWP much needed positive publicity.

President Nelson Mandela termed the project a "resounding success", while Asmal described it as part of the region's renewal and renaissance. But the considerable irony is that the project had been launched by former



**PROS AND CONS** The Lesotho Highlands Water Project provides many jobs, but upon completion it will also displace about 11 000 of rural under workers - in a country where arable land is already scarce

president P W Botha as a morale booster for the apartheid state when all was falling apart in 1986.

Botha's dams repeated a pattern, since the H F Verwoerd (now Gortseb) Dam was built to demonstrate that the Nationalists were still in charge after Sharpeville in the early sixties.

Richard Sherman of the Group for Environmental Monitoring pointed out that Asmal had been a Lesotho dam opponent when the apartheid era project was designed, but had since changed tack under intense pressure from the dam-building fraternity and the World Bank.

Political dams they were, and political the Lesotho dams have remained. Local opposition to Katshe hit the headlines in September 1996 when five

people died and about 13 were injured in clashes between police and strikers. Next, it emerged that promises of resettlement and compensation for about 2 000 people displaced by Katshe had not been met, and the lives of about 24 000 people were affected. The dams will consume 11 000ha of farmland in a country already short of it.

To cap it all, the official claim that Lesotho had water aplenty and to spare was contradicted by a senior official in the SADC. Speaking at a water conference in Lesotho last year, Lengolo Monyake said that within the next 10 to 30 years Lesotho would have to face water scarcity like other countries in the region.

The dam project's defenders have retorted that the scheme accounts for nearly 15% of Lesotho's gross domestic product and is helping it to overcome retrenchments of its migrant labour force on South African mines.

The Department of Water Affairs and the World Bank reacted to criticism by beefing up the social responsibility programme. Despite the defences, the phalanx of pro-dam opinion-makers has lost ground. Ranged against them is a loose coalition of environmental lobbyists, non-governmental organisations and churches.

on the Internet and at conferences.

The coalition also includes South African bodies such as the Group for Environmental Monitoring and the Southern African Rivers Association. South African and Lesotho media are carrying letters and articles questioning the high social and environmental costs and the political ramifications of the scheme.

Recently, queries have been raised by Rand Water itself, the key intermediary between the dam-builders and the people of Gauteng.

Rand Water has stressed the importance of water demand management, suggesting that the Mchale Dam could be delayed by up to 17 years with 40% better water conservation and re-use in Gauteng.

Water Affairs has responded that it is up to the local authorities in Gauteng to prevent wastage, but that the government must ensure bulk supply based on projected needs.

The Katshe Dam has caused social dislocation and serious environmental damage, and more is to follow as people are moved and arable land is flooded by the Mchale Dam. The impact is permanent and irreversible, and feedback from the communities shows they are deeply unhappy.

But officialdom and the World Bank have crisscrossed on. Protesters by civic associations in Alexandria and Soweto were brushed aside. The cities had called for more and better planning before taxpayers and consumers were forced to pay for the next dam in the grand plan, Mchale. The International Rivers Network said the cost of the dams was pushing up water tariffs.

Last year, Asmal reassured civil engineers at their annual congress there would be no pullback on dam commitments, and he listed major projects under way or being planned.

reserve that would, lose most of its riverine bushveld under the dam. Calverley said his conclusion after attending meetings on the KwaZulu Natal dams was that the water authorities and engineers were merely going through the motions. They had selected a few sites for economic reasons, and were presenting environmentalists with false choices.

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### Expertise

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The South African Rivers Association (SARA), representing ecotourism companies, has called for a thorough re-examination of policies on dams and rivers. This would include:

- Research and development in desalination technology. Sara says it is in the interests of engineers to undertake this. There is no shortage of technical expertise, and the capital outlay on plants and pipelines would at least equal the current outlay on pouring concrete into river valleys. The entire thing could be designed as an RDP job-creation project.



**MORALE BOOSTER** Former president P.W. Botha needed a flag on the country burned

as Ian Player, founder of the Dust canoe marathon, have vowed they will oppose new dams - but they are powerless to prevent them unless Parliament acts to protect the heritage of South Africa's rivers.

Asmal's national programme to protect water catchments is a start towards protecting the remaining wild rivers. The ANC could also generate support for desalination if it publicly recognised that dam building was unsustainable and began to promote the alternative with all its benefits in job-creation and research.

A river is not just a drain for sewage or a resource for the finishing of tulle. It is a living ecosystem on which all other ecosystems depend.

(127) CT 9/11/98

# Project to promote water conservation in townships

**MOTSHIDISI MOKWENA**

THE Water Leaks Repair Project launched in Guguletu at the weekend aims to create awareness about water conservation and promote a culture of paying for services.

The project is aimed at residents of Guguletu, Langa, Nyanga, Crossroads and Philippi, where most of the leakages occur. About half of all the water in these areas is wasted

because it runs down drains

Water Affairs and Forestry Minister Kader Asmal said at the launch the government was committed to providing water to the millions without. But it was crucial people saved water, and encouraged others to pay. Asmal said it would go a long way to realising other developments, such as housing.

Cape Town mayor Nomaandla Mfeketo said the project was about

the restoration of good governance, the provision of an integrated service and infrastructure and managing the precious resource of water responsibly. "Investigations show major water losses of 50%, mainly because of bad plumbing.

"If these are reduced to acceptable international standards, this would save the City of Cape Town at least R6,5 million a year."

The priority of the project was

to repair leakages. This will be done on a once-off basis, at no cost to the residents and hostel dwellers, Mfeketo added.

Another aspect of the project includes changing the billing from a flat rate to a metered rate where residents pay for what they use.

Also, a lifeline tariff has been introduced by the City of Cape Town where the absolutely poor will be taken into account.

# Concerns raised over housing plan

Robyn Chalmers

(123)

20/13/11/98

A COALITION of nongovernmental organisations, the Urban Sector Network, has raised concerns about the low-cost housing national presidential lead project unveiled at the recent jobs summit.

Housing Minister Sankie Mthembu Mahanyele defended the project yesterday, saying it combined the resources of the private sector with those of government ministries dealing with infrastructure to meet the housing needs of the population.

The project aims to facilitate mass delivery through building of between 50 000 and 150 000 housing units by December 2001, with a minimum of 5 000 units in each scheme

Three-quarters of the overall lead project will be made up of rental housing, the remainder will be direct ownership financed largely by loans through the Gateway mechanism. This aims to provide finance, via securitisation, of between R20 000 and R50 000 to employed people who cannot access conventional credit.

Fazila Farouk, housing co-ordinator of the Urban Sector Network, which links nine urban development nongovernmental organisations, acknowledged there was a gap in the rental housing market. People falling in lower middle-income groups had few housing opportunities. This was largely because commercial banks had not made loans available, despite state-sponsored initiatives

aimed at facilitating the entry of commercial banks into the lower end of the market.

Mthembu-Mahanyele said the relationship with banks had now progressed to the point where they were openly committing themselves to a project with government, paving the way for future joint ventures.

The agency said it seemed incongruous that the national housing budget was slashed in 1997/98, yet resources were being pumped into the presidential lead project.

Mthembu-Mahanyele said the lead project would be in addition to the current housing programme, and the financial burden would be shared among government departments and with the private sector.

# 'Housing subsidies too small'

Government must do more

**GRAHAM NORRIS**  
PROPERTY EDITOR

**T**he Government and local authorities need to be more proactive if they want to address the Western Cape's housing problem properly, says Herman Fourie, the chairman of Communicare

Speaking at Communicare's annual meeting, Mr Fourie said the government subsidy given to first-time owners was simply not enough to provide both services and a top structure

"We'd like to see local authorities taking responsibility for services such as roads, the cost of which will be recovered through rates and taxes, and the Government helping with the buying of the land. This would mean that the entire subsidy of R17 500 could be utilised to build decent housing for the poor.

"Legislation requires all homes across the board to conform to a standard laid out by the National Home Builders' Registration Council. The money left of the subsidy after paying for services and land makes it impossible to build houses that comply to these standards

(123)  
ARCT 14/11/98  
Communicare, which was established in 1929 as the Citizens' Housing League, has as its core aim the provision of affordable housing for the lower-income groups and senior citizens, and the development of communities

"We have experienced a very successful year," said Mr Fourie "Our most notable contribution was to the bottom end of the low-cost housing market, such as the two projects for the homeless in Masiphumemele at Noordhoek and Sun City at Sir Lowry's Pass Village

"Although these have made a difference to the lives of the homeless people by providing them with the luxury of running water and toilet facilities Masiphumelele and a 24m2 house at Sun City, we are not satisfied with the concept of handing over incomplete structures "

Mr Fourie said the homeless still saw Communicare as just another developer wanting to make a quick buck "We do have a property development division whose sole objective is to make a healthy profit However, this profit is redirected back into areas where it is most needed, such as social services and low-income housing "

# Building watchdog will protect homeowners

(123) *Source: 17/11/98*

AFTER years of frustration for consumers who have found no joy with poor services of some builders, the situation seemed likely to improve with the establishment of the National Home Builders Registration Council (NHBRC) three years ago

The NHBRC is a non-statutory body and although it was established in 1995 not all builders belonged to it. As a result problems have surfaced from time to time because the NHBRC did not have regulatory powers over builders

In the past, consumers could not turn to anyone for help in their arguments with builders

Although many builders are good, service-oriented companies, the actions of the bad elements have given the building industry a bad reputation

Now the Government has decided to institute legislation which will give statutory recognition to the NHBRC undertaking

It was felt that legislation was

urgently needed to remove the uncertainty about the scope of activities of the NHBRC.

This led to the passing of the Housing Consumer Protection Measures Act (Act 95 of 1998) by Parliament.

The main aim of the law will be to regulate the activities of people involved in the business of home-building

The Act has been created to provide protection to buyers of new homes against so-called "fly-by-night" builders. These are builders who build to an unacceptably low standard or who refuse to get involved in the rectification of built-in defects in a home

The Act does this through the creation of a new regulatory body known as the NHBRC

There already exists a body called the NHBRC, but this will cease trading in about June 1999

A completely new NHBRC, a separate unit, will take over. The new NHBRC will extend

the protection of home warranties to all aspects of the home-building industry.

Beneficiaries of the R15 000 state capital subsidy will also be covered by the warranty.

Contracts between the provincial housing development boards and the NHBRC will provide cover for this form of housing while significantly reducing administrative processes and costs.

New housing above a R250 000 selling price will also be covered, whether the building is financed by a bank or built for cash.

By covering all homes, the NHBRC will be able to provide uniform protection to all South African homeowners at an affordable price

The new body will protect all against unscrupulous building contractors and this will be a great relief.

It will bring peace of mind to consumers, rich and poor and may result in the uplifting of standards

P 11

## Non-payment ethos will last for years, (123) says report

Star 19/11/98  
Communities would refuse to pay for municipal services for years, the South African Institute of Race Relations forecast yesterday.

Getting people to pay was hampered by socio-economic constraints and an unwillingness to pay for inadequate services, the institute said. This made it difficult to improve services.

The institute's "Spotlight, Beyond the Boycotts" report on local government's financial problems said most council income came from property rates and service charges.

Department of Constitutional Development figures showed that in March 1998, 71% of consumers were regular payers, and arrears totalled R8,9-billion. Much of that was old debt that would probably never be recovered, the report said.

It was not only people who refused to pay. Businesses did the same, and used municipalities as a source of cheap credit. And up to 41% of municipalities were unable to apply credit control effectively.

The report gave examples of violence caused by grievances over charges and arrears.

In February 1997, violence broke out in Gauteng among predominantly coloured communities who believed defaulting blacks were treated more leniently than they were.

At Secunda in Mpumalanga, councillors' homes were attacked with petrol bombs, apparently because electricity was cut to families in arrears.

Part of the problem came from grappling with boosting development and redistributing resources.

Officials and councillors from disparate backgrounds had difficulty adapting to new roles, resulting in unrealistic budgeting, resignations of qualified staff and duplication of positions.

Where development was most needed - mainly rural areas - there were not enough resources.

There was little involvement of local communities in developments, which raised questions about the sustainability of these projects.

The introduction of the uni-cities or mega-cities rapidly became entangled in allegations that mega-cities would marginalise smaller parties or that a decentralised system would entrench the effects of past discrimination. - Sapa

# New act 'to protect consumers'

(123) RD 20/11/98  
**Sibonelo Radebe**

THE new Housing Consumer Protection Measures Act would ensure that the building industry generally behaved more responsibly and would also keep away unscrupulous and fly-by-night builders, Peter Allsopp, MD of the National Housing Builders' Association, said yesterday.

The new act would have a significant effect on the wellbeing of the industry and consumers. Unscrupulous builders had to be purged because they not only hurt the consumers but also gave the industry a bad name.

From June next year all home builders would be required to register with the association, and it would be a punishable offence to

build a home without doing so.

Those who built homes without registration would face a minimum of one year imprisonment or a R25 000 fine.

All newly built homes would be registered under the association's defects warranty scheme.

The act held all builders responsible for three months for design and materials defects after completion of buildings, 12 months for roof leaks and five years for structural defects.

"The new law has been designed to offer protection to all home-owning consumers, including the poorest of the poor," said Allsopp.

The act would save the country millions of rands in its "preventative measures as opposed to the

cure approach", he said.

The act included enrolment and evaluations of projects before actual work started.

Allsopp dismissed criticisms levelled against the association that it was "a bloated bureaucracy wasting taxpayers' funds on administration and not benefiting the consumers".

The association had received about 6 000 applications, and with its limited resources, approved about 5 000 of them.

Sources within the industry said the association and the act required too much from the industry players. The act would block entry for new players, which would discourage competition and eventually hurt the industry, they said.



# Housing warranty plan 'a world beater'

(123) CF (MR) 20/11/98

**ADELE SHEVEL**

Johannesburg — By 2000, South Africa would have the most houses enrolled under a housing warranty scheme in the world, Peter Allsopp, the managing director of the National Home Builders' Registration Council (NHBRC), said yesterday

The warranty scheme ensures that contractors and devel-

opers fix any defects in a house within a five-year period

It will be an offence to build a new home without home builder registration and home enrolment, and contractors may face one year's imprisonment or a R25 000 fine for every home built without home builder registration and enrolment with the council

It will also be an offence for

banks to grant a mortgage to unregistered contractors.

The NHBRC is to deregister and develop a statutory body under the same name. The new law is expected to come into effect from June 1 next year

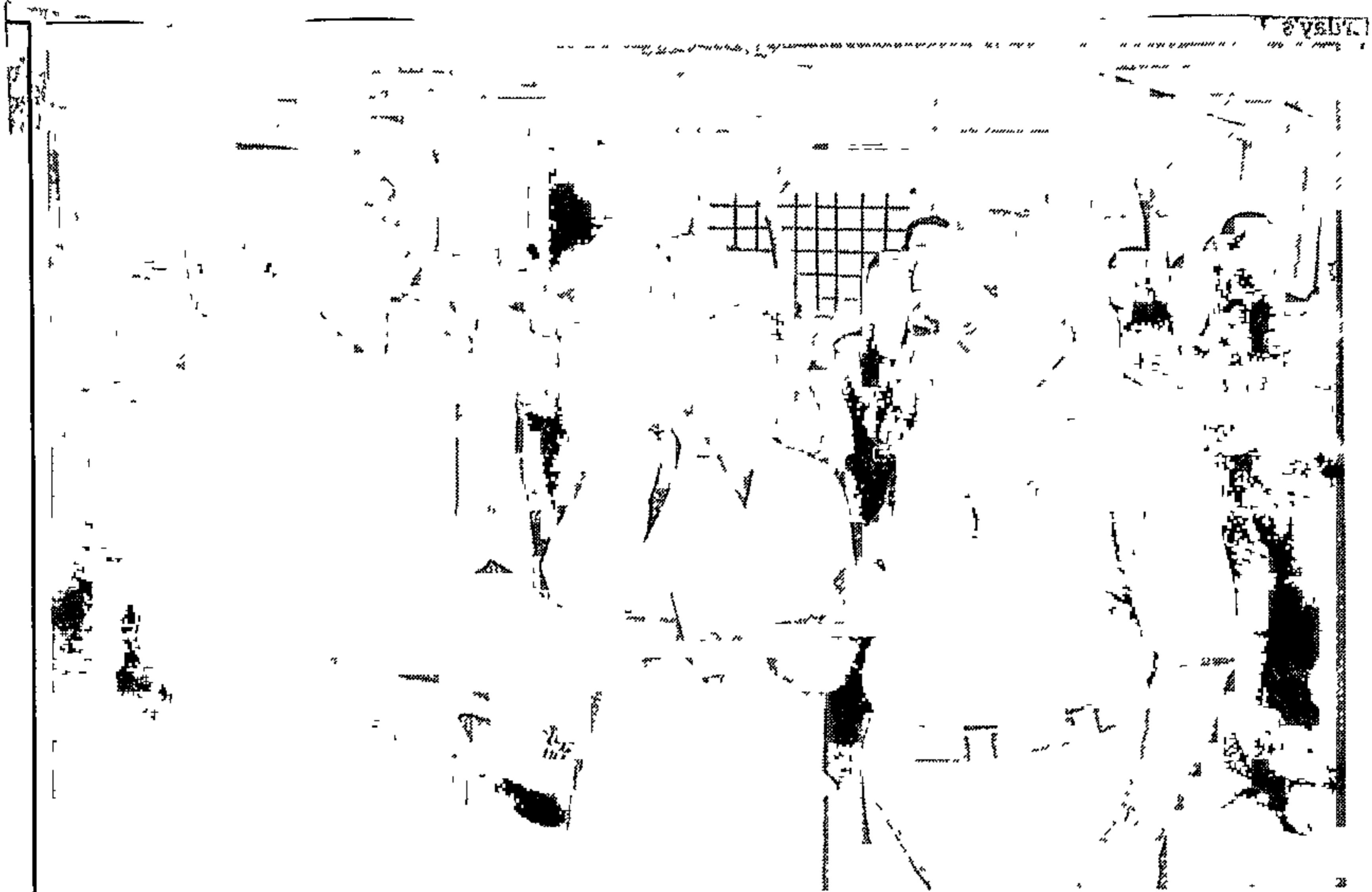
At present, only contractors who build homes that cost under R250 000 have to enrol with the council

The new law withdraws the

ceiling and enforces all contractors to pay a 1,3 percent fee of the total cost of land and building towards the scheme

"South Africa is the only country in the world with that ceiling," said Allsopp

The fund from which the council effects payment holds R50 million. Allsopp expects R1 million to be spent on changes by next year



## House loans go to rural women

Robyn Chalmers

LOW-income housing financier Rural Housing Finance has disbursed a total of R100m in the past five years with most loans going to rural women entrepreneurs, says MD Chris Hock

Hock said yesterday that 31 000 loans had been granted to date, the majority of which were for low-cost housing. "Our approach is increasingly being endorsed by employers and provident funds. The average size of companies with whom we have payroll facilities is also growing steadily," he said.

Rural Housing Finance gives loans for incremental housing for low income South Africans, specialising in the highly competitive, secured, payroll-based housing-loan market. With a 4% market share, it is the largest and the only non-bank lender in this niche.

The organisation services Gauteng and Free State goldfields, parts of the North West and Mpumalanga, with a limited service in northern KwaZulu-Natal and East London.

Hock said the organisation made fixed rate loans from R1 000 to R30 000, repayable over six months to seven years. The average size was R9 000 and the average client income was R1 900 a month.

Rural Housing Finance had a line of wholesale credit from the National Housing Finance Corporation of R80m, which was matched to the fixed-rate loan book.

Hock said that in response to past widespread abuse of housing loans, with consumers using the loans for consumption expenditure, the organisation used five overlapping controls:

These were moral suasion, using the agency's relationship with its clients and organised labour to get the message across, and credible quotations from building suppliers. A random sample of clients' houses were checked, the agency required repeat borrowers to provide evidence of the use of previous loans; and market research had been undertaken.

Hock said Market Research Africa interviewed 100 Rural Housing Finance clients last year and found 86% of its loans were used for housing.

Ruby Hlongwane receives a R50 000 cheque from Doug Hamilton, right, director of operations at Rural Housing Finance while MD Chris Hock looks on.

Picture ROBERT BOTHA

BD 30/11/98  
(123)

# 'Delivery programme improves'

**Robyn Chalmers**

THE rate of infrastructure delivery, and notably low-cost housing, has improved over the past year with the main area of failure remaining the lack of job creation and persistent high unemployment

A report by JP Landman of BOE Securities indicated that the housing backlog, estimated at 3-million units, could be substantially reduced and new demand for houses met during the next eight years

Landman said several housing parastatals and nongovernmental organisations had developed new financing mechanisms. These leveraged formally employed peoples' pension and provident fund monies to mobilise more housing finance

"These initiatives will not increase the supply of housing, but will help to leverage the government housing subsidy and provide a bigger house," he said

On electricity Landman indicated that about 80% of urban houses and about one-third of rural houses were connected at an average cost per connection of R2 800 and R3 750 respectively

A criticism of the delivery programme was that a large number of new connections were not economical. Many consumers could not afford the price of electricity and bought about R50 a month worth of electricity. This was not enough to cover the cost of the connection

"Although uneconomical, these connections are beneficial (as they

stimulate) small business activity while reducing pollution and environmental damage"

Telkom's investment programme was improving and it was scheduled to make 340 000 new connections in 1997/98. The utility was also upgrading telecoms infrastructure, having replaced 228 353 analogue lines with digital ones in 1997/98

However, Landman said little progress was made with job creation over the past year with about 500 000 jobs being lost between 1994 and last year — an average decline of about 1,6% a year. Education also remained a problem with 9% fewer candidates having passed matric last year than in 1994 and those who obtained a university exemption dropped 22% in the same period

HOUSING & HOSTELS

- GEN. -

1999

# Khayaletu Home Loans beats bond boycott culture

Robyn Chalmers (123) BD 2/3/99

A TURNAROUND in bond repayments is under way at Khayaletu Home Loans, largely because of an agreement signed with the SA National Civics Organisation (Sanco), said MD Siza Khampepe

Khayaletu Home Loans, a subsidiary of the SA Housing Trust which is being wound down and sold off, previously struggled with a five-year long bond boycott for about 15 000 houses

In the six months ended December last year the "average collections index" has risen 13%, which indicates that people who previously boycotted payments are now beginning to repay bonds

An agreement was signed between Khayaletu and Sanco in September 1996 which was designed to restore the culture of bond repayments. Khampepe said the positive response from paying clients underlined the credibility of the agreement

"It also confirms our view that the only solution to the issue of non-payment lies in frank and open negotiations with community structures," he said. Khampepe made it clear that non-paying clients would face legal action

Khayaletu reported a net profit of R8,8m before provisions in the six months to December but the profit was eroded by provisions made for "issues related to boycotts", said Khampepe

The housing ministry said yesterday that a recently appointed board of directors at the SA Housing Trust was busy with procedures surrounding the winding down of the trust

The previous government invested R445m and underwrote a further R890m in the organisation

Housing Minister Sankie Mthembu-Mahanyele said recently that several institutions have shown interest in buying the trust along with its companies Nu-Way and Khayaletu Home Loans

According to Mthembu-Mahanyele it has been decided that Nu-Way Housing Development will be sold at net asset value. Khayaletu Home Loans' existing performance book will be sold to the highest bidder and the minister would facilitate the transfer of assets from the trust's development division to Nu-Way

**Robyn Chalmers**

SUN CITY — Alternative forms of low-cost housing finance, such as securitisation, microlending and guarantees, are beginning to make inroads into the 2.5-million employed people who struggle to gain access to bank credit

Delegates at the annual SA Residential Developers Association conference heard yesterday that formal banks had largely failed to penetrate the lower end of the housing market, particularly home loans of between

# Alternative forms of housing finance gain ground

R20 000 and R50 000

Association president Chris Cudmore said developers and other players in the low-cost housing market were often unaware of the huge growth in non-bank lending. This growth was placing great pressure on the formal banking sector to change the way they did business in this market

Trevor Fourie, FBC Fidelity Bank retail

financial services director, issued a challenge to banks to review their strategy on funding low-cost housing. He said the "slogging" of banks should stop as financial institutions would not go into markets which were too risky or unattractive. A concerted effort was needed by developers, government and banks to ensure the market was conducive to investment

In the absence of formal credit, there has been a growth in alternative funding forms, such as securitisation. This is the repackaging of individual loans, or other debt instruments, such as credit cards, which are converted into a security for ultimate on-sale to a third party

Simon Stockley, CE of SA Home Loans, one of the first SA companies to fund its loan

book through securitisation, said the company would consider entering the lower end of the market, once its first pool of collateralised loans began to perform

Johan de Ridder of King Finance Corporation said while certain responses to the need for home finance at the lower end of the market were evident, there were still a high percentage of people who could not gain access to credit

De Ridder estimated that about 40% of microloans were being used for housing improvement or housing construction

Robyn Chalmers

MMABATHO — Government's funding of the low-cost housing programme has levelled off for the medium term, so any further increases in the housing subsidy will result in a cut in the number of houses built.

Andre Roux, assistant director-general of the finance department, told the SA Residential Developers Association conference yesterday government was satisfied the current level of spending on housing was adequate in the face of its other social commitments.

Government spending on housing reached a high of R4,5bn in 1997/98, but fell sharply to R3,7bn in 1998/99. Roux said this was due to overprovision of funds for hous-

# Govt says spending on housing adequate

ing in previous years. This led to rollovers as the housing programme had not fully taken off and the money could not be spent.

Spending in 1999/2000 fell further to R3,5bn, where it will level off for the foreseeable future. The total subsidy allocation is set to remain at about R3bn.

Government's decision to increase the top subsidy to R16 000 from April 1 from R15 000 previously means a total of 188 000 subsidies can be allocated this year, housing about 850 000 people.

Roux was confident interest rates would continue to fall in the current year and would reach more manageable levels by the first quarter of next year.

Housing Minister Sankie Mthembu-Mahanyele said interest rates on mortgage finance loans should be brought down to open up the flow of credit for the speedy reduction of the estimated 3-million housing backlog.

"The issue of high interest rate premiums is now being taken up by politicians and the call for the lowering of interest rates has

started. We want to see a much more determined and encouraging response from the banking sector," she said.

Mthembu-Mahanyele said banks had violated the terms of the Record of Understanding, an agreement signed in 1994 with the then Association of Mortgage Lenders with the aim of increasing lending to the low income housing market.

A total of 50 000 loans in this market was agreed to in the first year, with an annual increment for three years. The Mortgage In-

(123) PD 10/13/99

BUSINESS DAY, Wednesday, March 10 1999

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demmy Fund was formed by government to facilitate this process and indemnify banks against undue risk.

Mthembu-Mahanyele said in its three years of operation the fund accredited only 17 financial institutions and a total of 139 985 loans to households valued at R10bn were granted in areas covered by the fund.

However, of this a total of 78 000 loans valued at R3,8bn were granted in government's subsidy market. "Clearly this did not even begin to scratch the initial target agreed upon," she said. "There was a need to begin looking at other sources of investment. The tapping and use of new and innovative methods of finance like insurance funds was a possibility," she said.

# Integrated cities could cure SA ills and 'unlock potential'

Government's housing programme may undermine poor communities rather than empower them, argue Sasha Gear and Richard Tomlinson

9th 10/2/99

(123)

THE Housing White Paper of 1994 states that "government strives for the establishment of viable socially and economically integrated communities situated in areas allowing convenient access to economic opportunities as well as health, educational and social amenities." Is the housing programme achieving these goals?

Here we look at the economic empowerment implications of the housing programme for beneficiary communities

There are four questions

- Does the location of housing enhance access to employment opportunities and social services by the populace?
- Can the house itself be used to generate income whether through renting premises, as a business premise or as a source of collateral?
- Does the delivery process provide opportunities for small contractors in the community?
- Does the supply of municipal services enable subsidy beneficiaries to start up or expand businesses?

The answers to these questions are reflected in the results of a research project into four housing projects in Gauteng, undertaken by the National Housing Forum Trust and released yesterday

The research is reported in the voices of the community members.

— Accessibility

The peripheral location of housing projects increases transport costs and reduces job search activities of unemployed household members — directly and indirectly reducing household income.

"Where I work is very far I use taxis. Per month I spend about R300 for transport. I've got three children who go to school and they also need transport money. Per month I spend about R200 for the children."

"For transport I give him (my son who is looking for work) R10 because a taxi from here to Johannesburg is R5. If I don't have money,

he gets seated (stays at home)."

"No (we don't go to look for jobs). It's difficult because now there are no jobs. How much do you have to pay to take a taxi? If you are looking for a job and can't find a job how much have you spent? It's R10."

These reports are in contrast with one project that was built between the historically white and black parts of town, on mill land. Here residents commented

"Since I came here things are much, much better because here I've got water and electricity. Everything is better including transport because I walk from here until the station to get the train."

Similar costs are experienced in respect of access to social services and amenities.

"I am not happy because there is no transport no clinic and no schools. Just look how my children travel every day. I am using more money every day."

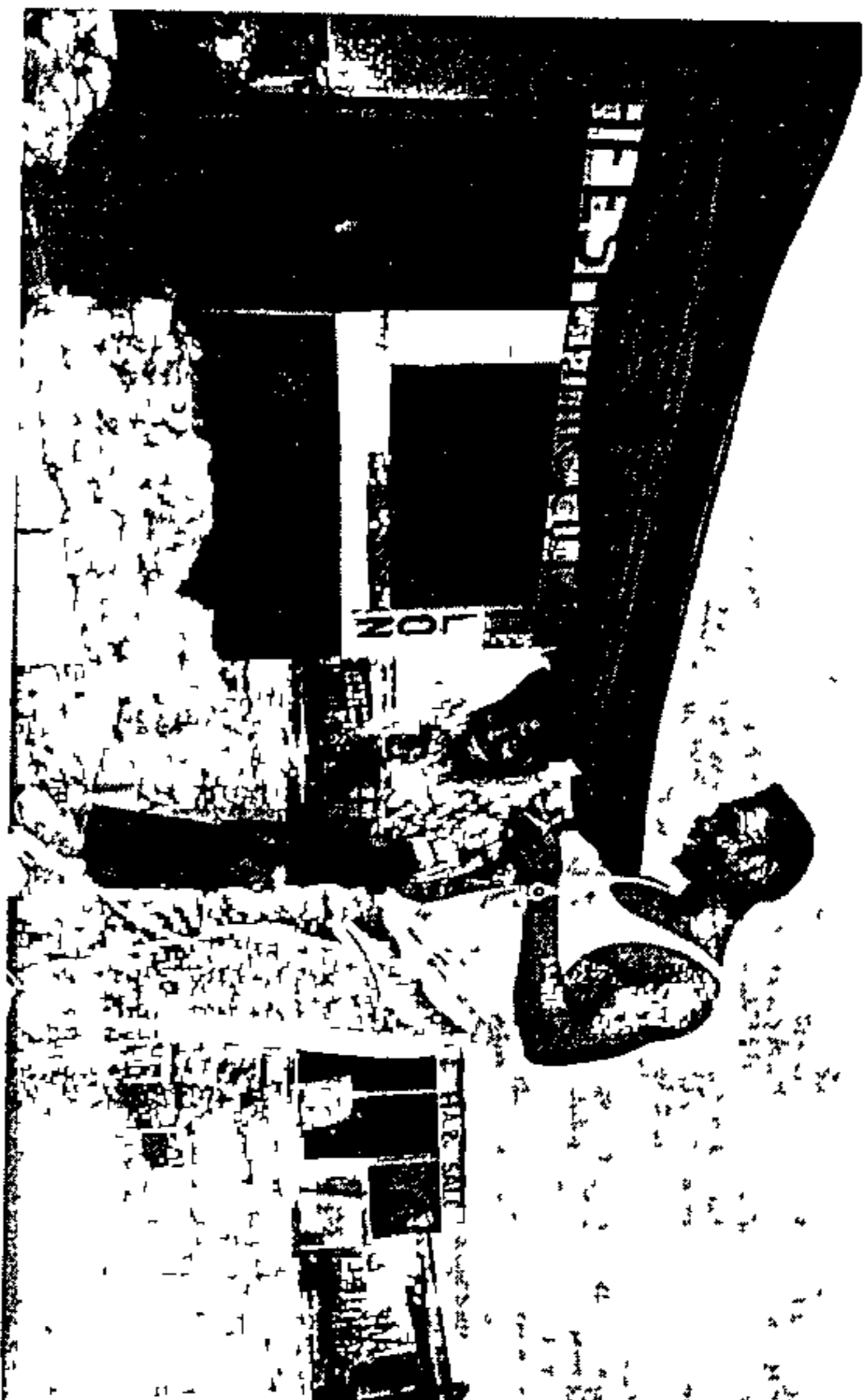
"I don't think we'll stay here because my husband wants to go back to (where we were before). He says this place is too costly for everything. There's no health, no schools and no shopping centres."

"You know, when you're desperate you think only, if only I can get a house. You forget about the needs around you, the need that your family has no transport. Another of our neighbours left last week. I don't know where he has gone to but he's put someone in his house to rent it."

For women-headed households isolation is a particular problem and dictates additional expenditure. "I leave very early to go to work and the crèche closes at 15h00. I leave at 06h30 and it's difficult for me to wash him and leave him at the crèche. The lady looks after him. Even if I come home late he sleeps over there. I pay her R120 per month. It's very difficult to take a child to other people because you pay."

Income generation

No instances were found of people renting



Research suggests that in some cases the housing subsidy accentuates economic disadvantage, social exclusion, institutional isolation and the lack of employment opportunities, even at the informal level.

space. It appears that the limited demand for rental accommodation is due to the poor location of the projects. It also appears that houses cannot be used to raise collateral, again partly due to limited demand for peripheral housing.

People with mortgages are especially hard hit since rather than acquiring an asset and a potential source of collateral, the resale value of the house is less than the bond. When financial difficulties arise the subsidy beneficiary ends up with a liability.

"I pay every month and they deduct it from my salary. But after a month or two weeks I found a letter. They say I am in arrears just like last year

cramped here in the house. Finally, many businesses engaging in retailing or services find the location of the house and the low densities an obstacle to achieving a market threshold. There is, in addition, a lot of overtrading in the case of spaza shops. Many business people consequently relocate to better travelled areas.

Here it's better because at my mother's place there were many people selling the same things that I sell. Now, here it's better because at my street I am alone — the only one who is selling cold drinks, sweets and chips for the children.

"I chose this place because it's better. Many people travel past here — it's a main road."

"I chose it because there are lots of people who can see me here. It's unlike home, it's a four-way stop."

Small contractors. Business and employment opportunities flowing directly to subsidy beneficiaries only occurred in a squatter upgrade. One local builder built toilets for the settlement and other residents provided labour. The housing programme has had mixed effects for small builders who live in areas where the housing subsidy is provided.

Subcontractors feel exploited by established contractors in relation to the payments they receive, and especially in light of what is expected of them. This is because of difficulties they experience in getting payment and the perception of unfair contract conditions. Furthermore complex tendering processes, in combination with a lack of tendering skills, are viewed as preventing participation in the industry. The builders interviewed get most of their work by word of mouth.

"These big contracts, they give people with big jobs but they don't pay them. I have worked for those companies but I see it's better to work alone. It's better that I don't get in a fight with anybody. I just get some food to give to my kids."

"I thought that I will get the money like that money of the house I bought. But we don't get nothing, we builders. I don't know if it's because we did not register or what. They don't pay me money to small builders. It's R38m<sup>2</sup> so (for) a 45m<sup>2</sup> the whole house is R1 700. For the whole house."

"I wish I had tendering skills. I have never tendered for big jobs. With my experience in building, if things would go my way, I will immediately stop building small houses and go for bigger jobs like schools and shopping centres because I think I've had my share of burning in the housing situation."

Services. Business people singled out electricity as a major stimulus to growth, but irregular supply as a problem.

"It would help me if they put in a ready board but it costs R350. It would help me because vegetables get rotten in the heat."

"The electricity makes my business grow — it moves the business. People like to have very cold beers."

I will no longer use gas for my fridges and when there is light after 7pm, customers will not be scared to come because they are afraid of being robbed. The phones use electricity and the car-batteries. You see, today the electricity is off, so I'm using batteries. I phoned them, they haven't come."

"We've got a problem of electricity here. Most of the time we're without electricity. It trips. You're sitting watching TV and suddenly the electricity's gone and it comes back in two days. It's a problem for the shop — I've got milk, I've got meat, it's going to go off."

This research suggests that, in certain instances, the housing subsidy accentuates economic disadvantage, social exclusion, institutional isolation and lack of employment opportunities. These are the essential characteristics of poverty.

Rather than economically empowering communities, the housing programme may undermine them. The choice is between counting the number of housing subsidies versus building integrated cities.

Gear is a social researcher. Tomlinson is a visiting professor at the Graduate School of Public and Development Management at Wits University.

## THE BUSINESS DAY NOTICE-BOARD





# Minister under fire over legislation

By Joshua Raboroko

HOUSING Minister Sankie Mthembu-Mahanyele has come under fire from developers over the terms of the Housing Protection Measure Bill, which is scheduled to become law in June.

The Bill will make the registration of home builders with the National Home Builders Registration Council compulsory before financial institutions can advance finance.

Builders will then have to pay a 1,3 percent levy to the council on the value of a project. This will create a fund to finance claims against builders whose products fall below the standard demanded by the council's warranty.

However, the Building Industries Federation of South Africa (Bifsa) and the Master Builders Association (MBA) have stated the Bill as anti-consumer because it will push up costs.

They have also criticised several points of detail in the present draft of the law, and believe the Bill should be reviewed.

On the other hand, the Home Loan Guarantee Company (HLGC), the country's leading facilitator of affordable housing finance - with R1 billion in loans on the books - has come to Mthembu-Mahanyele's defence.

Charlene Lea, the company's chief executive officer, believes the minister

should be applauded for "grasping the nettle of inferior home construction quality".

Lea said: "There may be room for criticism on points of detail but the minister deserves recognition for showing a sense of urgency and having the courage to tackle this issue."

"The broad concepts of registration, and of consumer recourse, should those standards not be met, are positive."

"Developers say their major concern is for the consumer. Yet for years consumers have complained of inferior home construction quality. When this dissatisfaction comes to the boil in various communities, the pro-consumer sentiments of the developers concerned are not in evidence."

"By all means amend the points of detail in the legislation where necessary, but the main thrust of the new Act deserves to succeed."

"It is about time something was done to tackle the historic imbalance between the attention focused on financial products in this market and that on housing products."

For at least 10 years, those concerned with mass housing delivery have



Housing Minister Sankie Mthembu-Mahanyele.

drawn attention to the challenges of affordable housing and the lack of construction quality at the lower end of the market.

While the issue of affordability has been addressed through subsidies, bridging loan finance guarantees and other institutional guarantees, the quality of housing has not received nearly the same attention.

Lea said "Housing quality concerns have been a major contributory factor in home loan boycotts and other forms of community action."

"While the banks suffered because the only recourse people had was to stop paying their bonds or service

accounts, the developers were the real target of dissatisfaction."

"In the past the HLGC often came across complaints that homes were not built according to specifications and that homes were built with inferior materials."

"We've been told about homes that were built in such a shoddy fashion that they virtually fell down."

"We've also heard of cases where a housewife cannot open a window if her neighbour's is already open because the houses are so close together."

"Ask such consumers whether they would have been prepared to pay a little extra to ensure they would not be fobbed off with homes like these. Do not speak for consumers. Speak to them."

Bifsa said earlier "Bifsa is strongly supportive of the minister's initiatives to provide more housing and we are working closely with the Department of Housing and others."

But it added: "Some provinces require higher standards and specifications than others, and it is sometimes impossible for our national membership to achieve a common minimum standard within the subsidy."

Lea said: "As the country's most experienced facilitator of end-user access to housing finance, we must be sensitive to issues that might cause default. Experience has shown that dissatisfaction with building quality is one of these."

She added "Doctors, lawyers and other groups have to register with industry bodies, enabling disciplinary measures to be taken against them should they fail to perform to required standards."

"Housing developers surely cannot expect to remain insulated. They should be prepared to take responsibility for their products. Legislation that provides for accountability deserves to succeed."

Siza Khampene, the managing director of Khayalethu Home Loans (KHL), a subsidiary of the South African Housing Trust, said dissatisfaction with houses formed a major part of their struggle with clients.

Developers were granted huge loans to build KHL's 30 000 housing stock. However, some disappeared when structural defects arose, while others simply changed their names and addresses.

"We have been left holding the baby by those unscrupulous developers," said Khampene. "We are presently losing R3,5 million a month as a result of bond boycotts. We need to stop this protest by satisfying clients."

# Minister challenges housing developers

By Joshua Raboroko

**H**OUSING Minister Mrs Sankie Mthembu-Mahanyele has challenged developers and banks to find innovative ways to soften the impact that high interest rates and unscrupulous micro-lenders have on poor communities

Speaking at the second annual conference of the South African Residential Developers Association (Sarda) at Sun City, Mthembu-Mahanyele said over 2,5 million poor South Africans desperately needed credit to buy houses

She said the issue of high interest rates had to be faced by both the Government and private sector. The rates were now in the political arena

"They must be brought down to open up the flow of credit. We must find sustainable methods to provide

loans of R10 000 to R50 000," she said. She sharply criticised micro-lenders who retained clients' identity documents or the ATM cards. A Micro-Finance Regulatory Council had been created to control this industry in line with accepted practices, she said.

Sarda president Mr Chris Cudmore said more than 2,5 million people, who could not access mortgages of between R20 000 and R50 000 from banks, increasingly turned to alternative financing, including micro-lenders, cooperatives and housing finance institutions. Cudmore said the Government's housing policy change, aimed at delivering quality as opposed to quantity despite continued cuts in the housing budget, placed an extra burden on developers to find innovative methods to finance bigger homes.

He said the conference aimed to

bring developers and financiers together to find out how they could best meet the demand for small loans to build bigger homes for communities.

Department of Finance assistant director-general Mr André Roux said the Government's funding of low-cost housing had levelled off for the medium term, so any further increases in the housing subsidy would result in a cut in the number of houses built.

Roux said the Government was satisfied the present level of spending on housing was adequate. Government spending on housing reached a high of R4,5 billion in 1997-98, but fell sharply to R3,7 billion in 1998-99.

Representatives from banks, housing finance institutions and the National Home Builders Registration Council are attending the four-day conference.

(127)

Sowetan 11/3/99

# EXPOSED

43 houses collapsed just two months after completion  
One in 10 subsidy applications are said to be fraudulent

# Robbn housing rooftop

MICHAEL SCHMIDT and  
CAROL PATON

(123) ST 14/3/99

**M**ORE than half the 600 000 houses built for the poor since 1994 have been declared "substandard" by Housing Minister Sanku Mithembu-Mahanyele

The minister has vowed to blacklist several of the construction companies that used an estimated R5.9-billion in subsidy money to construct the 396 000 houses that are either too small or badly built

Meanwhile, Judge Willem Heath's Special Investigating Unit is to probe all 990 000 applications for housing subsidies in Gauteng as fraud is suspected in as many as one out of every 10 applications

The housing crackdown has been prompted by Deputy President Thabo Mbeki's anger at discovering that a developer built houses half the minimum size while on a tour of an Uptown housing development two weeks ago

Mbeki's spokesman, Ronnie Mamoepa, said yesterday, "He is seriously concerned about unscrupulous developers who have fleeced our people."

The government is to introduce tough new standards in April to ensure that developers do not rip off the poor in future

And from January next year all developers in the subsidised housing sector will have to guarantee the new statutory National Home-Builders' Council that their houses are well built and fit to live in, and will be forced to repair any structural problems up to five years after construction

Mithembu-Mahanyele said "It's a moral and ethical problem" She added that she was tired of "hitting against a wall" when telling the industry to uphold their social responsibility to the poor

Mithembu-Mahanyele singled out a developer who built a settlement at Gyan in the Northern Province where 43 houses collapsed in a storm in December, just two months after completion

Other problem developments included a suburb in Paarl, where developers had just built roofs supported by four steel pillars with a single brick wall, and, in Guguletu, near Cape Town, where chaos reigned after two companies both falsely claimed they had been appointed by the local authority to build in the area

She questioned why some developers had erected houses so small they could be described as "shelters" while a self-

JUDGE HEATH



Heath said yesterday that he was already investigating 54 000 cases of suspected housing subsidy fraud Investigator Thinus Rheede said he expected that between 10 and 15 per cent of the applications were fraudulent-ly obtained by using fictitious buyers and sellers and false property claims The unit is issuing about 300 summonses in KwaZulu-Natal to people who allegedly fraudulently acquired subsidies to appear before the Justice Department's Special Tribunal

help scheme in the Eastern Cape had built houses almost 10 times the size with the same money The Building Industries Federation of SA struck back on Friday, saying it was "most unfair" to apply the new standard which would become law on April 1 retrospectively over the past five years

Bitisa executive director Ian Robinson said the government insisted that developers build bigger houses, the industry would be forced both to build standard houses with thin external walls and no ceilings, and to use illegal, cheap labour

Mithembu-Mahanyele countered by saying "Bitisa have their own interest, which is profit We want more than what we are getting but they say, 'Allow us to deliver 10m?'"

# Parliament probes home loan rate reductions to help the poor

CHARLES PHAHLANE  
PARLIAMENTARY BUREAU

(123)

The Government is investigating legislative measures that could see interest rates on housing bonds reduced in the medium to long term.

High interest rates are hurting new home ownership, particularly at the lower end of the market. Interest payments can mean a reduction of the average size of houses that can be built for homeless and poor people.

Housing Minister Sankie Mthembu-Mahanyele is expected to raise this issue during her budget speech today.

The new measures are being investigated by the National Assembly's sub-committees on trade and industry, finance and housing.

The chairman of the finance sub-

committee, Mandisi Mpahlwa, said the hearings on banks held two weeks ago would assist the Government with any legislative process that could result.

But he said the Government would not issue a directive to banks to lower their interest rates. If there were any legislative proposals arising from the hearings, they would be developed in the medium term.

A report on the bank hearings is expected to be issued early this week.

Mr Mpahlwa said the hearings also concentrated on the various bank charges and the need for banks to disclose exactly what these charges were for.

These could go a long way in relieving over-burdened consumers.

The housing sub-committee wants to ensure that banks disclose reasons for refusing to grant finance

to poor people. "It is a myth that poor people are not paying their bills," a government official said.

Meanwhile, the housing ministry has rejected a Sunday newspaper report saying more than half of the 600 000 houses built for the poor since 1994 were declared "substandard" by Ms Mthembu-Mahanyele.

Housing ministry spokeswoman Gege Kekana said the report was not true.

The report also said Mr Justice Willem Heath's special unit would investigate all 990 000 applications for housing subsidies in Gauteng, as fraud was suspected in as many as one in 10 applications.

But Ms Kekana said 959 000 subsidy applications had been approved nationally and that it could not be the case that 990 000 had been approved in Gauteng alone, as the report stated.

APG 15/13/99



# Agency plans to spread assistance

(123)

By Isaac Mdledi

THE National Urban Reconstruction and Housing Agency is gearing up to roll out its end-user finance products nationwide in the coming months

The housing facilitator reported at the weekend that these products were already available in Gauteng, Northern Province, Western Cape, Eastern Cape and Free State

Said Nurcha financial consultant Mrs Sabi Mthwecu "We're encouraged by experience with all programmes to date. We now plan to widen the initiative to take in additional areas, making use of suitable local partners for delivery of our products."

Nurcha uses loan guarantees to encourage greater participation in the low-income housing market by financial institutions

It first made its mark in the bridging finance arena, sharing risk with institutions and housing developers in order to get more projects off the ground

Since last year it has complemented this work by applying guarantees to housing-related, end-user finance - creating access to personal loans for low-income families that are regular savers

In Gauteng, nearly R2,5 million in

guarantees will make it possible to build 437 units of rental stock near Germiston

In Northern Province, the company has entered into an agreement with Agishana Credit Company to make unsecured loans to those earning less than R1 500 a month, especially women, in rural areas

The total guarantee amount is R900 000. Loans average R2 500 each, repayable over two or three years. The first loans were made last August

## Guarantees

In the Eastern Cape, Nurcha has issued more than R2 million in end-user guarantees to facilitate housing in East London and Port Elizabeth

A link-up with the Cape Metal Employees Association in the Western Cape had by February resulted in the allocation of 105 loans at a total value of R730 000

In the Free State, where a relationship with Bloemfontein-based King Finance has been established, the total guarantee is for R1 570 000

By the end of February, King Finance had issued about R257 000 in Nurcha-backed loans. The average loan amount is R3 900 repayable over two years

# Banks will be forced to finance cheap houses

By JOVIAL RANTAO  
Political Correspondent

Cape Town - The Government is preparing legislation to force financial institutions to lend in the low-income housing market, Housing Minister Sankie Mthembu-Mahanyele told Parliament yesterday

Introducing the debate on the housing budget vote, Mthembu-Mahanyele said the Fair Lending Practices Draft Bill would aim at discouraging discrimination on the basis of gender, family and status

The legislation would force banks and other deposit-taking institutions to disclose why a loan application was turned down.

She said the Government's intervention was necessary and enjoyed the support of most financial institutions polled in an informal survey

"It's the Government's way of fulfilling our constitutional obligations to provide access to shelter by making sure people's application for mortgage funding are not rejected simply because they belong to a specific class or gender, or lack family status

"A total of 84% of housing development is subsidy linked, with the remainder being credit linked.

"With this draft bill

we're saying that banks should be encouraged to serve those who invest their monies in their institutions by reciprocating in the form of mortgage lending," she said

"This is not meant to disrupt the market but to promote and foster a social responsibility ethic on the part of the financial institutions

"Similar legislation has been successfully implemented in the US for the last 25 years," Mthembu-Mahanyele said

The minister said the

## Bill to enforce reasons for refusals

bill was meant to fill the void left by the failure of the Mortgage Indemnity Fund to cover lower-income earners

"We hope to eradicate the imbalances that have been entrenched for years but also improve what has been so far a dismal failure by financial institutions to penetrate the lower end of the market," she said.

She also announced that the Government is to unveil further alternative methods aimed at financing low-cost housing delivery

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SPW 16/3/99

# Govt to intervene in housing loans

JOVIAL RANTAO

(123)

ET 16/3/99

THE government is preparing legislation to force financial institutions to lend in the low-income housing market, Housing Minister Sankie Mthembu-Mahanyele announced in Parliament yesterday

Introducing a debate on the housing budget vote, Mthembu-Mahanyele said that the Fair Lending Practices Draft Bill would be aimed at discouraging discrimination on the basis of gender, family and status. The legislation would force banks and other deposit-taking institutions to disclose information on why certain loan applications were turned down.

She said the government's intervention was necessary and enjoyed the support of most financial institutions polled in an informal survey.

"It's government's way of intervening and fulfilling our constitutional obligations to provide access to shelter by making sure that the people's application for mortgage funding are not rejected simply because they belong to a specific class, gender or lack family status.

"With this draft bill we're saying that banks should be encouraged to serve those who invest their monies in their institutions by reciprocating in the form of mortgage lending. This is not meant to disrupt the market but to promote and foster a social responsibility ethic on the part of the financial institutions."

The minister said that the bill had been designed to fill the void left by the failure of the Mortgage Indemnity Fund to cover lower income earners covered by the government subsidy

scheme. It was envisaged that the bill would change the trends in the South African financial system in so far as serving the lower end of the market.

The bill also seeks to promote increased lending and disclosure by financial institutions specifically for housing, and to significantly accelerate the elimination of distortions in lending practices.

The government is also to unveil further alternative methods aimed at financing the low-cost housing delivery.

Project Gateway, a brainchild of the National Housing Finance Corporation, is to be launched on a pilot basis next month to enable people to buy houses between R20 000 and R60 000. It involves banks and other lenders providing standardised home loans for the purchase of houses.

# New gateway to homes opens for poor

## State's R500m loan company will dispense cash for houses costing up to R60 000

**CHARLES PRAHLANE**  
PARLIAMENTARY BUREAU

A new R500-million institution will be ready in April to provide loans in a pilot project to those buying houses for less than R60 000.

The housing department's National Housing Finance Corporation has established Gateway Home Loans with an initial capital of R500-million.

A Gateway loan is a substitute for a bank mortgage and will be paid over eight years in fixed monthly instalments.

At least 50% of the loan will be secured through a pension or provident fund. The loan book will then be sold to investors.

Essentially, (Gateway) enables formally employed people with a provident fund to combine the loan with a housing subsidy, if eligible, to buy a new house," Housing Minister

Sankie Mthembu-Mahanyele told Parliament yesterday.

"The main aim is to enable people to buy houses of between R20 000 and R60 000, depending on their ability to afford loan repayments."

She said accreditation of lenders who would make and service the loans was under way.

Already three banks had applied for accreditation. Developers who wished to have their projects eligible for Gateway

also had applied. Ms Mthembu-Mahanyele said the Government was preparing legislation to force banks to lend to low-income earners.

The draft Fair Lending Practices Bill aims to discourage discrimination on the basis of gender or poverty.

"(This bill) is Government's way of intervening and fulfilling our constitutional obligations to provide access to shelter, by making sure that people's applications for

mortgage funding are not rejected simply because they belong to a specific class or gender or lack family status."

Ms Mthembu-Mahanyele said 84% of housing development was subsidy-linked, while the remainder was through credit.

The legislation would force banks and other deposit-taking institutions to disclose information on why certain loan applications were turned down, she told the House

The legislation was not meant to force banks to lend to people who could not pay, but being poor should not be a reason for refusing a loan, she said.

The bill also sought to promote increased lending and disclosure by financial institutions specifically for housing.

Also, it would accelerate the elimination of distortions in lending practices significantly by levelling the playing field.

(123) RR076/13/99



# 'Govt has delivered good quality houses'

(123)

By Joshua Raboroko

**H**OUSING Minister Mrs Sankie Mthembu-Mahanyele has angrily defended the quality of houses her department has built since 1994 following weekend criticisms that they were of low standards and poorly constructed

Admitting that there were some houses that might have both problems, Mthembu-Mahanyele told the National Assembly on her budget vote yesterday that the instances where they occurred were "very few and far apart"

"If our houses were unsafe, we would be facing a major catastrophe," she said in response to a report in a weekend newspaper claiming she had said more than half of the 600 000 houses built for the poor since 1994 had been declared "substandard"

The newspaper report said the minister had vowed to blacklist several construction companies that used R5,9 billion in subsidy money to construct 396 000 houses that were either too small or of poor quality

The report said Judge Willem Heath's special investigating unit would probe all 990 000 applications for housing subsidies in Gauteng as fraud was suspected in 10 percent of them

It added that the housing crackdown was prompted by Deputy President Thabo Mbeki's anger when he toured an Uppington housing development project and discovered that a developer built houses without kitchens and toilets

Mthembu-Mahanyele said there was a difference between small and a poorly constructed houses. While some houses might have both problems, these were not predominant

She said the newspaper report had been "thumb sucked"

It was impossible for Gauteng to have processed 990 000 subsidies when the national tally was 959 415

The minister said under new legislation, her ministry had to ensure that there were acceptable norms and standards applied when houses were built

This would ensure that the size of houses

built through the Government housing subsidy was regulated

"This will ensure that our beneficiaries get good value for money as well as foster ethical behaviour in the industry," she said

She added that ethical behaviour in the industry was highlighted as early as October 1998 and not after the Mbeki's visit to Uppington recently

Mthembu-Mahanyele said a 'pseudo crisis' had been created by the weekend report which lacked facts

Her department had taken up the challenge of housing the nation, she said, adding that over 680 000 poor people were in possession of title deeds, while 959 000 subsidies had been approved

The department would continue to "root out the bad elements" intent on depleting Government coffers by "getting subsidy grants fraudulently or cheating our beneficiaries by delivering sub-standard units"

Since 1994, R9,7 billion had been spent on the housing delivery programmes, she said

SOWETAN 16/3/99

# GOVERNMENT MUST SUPPLY AFFORDABLE WATER

This week is National Water Week. Roger Ronnie looks at how far SA has come in providing water

(123)

B0 17/3/99

NATIONAL Water Week has been celebrated with increasing fanfare since 1994. Yet the reality is often quite different. "We are paying for water that is deliberately wasted," says David Letsie, who lives in Alexandra in Gauteng.

"There are a lot of leaks — the old pipes leading to the taps in the yards are bursting and in Mandela Camp there is only one tap for 30 families."

Soweto suffers from the same problems. A few months ago, about 125Ml were being lost every day — the equivalent of 2 500 residential swimming pools. Rural people have the same concerns. A villager in Madidi, North West said last week, "We need water, not empty pipes full of air and dust."

The Human Sciences Research Council's latest survey shows that one in four South Africans say running water is the most important service. Yet more than 12-million people are without it.

The water and forestry department has installed more than 3-million taps, providing water for people who had none before 1994. Yet a brief walk around the Barcelona informal settlement near Guguletu in the Western Cape shows, as in many other communities, that many of these taps have had their handles removed, or have been installed with special copper washers that allow only a trickle of water. Department sources say as many as 2-million of the water connections are no longer functioning.

What has been done about this? The reconstruction and development programme's promise of 25l of free water per person has been watered down to just 7l a day — little more than enough for a person to drink and splash over themselves — and very far off the mark of the World Health Organisation's minimum of 50l per person per day.

Government has not specified the number of connections that no longer operate, preferring to focus on the number of taps installed. Instead, credit control has been intensified against poor households who cannot afford to pay for increasingly costly water.

The Rand Water Board announced price increases in Gauteng last year which were more than 50% above inflation. And the water crises in sprawling settlements like Inanda, near Durban, are swept under the carpet with promises that the private sector will deliver water. Sadly, this is nothing new to South

Africans who have never had running water in their homes. Inanda residents have been unwilling guinea pigs in service delivery experiments for many years. In the early '90s, while neighbours in advanced Durban were paying about 35c a unit of water, Inanda residents were charged about R2,80 a unit — and they had to walk almost 1km to fetch this from a standpipe tap.

Prepaid meters are being installed without any sense of who can afford to pay for the water coming out of the taps they are attached to. Meters are often faulty and in a state of disrepair. This, together with no proper billing systems and disgust at the degraded state of services in many townships, has led to a low payment rate for services.

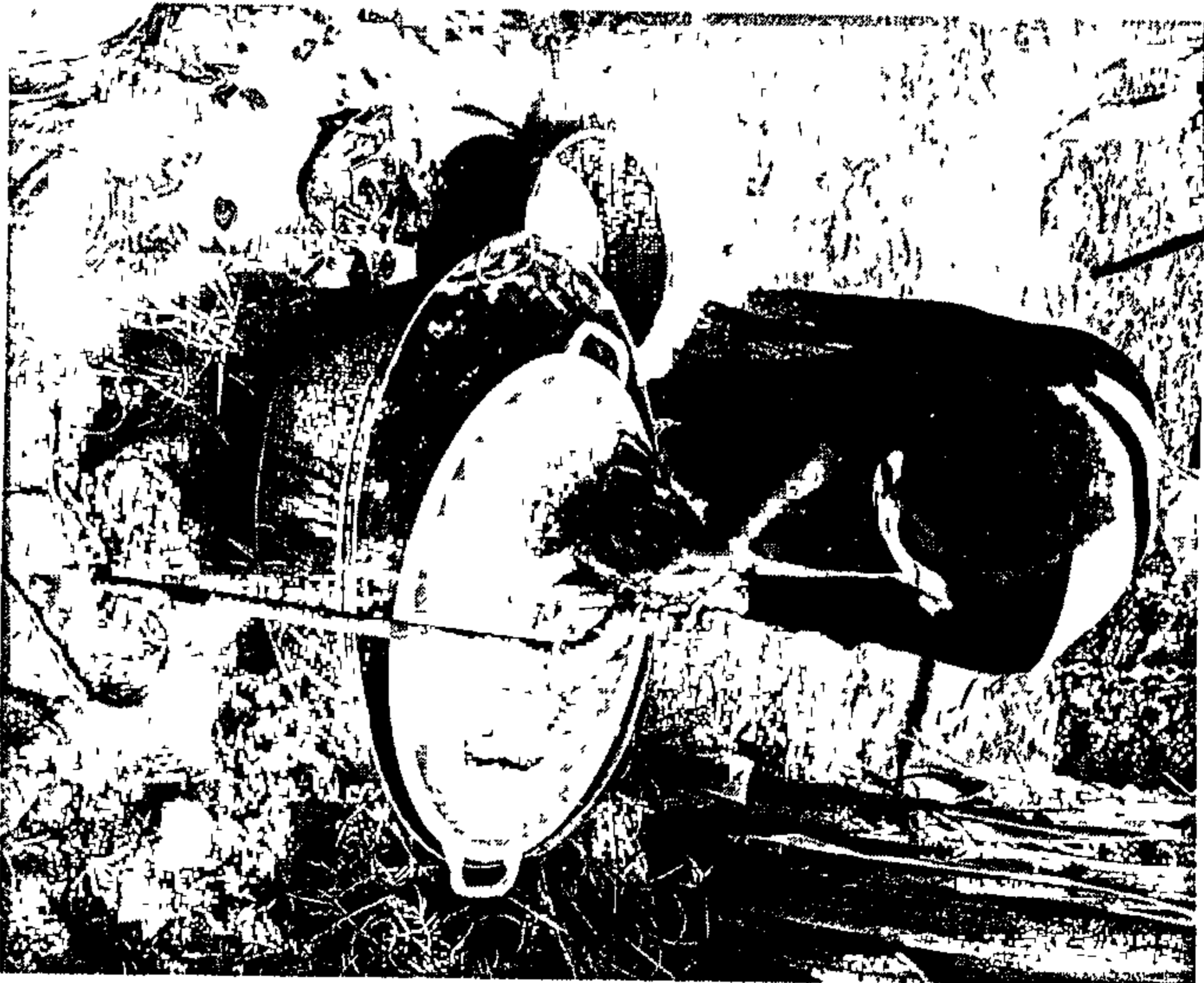
When Water and Forestry Minister Kader Asmal introduced his budget to the National Assembly nine months ago, he said free water supply to the "really poor" was achievable, but only if all other members of society contributed fairly to service costs. "It can be done, but we know that it won't help if professional people don't pay the costs of the water they flush down their toilets, if certain residents carry on watering those nice green lawns of theirs for free." White suburban residents are said to use about two-thirds of their water for gardens and swimming pools.

There is no doubt water is necessary for life, yet distribution of this precious resource remains severely skewed.

Hope for extending water to all South Africans could lie in the ministry's new pricing strategy. Comments are due this month on a strategy document which attempts to ensure that water prices become part of long-term water security.

One possible scenario would be a cross-subsidised rising block tariff framework linked to a free lifeline tariff. Working on the principle of "the more you use, the more you pay", this system would allow for a surplus of water to be created by cross-subsidisation that could be set aside to provide free water for the poor.

According to a World Bank World Development Report: "Increasing block tariffs encourage water conservation and efficient use by increasing charges at higher use. These tariffs are most effective when access is universal. When the poor lack access, as is frequently the case, they do not receive the lifeline rate and typically end up paying much higher prices for infrastructure services."



A survey shows that one in four South Africans say running water is the most important service, yet more than 12-million people are without it.

A surplus is not a maverick idea — the National Water Act passed last year stipulates that a surplus should provide a reserve of water for domestic and environmental use. This national reserve would be the free "bulk" water that could be passed on to local authorities to distribute according to rising block tariffs. There are compelling economic imper-

atives for the new water pricing strategy to pursue redistributive measures. The powers that be need to ground themselves firmly in this reality if we are still to be celebrating National Water Week well into the next millennium.

□ Ronnie is general secretary of the SA Municipal Workers Union.

# Drinking in the changes

(123) OT (MOR) 18/2/99

At the time of the election in 1994 the department of water affairs and forestry was mainly concerned with water resource development and management for projects of a significant size such as mines, dams and irrigation projects. The supply of tap water, sanitation and sewers was left to local government to deal with, says Mike Muller, the director-general of the department.

But it became clear that the immediate and pressing priority was for drinking water and basic services. In November 1994 the first in a series of white papers was produced to revise and consolidate all water legislation.

In this document, the minister made it clear that the department had no intention of assuming the provinces' and local governments' responsibilities for basic service provision, but would play a supporting role where needed and only for as long as needed.

With the help of RDP funding, a programme of community water supply and sanitation was started. In 1994 this had a R3 million budget and a staff of five. The budget is now R1.1 billion and the project employs a large staff in head office and the regions.

The programme has been immensely successful. Although it took three years for the department to provide the first million people with safe, clean water in May 1997 service delivery has accelerated since then, and in January 1999 a major milestone in water delivery in South Africa was reached when thousands of people converged on the KwaMhlanga stadium, in KwaNdebele, Mpumalanga, to celebrate the three millionth recipient since 1994. Five million people will receive water by the end 2000.

The emphasis on water resources has changed. In the past it was a case of meeting demands as they arose. That is no longer possible. South Africa just does not have enough water. It must be used and conserved more effectively. To achieve this, the department established a programme of water use and conservation, which is headed by Barbara Schreiner, the chief director. The first woman to hold a top management position in the department, she has been at the vanguard of the water sector during its most significant time of change.



**OPTIMISTIC** Mike Muller, the director-general of the department of water affairs

One of her responsibilities will be to help develop an ethic of water conservation in South Africa. Working with the directorate of communications, she is committed to ensuring that water conservation teachings are included into schools' curricula in 2005.

The focus on conservation does not mean the end of dam building or other large water projects. One of the most exciting projects is the Lesotho Highlands Water Project, which, apart from being one of the largest infrastructure programmes in the southern hemisphere, is also marked by the fact that it is being funded entirely by users, and not by the government.

This project will supply water to the most densely populated area in South Africa, the Gauteng region. With phase 1A completed in 1998 after about ten years at a cost of more than R11 billion, phase 1B with capital expenditure estimated at about R4.5 billion, is going ahead apace. This phase comprises the construction of the 32km Mohale tunnel, the Mohale dam and the Moksoku diversion.

Water from the dam will be transferred to the existing main holding Katse dam, while the diversion will add to the capacity by diverting water in the Katse dam from the Moksoku river.

The approach taken with Lesotho is now being replicated more widely by the department, and increased supplies to Richards Bay, Durban and Cape Town will be expected to pay for themselves. The government is not making budgetary provision for these schemes, but is providing for tariff structures so that they can pay their way. Policy and legislation that have made this possible will per-

haps be seen in years to come as among the most important achievements in the past five years.

There are still cases where the department is paying for big projects, particularly in cases where they are needed for poor communities, to help protect the environment and enable South Africa to meet its international obligations. Two of the biggest projects of this kind under way are the Inyaka dam on the Sabie river, near Bushbuckridge, and the Mutoti dam in the Northern Province.

Because South Africa is such a water scarce country, the protection of what little water we have is of great importance. The department has a very active water quality programme and has acted strenuously where industry or other users have polluted rivers and lakes.

The department has been through a fundamental transformation. Where once its management was entirely engineers, there is a mix of disciplines including economics, business, natural and environmental sciences. White male management is a thing of the past with 40 percent of senior management being black and 16 percent women. Together, this team aims to achieve the department's vision, which is to ensure some, for all, for ever.

# BUSINESSREPORT DEPARTMENT OF WATER

*The government expects to supply water to more than 12 million people*

## Water provision keeps on flowing

The government has provided basic water supplies to at least 7 million people since 1994. And, as a result of the government's water policy, thousands of jobs have been created, said Kader Asmal, the minister of water affairs, in his budget speech to parliament.

"The majority of people who have received water supplies are new residents of large cities served by strong local authorities. Authorities are under an obligation to provide for basic water services under the constitution.

"We are proud that the department's community water programme has brought basic supplies to 3.2 million people in our rural areas and that projects are under way to reach a further 2 million. And the cabinet has decided that, at national level, we shall continue this water supply function over the next five to seven years, at least until local government is strong enough to take over the baton.

"With investments already on stream and the delivery framework that is already in place, I am convinced that we will find that, in the first 10 years of democratic government, we shall have supplied water to more people than the original goal of 12 million.

"I wish to make it clear that local authorities are under an obligation to provide for basic water services under the constitution and in terms of the Water Services Act. I have in mind areas such as Madallas Bos in the Macassar area of affluent Helderberg, where after 10 years



**HOPEFUL** Kader Asmal, the minister of water affairs, aims to bring water to all South Africans

the community still has no permanent water supply or adequate sanitation.

"Services must be sustainable but they must also be affordable. If the very poor cannot pay, there will have to be continued subsidisation.

"Also, it is self-evident that, if there is no water in the rivers and streams, no water under ground, if what water there is is fouled by animals or polluted by industry, there can be no water

for the people who need it.

"We cannot lose sight of the overriding objective that drives us in our management of water, which is to achieve optimum benefit to society from its use.

"That priority has led us to make available additional water for agriculture in Northern and Eastern Cape where we are working with the provincial government to ensure that the opportunities we have identified are effectively developed. We

recognise that the mere presence of water, land and willing new farmers is not enough.

"It is for this reason that we are encouraging co-operation and partnership between commercial farmers and new entrants to the business. It is why we have promoted co-operative ventures such as the Koedekouw dam in Ceres, the Paris dam near Pongola, the Blyde project in Mpumalanga.

"In the coming year, we are going to develop further tools to support such initiatives, through financial support to new farmers and by supporting the establishment of water user associations.

"In any discussion on water resources, dam building is controversial. It is of significance that the World Bank and the international conservation body, IUCN, have set up the World Commission on Dams, which I chair, to chart the way forward for the world's dam policy. The government is committed to maintaining a balance between the building of necessary dams, based on effective environmental and demand management studies, and a multitude of smaller schemes which must form the backbone of our community water supply.

"So the R335 million Injaka dam, which will assure the supply of water to nearly a million people in the Bushbuckridge area, is proceeding on target.

"Construction has also started on the R600 million Mutoti dam on the Luvuvhu river in the Northern Province to provide basic water supply to a

quarter of a million people, to assure supplies to a further half a million and allow expanded agricultural development. Like Injaka, it will provide flows through the Kruger Park and across to Mozambique.

"I must comment on the huge change in relationships between South Africa and its neighbours in southern Africa, we have determined that water should be a source, not of war but of peace and co-operation.

"So already, rivers like the Limpopo, Orange and Komati, once the frontline for tension and even hostilities, are now the focus for collaboration. Today we are the only country in the world that has legally prioritised the water interest of neighbouring countries to protect our own national interests in regional stability and growth.

"Democratic South Africa has been an active member of the SADC water sector and has been supportive of the protocol on shared watercourses. In the coming year we hope to create several river basin commissions in terms of this protocol.

"I cannot talk about dams without talking of the department's conservation programme. Just five years ago the idea of saving water rather than building new dams was seen as a mere curiosity. So, we are doing things and we are doing them differently and I would even dare to say better.

"I would like to think that there is now a more hopeful future for all. We have laid the foundations the nation will build on."

(123) CT (BR) 18/3/99

# Bill to help the poor with homes

(123) Sowetan 18/3/99

By Joshua Raboroko

FINANCIAL institutions that are reluctant to give home loans to poor people may be in hot water following a draft Bill tabled in Parliament this week

Housing Minister Sankie Mthembu-Mahanyele said that the Fair Lending Practices Draft Bill aimed to encourage banks to serve the communities that invest in them by reciprocating in the form of home loans

She said the Bill was not meant to disrupt the market but to foster social responsibility on the part of banks

The Bill seeks to

- Promote increased lending and disclosure by banks specifically for housing,

- Encourage reinvestment of financial resources by way of mortgages to communities they serve, and

- Eliminate discriminatory lending practices

Mthembu-Mahanyele also said the Bill would significantly change trends in the financial system in so far as serving the lower end of the market was concerned

Government intervention was not only necessary but also supported by most banks polled in an informal survey

"We hope to eradicate the imbalances that have been entrenched for years but also improve what has so far been a dismal failure by financial institutions to penetrate the lower end of the market," she said

Housing analysts say the Bill is in line with the Record of Understanding signed with the Association of Mortgage Lenders after the late minister of housing Mr Joe Slovo pledged to force banks to grant home loans to the poor

## They're not all falling down

A newspaper report that half of the low-cost houses already built by order of the government are substandard seems to have been inaccurate  
**Charlene Smith reports**

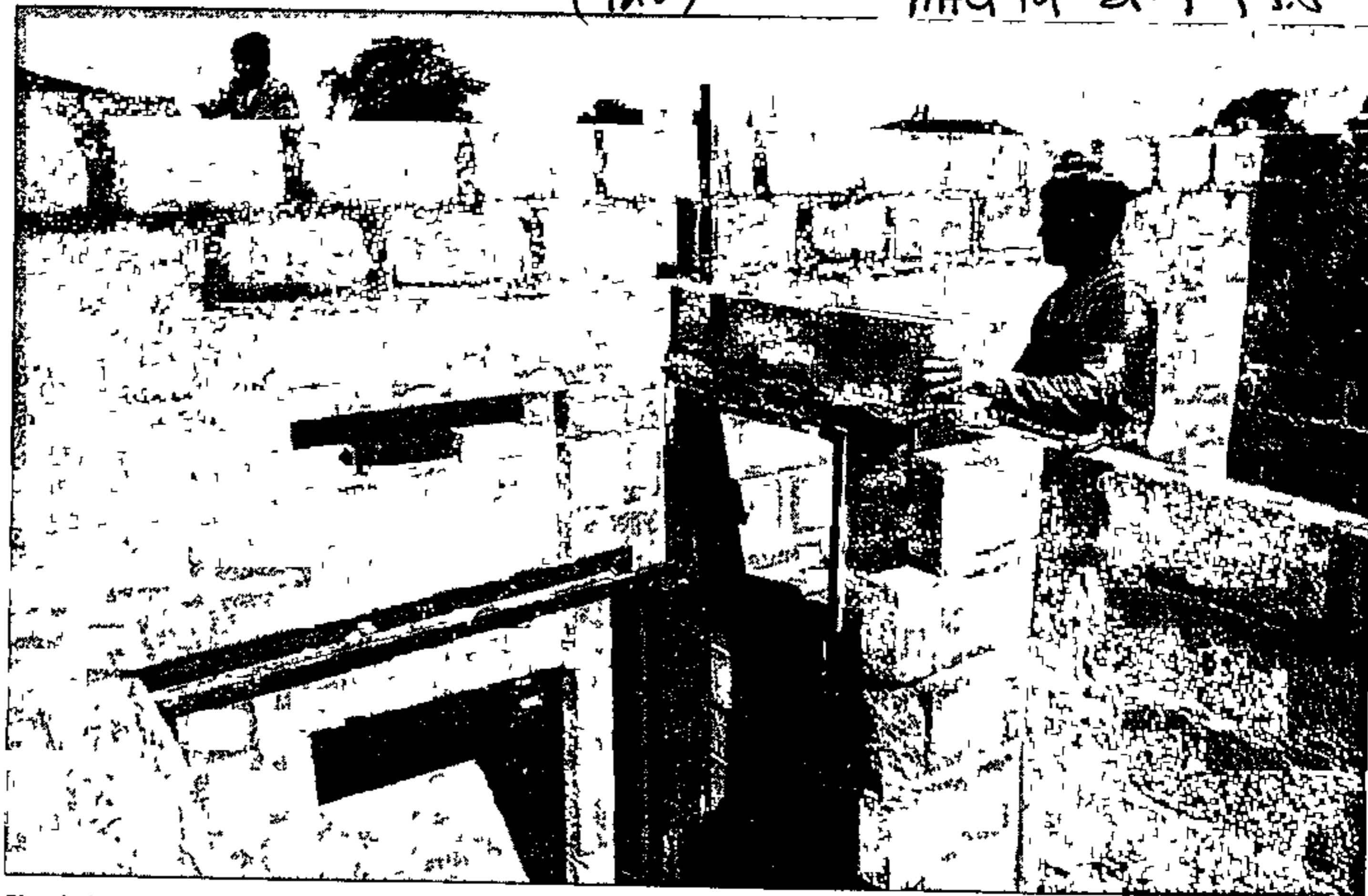
Every three minutes and 10 seconds a new Reconstruction and Development Programme (RDP) house is erected in Gauteng — and the government has enacted tough legislation to ensure that each of those houses and any others built in the commercial sector, carry a five year warranty

Since 1994 959 415 housing subsidies have been approved 25% (284 184) in Gauteng and more than half of these have been built which is why Minister of Housing Sankie Mthembu Mahanyele is on the warpath after the *Sunday Times* reported that half of all housing units built by her department were substandard

Mthembu Mahanyele has reported the newspaper to the press ombudsman Judge Willem Heath's special investigating unit denied that it told the paper it intended probing all 990 000 applications for housing subsidies in Gauteng as fraud is suspected in as many as one out of every 10 applications. The applications mentioned were far more than those approved nationally

Mbulelo Musi, representative for the Gauteng Department of Housing, said that despite MEC for Housing Dan Mofokeng writing to the Heath unit on February 4, welcoming their investigation into housing and allegations of corruption in the province and urging an early investigation to assuage public fears, nothing further had been heard from the unit

Musi said, "We are saying to Judge Willem Heath to investigate the department. We have still not received the terms of reference for their investigation. The auditor general investigated 27 irregularities and corruption allegations in the department, of which 10 had



Slow but sure: Since 1994, 959 415 housing subsidies have been approved PHOTOGRAPH: SIDDIQUE DAVIDS

forensic tests — he found no proof of corruption in the department

But according to a nationwide Human Sciences Research Council (HSRC) poll, housing tops the list of South Africans' complaints, along with poor service at police stations

Michael O'Sullivan, chief researcher at the HSRC said the survey, which tested perceptions of service delivery, found that "the general perception is that since 1994 affordable housing quality has not met expectations

These perceptions relate to two things African National Congress 1994 election promises around housing built up expectations that the government found impossible to meet,

and high bank interest rates have continued to push housing affordability out of the reach of most

"At the very least people expected township standard housing, but RDP houses are smaller," said O'Sullivan

Musi admitted there had been problems in housing delivery "Some lawyers have been unscrupulous and that has been referred to the Law Society. There are members of the public who claim to assist people and cheat people. They exaggerate the amount of subsidy — it should be R15 000 but they say up to R30 000 or more

"There was one syndicate that was involved

in fraudulent guarantees. There was an attempt to make false copies of our letterhead and get bank loans and be seen as guarantors. We exposed it in January and since then have had more than 120 people inform us that they have been ripped off — paying amounts of between R200 to R1 700 a month. Old ladies, pensioners who have been paying R200 a month, half their pension, since 1997"

Musi said that since 1994 Gauteng had also installed water sanitation and electricity on 162 770 stands and has established 650 000 stands. We not only have inspectors examining houses for quality construction, but communities assess houses before they are built, and during construction many have architects and builders living in them — they know if there are problems and if a community complains everything stops

Gege Kekana, representative for the Ministry of Housing said that last year legislation was passed after extensive investigations by the Council for Scientific and Industrial Research, that mandated minimum standards for the construction of houses

However, MECs have the discretion to increase the size of houses or in areas where there is dolomite or difficult topography and houses have to be reinforced the 30m<sup>2</sup> minimum can be reduced to 27m<sup>2</sup>, and subsidies can be bolstered by a further 15%

Ian Robinson of the Building Industries Federation said "We currently have a problem in each of the different provinces. They have their own standards of what is acceptable within the R15 000 subsidy. Mpumalanga says build a big slab, don't worry about walls, give four columns and a roof. In KwaZulu Natal they want a properly built house, but it is small"

He said he believed the different standards in provinces caused confusion and dissatisfaction among consumers and others. He called for uniformity in standards and a new approach to tendering "A lot of new entrants in to the contracting market lack experience and skills"

He suggested they be encouraged to link with existing contractors for skills upgrading or that tender processes more carefully evaluate the experience and track record of those applying for contracts

Province	Total subsidies approved	Individual subsidies approved	Completed or under construction	Projects approved	Projects started	Projects with houses in progress
Eastern Cape	91 780	9 700	72 033	158	136	106
Free State	47 057	11 449	46 153	89	88	87
Gauteng	284 184	29 107	165 583	140	125	104
KwaZulu-Natal	168 121	9 515	142 611	297	230	162
Mpumalanga	64 128	8 978	47 187	35	37	37
Northern Cape	22 249	4 665	21 256	66	60	60
Northern Province	87 945	8 735	43 694	84	55	53
North-West	80 811	7 834	52 257	71	56	49
Western Cape	113 140	8 588	90 429	197	168	148
<b>TOTAL</b>	<b>959 415</b>	<b>98 571</b>	<b>681 203</b>	<b>1 137</b>	<b>955</b>	<b>806</b>

# Heath to look into housing scams (123)

*Sowetan 22/3/99*  
By Joshua Raboroko

THE Heath investigation unit is to probe more than 70 000 allegations of corruption and maladministration estimated at millions of rands in the issuing of low-cost housing subsidies to the poor in the two provinces

The unit has been approached by KwaZulu-Natal (54 000) and Northern Cape (17 000) after irregularities in the issuing of subsidies were discovered

Judge Willem Heath is waiting for President Nelson Mandela to sign a proclamation to enable the unit to start probing alleged irregularities in the Gauteng housing and land affairs department

Spokesman for the unit Mr Guy Rich said yesterday various scams were discovered in KwaZulu-Natal and Northern Cape in housing subsidies

The unit found that family members using different identity documents exchanged subsidies and acquired land to built low-cost houses

Some irregularities were found with conveyancing files which did not have any information such as names, addresses and residences

It was discovered that some lawyers stole R5 000 of the R15 000 subsidies paid for the low-cost housing to people earning below R3 500

Referring to Gauteng irregularities, Rich said investigations by the auditor-general into 17 of the 27 allegations found the department of housing and land affairs not guilty of fraud and corruption

The unit would investigate the remaining allegations in terms of the proclamation to be published in the *Government Gazette*

The unit was waiting for a proclamation to be signed before it could start its work in the province, Rich said

Various departments including justice and the premier's office need to make submissions before the proclamation is signed

# Eskom halves municipalities' arrears

Robyn Chalmers

BD 23/3/99

ESKOM has made a breakthrough on its electricity arrears with municipalities, reducing bulk debt to R550m at the end of last year from R1,2bn in 1997

Isaac Sokopo, corporate consultant at Eskom, said at the weekend there were only three municipalities which still had outstanding debts and had not signed repayment agreements. These were the Ogies and Breyten in Mpumalanga, and Cullinan, near Pretoria. The others, including Johannesburg, which had large outstanding payments, had either repaid their debts or were doing so.

Industry officials indicated that while progress was being made in sorting out payments for residential customers who

received electricity directly from Eskom, this had not been as successful as payment arrangement with municipalities. Illegal connections were a problem.

In the year ended December Eskom had a total outstanding debt from municipalities of R550m, of which R483m was being paid off under repayment agreements, Sokopo said. Most of the remaining R67m was overdue by 30 or 90 days, except for the funds owed by the Ogies, Breyten and Cullinan councils.

"We realised during 1997 that the (municipal debt) situation was running away from us. It was clear that action had to be taken," he said. As a result, a bulk debt normalisation committee was formed in September 1997 under the auspices of the National Electricity Regulator (NER).

(123)  
Before cutting off services to defaulting municipalities, the committee intervenes, recommends a plan of action and handles disputes which may arise.

The NER said the committee had resolved 23 cases, and "resulted in the recovery of, or undertakings to pay, more than R300m to Eskom".

Sokopo said headway was being made with the Breyten and Cullinan local councils. The main problem for Eskom was in Ogies, where the local council owed about R21m as a result of a rates boycott.

Eskom cut off about 50 000 residents in Ogies last year after they refused to pay a R625 000 instalment on the town's bill. Only 19% of residents in neighbouring Phola and 58% of Ogies residents had paid their electricity bills since 1994.

[www.bday.co.za](http://www.bday.co.za)



## Too poor to pay for services

(123) M+G 26/3-1/4/99

*Poverty and short-sighted planning are hindering effective and permanent service delivery to rural communities, writes Charlene Smith*

In the rush to deliver, government departments are ignoring the fact that many rural communities are unable to pay for the services provided, which is leading to the collapse of projects around the country

Poverty and planning that focus on delivery but fail in sustainability are hindering effective and permanent service delivery

In the health sector impressive figures in the building of clinics fail to take into account that many new clinics are unopened, unstaffed and lack basic medical supplies. The government now talks of telemedicine, but it ignores the fact that many clinics lack electricity, telephones, adequate medical supplies or sufficiently trained staff.

Since 1994 the Department of Communications has rolled out 1.25 million fixed telephone lines and 2.5 million cellular connections. Telkom reports that three out of four lines are disconnected each month because people in rural areas cannot afford to pay their bills.

Minister of Posts, Telecommunications and Broadcasting Jay Naidoo says we are allowing those lines to still receive calls because each call made generates revenue. We are increasing call centres to communities that are battling to pay.

Rural poverty does not mean people do not have the capacity to pay. When we allowed the two cellular operators into Transkei they found it was the busiest area in the country with most calls being made between 8am and 5pm Monday to Friday. They were being used for business purposes.

Over the past five years the government has had the most success with provision of water to rural communities. In 1994 it was estimated that 12 million South Africans lacked access to clean water and 21 million were without adequate sanitation. Since then, potable water has been delivered to three million people.

But Edward Breslin, the health manager of Mvula Trust — the largest NGO in the water sector, which works with the government — told delegates at a water conference in the Eastern Cape last week that there was 'growing unease' about the sustainability of water and sanitation projects.

Recently, Mvula Trust (in conjunction with Australian Development Aid) and the Department of Water Affairs and Forestry visited projects around the country — 21 departmental projects and 56 Mvula projects. Breslin says it was found that "training and capacity building for community management has been token and ineffective".

He said one water project had problems such as uncontrolled use, "lack of pressure" and the inability of the community to pay tariffs. The

solution proposed by the engineers was to increase the size of the water works, with no regard for the cost. Increases in this "solution" may have on households who "cannot even pay the existing tariff".

Breslin says "Emphasis has been placed on adherence to guidelines rather than on what is practical and affordable to communities. Community involvement in designing the scheme or choosing the technology has been non-existent in the vast majority of cases."

"In a recent case, in an isolated, impoverished area of the country, letters from community members and NGOs operating in the area state that the scheme could never be sustained and that alternative systems should be considered. The written response from the department was clear — spend the money on the proposed scheme now or the project will lose its funding."

"A system was implemented that the engineers themselves concede is completely unworkable without massive government subsidies for decades. The scheme now purifies all water, regardless of its proposed use, at a cost that is beyond the economic capacity of the area."

This example is not unique. Evaluations consistently show that

**'The response from the department was clear — spend the money on the proposed scheme now or the project will lose its funding'**

systems are over designed and unaffordable. Few role players have tried to find creative ways to reduce costs on projects, says Breslin.

Nor are communities made aware of cost implications until bills arrive that they cannot

afford to pay, he adds.

In one village, beautiful [sample] toilets were built but they are unused because the cost [of each] is in excess of R1 800."

In another community with high unemployment, flush toilets and yard connections were installed at a cost for services of more than R90 a month — a third of the income of most households. Not only is the community unable to afford this but there is not enough water to sustain the project.

Despite this, the Department of Housing has begun a project to build a further 100 houses in the village with yard connections and flush toilets. "They seem oblivious to the problems faced by community members," says Breslin.

In Shemula, pre-paid meters were installed but the community was too poor to afford even this.

"Only 323 of over 7 500 households actually draw water from the pre-paid system. The vast majority of residents now go back to the river for their water," notes Breslin.

At a project in the Northern Province, people have never paid for



Nothing changes. In one impoverished community, only 323 of more than 7 500 households support a pre-paid meter system. Most residents still fetch water from a nearby river. PHOTO: STEVE HILTON-BARBER

water but claim "if you just give me a yard connection, then I will pay."

Breslin says some projects fail because planners think it will be easier to claim fees from individuals and proceed with yard connections, only to find payment is not forthcoming.

By contrast, he says, in areas such as Sekhukhuneland, women have organised water delivery around pumps. They pay for the service and subsidise poorer members. These communal initiatives to find ways to pay may hold the clue to later viability.

Another issue is the often high water contamination at project sites because of a failure to teach communities the importance of keeping facilities and the areas around them clean.

Payment backlogs are mounting, but the Ministry of Water Affairs and Forestry has been saying water

supply is too cheap in South Africa and costs will have to be raised substantially.

Breslin says the government has two choices: "To continue to support schemes that are unaffordable [which means] subsidies will have to be provided until incomes rise in rural communities. These subsidies must be budgeted for openly and not transferred to other ministries like constitutional development."

"[Or] the government must accept that guidelines have to be modified — it is better to have a working scheme that does not meet current department of water affairs guidelines than high tech schemes that collapse once external support is withdrawn."

Breslin suggests, too, that transferring expensive barely functioning schemes to local governments with low rates of payment for the

service will be disastrous and the department must resolve these problems before passing on these "white elephants" to local authorities.

Michael O'Sullivan, chief researcher at the Human Sciences Research Council, said more people were satisfied with service delivery, according to their polls, than dissatisfied. The sectors with the highest levels of dissatisfaction were housing and "perceptions of services offered at local police stations."

However, unhappiness with housing related more to "increases in interest rates making housing unaffordable" — thus blame lay with banks and not the ministry.

The council's research also shows that urban dwellers are happier with service delivery than those living in rural areas. In part, he said, this was because election promises in 1994 led to "unrealistically high expectations."

# Housing finance for black women granted

Robyn Chalmers

THE National Housing Finance Corporation has granted a R5m loan to a group of black female professionals which will provide about 1 500 households with housing finance

Financing 1 500 households means that about 4 000 to 6 000 people living in shacks and squatter settlements in Gauteng will be able to move into houses with proper sanitation and other facilities

Eric Molobi, the chairman of the corporation, said the women's group, Peulwana Financial Services,

did extensive work with black women small farmers

"Supporting Peulwana will give the National Housing Finance Corporation an opportunity to make a difference in the housing conditions of the most needy sections of our populace, low income black women in peri-urban areas," he said

Malefu Maupa, the MD of Peulwana, said the decision for the company to move into housing finance was mainly motivated by the desire to empower black women

Maupa said the company had done extensive market research in

BD 29/3/99 (123)  
areas such as Mpumalanga, Gauteng and KwaZulu-Natal to determine the need for housing finance

The company is identifying private sector employees who want to outsource lending services to micro-lenders. The aim is to negotiate with these companies to give Peulwana a contract to do housing loans for their employees

Molobi said the R5m loan was a strategic opportunity for the National Housing Finance Corporation to support the first group of women micro-lenders which had a strong focus on housing

# Opening the tap of SA's potential

Guy Preston  
RIGHT OF REPLY

(123) MGT 8-14/1/99

In your end of year assessment of the performance of Cabinet ministers during 1998, you referred to Kader Asmal's Working for Water programme as being "on track". However, you add the programme "is criticised for providing short term, not enduring, solutions"

This comment indicates a fairly common failure to understand the developmental nature of this special employment programme

Working for Water clears invading alien plants such as wattles, pines and gums. It does so for six reasons: water security, productivity of land, environmental benefits, reduction of the intensity of fires and floods, the development of secondary industries and community empowerment through employment.

We have to do this work. The Council for Scientific and Industrial Research (CSIR) recently estimated these unwanted plants are using 7% of the country's mean annual runoff of water (and additional valuable water), that the impact could double within 15 years, and that it will continue to grow exponentially if the Working for Water programme fails.

In a water stressed country like ours we have no option but to clear these weeds. However, we do have an option as to how we clear them.

This is where Working for Water's developmental nature evolves. We have a combination of funding, regulations, education and biological control agents with which to win this war against weeds.

Our approach has been to use carrots (including assisting private landowners to clear their land) and perhaps not enough "sticks" (developing and enforcing regulations, bringing in biological control agents to limit the impact of commercially important species such as black wattles). Within this package, we have chosen to take a labour intensive approach using the Reconstruction and Development Programme as a point of departure.

The programme had more than 42 000 people employed by the end of the last financial year, more than half of them women. It successfully targeted rural people, youths and disabled people.

The programme has some very encouraging empowerment initiatives: caring for the children of workers in creches, reproductive health partnerships, the development of secondary industries (crafts, furniture, charcoal, firewood), and dealing with sexually transmitted diseases, especially HIV, the virus that causes Aids.

We are also making progress in using Working for Water to promote the Masakhane campaign. The community building focus includes promoting local governance by working through locally elected structures and is extending to insisting that those benefiting



Thirsty work: Working for Water says its programme is not just about conserving water, but helping communities. PHOTOGRAPH: TEMBA HADEBE

from the programme (for example, taxis) prove they are paying income tax.

Similarly, we are encouraging local authorities to move to socially just water tariffs, after which we will insist workers pay for their municipal water. We are also forging links with successful empowerment groups such as the Homeless People's Federation, to boost the prospects of our workers.

Huge challenges remain, such as the impacts of alcohol abuse, the ubiquitous loach sharks, the poor financial management skills of some workers and vested interests that can lead to the disintegration of communities. But these should not detract from the genuine attempts within the programme to be true to the developmental goals of the government.

Obviously, those who are clearing the plants will not have this as a long term employment opportunity. There will always be some work, as the seeds of these plants will haunt us for decades to come, but the employment opportunities drop dramatically as we take control of the plants.

In the wake of our labour many other work opportunities will arise. For example, we will

be able to plant forests in areas where currently we cannot issue permits to do so because alien plants are wasting the available water. The ability to use wasteland for agriculture, the development of cut flower, herbal, traditional medicine and thatching industries, the conservation of biological diversity and the greater stability of our ecological systems will all be job opportunities arising from the programme.

On top of all this, there is the training of people. There is the dignity of doing valuable and valued work, and the certification that allows our workers a far greater chance of securing future work. And Working for Water is part of the process where the broader land care and community based public works opportunities will continue to offer special employment for the most marginalised.

Working for Water is part of the public works initiatives that we agreed to specify as special employment programmes at the recent Jobs Summit. Criticising it for providing "short term, not enduring, solutions" is inaccurate.

We have developed models in Hermanus and elsewhere that indicate the potential sustainability of this approach. Water use has decreased by 20%, while revenue from the sale of water has increased by 20%, thereby helping to fund the Working for Water project in the area. It has also meant that Hermanus can delay the need to build an expensive additional water supply capacity.

Tourism, particularly "ecotourism", is seen

as the most likely source of economic growth in our country. There is no initiative that is doing more to protect the ecological base for

this ecotourism drive than the Working for Water programme.

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## 28 MONITOR / NOTICE BOARD

# Opening the tap

(123) MGT 8-14/1/99

From PAGE 27

Some of the projects run by our conservation agencies have been exceptional in bringing together parks and people. Given the influence of crime on ecotourism, it is pertinent to say, too, that police have confirmed that certain of our projects have been associated with a decrease in levels of crime.

Perversely, given the above, I do not agree that we are yet fully "on track". Our current budget and approach will not allow us to take control of invading alien plants over what we agreed as an optimal 20-year period. There are a number of our 250 projects where we certainly do need to improve on aspects of productivity, safety, training and genuine empowerment.

We also need to be far more

creative in taking advantage of the secondary-industry possibilities of the cleared wood. But only those who have tried will know how difficult it is to make such programmes work.

I am not asking for a remark for Asmal. Rather, I need to make the point that this special employment programme offers very real long-term benefits. It takes an enormous amount of passion, skill and endurance by a large number of people — and real courage and vision on the part of Asmal and his Cabinet colleagues — to get a programme to the level that Working for Water has now reached.

Guy Preston is the national programme leader of Working for Water.

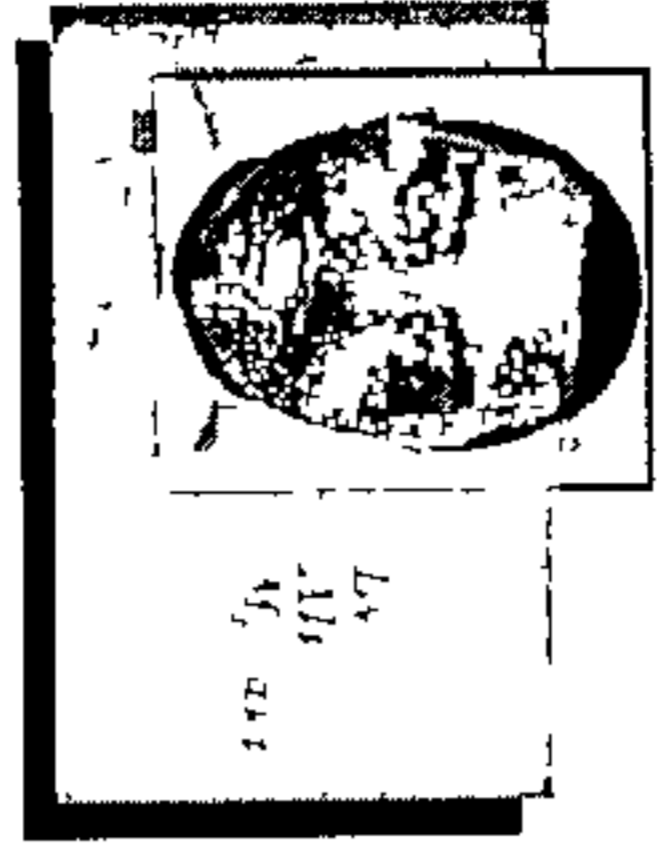


# Comment cash in on the RDP

CP 10/1/99 (123)

THOUSANDS of unsuspecting homeseekers are being conned into paying for the government's RDP houses - even though these are for free. Corrupt officials and councillors are said to be embezzling large sums of money from homeseekers.

Many of them are prepared to part with whatever cash they have in a desperate bid to obtain a roof over their heads.



Fears have been expressed that if this scam is not nipped in the bud soon, it could undermine the ANC's much publicised credo that "there shall be houses for all."

City Press has learnt that the practice of swindling desperate homeseekers out of their cash is rife in places like Evaton West, KwaThema, Dobsonville and Kagiso.

In some instances homeseekers, unwilling to wait their turn in the housing line, bribe officials to jump the queue.

Residents in Evaton West Extension 11 claim they were forced to pay from R250 to R1 000 to obtain houses.

They claim that the Evaton branch of the South African National Civics Organisation (Sanco) was at the forefront of the treachery.

To make matters worse, some residents claim they paid the money to individual Sanco members and fear they will not be reimbursed.

David Tshabalala, secretary of Sanco (Evaton), denied any wrongdoing on the part of Sanco. He said they merely ensured there was delivery.

He added that they have since asked residents, who paid any money for

houses, to bring their receipts to Sanco so that an investigation can be conducted. He promised that those who paid any money would get it back.

However, a spokesman for the Evaton West Community Development Forum, an organisation formed by Evaton West residents, said they had ordered residents not to submit the receipts, since they did not trust Sanco.

"It is our view that Sanco want the receipts so that people will not have any proof of payment. We will not give them the receipts," chairman Dick Baloyi said.

The situation at Evaton West has been simmering for some time. Early last year a commission of inquiry was instituted to investigate claims that some residents were forced to pay for houses.

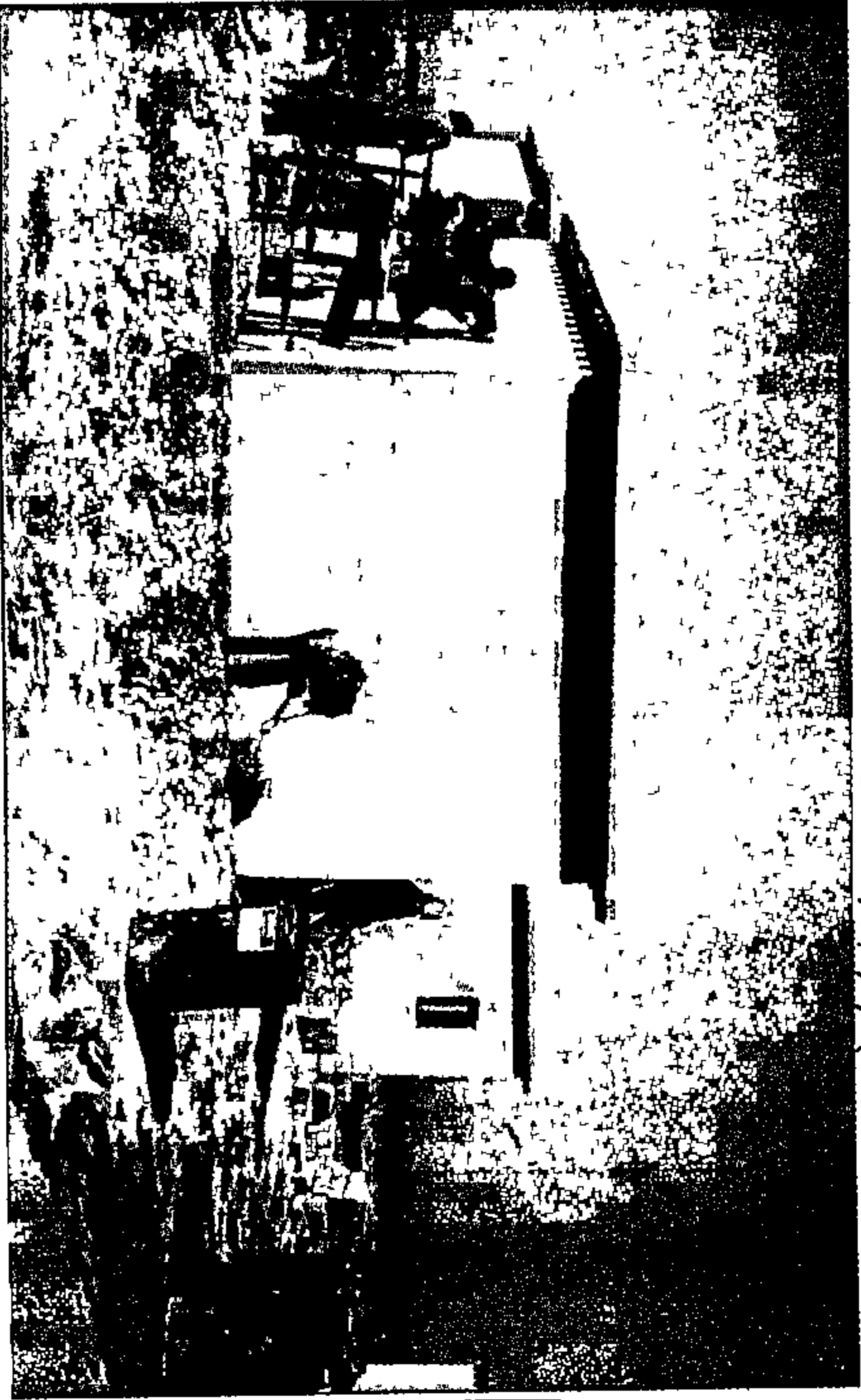
The ANC, Sanco and concerned residents agreed to the formation of the commission, but to date the findings have not been made public.

"They were merely trying to hoodwink us, by saying they were instituting a commission," claims Baloyi.

He said they have evidence that one house was given to two families. When they investigated, one of the families confessed to being given keys to the new home by a Sanco official.

To the horror of residents, the defaulting family was subsequently given another house.

City Press has been reliably told that several people in KwaThema, near Springs, were also swindled out of their money in order to obtain RDP homes. We have the names of two families who claim they paid money to a councillor. The amounts also vary from R250 to



HARD AT WORK . . . New RDP dwellings going up

R1 000.

Sources say there are also people who still have houses in the old townships, but have obtained RDP houses ahead of desperate and needy families.

"They are using these houses to run businesses like spaza shops, shebeens, etcetera. Unless government intervenes soon, most of the houses earmarked for needy people will fall into the hands of the wrong people," a disgruntled Titus Dladla of KwaThema said.

Mhulelo Misi, a spokesman for the Gauteng housing department, said they were viewing these allegations in a serious light.

He emphasised that the RDP houses were free and "no one must pay a cent to obtain a government house."

Misi further warned those involved in defrauding the people that they would face the full wrath of the law.

He also urged communities where this corruption was taking place to report the culprits to the police.

"We are calling on people in the communities to be vigilant. We will only be able to catch and prosecute those involved in this scam with the help of the communities," he said.

# Build-up to housings agreements

**By Tommy Makoe and Mbulelo Mushi**

**T**H announcement by Housing Minister Sankie Mthembu-Mahanyele that minimum standards for houses built with the R15 000 government subsidy will be introduced has led to the development of two distinct approaches.

While the minister scientifically argues that the subsidy is sufficient to build a 30sqm house the Building Industry Federation of South Africa (Bifsa) maintains that it is only enough to build a 15sqm structure.

Because of Mthembu-Mahanyele's insistence that the subsidy is sufficient the federation has threatened to withdraw from the low-cost housing sector.

The federation argues that despite a planned R1 000 increase in the subsidy it will still not be enough to produce a 30sqm house.

The reason for the federation's claim is the increasing costs in labour and building material.

Gauteng housing and land affairs MEC Dan Mofokeng has entered the debate supporting Mthembu-Mahanyele's contention that the subsidy is sufficient to build a 30sqm house.

Mofokeng said his department had adopted the minimum housing standard more than two years ago.

## Leading the country

And the experience of Gauteng was that established and small builders had quite easily managed to provide housing of up to 40sqm with the R15 000 subsidy.

To date his department is leading the country in low-cost housing delivery and has become an innovative



**Subsidy is sufficient Housing Minister Sankie Mthembu-Mahanyele**

resource for other provincial housing departments.

One of its strengths has been an open and inclusive approach to housing delivery. Communities and developers have also played a major role.

This kind of approach has led to the fast housing delivery pace of Gauteng which has satisfied all stakeholders, including established and emerging contractors.

Recent housing delivery statistics show that between April and November last year, Gauteng managed to deliver 5 800 structures in Bophelong, near Vanderbijlpark.

Delivery progress in four of the province's mass low-cost delivery projects - Brinckvaktfontein, Nigel, Roodepoort and Mamelodi - is even

faster. In total the four projects will produce more than 15 000 houses of between 30 and 40sqm.

Given this experience, Bifsa's argument does not stand. The federation's motives might be questioned. Is it only interested in maximising its profit margins?

If the federation encourages its members to withdraw from low-cost housing, what would be the implications for nation building?

If the intended withdrawal takes place, housing delivery would be thrown into chaos.

And Bifsa's threat should not be taken lightly because it is made at a time when the building sector is enjoying a boom.

The whole country is a construction site" and the federation is benefiting from that.

We have a long way to go before we end homelessness and without the private sector it will take even longer. Threats will not help us to create a better South Africa for all.

## Consultative process

Instead a more consultative process will be required, one that will ensure that we all benefit from our hard-earned democracy.

The struggle is over and our new struggle is to house the

Whether we like it or not, democracy will mean nothing if apartheid-introduced conditions are not removed.

This is not the task of a government, a developer or a political party, but a task for all South Africans. The country belongs to all of us - black and white, rich and poor.

(The writers work for the Gauteng department of housing and land affairs.)

# Size does count when it comes to house subsidies

Star 11/1/99 (123)

'Matchboxes' get smaller as firms say they  
can't stretch government money any further

By **FIKILE-NTSIKELELO MOYA**

**T**he Government and the building industry are at loggerheads over Housing Minister Sankie Mthembu-Mahanyele's insistence on minimum standards and sizes of houses, that can be built using the R15 000 government subsidy.

The Housing Department has dug its heels in over its requirements that developers must build houses that are at least 30 square metres using the R15 000 government subsidy, while the building industry body, the Building Industries Federation of SA (Bifsa), says it could erect only 10sq m homes for that money.

A typical township "matchbox" house is about 40sq m.

The norms and standards are to be implemented from April. Mthembu-Mahanyele said the aim was to "promote good practices in the construction of houses for low-income earners and to discourage crooked and greedy tendencies"

At the heart of the controversy is the Government's insistence that Bifsa and other developers, which maintain that the R15 000 cannot go far, want to take advantage of the Government's resolve to address the massive housing backlog

Bifsa chief executive Ian Robinson said it did not make business sense for its members to build larger houses because of other expenses such as labour, development of infrastructure and material involved in building a house

"It costs about R9 000 for a serviced site. This leaves us with only R6 000 to erect the top structure (the actual house).

"If the local council provided serviced sites free, and local communities provided their labour free, perhaps then it would be possible to build the houses using the money provided

"It is actually an exaggeration to call them houses, I would call them starter-pack houses."

Robinson said the ministry was getting bad advice from the people who said they could come up with houses that were any bigger.

Rejecting the accusation by Mthembu-Mahanyele that Bifsa was

looking for a quick buck, Robinson said: "It's just the opposite. Our profit margins are next to nothing."

Mthembu-Mahanyele said Robinson's organisation pontificated from ivory towers while people were building houses that were sometimes bigger than the minimum standards set

She said people had come up with creative ways of building larger houses, and that Bifsa and its members had not told people of options available when building homes.

"They buy the most expensive materials as if they are building for the middle- and higher-income groups. We are directing our efforts at low-income earners, that is why we are looking at households that earn less than R3 500.

"We sent out a professional team to survey all the projects. Reports showed that it was possible to build houses that were more than the standard 30 square metres. It can be done," the minister insisted.

She added that where land conditions were bad (sandy, clay, dolomite, high water levels or rocky areas), provincial MECs had the power to reduce the size of homes to a minimum of 24sq m.

Grinaker Housing general manager Bonke Mkhonto said it was possible to build houses that were bigger than the norm set.

He said his company was already building houses that were larger than the 30sq m standard in various parts of the country.

In Mpumalanga, Grinaker Housing had built houses up to 54sq m.

Mkhonto dissociated his company from Bifsa's claims that it did not make business sense to involve itself in the building of the "RDP houses".

"Bifsa has never canvassed us for opinion," said Mkhonto.

He added that one of the options Grinaker Housing gave potential house owners was to build the outside walls and roof of the house and allow owners to subdivide the homes as they pleased or when they could afford it.

Mkhonto said the fact that more established companies were queuing up for contracts in that sector showed that money could be made

'SUBSIDY NOT ENOUGH'

# Govt, Bifsa clash over RDP homes

**JOHANNESBURG:** Some in the building industry say the subsidy can pay for only 10m<sup>2</sup>, but others say bigger homes are possible, **FIKILE NTSIKELELO MOYA** reports.

**T**HE government and the building industry are at loggerheads over Housing Minister Sankie Mthembu-Mahanyele's insistence on minimum standards and sizes for houses built using the R15 000 subsidy.

The Housing Department's standards require developers to build houses that are at least 30m<sup>2</sup>, while the Building Industry Federation of South Africa (Bifsa) argues that homes of only 10m<sup>2</sup> can be built for R15 000.

A typical township "matchbox" house is about 40m<sup>2</sup>.

The norms and standards are to be implemented from April.

Mthembu-Mahanyele says the intention is to "promote good practices in the construction of houses for low-income earners and to discourage crooked and greedy tendencies".

At the heart of the controversy is the government's insistence that Bifsa and other developers who say the R15 000 cannot go far want to take

advantage of the government's determination to address the massive housing backlog.

Bifsa's chief executive, Ian Robinson, said it did not make business sense for members to build larger houses because of the expenses involved — such as labour, materials and the development of infrastructure.

"It costs about R9 000 to have a serviced site," he said.

"This leaves us with only R6 000 to erect the top structure (actual house)."

"If the local council provided serviced sites for free and local communities provided their labour for free, perhaps then it would be possible to build the houses using the money provided," Robinson said.

"But how many councils or communities would be prepared to supply these for free?"

Robinson said the ministry was getting bad advice from people who claimed they could build bigger houses.

es. It was also misleading consumers of Mthembu-Mahanyele's allegation that Bifsa members were looking for a quick buck, Robinson said: "It's just the opposite. Our profit margins are next to nothing."

Mthembu-Mahanyele said some people had found creative ways to build homes that were bigger than the minimum standard.

She also said Bifsa and its members had not told people about the options available to them.

"(Bifsa) buys the most expensive material, as if it is building for the middle- and higher-income groups," she said.

"We are directing our efforts at low-income earners — that is why we are looking at households that earn less than R3 500."

"We sent out a professional team to survey all the projects. Reports showed that it was possible to build houses that were more than the standard 30m<sup>2</sup>. It can be done."

Mthembu-Mahanyele said that where land conditions were bad — as in areas that were rocky or sandy or had clay, dolomite or high water levels

— provincial MECs had the power to reduce the size of homes to a minimum of 24m<sup>2</sup>.

Gnaker Housing's general manager, Bonke Mkhonto, said it was possible to build houses that were bigger than the minimum standard.

His company was building houses that were larger than 30m<sup>2</sup>, he said. In Mpumalanga, it had built houses that were up to 54m<sup>2</sup>.

Mkhonto dissociated his company from Bifsa's claims that it did not make business sense to build "RDP houses".

"Bifsa has never canvassed us for our opinion," said Mkhonto.

One of the options Mkhonto's company offered was that it build the exterior walls and roof and allow the owners to subdivide the interior as they wished or when they could afford to do so.

Mkhonto said established companies were queuing for contracts to build homes for people who qualified for the R15 000 subsidy — which showed that money could be made.

However, if homes bigger than the standard were to be built, the contracts would need to be big, he said.

# Housing sector players at odds over subsidies

Arguments over subsidies are not helping  
the cause of housing the nation, write  
**Tommy Makoe and Mbulelo Musi**

(123) 50 13/11/99  
**T**HE recent announcement by Housing Minister Sankie Mthembu-Mahanyele, that minimum standards for houses built with a R15 000 government subsidy would be introduced, has led to the development of two schools of thought

While the housing minister argues that the R15 000 subsidy is sufficient to build a 30m<sup>2</sup> house, the Building Industries' Federation of SA (Bifsa), on the other hand, maintains that the government subsidy is only enough to build a 15m<sup>2</sup> structure

Because of the housing minister's insistence that the state's R15 000 subsidy is sufficient, Bifsa has threatened to leave the low-cost housing sector

Bifsa says that this year's R1 000 subsidy increase will still not be enough to produce a 30m<sup>2</sup> house out of the subsidy. The reason for Bifsa's claim is the increasing cost of labour and building materials

Recently Dan Mofokeng, the Gauteng MEC for housing and land affairs, entered the debate in full support of Mthembu-Mahanyele's contention. Gauteng is the leading province in low-cost housing delivery

Mofokeng argued that his department had adopted the minimum housing standards more than two years ago

His province's experience had been that when the 30m<sup>2</sup> minimum was introduced, both established and small builders managed to provide houses of up to 40m<sup>2</sup> at R15 000 each

To date, his department is not only leading in low-cost housing delivery — it has also become an innovative resource for all the provincial housing departments

One of its strengths has been an open and inclusive approach to housing delivery

Developers, communities and developers have seen themselves play a major role in housing delivery

It is this kind of approach that has led to the fast pace of housing delivery in Gauteng, which has satisfied all the stakeholders — including established and emerging contractors

Recent housing delivery statistics show that between April and November Mofokeng's department managed to deliver 5 800 structures in Bophelong, near Vanderbijlpark

Delivery progress in four of the Gauteng housing and land affairs department's mass low-cost housing delivery projects (Brincksvlakfontein, Nigel, Roodepoort and Mamelodi) is fast

In total, the four will produce more than 15 000 houses of between

30m<sup>2</sup> and 40m<sup>2</sup>

Given this experience, a question mark must be placed next to Bifsa's argument

One has to wonder about Bifsa's motives. Is this organisation interested only in maximising its profit margin by providing housing that is worse than what apartheid offered?

If Bifsa encourages its members to withdraw from low-cost housing, what will the implications be for nation building? This threat was made weeks before the approved increase of government's housing subsidy from R15 000 to R16 000 could be implemented

If the intended withdrawal takes place, that would obviously throw housing delivery into chaos only a few months before the national elections

The threat should not be taken lightly because it is made at the time when the building sector is enjoying a boom in business, especially from government

Bifsa members are making millions out of government's low-cost housing projects

At no time in their existence have they had so much business from governmental institutions. The whole of SA is a construction site and they are benefiting from that

Recently an editorial in *Business Day* praised the progress in housing delivery, a comment hard to get from "an independent newspaper"

Government does appreciate the comment, but it should also hint that as government we have a long way to go to end homelessness, and without the private sector it will be even longer

Threats will not help us create a better SA for all, but will throw all of us into the deep end

A more consultative process, which will ensure that all of us benefit from our hard-earned democracy, would be much appreciated

The apartheid struggle is over and our new struggle is to house the nation

Whether we like it or not, our democracy will mean nothing if apartheid-introduced conditions are not removed from our new democracy. Threats will never build this country, but a true commitment to improve the living conditions of millions of South Africans will

It is not a government's, developer's or political party's task, but a task for all of us. SA belongs to all — black or white, rich or poor

□ Makoe is communications officer for the Gauteng government's housing and land affairs department. Musi is deputy director communications



## Govt to celebrate milestone in water project (123)

Louise Cook

PRETORIA — Government is set to announce the country's 3-millionth recipient of water services out of a targeted 12-million people to be provided with basic water services within 10 years from 1994

The recipient, whose identity will be known only at the weekend, is a beneficiary of the KwaNdebele Moutse Moretele Water Augmentation project, one out of 1 020 projects that are in various stages of completion

PD 13/1/99  
The water affairs and forestry department said yesterday it would also announce a new water delivery programme next month

The celebrations at which the 3-millionth recipient is to be announced on Saturday will be attended by Deputy President Thabo Mbeki, former Japanese prime minister Ryuto Hashimoto and Mpumalanga premier Mathews Phosa, and will be held at the KwaMhlanga Stadium in KwaNdebele

Hashimoto would be present because the R185m KwaNdebele

Moutse Moretele Water project was co-funded by the Japanese Overseas Economic Co-operation Fund, water affairs and forestry director Kalinga Pelpola said

Water Affairs and Forestry Minister Kader Asmal said his department mobilised people to participate actively in the management of their water services Saturday will also see the inauguration of the Ikangala Water Board

Government estimated the total cost of the 10-year plan to provide basic water services at R12bn

# Securitisation 'guarantees cheaper loans'

(127) BD 15/1/99

**Nicola Jenvey**

DURBAN — Durban-based SA Home Loans, which is being launched today, says it can guarantee home owners a saving of 2% to 4% on current home loan rates through an alternative financing mechanism—securitisation

Securitisation involves taking long-term debt and packaging it in units which are then sold as securities. Last year government launched its new home finance scheme, the Gateway project, with the centrepiece being loan securitisation

This project starts with a standardised loan originated by the lender, such as a bank, which will sell it on to a secondary market institution. The institution may then package the loans purchased and sell the packages to investors

Capitalised at R30m, SA Home Loans is a pass-through management company—a company that takes a fee for managing an ac-

count, but does not take deposits or hold the actual money

The company's shareholding is split between management, Peregrine Holdings and private shareholders

CEO Simon Stockley said the private portion was available for sale to strategic partners who could add value as SA Home Loans expanded. The firm anticipates capturing 5% of the local home loan market, valued at R180bn

Conveyancing fees would be amortised over the initial repayments and thereafter the monthly saving on a R200 000 bond would amount to R412, converting into nearly R100 000 over a 20-year period at current interest rates

SA Home Loans plans to seek a Johannesburg Stock Exchange listing in three to five years

Peregrine Holdings CEO Sean Melnick said success lay in the ability to attract institutional investors to the product on offer. However, research showed a se-



**Simon Stockley, CEO of SA Home Loans**

curtised product was an attractive vehicle for diversifying existing investment portfolios and there would be strong institutional investor support for the mortgage-based securities

Stockley confirmed that

should local institutions not purchase the securities, SA Home Loans would offer the product internationally where the securitisation concept was more common

He said "there was no doubt" the establishment of the KwaZulu-Natal based company would encourage competition and the entry of new niche players into the home loan market. However, this could only benefit the man in the street since a lower bond rate provided immediate after-tax relief

Securitisation accounts for nearly 80% of US home loans, 40% in Australia and 35% in the UK. Generally any pool of assets can be securitised provided they have a homogenous characteristic and even David Bowie's future record earnings have been subjected to this means of capital financing.

SA Home Loans will begin lending operations in Durban, Gauteng and Cape Town at the end of the month with a national roll-out to other centres afterwards

**HOUSING** SA Home Loans will offer first alternative to big four

# Banks get mortgage rival

SHIRLEY JONES

KWAZULU NATAL EDITOR

Durban — SA Home Loans (SAHL), a company offering South Africa's first alternative to bank-based home loans, will be launched here today, challenging the stranglehold of South Africa's big four banks

Simon Stockley, the chief executive, said SAHL would offer mortgage finance via a securitisation issue. Its lending rates, based on the BA rate plus 2,5 percent, would be at a 2 to 3 percent discount to those currently offered by banks

He said the new company, capitalised at R30 million and with R500 million in start up finance, hoped to capture 3 percent of South Africa's R180 billion residential mortgage market in five years and list on the Johannesburg Stock Exchange within the next three

The company was an ideal vehicle for listing as it offered ongoing annuity income from within the attractive financial services sector, he said

At a conservative estimate, Stockley said the SAHL book should reach between R7 billion and R8 billion in five years

However, based on the runaway success of similar schemes overseas, the book would probably top this and the listing could be fast-forwarded

He said SAHL was essentially a pass-through management company attracting no deposits. Funding of its book was through the sale of mortgage-backed securities to major institutions

SA Home Loans' management owns 30 percent of the company, Peregrine, the recently listed financial services company, currently capitalised at more than R2 billion, has a 24 percent stake, and private investors hold the remainder

"Our research tells us that mortgage backed securities are an attractive vehicle for diversifying existing institutional investment portfolios, and that there will be strong investor support for the new product given the attractive yields," Sean Melnick, the chief executive of Peregrine Holdings, said

SAHL's foray into the home loans market would start in KwaZulu Natal early next month, followed by Johannesburg and Cape Town in February, and the Eastern Cape and Free State markets by the end of the first quarter, Stockley said

He said SAHL's entrance into the market would challenge both the margins and modus operandi of the South African banking sector. Stockley said he expected strong opposition from the banking fraternity, which had fiercely defended its monopolistic hold on the home loans market

He argued that current practice was predatory and that South Africa's big four banks had reached tacit agreement not to compete on rates

SAHL's rate would be calculated and published daily

"We believe an open-transparent pricing policy is vital if the home loan market in South Africa is to deliver affordable housing to all. The current operating margins enjoyed by banks are unsustainable in world terms," said Dave Barber, SAHL's financial director and the guru behind the year-long formulation of the alternative funding mechanism

Stockley said the SAHL model followed precedents set in the UK, Australia and the US, where the mechanism currently held between 40 and 60 percent of the markets

□ Business Watch, Page 2



**RACING AHEAD** Simon Stockley, the chief executive of SA Home Loans, expects opposition from the big four banks

PHOTO: BAPP, TUCI

## Sarda refutes Bifsa claim <sup>23</sup>

THE South African Residential Developers' Association (Sarda) has refuted claims by the Building Industries Federation of SA (Bifsa) that the Government subsidy of R15 000 can only build a house of 10 metres square.

Sarda president Chris Cudmore said on Friday it was possible to meet the 30 metres square requirement in most areas, the exceptions being areas where steep topography, poor founding conditions or specific climatic conditions required higher than average infrastructure costs.

Also, areas where local and provincial authorities imposed unrealistic servicing standards.

Thousands of houses around the country have been built between 20 and 40 metres square with a few projects building houses bigger than 40 metres square. *Sowetan*

Cudmore said the key issue in any social housing project was to have an understanding of the appropriate level of services - *Sowetan Reporter*

18/1/99

## Developers' body enters low-cost housing row

**Sibonelo Radebe**

THE SA Residential Developers' Association has joined the war of words over the minimum housing standards on low-cost housing, saying it is possible to meet the 30m<sup>2</sup> requirement on a R15 000 government subsidy

Association president Chris Cudmore said on Friday the only exception to meeting the requirement was if topographical and climate factors required higher than average infrastructural costs

Cudmore was joined by Grinaker Housing GM Bonke Mkhonto, who said Grinaker was building houses larger than the required 30m<sup>2</sup> and still managing to deliver within the subsidy amount

These statements followed a dispute over the minimum standards between the housing ministry and some conventional builders led by the Building Industries' Federation of SA (Bifsa)

Towards the end of December last year Bifsa president Ian Robinson accused the housing ministry of

being unrealistic in setting minimum standards of 30m<sup>2</sup> on a maximum R15 000 subsidy

Robinson said at most, a 15m<sup>2</sup> house could be built with the subsidy. The housing ministry recently indicated that the subsidy would increase to R16 000 this year

Cudmore said this increase, as from April, did not compensate for inflation levels. He said the increase did not match that of the consumer price index, and urged the housing ministry to review the matter. Bifsa could not be reached for comment

(123) B BD 18/11/99

# Thousands of homes and jobs in the pipeline

Cabinet approves labour-intensive housing programme

SAPA

A programme agreed to by the Cabinet yesterday to erect between 50 000 and 150 000 houses will bring thousands of new jobs.

One permanent and three temporary jobs would be created for every house built, Housing Minister Sankie Mthembu-Mahanyele told reporters after a Cabinet meeting in Pretoria.

"The construction of any housing project, in turn, stimulates the creation of jobs in related fields," she said.

The programme, dubbed the national president lead project on housing, was adopted by the Government, business and labour at the jobs summit in Midrand in October.

Its aim was to help create jobs and to test alternative housing models, Mahanyele said.

"The project aims at producing between 50 000 and 150 000 houses, using different delivery methods and promoting labour-intensive construction."

Mahanyele said a national agency would manage the project, and detailed plans to put it into action would be completed by the end of next month. Construction would start in the first half of the year, and was expected to be completed by December 2001.

The programme would not be financed on the current budget of the Department of Housing. Instead, extra funding would be sought both within

and outside the Government.

Mahanyele also announced that the Cabinet had passed three housing bills: the Housing Matters Bill, which would speed up the provision of housing for the poor; the Housing Consumer Protection Measures Amendment Bill; and the Rental Housing Bill.

Mahanyele said the Rental Housing Bill sought to improve private investor confidence in the housing rental market by removing the perceived threat of rent control.

"The bill promotes access to rental housing for historically disadvantaged people by regulating housing rental matters only in areas where a severe breakdown in landlord-tenant relations has occurred," she said.

(123)

SPAR 21/1/99

# Cabinet approves housing legislation measures

Robyn Chalmers

THE cabinet approved a number of far-reaching measures on housing yesterday, renewing its focus on the delivery and regulation of low-cost housing for this year.

Housing Minister Sankie Mthembi-Mahanyele said a pilot project producing between 50 000 and 150 000 low-cost homes would kick off in the first half of this year and be completed by December 2001.

The project, which will focus on rental and social housing, is part of the national presidential lead project on housing outlined at last October's job summit. It is estimated that for every house built, one permanent and three temporary jobs are created.

"The outcome of the project will inform housing policy and strategy," said the minister.

The project, which will be linked to corridor developments, will not be funded by the current budget, but funding will be sought within and outside government.

Other bills given the green light by the cabinet were the draft Rental Housing Bill, the Housing Matters Amendment Bill and the



Housing Minister Sankie Mthembi-Mahanyele announces new developments in the low-cost housing field. Picture ROBERT BOTHA

Housing Consumer Protection Measure Amendment Bill

The cabinet recommended that the Fair Lending Practices Bill, which seeks transparency from banks on mortgage lending, be co-ordinated with the trade and industry, and finance min-

istries as they were looking at similar legislation.

Mthembi-Mahanyele said the Rental Housing Bill promoted access to rental housing for the historically disadvantaged by regulating rental matters only where a severe breakdown in landlord and

tenant relations occurred.

It aimed at addressing the breakdown in such relations by identifying and regulating affected areas and establishing housing rental tribunals to oversee and normalise these areas.

She said a decline in investment in rental housing stock had led to an imbalance in the rental market.

"Signs that the market is not operating well are high rentals, disputes between landlords and tenants, lack of maintenance and sometimes the abandonment of buildings," she said.

There was a strong demand for rental housing, especially in the income group of R1 500 to R3 500 a month.

Yet public sector investment in such housing was limited mostly to municipal housing schemes which were established by the previous government.

Amendments to the 1997 Housing Act would phase out the previous dispensation's housing subsidy mechanism within a year of the act commencing.

Changes to the consumer protection bill were to correct wrong cross references

# CEO to revamp housing finance body

BD 26/1/99 (123)

**Robyn Chalmers**

NEW National Housing Finance Corporation CEO Samson Moraba foresees greater alignment of its programmes to improve service

Moraba was appointed on January 1 following the resignation of former CEO Johan de Ridder to pursue other business opportunities

Moraba comes from Standard Merchant Bank where he was information technology director for three years. He has a strong banking and treasury background

The corporation was established to search for new ways to mobilise finance for housing. The move is seen as key to the state's low-cost

housing programme

Moraba said while he was still getting an understanding of his new role, there were a number of challenges facing the organisation

These included ensuring the corporation remained in touch with its client base. Capacity in the corporation's lending unit to facilitate delivery and trends in the formal and informal banking arena needed to be monitored

Moraba has already met the heads of housing in the provinces

He plans to meet a wide spectrum of players in the banking and housing arena

Moraba said staff morale had improved significantly prior to his ap-

pointment. Morale was damaged by the resignation of De Ridder and other management members

This followed a dispute between corporation chairman Eric Molobi, De Ridder and management team members over the restructuring of the organisation

The dispute — which led to Molobi tendering his resignation last April — was subsequently resolved and Molobi has since remained with the corporation

Molobi said Moraba came into the SA housing arena at a crucial time. "I will encourage the creation of an environment where the sharing of experience, insights, possibilities is institutionalised," Molobi said



# New housing law under fire

Bill ignores consumers' welfare, says building watchdog

MAUREEN MARUD  
ARGUS ACTION

**A new law designed to protect consumers effectively ignores their welfare, says the Building Industries Federation of South Africa (Bifsa).**

The Housing Consumer Protection Act, which gives the Home Builders' Registration Council "sweeping powers", needs to be re-examined, says Bifsa

"Like the Liquor Bill and anti-smoking legislation, there is an urgent need for the provisions of this piece of legislation to be re-examined and returned to Parliament for further consideration," says Bifsa executive director Ian Robinson

But registration council managing director Peter Allsopp told Argus Action his organisation had spent R17-million "handling claims, inspecting homes and protecting consumers"

Mr Robinson said that instead of protecting consumers, the act made them pay what amounted to an additional tax whenever a house was built, he said.

Every registered home builder had to pay a fee of 1,3% of the total value of a project

into the Home Builders Registration Council's coffers

The 1,3% levy was added to the cost of the project finance, leaving the consumer with an additional bill of more than twice the original levy because it was paid over the period of the bond, said Mr Robinson

Another major problem was that the act allowed only builders registered with the council to build homes

It compelled banks to approve financing only to builders registered with the council, and also to ensure that the 1,3% fee was paid to the council

"Penalties for builders or banks ignoring these provisions are R25 000 or a year in jail," said Mr Robinson

Consumer protection was limited only to structural building faults and did not cover other faults

"The act ignores the welfare of the consumer by granting the Registration Council the exclusive five-year right to provide this extremely limited warranty service," said Mr Robinson, adding that the minister reserved the right to extend this mandate after the initial period

Bifsa is asking the minister of housing to

submit the act to the National Economic, Development and Labour Council (Nedlac) for revision

Mr Allsopp said President Mandela had signed the Housing Consumer Protection Measures Act after extensive public debate and evaluation by both Houses of Parliament

"Many stakeholders in the home building industry also supported it"

The 1,3% fee was to build new homes costing below R250 000, and was a charge against the builder for cases where he or she was unwilling, unable or no longer in existence to rectify a defect

The council had received more than 2 500 complaints against builders, of which two-thirds were resolved through intervention "Over R110 000 was spent rectifying builders' defects in December alone," said Mr Allsopp

Of 80 000 homes registered with the council, almost 10 000 no longer had a builder left to stand by the warranty obligations

"However, each of these consumers may still feel safe in the knowledge that if they have structural defects in their homes, the council will be there to assist them"

ART 28/1/99 (123) (2)

# Newhco plans to expand into social housing sector

Robyn Chalmers (123)

BD 28/11/99

RESIDENTIAL property developer, the New Housing Company (Newhco), plans to expand into the social housing sector as well as taking part in project Gateway, a new home financing scheme

Releasing the company's annual report yesterday, chairman Zohra Ebrahim said Newhco was the first company to be accredited by Gateway. It planned to turn this accreditation into houses as soon as possible.

Gateway, pioneered by the National Housing Finance Corporation, aims to provide housing finance of between R20 000 and R50 000 a home to employed people through a form of securitisation adapted to local conditions.

Ebrahim said Newhco planned to channel funds it received from the Flemish government into social housing. This

involved alternative forms of tenure such as rental housing.

She said Newhco's expansion in the year to June this year occurred in a number of areas, notably the delivery of houses under government's capital subsidy scheme which represented 72% of the company's total output.

Newhco continued to diversify into the higher income end of the housing market, such as cluster homes and retirement villages.

This represented 42% of its income in the year under review.

The company delivered a total of 8 800 units in the review period. This compared with 10 708 units in 1996/97.

It posted also lower combined turnover of R181,8m against R199,9m the previous year, and a profit before abnormal items of R6,4m compared with R6,2m previously.

# Housing consumer protection act 'flawed'

Sibonelo Radebe

(123)

(123)

THE Building Industries Federation of SA (Bifsa) has called for the Housing Consumer Protection Act to be re-examined by parliament, saying it was concerned the act was not constitutional

Bifsa executive director Ian Robinson said his association welcomed the aspect of the bill aimed at protecting consumers, but said there were several sections of the act which were seriously flawed

The act, effective from June this year, will entrench the National Home Builders Registration Council as a statutory body to safeguard the interests of consumers. All home builders will be required to register with the council. Unregistered builders will face a fine of up to R25 000 or one year imprisonment.

The council will be entitled to levy an inspection fee on every house built in the country. The levy will be an equivalent of 1,3% of the total value of each house built.

Robinson said Bifsa objected to the inclusion of the inspection levy. "This means the consumer pays the fee over the period of the bond, escalating the levy to more than double its original amount."

Robinson said the bill's bottom limit to homes which fell under the act should be scrapped as it excluded dwellings of poor homeowners who were in greater need of consumer protection. Instead, a ceiling should be introduced to exempt luxury homes where services of highly rated professional and experts were employed. This category of home builders did not need the consumer protection bill.

"The absence of a ceiling in the 1,3% levy will only add cost to these projects," Robinson said.

He said council could not be a registration body for homebuilders and be an arbiter for consumers. "The act effectively entrenches a state monopoly although government had good intentions in mind when it promulgated the act. But there is a strong case for review. We therefore call on the president and the minister of housing to return the act to the house," Robinson said.

Padraic Doyle, adviser to both the housing ministry and council said the act went through parliament with majority support. The portfolio committee which dealt with the act accepted that the home building industry required regulation.

# Call to reconsider act 'was an insult'

Sibonelo Radebe

(123) ~~123~~

THE call last week by the Building Industries Federation of SA (Bifsa) for the Housing Consumer Protection Act to be taken back to Parliament was an insult to the office of the president and to efforts that went into producing the act, Housing Minister Sankie Mthembu-Mahanyele said at the weekend.

Mthembu-Mahanyele said the process of developing the act started in 1996. Bifsa was given ample time to raise its concerns, but failed to convince the parliamentary portfolio committee and other parties which took part in the development process, she said.

"Bifsa is now whinging for having failed to win support for their arguments."

Bifsa executive director Ian Robinson said last week the act should be re-examined in Parliament because several aspects of it were seriously flawed. "The act effectively entrenches a state monopoly," he said.

The act, which will be in effect from June, will entrench the National Home Builders' Registration Council as a statutory body to safeguard the interests of consumers. All home builders will be required to register with the council or face a fine of up to R25 000 or one year's imprisonment.

Robinson said the body could not be made a registration council for home builders and an arbiter for consumers at the same time. He called for the establishment of an independent arbiter.

He said the inspection levy to be added on costs of every house built should have a ceiling, as luxury home builders did not need its protection.

"These employ services of highly rated experts and the levy would only be an additional expense for them."

Mthembu-Mahanyele said Bifsa had raised these concerns in meetings preceding the passing of the bill, but had received no sympathy. The bill was meant to protect everyone, irrespective of income.

She said Bifsa seemed to want different standards of protection measures for the rich and the poor.

She said Robinson was a member of the registration council's board and it was surprising that he raised these issues through the press and not with the board.

Padriac Doyle, adviser to both the housing ministry and the council, said the act went through Parliament with overwhelming support after it was carefully scrutinised at different meetings attended by representatives of all stakeholders, including Bifsa. He said he saw no need for the act to go back to Parliament.

"After a protracted study it was accepted that the home-building industry required regulation," he said.

Mthembu-Mahanyele said Bifsa was questioning the credibility of the president's office, which signed the act after careful consideration.

# Homeowners have a friend

By Joshua Raboroko

THE National Home Builders Registration Council has spent R17 million on handling claims, inspecting newly-built homes and protecting consumers in a bid to safeguard the interest of homebuyers

NHBRC managing director Mr Peter Allsop said yesterday more than R110 000 was spent rectifying defects in December alone. This indicates the importance the council attached to fixing shoddy work by contractors, he added

Presently, he said, the council had received more than 2 500 complaints against homebuilders. About 70 percent of the complaints had been resolved through the council's intervention

The NHBRC will be given full legal standing in June. In terms of imminent legislation, all homebuilders will be required to register with the council or face a fine of up to R25 000 or one year's imprisonment

Allsop said the Act was signed by President Nelson Mandela

2/2/99

*sewelan*

*Samwu shocked by Dolphin Coast deal*

# Union prepares legal case over privatised water

FRANK NXUMALO

LABOUR EDITOR

Johannesburg — The South African Municipal Workers' Union (Samwu) said this week it had instructed its lawyers to prepare legal action against the department of constitutional development and provincial affairs for approving a 30-year public-private partnership water deal between the Dolphin Coast municipality and Saur International, a French consortium

The deal is worth about R200 million. Samwu is opposed to the privatisation of state assets and the award of the lucrative deal to the international consortium that it says has a dubious reputation

The union says it has evidence that Saur's top management and a subsidiary, Bouygues, are under formal investigation in France for allegations relating to water scandals

Cosatu said it was "shocked and disappointed" at the deal

The labour federation said the deal had not been finalised or tested in terms of the agreed Municipal Services Partnership agreement

However, Andrew Ferguson, the acting town clerk of Dolphin Coast, said the indication from the department was that there was no reason why the deal, which had negotiated over a long time, should not go ahead

Ferguson said the dispute seemed to be between Cosatu and the government over whether the sectoral forum should have powers to vet and veto public-private partnership deals

"Cosatu views the government's endorsement of the contract while negoti-

ations were still under way as an act of bad faith," the labour federation said "It is particularly worrying that executives of Saur International and its subsidiary, Bouygues, are being investigated in France for alleged corruption in water dealings"

This was denied by the department "We are not aware of any corruption investigation. That is Samwu's stock accusation against any company," said Chippy Olver, the deputy director-general of the department of provincial affairs

The deal follows hard on the heels of the signing of a sectoral forum agreement on the issue between Samwu and the South African Local Government Association

The forum agreed last week that the privatisation of water on the Dolphin Coast and at Nelspruit would be discussed at a special meeting in three weeks' time

"The union was shocked to learn that, three days after the sectoral forum agreed on that principle, the minister gave the go-ahead for the signing of the 30-year privatisation contract in Dolphin Coast municipality," said Mncedisi Nontsele, Samwu's deputy general secretary

"Senior department of constitutional development officials agreed at the sectoral forum meeting that the agreement would not be concluded until the parties had met again at the special meeting"

However, Olver said Samwu was misreading the sectoral forum agreement and that, at any rate, local authorities were constitutionally independent tiers of government that were employer bodies in their right with the ability to enter into contracts.

**Municipal workers accuse international consortium of involvement in scandals**

# Cheaper, cleaner,

# fresher water (123)

David Shapshak

MHC 12-18/2/99

**S**outh African scientists have developed a low-cost, environmentally friendly water-stabilisation system which could revolutionise the way water is treated.

The system's benefits are untold in a country where water is scarce providing safer drinking water, especially for rural areas, and potentially saving the country a fortune in maintaining the underground water pipes in urban areas. It has been successfully installed in Stellenbosch, where it is a "perfect solution," says town engineer Eddie Delpoit.

The system, devised by research engineers at the Stellenbosch offices of the Council for Scientific and Industrial Research's (CSIR) division of water, environment and forestry technology, is a simple, robust and cheap way to neutralise "aggressive and corrosive" water. Given that some 40% of South Africa's water is soft and acidic — which means it has a low pH and very low calcium and alkalinity — the system has great potential.

Pipe maintenance and repair due to corrosion is one of the hidden costs in water reticulation, say the developers. Soft, acidic water attacks concrete and metal, corroding and destroying underground and household pipes, geysers and water supply reservoirs. House owners have to replace pipes and geysers, it stains laundry and water goes to waste. Water supply authorities have to repair damage to the reticulation network.

In 1992 it was shown that in the Durban townships of KwaMashu, Ntuzuma and Umdeni some 50% (or R12-million worth) of water entering the network was lost. In Stellenbosch in 1995 an average of 50 pipes burst each month, costing about R250 000 a month.

The water-stabilisation system is the brainchild of Grant Mackintosh, Hendrik de Villiers and Gerhard du Plessis. The system builds on the notion that naturally occurring calcium carbonate (limestone) can be used to make water less corrosive.

Conventional modern stabilisation methods are not only expensive but potentially problematic. The most commonly used system uses lime.

But says Mackintosh, "lime is produced from limestone in an energy-intensive process which also produces the greenhouse gas, carbon dioxide, as a by-product. Lime dosing is one of the most troublesome processes in water treatment, [lime] being difficult to introduce in the water stream — it is a fine, messy powder."

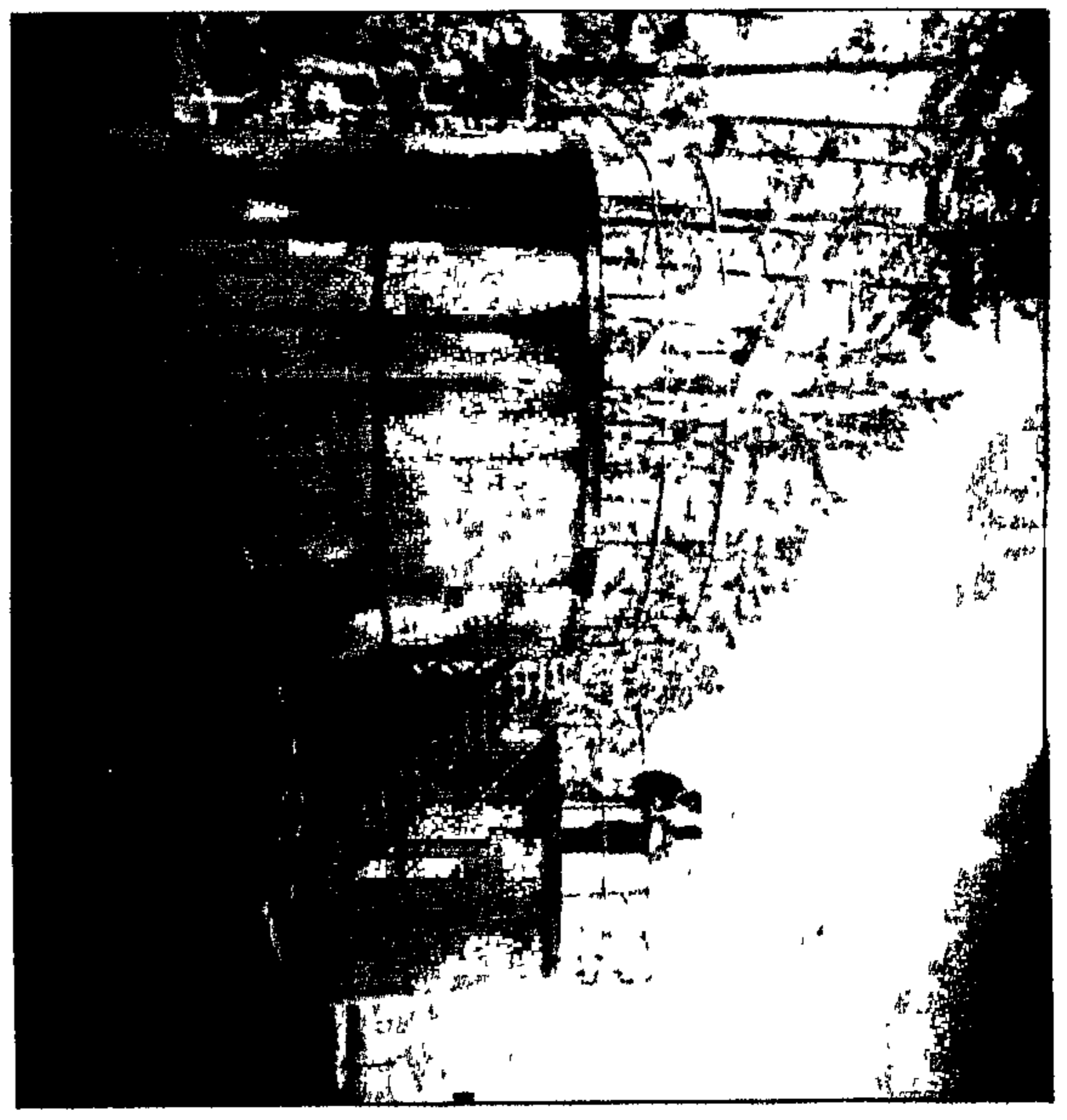
Alternate conventional methods, using industrially produced sodium carbonates or sodium hydroxide, are even more expensive and can be dangerous if overdosing occurs.

"The question begged itself," says Mackintosh, "why not use limestone? It dissolves easily and uses the natural driving force of the water to take up only as much calcium carbonate as it needs to, thereby naturally controlling the upper limit of alkali, calcium and pH." It requires little or no operator skills and the limestone only needs to be replenished monthly or weekly, depending on the size of the stabilisation plant. This makes it ideal for rural areas, where some of the country's most acidic water is found.

**A**fter encouraging laboratory scale studies, Mackintosh and his team investigated numerous limestone deposits to find the right kind of limestone. A suitable deposit in the Western Cape is now commercially available as water-treatment grade chemical, and sold as Aquastab pebbles. Limestone is sold at about R150 a ton, compared to R750 for the same amount of lime.

Stabilisation systems were developed in three sizes for different users: the small groundwater system, Spraystab, the town or municipal-sized Calcostab; and the largest, the Sidestream Stabilisation Process, for cities.

The Spraystab, prototype units of which treat about 2 000 litres per hour, is excellently suited for rural dwellings or small villages and is designed to stabilise the water and remove iron. The device is just 2m high and has a diameter of 60cm. And while a conventional iron-removal



**Water, water everywhere: These two Calcostab units can handle six megalitres a day and are based at Rozendal, one of Stellenbosch's three limestone stabilisation sites.**

system would take three hours to purify water, the Spraystab takes 10 to 15 minutes.

In addition, the capital savings are enormous, says Mackintosh. It is envisaged that this system will be available off the shelf and it is designed to be easily installable and inexpensive. Interest in Spraystab has been expressed by water boards and consulting engineers.

The Calcostab was installed initially as a pilot project in Stellenbosch. Studies showed that with a 10-megalitre-a-day (10-million litres) Calcostab unit, running costs would be about 25% of those of the lime process. "Technically it was almost a perfect solution, due to the cost-effectiveness of the plant," says Delpoit. "It works perfectly. We're quite satisfied. In the future it will be the way to go." Stellenbosch now has three Calcostab units.

Stabilisation, says Delpoit, is lessening the deterioration of Stellenbosch's pipes. The asbestos cement pipes now have a lifespan of 30 to

40 years, where previously it was 12 to 15 years. Similarly, pilot plant estimates at Bredaskop in 1997 showed a Calcostab unit would cost just R5 000 a year to run, compared to R90 000 for the sodium and R45 000 for the lime options over the same period. These findings resulted in the installation of a 10-megalitre-a-day unit at Bredaskop. Twelve full-scale Calcostab units are now operational in the Western Cape.

The success of the Spraystab and Calcostab systems led to the development of a modified system for stabilisation of city-size volumes of water. The Sidestream Stabilisation Process has been patented locally and internationally.

Pilot plant findings have indicated similar advantages over the lime process, and have raised considerable interest both locally and in the United Kingdom and the United States. The CSIR has entered into a partnership with Technifin, a technical licensing company, to license the technology locally and internationally.

# Housing allocation static at best

Robyn Chalmers

THE housing allocation is expected to remain static or fall to about R3,5bn in this week's budget from R3,6bn in 1998/99 which means that no inroads will be made this year into the 3-million housing backlog

Housing analysts said at the weekend the housing budget was expected to stay static or fall slightly. This follows a 24% fall in the housing budget in 1998/99 which caused a cash crunch in some provinces because of overcommitment

Burgeoning demand for low-cost housing means provinces need almost R5bn for 1999/2000 if they wish to meet their current housing commitments and start to make inroads into the growing housing backlog

The housing department said that in terms of the medium-term expenditure framework, the total budget for housing this year is expected to be R3,53bn

An amount of R3,32bn is expected for the 2000/2001 financial year

"In view of the budget amount (to be) made available for housing, it is unlikely that provincial administrations will be able to accelerate their housing delivery programmes," said the housing department

As a result, the department indicated it would be possible to address only housing needs resulting from normal population growth. It would not be possible to eradicate even a portion of the existing backlog

The housing ministry will raise the top R15 000 housing subsidy to R16 000 on April 1 this year. The additional R1 000 was announced last year without a supplementary budget to meet the increased costs

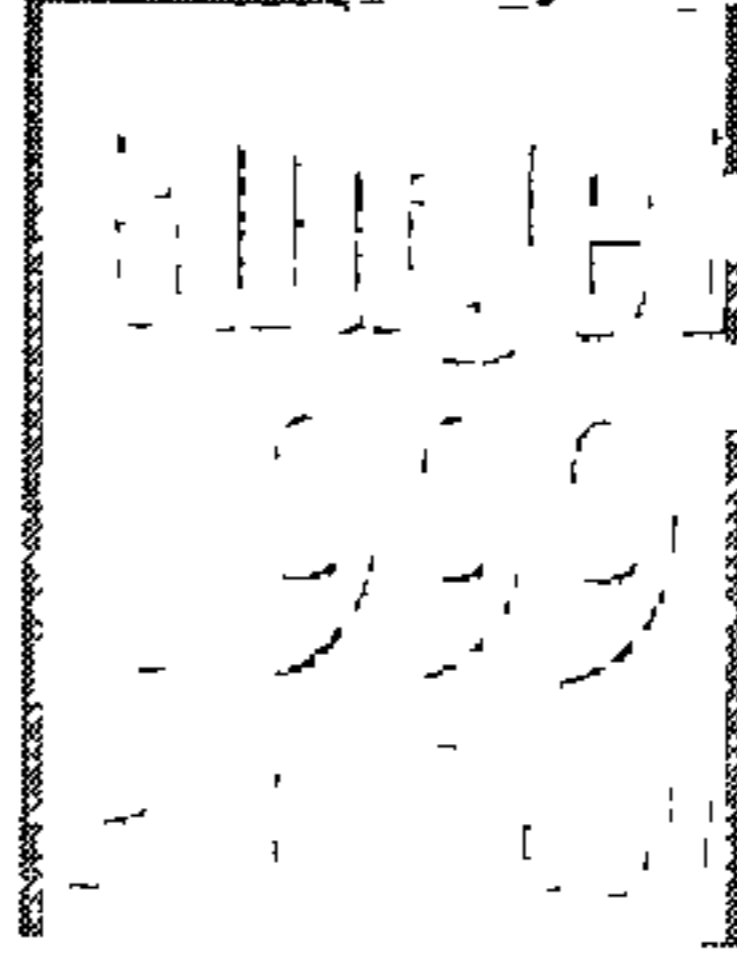
As a result, one industry official said the housing ministry was no doubt hoping to receive an additional sum to cover these costs, without

which it would have to reduce further the number of houses to be funded through the subsidy

The sharp decrease in last year's housing allocation was one of the reasons why government has been unable to meet its 1994 election promise of building 1 million houses by this year's election

Housing Minister Sankie Mthembu-Mahanyele said recently that more than 800 000 subsidies had been allocated since 1994 and 600 000 houses had been built or were under construction

During an overview of the ministry's performance last week, Mthembu-Mahanyele said that despite operating in an environment which was often hostile, good progress had been made in allocating homes to beneficiaries





# Provinces upbeat on housing expenditure

BD 16/2/99 (123)  
 No hefty rollovers seem likely on low-cost housing allocations

Robyn Chalmers

MOST provincial governments will spend the full amount allocated to them for housing in 1998/99, indicating that the delivery of low-cost housing is now up and running around the country

This follows several years where there were significant rollovers on the national housing budget as provinces struggled to get their structures for housing delivery in place. The 12- to 18-month lead time from conception to delivery of homes contributed to the delays.

However, signs in late 1997 that the low-cost housing programme was reaching full capacity at provincial level were stymied by a R1,1bn cut to R3,6bn in the 1998/99 national housing budget.

At the time of the budget announcement, provinces indicated they needed about R4,6bn to meet subsidy commitments and contend with burgeoning housing needs.

Provinces had previously been allowed to overcommit on the budgets in line with an agreed formula in a bid to get housing delivery going. The budget cut forced government to place a temporary freeze on new provincial housing commitments.

The housing department said yesterday that by the end of last month there was a good indication that most provincial governments would spend

their total allocations in 1998/99.

By January 31 this year, the Northern Province had spent 97,3% of its budget followed closely by Gauteng at 95,5%. The Northern Cape had spent 89,9% and KwaZulu-Natal 82,9%.

Housing department figures showed that Mpumalanga, at one time top in housing spending, had utilised only 68,4% of its 1998/99 budget. In the Free State it was 71,1%.

Housing Minister Sankie Mthembu-Mahanyele said last week that while solid progress had been made on subsidy approval, housing delivery and the establishment of housing institutions, there were still problems.

Chief among these was corruption, with some conveyancers and officials having siphoned monies earmarked for housing development. Loopholes in the system had been identified and were being closed.

Mthembu-Mahanyele said the quality of housing in some developments had caused concern but the recently approved Housing

Consumer Protection Measures Act would help protect consumers from fly-by-night contractors.

She said the recent decision to insist that all houses built with government's subsidy grant would total at least 30m<sup>2</sup> was a reasonable one. "We are in the business of building homes and not bus shelters," said Mthembu-Mahanyele.

## Provincial housing expenditure 1998/99

% of allocation to January 99

Northern Province	97,3
Gauteng	95,5
Northern Cape	89,9
Kwazulu-Natal	82,9
Eastern Cape	81,6
Western Cape	75,5
North-West	74,3
Free State	71,1
Mpumalanga	68,4

KAREN MOOLMAN

Source: NATIONAL HOUSING DEPARTMENT

# A key to the house for half a million people

More than half a million people were given access to houses and nearly a million subsidies had been approved since 1994, Mr Manuel said.

Nearly 40% of all housing schemes had been registered to women

"The housing programme is redressing decades of discrimination and the pain and suffering of millions of South Africans who were cruelly dislocated by the forced removals of apartheid

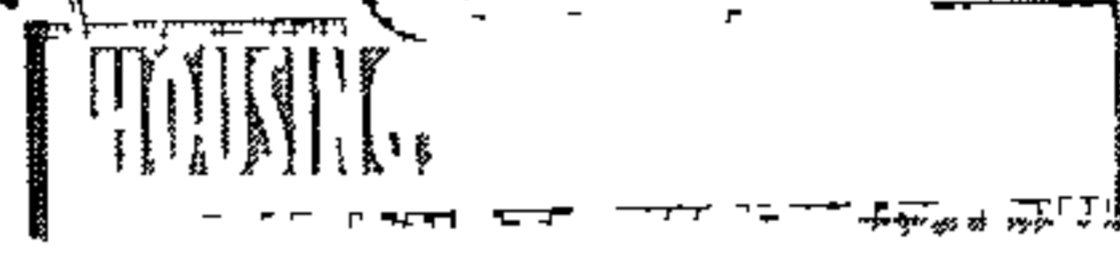
"The programme assists people to build their own homes which they

can pass on to their children Through this security of tenure we empower people," Mr Manuel said

The housing department will be given R9,9-billion and will remain at that level for the next two years

By the end of 1998, 3 623 households had regained their rights to land Under the land redistribution programme 179 088ha of land had been transferred to 33 366 households

ART 17/2/99 (123)



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# Govt brought water to 3,1-m people - Asmal

By Morgan Naidu

MORE than 3,1 million people have been given access to a basic water supply since 1994, Water Affairs and Forestry Minister Kader Asmal said yesterday

Addressing a parliamentary briefing in Cape Town, Asmal said the Government's term in office had been marked by the establishment of some 1 025 projects to make water and sanitation available to people, especially in rural areas

"The estimated budget costs are R4,264 billion and when these projects are completed 4,9 million people will have been served," Asmal said

Under the programme to accelerate delivery of water supplies, some 250 000 people had received temporary employment in construction jobs and at least eight water boards had been created or restructured

(123)  
The water and sanitation project had been a flagship of the department, Asmal said, and had focused directly on the rural and vulnerable poor

New water laws also meant that South Africa had to prioritise the needs of neighbouring states for use of water resources

The protection of the water needs of neighbouring states would form the basis of regional cooperation, Asmal said

"Within this context, South Africa will use access to water as a prevention of conflict and a catalyst for peace"

Regarding forestry, Asmal said that plans were nearly complete for the sale of Safcol and the state forests

Forestry legislation had been overhauled with an emphasis on community involvement in forest management

State forests had been made accessible to all communities, Asmal said

17/10/99  
Sowetan

# Housing delivery could lose momentum

Robyn Chalmers

THE housing and construction industry was disappointed by a second consecutive cut in the housing budget yesterday, and warned that the housing backlog could increase and delivery momentum be lost.

The housing budget has been scaled down 5,8% to R3,53bn from an adjusted R3,75bn in 1998/99 budget which follows a 24% fall in the budget for 1997/98.

Ian Robinson, executive director of the Building Federation of SA, said the housing budget had fallen 6% in nominal terms and up to 12% in real terms.

"As it is, the current budget is barely able to keep pace with the population growth of this country, which requires up to 200 000 houses a year. The new budget has not made provision for addressing the huge housing backlog on the current levels of expenditure."

Robinson said although many construction sites were evident in SA, these projects were nearing completion. Significantly less projects were being commissioned now than there were a year ago, supporting the fact that the building industry was in recession and would remain so for most of this year.

SA Residential Association president Chris Cud-

more said a crucial issue was that delivery momentum, built up in the years of big subsidy allocations, was being lost as a result of the budget cuts.

Cudmore said housing was a cyclical industry and skilled people tended to leave the sector in a downturn. Many of them did not return.

"There has been a lengthy period where subsidies in most provinces have not been allocated. The question is, what happens when subsidies start to flow again? We will move back to the beginning of the delivery cycle."

Cudmore saw more work flowing from the construction of rental housing and from the launch of Gateway, a new home finance scheme.

On the positive side, almost 630 000 low-cost homes have been built since 1994 under the subsidy system and more than 936 000 housing subsidies have been approved.

There is also good news for prospective home owners, particularly lower-income earners, buying fixed property after April 1 this year. Estate agents, developers and property analysts welcomed changes to the rate structure and exemption levels of transfer duties. The changes, which aim to encourage home ownership, will cost the fiscus about R60m.



A second consecutive cut in the housing budget could increase the housing backlog

# Agencies concerned about cost of services

PD 29/2/99 (123)

The tariffs in poorer communities could run dry, writes Deborah Fine

DEVELOPMENT agencies have expressed concern that communities are being provided with services which they and many cash-strapped municipalities cannot afford to maintain.

Questions have been raised by the Myula Trust, the Palmer Development Group and the Development Bank of Southern Africa over the long-term sustainability of a number of service projects.

There is particular concern over projects in poverty-stricken rural areas and in municipalities with weak institutional capacity.

The projects include water schemes initiated by the water affairs ministry provincial housing developments programmes implemented by the public works department and projects undertaken by municipalities themselves.

Sources from different sectors have claimed that a significant number of the 3-million taps provided nationwide by the water affairs department could run dry in the next few years because communities and municipalities cannot afford the operating and maintenance costs associated with keeping the water running.

Some municipalities are refusing to take over responsibility for running the schemes, claiming that they were not consulted and informed of the operating costs before the schemes were implemented.

Similar claims have been heard at the public works department.

Sustainability is the term used for the continued provision of services over an extended period as the community expands.

Problems arise when communities are not properly consulted and are provided with services which they can not afford to pay because they are unwilling to pay because they are dissatisfied with the quality of the services imposed on them.

The nonpayment of charges affects municipal revenues and cripples local authorities ability to run and maintain the new services on a long-term basis.

Municipalities are then unable to pay back infrastructure loans from financial institutions.

In many cases, municipalities with weak capacity are unable to collect service charges, even where residents are willing to pay them.

Richard Kruger, municipal infrastructure director at the constitutional development department, says there are a variety of service packages available to communities.

These include basic services such as communal taps, ventilated pit toilets, non-grid electricity and communal refuse skips, followed by intermediate service levels and full services which include water connections to houses, full waterborne sanitation, grid electricity supplies of 60 amps and kerbside refuse collection.

Full services, though consumer-friendly and convenient, involve the highest charges to consumers and are expensive to operate and maintain.

Given SA's financial constraints, central government plans to provide all citizens with basic service levels.

The consolidated municipal infrastructure programme provides funding for basic infrastructure, while the newly introduced local government equitable share is intended to cover the operating portion of providing basic services.

Sources have expressed serious concern, however, over whether the equitable share will prove sufficient in the long-term to cover the maintenance of even basic services.

It is understood that a number of municipalities have run into financial difficulties because of unaffordable services.

Kruger notes that service delivery is often a political issue. Many politicians and communities believe that services other than full services

are "second class" and a perpetuation of apartheid inequalities.

Given fiscal realities, however, he says what is needed is more education regarding intermediate services and more "innovative thinking" by government municipalities, developers and builders on making basic and intermediate services more user-friendly.

Myula Trust technical manager Richard Holden says politicians and officials are doing communities "a great disservice" by providing services which may collapse and "stand as monuments" after a few years.

Development Bank of Southern Africa policy analyst Barry Jackson, who is also attached to government's municipal infrastructure investment unit says that given SA's history, it is understandable that government has embarked on rapid programmes to reduce service backlogs, concentrating too heavily, perhaps, on "numbers" rather than other factors. A fresh debate was needed now, along with strategy changes which made sustainability the overriding delivery priority.

Jackson and Palmer Development consultant Jeremy Tunm agree that future projects should be mandated rather than supply-led, with initial spending focused on basic service levels followed by upgrades once affordability had been firmly established.

Kruger said that completed unsustainable projects could be made viable through consultation with communities and by redesign.

Myula Trust education manager Ned Brislin said that unless urgent emphasis is placed on affordability and sustainability, government risks "wasting millions of rand on unproductive infrastructure that will ultimately go to rack and ruin."

His warnings all the more topical given government's announcement that the extension of services infrastructure is to be a key priority in the 1999/2000 financial year.



Services delivery stakeholders have suggested fresh debate on the long-term sustainability of services projects following growing concerns that a number of projects could collapse because municipalities and communities cannot afford the costs of maintaining them. Particular concern has been expressed about rural water schemes. Picture: ROBERT BOTHA

# House sizes 'unacceptable'

**Robyn Chalmers**

ONLY about 30% of developers in the low-cost housing arena are building houses of an acceptable size, Housing Minister Sankie Mthembu-Mahanyele said at the launch of a housing project in Springs yesterday.

She urged other developers involved in the sector to build homes which could on average comfortably house between four and five people.

Government said last year it would introduce a minimum set of standards for subsidised low-cost housing, which would stipulate that a minimum 30m<sup>2</sup> home had to be built with the maximum R15 000 subsidy.

The minimum standards ruling caused an initial outcry among some builders, notably the Building Industries' Federation of SA, which said the subsidy was not enough to cover the cost of a 30m<sup>2</sup> home.

Mthembu-Mahanyele said that since 1994, government's housing programme had created 2-million jobs and just more than 600 000 permanent ones. "We are beginning to house the nation in earnest."

The project in Springs is the first subsidised low-cost housing initiative to benefit white families as well as black families, where the housing initiative has generally been focused to date.

Gauteng housing MEC Dan Mofokeng said the project would go a long way to changing people's perceptions that whites and black were not prepared to live side by side.

He said there was also a belief that previously disadvantaged people were the only ones to benefit from government's housing and land delivery programmes.

"This project is a clear testimony of government's commitment not only to reconcile but also to build a nonracial society where there is equality for all," he said.

Yesterday's launch of the Springs project comes after a similar event last week when Mofokeng launched a housing project at Kraalfontein which will benefit more than 23 000 family members.

The Kraalfontein land was donated to the provincial housing department by Eskom.

(123) BD 25/2/99

# Institutions crack down on bond defaulters

By Joshua Raboroko

FINANCIAL institutions are getting tough and are evicting bond defaulters in the townships who fail to make arrangements to pay their home loans

Servcon Housing Solutions, a company created by banks and the government to manage repossessed houses, said that by January 1999 it had evicted about 160 families

By inducing defaulters to start repaying their bonds, Servcon is contributing to the creation of stable communities, where a payment ethic for housing and services is being restored

About 33 100 houses have been repossessed or are in the possession of banks since the company was formed, after the occupants failed to pay their mortgage bonds. The company has

(23) attempted 199 evictions, 14 650 people have signed agreements promising to pay, while 2 278 people have settled their debts

Banks have disclosed that they are owed R6,7 billion and the evictions - normally taken as the last step - are an attempt to recover the banks' costs as well as clients' money

Some of the areas hardest hit by the evictions are Soweto, Ennerdale, Sebokeng, Kwa-Thema Tsakane and Atteridgeville

Servcon's managing director Mr Denis Creighton said the company started operating in May 1998. They made up to 10 visits to properties. People were still coming forward to join the

Unfortunately, he said, about 55 percent had not yet responded and were

*Sowetan 25/2/99*  
facing legal action. He was reluctant to say which areas would be targeted for fear that his staff might be attacked

Evictions had been carried out in a number of areas but only after occupants were given the opportunity to join the rehabilitation programme. Creighton said eviction was the last step after all other avenues had been explored

He said a sister company, Thubelitsha Homes, had been established to facilitate the development of affordable housing alternatives

Thubelitsha will create, hold and dispose of housing stock

According to housing ministry statistics 4 200 properties have been sold, 760 have defaulted again, 600 loans have been rescheduled, 5 400 were rightsized and 2 000 defaulted again

# Bold financing schemes key to housing delivery

(123)

## Model low-cost project shows need for innovative mechanisms to attract banks, writes Deborah Fine

THE KEY to successful and affordable housing delivery in SA lies in the formulation of "bold and innovative" financing mechanisms to address the reluctance of private lending institutions to provide finance to low-cost housing projects.

This is the view of Slumko Sowazi, CEO of the Tsepo Development Corporation, developers of the R80m athlete's village in Johannesburg which will house about 6 000 competitors participating in the All Africa Games in September.

Once the Games are over, the village's 1 800 units will be sold as affordable housing to low-income individuals who qualify for government's housing subsidy, and are also eligible for top-up finance to cover the difference between their subsidy, financing from other sources and the selling price of between R20 000 and R48 000.

The village has been hailed as a pio-

neering partnership between government, the private sector, parastatals and nongovernmental organisations.

It has also been hailed as a "model" low-cost housing project in terms of the units' quality and the speed at which the village has been erected.

Innovative arrangements for the financing of the village have secured a steady flow of funds to ensure uninterrupted construction, while access to bridging finance and end-user finance for low-income buyers, have been obtained from Brait Merchant Bank and Nedcor.

This in a market that the private sector has traditionally avoided as high-risk.

Sowazi said funding for the project was initially secured last year from the Gauteng Housing and Land Affairs Department, the National Housing Finance Corporation and provident fund managers,

Negotiated Benefits Consultants

Further subsidies were obtained from parastatals such as Eskom, the National Electricity Regulator, the Rand Water Board and the National Sports Council to cover the minimum requirements for athletes' accommodation as stipulated in international sporting codes.

These requirements include the provision of carpets, ceilings, hot and cold indoor ablution facilities, tarraced roads and streetlights — which are not usually associated with low-cost developments.

Construction could have hit a snag in March when bridging finance was required to fill a gap between the various tranches of funding from the different funders of the project.

To persuade Brait to speedily provide bridging finance of R13m, Tsepo negotiated a deal whereby nongovernmental or-

ganisations such as the National Urban Reconstruction and Housing Agency and the Home Loan Guarantee Company (HLGC), agreed to share Brait's risk by providing guarantees for the loan.

Both organisations facilitate access to housing finance for lower-income groups and encourage private sector entry into the market by sharing lenders' risks and offering guarantees.

Tsepo is also in the process of signing an agreement with Nedcor for end-user top-up finance of more than R4m. This loan was secured after the Home Loan Guarantee Company again agreed to stand surety.

"All that is required is a gutsy approach that will allow the private sector to feel secure enough to come in. We hope other commercial entities will follow suit," HLGCEO Charlene Lea said.

PD 2/15/99



## Water Affairs disputes claims that rural programme is in disarray

**AFRICAN EYE NEWS SERVICE  
AND STAFF REPORTER**

Non-governmental organisations, quoting studies they have conducted, have warned that Water Affairs and Forestry Minister Kader Asmal's rural water delivery schemes are in serious disarray

The *Sunday World* reported yesterday that the Government was reviewing its water-delivery programme following reports that its delivery of drinking water to more than 3 million rural people may be nothing more than a pipe dream, with more than half of the recipients no longer getting clean or even regular water

However, Asmal's spokesperson, Themba Khumalo, said the story was malicious and had misconstrued the facts. He said the problems were not as widespread as had been claimed

The minister will respond to this, however. The 3 million people who have received

water will not be convinced by this political ploy on the eve of the elections." he said.

It was reported that department officials conceded at a conference in East London in March that the country's approach to water delivery had to be radically reviewed

Estimates for the failure of projects range between 50% and 90%.

Experts such as Development Bank of Southern Africa sanitation and water policy analyst Barry Jackson are quick to stress that the collapse is not entirely the Government's fault, with recipient communities guilty of rampant vandalism and water piracy.

Alternative Information for Development Centre co-ordinator George Dor insists that up to 90% of projects have suffered interruptions or complete failure "The department has opted for projects that are way too expensive for poor rural communities," he said.

(123) SPAN 10/5/99

# Cities are 'wasting assets'

(123) BD 12/5/99  
Alan Pike

Financial Times

LONDON — SA is not alone in experiencing alarming urban decay. A study shows that a "city exodus" is leading to housing being abandoned on a scale that could threaten the viability of UK cities.

The report describes cities as a "huge, wasting asset" and says "the future of our environment, our communities and our crowded country" depends on saving them. "It should not be beyond the wit and energy of our still highly urban, city-focused society to lever in a new and better century for cities."

The government is anxious to attract people back to city living and to increase the proportion of homes built on previously used — brownfield — sites. The research says incentives for brownfield development and recycling buildings need to be "stronger than the lure of greenfield sites."

Prof Anne Power of the London School of Economics, one of the authors of the report, says greenfield development — rural sites that have previously not been built on — is "squandering a resource that we will never get back", while putting the viability of cities at risk.

The report says positive developments are occurring

in cities. Evidence of a "national problem of urban decay" illustrates the scale of the task facing the government and local authorities to revive inner-city areas.

Large-scale abandonment of properties in unpopular parts of inner-cities is, says the report, affecting all forms of tenure. House prices have fallen with new properties being demolished because of lack of demand.

Information on the scale of housing abandonment and demolition is not available nationally. However, the researchers, Power and Katharine Mumford, of the school's centre for analysis of social exclusion, found in Manchester and Newcastle that "the speed with which streets or blocks are shifting from being relatively well occupied to nearly half-empty is alarming."

There is almost no waiting time for council housing in the poorest neighbourhoods of Manchester and Newcastle, with the local authorities advertising nationally for tenants. Both cities have suffered substantial population loss during the past 25 years — Manchester by 22% and Newcastle 16%.

However, the researchers found evidence of low demand for housing in parts of the southeast, southwest, midlands and the north.

The report says "critical driving factors" behind abandonment of inner-city areas were poor reputation, a decayed environment, failure of mainstream services and antisocial behaviour and crime.

Solutions involve policies directed at supporting existing residents and attracting people with higher incomes and skills.

**HOUSING** Unibank's new non-mortgage funding serves low to moderate-income earners

## R100m credit facility to union members

FRANK NXUMALO

LABOUR EDITOR

Johannesburg: Up to 1 million new trade union-linked applicants could benefit from yesterday's decision of the National Housing Finance Corporation (NHFC) to supply Unibank with a R100 million high-mortgage housing finance facility for the low to moderate-income housing sector.

Samson Moraba, the NHFC's chief executive officer, said the decision was based on Unibank's unique attempt to break the deadlock in private funding for this underserved segment of the property market.

The NHFC is a wholesale housing finance scheme established by the government in 1996 to facilitate affordable housing credit to low and moderate-income families who were considered extremely high-risk clients by traditional commercial institutions.

"We feel that Unibank has targeted precisely the right market, and that it (is) the ideal



**ACCESS FRIENDLY** Gerrit van der Merwe of Unibank, left, and Samson Moraba of the NHFC announce yesterday that 'high-risk' borrowers now have an open door to housing finance

PHOTO: JOHN WOODROOF

intermediary to promote broader access to credit, which is directly in support of our mission," said Morgan Pillay, the general manager of the NHFC.

Gerrit van der Merwe, the managing director of Unibank, said the institution's activities in the low-income housing area were aimed at mobilising funds

and providing affordable finance to a "difficult but high-growth market". "Our arrangement with the NHFC is not only an attempt to

(123) CT(02)19/5 (99.12) 15/1

stimulate the growth of a secondary housing market but to assist the low and moderate-income earner to renovate existing homes, move into bigger ones or purchase a new home.

"While we're not a major provider of conventional residential mortgages, our housing finance division takes special interest in non-mortgage, affordable housing finance in the R20 000 to R40 000 market."

Van der Merwe said pension or provident funds, rather than mortgage bonds, would be used to underwrite the loans. Monthly repayments of about R450 would be made via salary deductions.

To qualify, applicants had to be formally employed union members, preferably from Cosatu affiliates because of their historical and commercial links, with a combined household income of not over R5 000 a month.

There would be no credit bureau checks or discrimination against unionised workers from affiliates of the Federation of Unions of South Africa or National Council of Trade Unions

# NHFC and Unibank sign R100-m deal

By Shadrack Mashalaba

**T**HE National Housing Finance Corporation (NHFC) and Unibank yesterday signed a two-phased loan deal worth R100 million for low-cost housing

Each phase, to be allocated R50 million, will cover a 12-month period. The loan facility becomes effective immediately.

NHFC general manager Morgan Pillay said the partnership with Unibank was aimed at addressing the housing backlog and the lack of access to housing loans.

"We feel Unibank has targeted precisely the right market, and that makes them the ideal intermediary to promote broader access to credit which is directly in support of our mission," Pillay said.

He said loan applicants could apply

through their employers, liaising with Unibank. The facility would offer loans for affordable housing and home improvements. Households with a combined income of less than R5 000 would qualify.

The agreement would offer a structured loan facility of up to R20 000 for housing, particularly to union members. This meant that those who were part of a group pension scheme would qualify.

The loan facility would target mainly people in the manufacturing, mining and textile industries who had a year's service.

Unibank managing director Gerrit van der Merwe said "Our activity in this area is to mobilise funds and provide affordable finance in a difficult but high-growth market. Our intention is to make available R400 million in the next couple of years as the project rolls out."

NHFC was established in 1996 as a

wholesale housing finance institution that aimed to change the housing finance system in South Africa, and broadly make available suitable housing credit for low and moderate income families through appropriate intermediaries.

The 100-year-old Unibank, whose roots lie in Eastern Cape, specialises in corporate asset-based finance banking, as well as affordable housing finance, term micro-loans and group saving schemes.

It is 37 percent owned by the South African Clothing and Textile Workers Union and the National Union of Mineworkers.

"While we are not a major provider of conventional residential mortgage, our housing finance division takes special interest in no-mortgage affordable housing finance in the R20 000 to R40 000 market," Van der Merwe said.

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# 'People, not money, made projects fail'

Louise Cook BD 19/5/99 (123)

THE dismal performance of many of government's water projects was not because of the lack of affordability but the lack of community co-operation and involvement, according to an investigation sponsored by the Water Research Commission

The probe which focused on 24 rural community water projects of the nongovernmental organisation, Mvula Trust and the Water and Forestry department, found that contrary to popular belief, affordability was not the main cause of the failures. About a third of the Mvula Trust projects ran into problems

The report, "Dynamics of community non-compliance with basic water supply projects", cited weak community leadership, lack of communication between water committees and communities, lack of project management expertise and impatient and ill-advised engineering consultants as some of the reasons

"Affordability is not an important factor. Most villages have an adequate enough supply of water from traditional sources to meet their basic needs"

Researcher Linda Dreyer said the probe showed that government had rushed into the projects. "It opens up a whole new debate around community participation"

The report said nonpayment of Eskom's electricity account (to keep water pumps going) accounted for most of the cuts of water supply

The projects, which have seen more than 3-million previously disadvantaged people receive clean running water, from a tap no further than 200m away, were the result of Water Affairs and Forestry Minister Kadar Asmal's drive to supply 21-million previously disadvantaged people with a basic water service

But the report said many communities wanted a higher level of service than the national water supply programme envisaged

"In many instances the level of service provided by the water scheme did not meet the expectations of villagers," the report said. Many may have been taken in by promises of employment on the project

Other projects failed after being abandoned by communities because they had become a source of conflict in the village, "even if it meant carrying water long distances in searing summer heat", the report found.

# Sankie shows women can build

(123)

M+G 30/4 - 6/5/99

*The houses built for 680 000 families are the most tangible signs of change, writes Ferial Haffajee*

If there is one thing that has marked the landscape of delivery, it's the *HOP huise*. That's the Afrikaans term for the houses built under the auspices of the Reconstruction and Development Programme (in Afrikaans, that's the *Heropbou en Ontwikkelingsprogram* or the *HOP*).

In most towns and in every city, rows of uniform houses have sprung up. Some are little more than match boxes erected by apartheid planners; others are bigger and prettier and resemble the beginnings of a home.

Delivery doesn't come in more tangible form than brick and mortar. It is a first asset and with a home in hand most people become consumers of goods like fridges, stoves and the furniture that keep downstream industries alive and buoy the economy.

Since 1994, the government has poured R10-billion into a housing programme that formed the pinnacle of its election promise. One million housing subsidies in five years — the promise rang from pre-election platforms and the African National Congress's posters. It was a pledge that came back to haunt them.

In the ANC's first year in office only 6 800 subsidies were approved, against a goal of 50 000. In the second year, only 30 000 were approved against a goal of 150 000. And in its third year in office the dream of one million houses slipped even further out of the government's grasp.

Last year the *Mail & Guardian* asked "Whatever happened to the dream of low cost housing?" By then, not even 200 000 houses had been built to house a complement of homeless people growing by 200 000 a year.

This year Minister of Housing Sankie Mthembu Mahanyele has come back with the riposte that black women can build. It is a claim with which most in the industry agree.

Earlier this year she revealed that three million people have been housed — more than 959 000 government subsidies have been paid out, providing a fillip to the construction industry. More than 680 000 houses have been or are being built. About half the contracts have gone to black contractors which has served the further function of ballooning the black middle class.

Mthembu Mahanyele and her Director General, Mphumi Nxumalo-Nhlapo, now preside over a happier chapter in housing, and while they still bicker with each other, most sectors of the industry agree that the major hurdles have been cleared.

Creative financing mechanisms have been found, banks are coming in to the loop and an old-fashioned statist approach to housing is being ditched in favour of a mixed housing policy.

With her predecessor Joe Slovo, Mthembu Mahanyele is credited with synchronising 17 unequal and racist administrations into one authority. Chaos in housing was a particular apartheid legacy. Grafted on to that were nine brand new provincial authorities filled with inexperienced (and often starry-eyed) civil servants.

"The capacity of the provinces had



**Under construction: 'Where people are building their own houses, a certain transformation is injected into a community if someone doesn't pay for three months, the community will want to find out why.'**  
PHOTOGRAPH  
NADINE HUTTON

people save money communally to build their own homes. The Victoria Mxenge project began with 11 women who saved 50c a day. The process at first got short shrift from the government, where the policy was state-led housing. Launched as a departmental project in May 1996, it received a tiny budget. But as news of successful projects grew, it became clear that while the government could provide, ordinary people could provide better.

The homes being built by communities were often bigger and of a better quality than many of the private sector's *HOP huise*. In Kanana — translated as Canaan — near Sebokeng, the housing project has mushroomed. The savings scheme has built its own offices. Their records are painstakingly written out by hand in a school exercise book and funds are carefully controlled down to the last R2,69.

The scheme provides employment, creates a sense of caring because the community builds first for those who need it most, and subsidy savings are used to put in infrastructure like sewerage systems.

It is one of 24 projects supported by the government in the past three years which have seen the ANC's original housing policy turned on its head.

Where people are building on their own, a certain transformation is injected into a community. You inject a spirit of co-operation. If someone doesn't pay for three months, the community will want to find out why," says Mthembu Mahanyele. We have a window into the lives of communities.

To build quickly and in large quantities, communities which want to construct their own houses need help to quickly access their subsidies and be trained in basic building skills. Their homes can be used as collateral to project them into the marketplace. Access to credit brings opportunity, be it hawking, a small business or even a small construction company.

One criticism of the government's mass housing project is that it has failed to transform the urban landscape. Most of the 600 000 houses have sprung up cheek by jowl with existing townships. Attempts to build mixed residential estates (where maids and madams live nearer to each other) have met with near insurrection.

Consequently, apartheid planning lives on into the next millennium in much of South Africa.

to be built from scratch," says Brian Moholo of the Urban Sector Network. "The political will was there but the bureaucracy was difficult."

In 1996 a task team cut down the number of steps between the time a subsidy was approved and a contractor started building from 203 to 183. There's still a lot of red tape but the minister claims "the capacity that was not available on day one in 1994 has now been built up." That's been achieved by link ups with universities that have trained civil servants from the provinces and local authorities.

Mthembu Mahanyele seems set to maintain the Cabinet position she's grown into, despite the Mthembu housing scandal of two years ago in which a R175-million contract was granted to an inexperienced company whose director was a friend of the minister.

In the next term the ministry and the department will begin to refine housing financing.

One of the reasons behind slow delivery was that the record of under-standing with the banks collapsed. From the first year of its signing, banks did not make their target lending figures. Only 14% of houses built in the past five years have been funded by banks; the majority have been built on the government subsidy alone.

The subsidy is meant to cater only for the poorest of the poor. A lending gap has been created for people who are slightly wealthier. It is now being filled by different forms of funding, like securitisation and by micro-lenders.

In addition, the ministry will seek

to pass a home loan mortgage Act in the next session of Parliament which attempts to improve mortgage lending. "We're not asking banks to lend badly but to be fair in accessing credit to people," says Mthembu Mahanyele.

The carrot is being replaced by the stick to stave off a housing crisis. The housing backlog is now between 2.6-million and three million houses.

The building industry is not happy with legislation compelling its mem-

bers to register with the National Home Builders Registration Council. The government counters that there are enough shoddy houses for the council to enforce quality control.

At the Victoria Mxenge housing savings scheme in Cape Town, no council is needed for quality control. This award-winning scheme is at the cutting edge of the People's Housing Process. The term may sound highfalutin, but the recipe is simple: poor

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SECONDARY HOME LOANS

# OPENING GATE FOR THE POOR

New technology speeds up fast finance for low earners

(123) AM 4/6/99

**A**fter six months of testing, government's secondary home-loan market is ready to roll. Key to its success is an automated IT system that will allow rapid issuing of loans to low-income earners, regarded by banks as high risk.

Operated by Gateway Home Loans — created last year as a subsidiary of government's National Housing Finance Corp — the system is based on a scheme operated by the US Federal National Mortgage Association (Fannie Mae). Created after the Great Depression, Fannie Mae has been successful in providing housing loans to low-income earners in the US, mainly the urban Hispanic and black communities.

With the technical assistance of Fannie Mae, Gateway is initially targeting people with incomes of R1 000-R5 000 a month, who generally have no access to conventional housing loans. Using a "disintermediation" model, it will offer loans of R10 000-R50 000 to supplement government housing subsidies.

The system works like this: Gateway (the secondary market institution) buys loans originated by primary market lenders (initially banks and microlenders), and funds these in the capital markets. Gateway guarantees the loan, ensuring payment to investors even if the eventual borrower defaults.

So far Nedcor, African Bank and Standard Bank have agreed to act as loan

originators. "There is limited risk for the lenders," says Gateway's Vanessa Vasani.

The issuing of loans will be accelerated by a system developed by local software developer John Holdsworth. He says the portable technology can be used by any number of intermediaries, in any location.

Phase one is deployed at the primary mortgage lenders' central office. This may be extended to bank branches, employers' offices and even micro-finance providers in the townships.

Gateway's plan, says Vasani, is to create a large network of accredited loan counsellors to help the banks.

The system allows the home-loan originator and its intermediaries to automatically link through to a credit bureau.

Vasani adds: "Banks don't carry the credit risk."

The system is efficient, uniform and allows rapid decision-making. The immediate target is to offer 10 000 home loans in the first year. The five-year target is 250 000.

Marina Bidoli



**Home a-loan** Low-cost housing like this in Alexandria — considered risky by commercial banks — is the target for Gateway's home-loans enterprise

The challenge facing SA is...

# Making a pondok into a home

*Housing is on top of the political agenda, but is South Africa on the right track in creating a good environment for people to thrive in, asks Aska Wierzycka (127)*

**S**ANTU Mofokeng, the documentary photographer and social commentator, wrote recently that "Home serves a similar function to zero in mathematics. It provides us with a beginning or basis from which to evaluate other spaces." If that is the case, then the townships in which so many South Africans were born and bred would have a negative value.

The story of mass housing in SA is, perhaps inevitably, entwined with its political destinies. Created almost exclusively to provide shelter to its "coloured" population, the low-cost housing projects created after the Second World War have irreparably damaged the fabric of our cities, scattered communities and families and spawned the slums of today.

One needs only to drive through the Cape Flats, Alexandra, Mdantsane and Soweto to realise that the painful realities of poverty, unemployment, geographic isolation, overcrowding and rampant crime have inexorably stamped these blighted landscapes. They are as much part of the colossal housing problem the ANC government has inherited as the millions of people who still lack even rudimentary shelter.

However these settlements also hold the key to the way forward. Their evolution from the ordered housing estates of high apartheid to the hybrid landscapes of today offers some valuable lessons on how not to compound the mistakes of the past. More importantly, the creative solutions devised by people forced to live in apparently impossible conditions to make their lives bearable deserve the attention of the architects, urban planners and politicians entrusted with their future.

The notion of providing mass housing for the "African" population never sprang from an altruistic impulse. The apartheid government simply needed somewhere to relocate the communities it was dislodging with the Group Areas Act. Sophiatown, District Six, Fordsburg and many others were purged of their

tempt to confine, isolate and subjugate a whole nation was doomed to failure.

The economic pressures of these years and the gradual relaxation of the pass laws also caused massive urbanisation and housing shortages. As families grew and relatives from the homelands came to join them, the little houses began to groan at the seams. Rooms were added, pondokkes sprouted everywhere and footpaths had to be made to reach these new dwellings. As laws that prohibited trading in the townships were lifted, so a sturdy breed of entrepreneurs, from shebeen queens to sangomas, began plying their trade in this new land of opportunity.

During the '80s land occupation became a highly contested issue. As local councils lost any semblance of influence and rates went unpaid in protest, youths led popular invasions of state-owned land, which quickly sprouted squatter camps. These still ring the townships and continue to grow unchecked.

This process was in its own way a highly effective form of struggle against apartheid, but it left millions of people marooned in squalid, overcrowded and hazardous circumstances.

The failure of the state-controlled estates proved that mass housing is, to state the obvious, about much more than houses. To provide a house without the necessary network of services and infrastructure is to simply create another ghetto. One has to marshal all the resources of architects, urban planners, developers, business leaders, environmental experts and residents to create a living, breathing, viable community.

Location is often of utmost importance. Most townships were built away

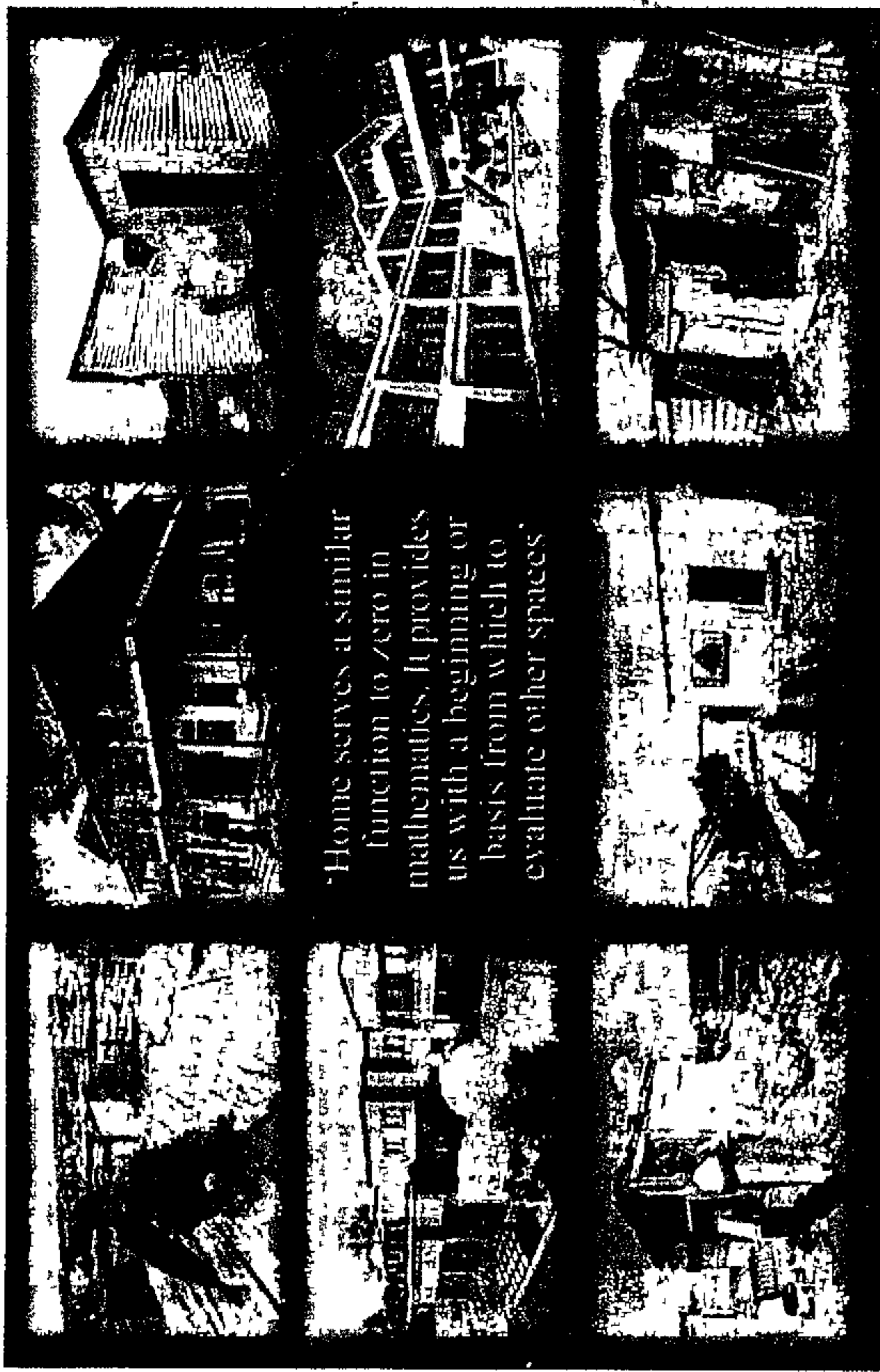
and squatting, with some upgrading and restructuring they could offer a wealth of housing opportunities.

One such scheme, subsidised by the Flemish regional government and the European Union, has been established at 6 Wilhelmina Street in Troyeville, Johannesburg. Once a hostel built to house miners, in recent years it had come to house shebeens, brothels, gambling dens and an ever changing array of tenants. After two years of negotiation and intensive refurbishment the building became Douglas Rooms. Its modestly priced bachelors and studio apartments provide for those most frequently neglected by low-cost housing initiatives — single tenants.

The upgrading of existing buildings also offers hope of low-cost accommodation that is more architecturally varied and individually suited. The township *pondokkes* built during the apartheid years may have been rudimentary, but their tenants were undeterred in trying to customise and upgrade them. Fancifully twisted burglar bars, new doors and windows, solid fencing, even a fresh coat of paint broke up the monotony.

There is an important lesson there. People should not be doomed by poverty to housing that is shoddily built and designed. This principle has not however, been heeded by the National Housing Board, whose housing schemes overwhelmingly favour the "cookie-cutter" house perfected by the apartheid government. These have been sprouting on the outskirts of major cities all over SA, and the only thing that differentiates them from the matchboxes of old is that they are even smaller — because of economic constraints.

There have been calls for SA archi-



Home serves a similar function to zero in mathematics. It provides us with a beginning or basis from which to evaluate other spaces.

(GRAPHIC MATTHYSMOSS)

## The architectural

history

of SA

s peaks with



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The notion of providing mass housing for the "African" population never sprang from an altruistic impulse. The apartheid government simply needed somewhere to relocate the communities it was dislodging with the Group Areas Act. Sophiatown, District Six, Fordsburg and many others were purged of their inhabitants with ruthless efficiency. What was waiting for them were freshly constructed housing estates of matchbox houses and hostels on the barren outskirts of the cities.

These housing estates may have been novel in the SA context, but they were really not so different from the housing projects being constructed after the Second World War all over Europe to accommodate its poor. The design and planning of these public housing projects was largely guided by the vision of one man — Charles Edouard Jeanneret, better known as "Le Corbusier".

This Swiss-born architect was the leading exponent and proselytiser of the "International Style", which revolutionised the landscape of modern cities with its clean, symmetrical lines and glass towers. His most significant contribution, however, was to city planning and his idea of creating separate zones for working, living and leisure was enthusiastically embraced all over the world. It proved to be one of the most colossal blunders of 20th century architecture and urban planning.

The vast housing estates in England, America, India, Eastern Europe and SA imposed an artificial framework which isolated communities from services, and created barren ghettos.

It is easy to see, however, how attractive the theories of Le Corbusier must have been to the apartheid government. It developed an arsenal of laws and regulations to keep the races separate in all things, and the regimented housing estates of Soweto, Cape Flats and Alexandra enforced the divisions brutally.

So how did this ordered landscape evolve into what we see today? Most importantly, the model African settlement was really only that — a model. The at-

began to groan at the seams. Rooms were added, *pondokkies* sprouted everywhere and footpaths had to be made to reach these new dwellings. As laws that prohibited trading in the townships were lifted, so a sturdy breed of entrepreneurs, from shebeen queens to sangomas, began plying their trade in this new land of opportunity.

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Location is often of utmost importance. Most townships were built away

## The architectural history of SA speaks with many tongues

from the main transport routes, creating enormous problems of access for residents. Stranded far from the central business districts and employment and trading opportunities, they had to depend on hopelessly inefficient, expensive and dangerous trains, buses and taxis.

These have, in themselves, created serious social problems. The state-owned transit systems drain millions of rands in subsidies from the state coffers just to keep running. The minibus taxis, which are the main form of transport for most township dwellers, have also contributed significantly to violence, pollution and overcrowding on the roads.

The solution is, surely, to maximise the space South Africans are already occupying more effectively, rather than to allow urban sprawl to continue unchecked, further isolating people from vital services.

There are huge tracts of land in cities like Johannesburg that are underused or not developed. The communities that could be established there would have the advantage of ready access to existing infrastructures. One could also look at breathing life into the much maligned inner cities, by converting already existing buildings into low-cost housing. The money used to construct matchbox houses on city peripheries could be pumped into upgrading and maintaining neighborhoods such as Yeoville or Bertrams, which were once some of the most architecturally diverse and comfortable areas of Johannesburg. Rather than allowing buildings to slide into decay under the onslaught of vandalism

Flemish regional government and the European Union, has been established at 6 Wilhelmina Street in Troyeville, Johannesburg. Once a hostel built to house miners, in recent years it had come to house

shebeens, brothels, gambling dens and an ever changing array of tenants. After two years of negotiation and intensive refurbishment, the building became Douglas Rooms. Its modestly priced bachelor and studio apartments provide for those most frequently neglected by low-cost housing initiatives — single tenants.

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There is an important lesson there. People should not be doomed by poverty to housing that is shoddily built and designed. This principle has not, however, been heeded by the National Housing Board, whose housing schemes overwhelmingly favour the "cookie-cutter" house perfected by the apartheid government. These have been sprouting on the outskirts of major cities all over SA, and the only thing that differentiates them from the matchboxes of old is that they are even smaller — because of economic constraints.

There have been calls for SA architects to become more involved in coming up with creative solutions to the problem. The way forward may be to look to the solutions communities and individuals have had to find to the problem of shelter and co-existence.

The organisation of a township such as Alexandra may seem random to an outsider, but the conglomeration of every conceivable kind of dwelling, interspersed with streets, footpaths, shops, restaurants, garages and so forth, may be closer to what a suburb should be than anything dreamed up on a drawing board of an urban planner.

There is also inspiration to be found in the inventive use of materials in townships like Alex — spanning everything from cardboard, plastic, metal sheeting and mud to home-made bricks. Materials such as straw, clay and stone have been used for hundreds of years in Africa to construct houses that are still standing today, yet little research has gone into making them a viable alternative to concrete and asbestos.

The architectural history of SA speaks with many tongues. Victorian mansions rub shoulders with skyscrapers, Cape Dutch homesteads share the same landscape with a Zulu kraal. Perhaps it is in the arena of low-cost housing, where the need is the most pressing, that we can devise an indigenous SA style that serves us all, regardless of race or class.

As British historian Kenneth Clark wrote in his monumental work, *Civilisation*: "Writers and politicians may come out with all sorts of edifying sentiments, but they are what is known as declarations of intent. If I had to say which was telling the truth about society, a speech by the minister of housing or the actual buildings put up in his time, I should believe the buildings."



**RDP brings water to 4-million**

FOUR million people have received access to water as part of the government's reconstruction and development programme since April 1994, Water Affairs and Forestry Minister Kader Asmal announced yesterday

He said the mark was reached earlier this month but government delayed making an announcement until after the general election last week to avoid accusations that he was trying to catch votes

Asmal said more than 250 000 jobs have been created so far by the government's community water supply and sanitation programme — Sapa

BD 11/6/99

(123)

# Ten obstacles block way to achievement of target

Government's aim of developing compact, integrated cities has been thwarted by its own framework and particularly its housing subsidies, argues Richard Tomlinson

(262) (123)  
BD 04/6/99

**T**HE last research project undertaken by the National Housing Forum Trust showed that in a number of instances the location of the housing subsidy accentuates economic disadvantage, social exclusion, institutional isolation and the lack of employment opportunities

These are the essential characteristics of poverty. Rather than economically empowering low-income communities, the housing programme may be undermining them. The choice is between counting the number of housing subsidies versus building compact, integrated cities as specified in the local government white paper and in legislation such as the Development Facilitation Act.

The question is why it should be so. The answer seems to lie in a series of mutually reinforcing decision frameworks.

First, there is the lure of cheap land. Developers initially drove housing delivery, and they were attracted to cheap land that is far from where there are jobs and social services. They were attracted to uncontested land, in particular land that does not border on middle- and upper-income groups, for then the projects will probably be delayed by protests and court action.

Now that local governments are acting as developers, the question is whether they will want to and be able to overcome the constraint imposed by a housing subsidy with a value that does not enable development on more expensive land that is closer to job opportunities and social services.

Second, better-off households do not want low-income households with a lesser standard of services as neighbours, as they are worried about defending their property values. Thus they act to drive low-income households away to the urban periphery.

Third, the constitutional development department's infrastructure subsidies are provided without regard to their spatial development implications. When the criteria for infrastructure grants under the consolidated municipal infrastructure programme were being drafted, the consultants had in mind the fate of the reconstruction and development programme ministry and its inability to "get the money out". Any criterion such as spatial development that might slow spending was disallowed.

The constitutional development department might hold that, ideally, infrastructure grants were to flow through the provincial governments and should have been allocated in terms of their development plans. However, and this is the fourth factor, provincial development plans have failed to provide the necessary spatial prioritisation. Infrastructure grants, although mostly serving the housing subsidy (65%), have been allocated in a haphazard fashion. They have been allocated often to local authorities that are good at writing proposals for grants.

Fifth, much the same fate has been true of the provincial housing board housing subsidies, which also could have applied spatial criteria, but failed to do so.

Provincial housing boards not only do not have an integration policy, due to their



Government's housing programme may serve to undermine low-income communities rather than empower them.

concern about ensuring that housing is delivered as rapidly as possible they are motivated to provide subsidies in out of the way places as this lessens the potential for conflict. Indeed, this outcome is built into the criteria that determine the allocation of housing subsidies. This is because the criteria for the allocation of the housing subsidy include the number of households in various income categories, the ratio between urban and rural housing, and the performance of the provincial government in delivering housing. Gauteng, for example, has done a good job in delivering housing, and the subsidy funds allocated to the province considerably exceed those allocated to other provinces.

How has Gauteng been so successful? With an eye on maximising the number of subsidies allocated and units delivered, the provincial housing board has been led to ignore spatial development criteria.

Sixth, the cash-strapped provincial health and education departments have struggled to remedy backlogs in the existing townships and informal settlements, let alone provide services in the new housing developments. Even if the needed capital investments could be undertaken, the operating costs could seldom be afforded. It is not as if the essential services are following hard on the heels of new housing developments, quite the contrary.

Seventh, low-income communities have failed to engage in extensive land invasion. There seem to be two sets of reasons for this. One is that the economy is not producing jobs and there is widespread poverty. The

consequence is that newly forming households are dependent on their families for survival. This dependence requires that they do not move far from their families, with the result that informal settlements spring up on the fringe of existing townships. Another reason is that land invasions do not represent spontaneous events. They require organisation. However, since 1994 land invasions have become counterproductive for the new government and anyway, many of the prospective organisers joined government as politicians and bureaucrats.

Eighth, local governments exerted pressure on developers to provide a relatively high level of services as this would reduce subsequent maintenance expenditure for those services. The higher service cost implied a trade-off between services and more expensive, closer-in land.

Ninth, for those commuters using bus and train transport, commuter subsidies reduced the cost of commuting and enhanced their ability to live further out. Finally, the housing department is oriented to meeting its goal of delivering a million housing subsidies in five years. It has not allowed spatial development criteria to slow allocation.

These 10 mutually reinforcing decision frameworks represent a formidable obstacle to government's objective of compact, integrated cities. It is intriguing that government itself has become an obstacle to achieving its goal of integrated urban development.

□ Tomlinson is a professor at the Graduate School of Public and Development Management at Wits University.

# Housing Minister unveils delivery plan

Southampton 25/6/99

(123)

By Joshua Raboroko

**H**OUSING Minister Sankie Mthembu Mahanyele unveiled a five-year plan yesterday that includes tackling corruption and maladministration in low-cost housing.

She said a number of unscrupulous contractors have been arrested in Kwazulu-Natal for corruption regarding housing subsidies.

Mthembu-Mahanyele said these arrests were part of a plan to eradicate corruption in the industry.

She said criminal actions in the industry would be referred to the Justice and Safety and Security departments. Her department would deal with fraudulent acquisition of subsidies.

She said the use of more than one identity document, falsifying information on application forms and collusion between developers and conveyancer were some of the cases

reported in the Kwazulu-Natal

According to Government sources, more than 2 000 cases involving the allocation of subsidies were being investigated by the police, while three contractors had already been convicted of fraud involving subsidies in Mpumalanga.

Mr Hamlet Sifunda was dismissed from his government job and Mrs Mary D Sifunda, also a civil servant, was fined R6 000 for misconduct.

In Gauteng the Health unit, public protector and auditor-general are investigating irregularities in the provincial housing and land affairs department. The probes are expected to be completed by mid-July.

Mthembu-Mahanyele said the next five years would see her ministry concentrating on the "People's Housing Process" that would be the flagship of housing delivery.

Her ministry would promote private-public

partnerships by creating an environment enabling other players to become involved in the low-cost housing industry.

It would also promote the role of women in housing.

The minister said that a bridging finance agency - the National Urban Reconstruction and Housing Agency - would help women to create wealth and jobs.

The department would create a hybrid of the building industry that would harness raw materials in the country and administrative efficiency would be beefed up.

The minister said: "We will fine tune the processing of subsidies by enhancing them and making sure that loopholes and gaps revealed by irregular practice are closed."

"We shall uproot corruption in all its forms in the housing sector. This entails looking more microscopically at issues of allocation, screening, management and finance," she said.

CP-27/6/99

# Gateway concept to boost neglected part of housing market

(123)

## BUSINESS REPORTER

NATIONAL Housing Finance Corporation subsidiary, Gateway Homeloans, this week signed an agreement with The Homeloan Guarantee Company (HLGC), aimed at unlocking secured loans for families buying houses above the basic subsidy level

The Gateway loan product, known as the Makhulong Home Loan, uses a portion of a worker's retirement-fund entitlements as security for half the housing loan amount

Finalisation of the new agreement with South Africa's largest provider of guarantees of last resort for low-income housing means that the remaining 50 percent is now covered by HLGC guarantees

This creates a fully secured mortgage-substitute loan for people wanting to buy homes in the R20 000 to R50 000 range.

The Gateway concept, which involves a secondary market process, has the potential to boost activity massively in this previously neglected area of the housing market

HLGC is a Section 21 company which provides loan guaranteeing.

Since 1989 it has guaranteed home loans of more than R1 billion

Dr Charlene Lea, CEO of HLGC explains. "This is part of HLGC's ongoing commitment to backing innovative housing finance mechanisms

"The difference between Makhulong and other provident-backed lending is that the loan is paid out only on transfer and or

completion of the property, hence it is a real mortgage substitute for employed people"

The Makhulong Home Loan is targeted at those earning between R1 000 and R6 000 and those in formal employment.

The employer is required to make deductions of the loan repayments from the worker's salary

"Makhulong Home Loans are advanced by accredited retail banks and micro-lenders, and then sold to Gateway. Gateway then consolidates and packages these loans so that they can be sold into the capital market at the best possible rates through a process known as securitisation

"The HLGC guarantees mean that the risk to capital market investors is substantially reduced so that we can get the best possible rates to pass on to borrowers," said Dr David Porteous, MD of Gateway.

As part of the Gateway process, borrowers receive counselling on the obligations of home ownership. This is done by accredited counsellors who undergo special training.

Gateway has chosen HLGC to provide the training in this area.

"This is another area of partnership between our two organisations, as we both seek to make an impact in the low- and moderate-income market," said Porteous.

"The Gateway concept has the potential to provide housing on a scale in the market above the subsidy level. This, we believe, is what the market has been waiting for," said Lea

*Sowetan*  
*28/6/99*

## Housing loans for the poor

### Sowetan Business Reporter

HOMELoAN Guarantee Company (HLGC) and Gateway Home Loans, a subsidiary of the National Housing Finance Corporation (NHFC), announced on Friday the signing of an agreement to unlock access to low income earners

The agreement will enable the low income earners to secure loans to buy houses above the basic subsidy level.

It will also allow people to secure loans when buying homes in the R20 000 to R50 000 price range

The Gateway loan product, known as Makhulong Home Loan, uses a portion of a workers' retirement fund entitlements as security for half of the housing loan.

The scheme is targeted at people earning between R1 000 and R6 000 and in formal employment

The employer is required to make deductions of the loan repayments from the worker's salary

HLGC chief executive Dr Charlene Lea said this was part of HLGC's ongoing commitment to backing innovative housing finance mechanisms

HLGC is based in Auckland Park and operates across the country in some 600 locations

Since its coming into being, the organisation has facilitated home loans with a value of more than R1 billion

Its guarantee includes a cover against bank's loss of up to 20 percent of the purchase price and partially secured lending where the bank's risk is contained by both a guarantee from HLGC and a workers cession of part of his or her retirement fund, savings or other collateral

BD 30/6/99  
Govt to end

## its stake in housing trust

~~123~~ (123)  
Robyn Chalmers

GOVERNMENT'S disposal of its interest in the SA Housing Trust, first announced in April last year, is set to be completed by November.

The trust said yesterday that FBC Fidelity Investment Bank had been appointed as transaction adviser to handle the disposal of the trust.

The trust was established in January 1987 as a joint-venture initiative between government and private-sector organisations. The former government invested R445m in the trust and underwrote a further R890m.

The purpose of the initiative was "to promote and facilitate the provision of affordable shelter and security of tenure to the lower-income communities of SA in a way which will maximise job creation".

The company subsequently incorporated two wholly owned operating subsidiaries. These are Khayaletu Home Loans, set up in 1988 to provide home loan finance to low income communities; and Nu-Way Housing Developments, established in 1994 to handle and manage land developments.

Besides being the holding company the trust also acts as the group's financial vehicle.

The trust said that "for various reasons", government had decided to dispose of its interest in the group by selling the businesses "on terms and conditions acceptable to it".

As part of this decision government agreed to buy the trust's shares held by private investors at the original subscription prices paid for those shares.

Housing Minister Sankie Mthembu-Mahanyele said the trust had been hit by bond boycotts that had affected trust subsidiary Khayaletu Home Loans

## Savings could pay for houses

CAPE TOWN — The government was looking at new ways of mobilising communities' savings, including stokvels, for housing development, Housing Minister Sankie Mthembu-Mahanyele said at a media briefing in Cape Town yesterday.

It would look at incentives to match savings and therefore increase the total amount available for housing construction.

"It is important to dispel the notion that government provides everything," she said.

The next five years would see a greater focus on improving the quality of new houses and the general environment created in new residential areas.

She said there was a need to come up with alternative tenure systems and the department would move into provision of rental stock — Sapa

(123)

BD 30/6/99

# Government to provide rental housing for poor

(123)

**ANDRE KOOPMAN**  
POLITICAL CORRESPONDENT

~~CT~~ CT 30/6/99

TO provide more people with shelter, the government would target rental housing and would also examine more creative ways of funding housing, including the use of community savings such as stokvels, Housing Minister Sankie Mthembu-Mahanyele said yesterday.

Speaking at a press briefing, Mthembu-Mahanyele said the government would also seek to house people in renovated buildings in the inner city that had formerly been disused, to change the face of South African cities so as to reflect the diversity of the nation.

In the next five years the government would establish five-year housing plans at national, provincial and local government and there would be a greater focus on improving the quality of new houses and the "built environment" in new residential areas.

She said her department would also "embark on mobilising savings, including stokvels, for housing development purposes, and the "use of subsidies as structured support and incentives to match savings" to increase the amount of money available for housing construction.

Mthembu-Mahanyele said "It is important to dispel the notion that the government provides everything," adding that "sweat equity" was an important component in improving core government houses.

Housing finance interventions were also necessary to protect the poor from the harsh realities of fluctuating inflation and interest rates.

Her term would see the growth of alternative housing finance products including micro loans that are cheaper than conventional mortgage bonds for low income earners, "to provide protection against interest rate increases".



# Corruption surfaces in water project

Louise Cook

(123)

PRETORIA — Corruption has surfaced for the first time in the three-year-old Working for Water programme, the job-spinner of former water affairs and forestry minister Kader Asmal

Government's latest annual report on the project says corruption "at a scale worthy of serious concern", has been uncovered

Programme leader Guy Preston says in the report that tens of thousands of rands are involved. The case is currently before the courts

"There is a commitment from the programme to be merciless in taking action against those who are guilty of effectively stealing from the poor. It must be said that such events will emerge in such a developmental programme," says Preston

"What matters is our level of diligence and our reactions when corruption or mismanagement occurs"

According to the report, the programme employed 23 662 people last year, of whom 16% were youths. Of the R261m budgeted, 96% was spent

The programme was set up three years ago and is based on a 20-year clearing strategy of alien invader plants around SA's river beds.

The strategy involves clearing 750 000ha a year as at least 7% of runoff of rivers is lost due to invading alien plants

Asmal says in the report that the programme reflects the aims of the reconstruction and development programme (RDP) in that it is the country's premier conservation programme and "absolute flagship initiative" for job creation, particularly in rural areas

"The programme has built a momentum that must be accelerated. The returns on investment are exceptional and funding channels must be maintained"

During the 1998/99 financial year, R120m came from government's RDP poverty relief fund and R115m from the water affairs and forestry department. The rest was donated by Rand Water, land affairs, municipalities, international donors and the private sector

BD 6/7/99

# Minister says 3-million people housed in five years

Robyn Chalmers

(123)

GOVERNMENT has spent almost R10bn on housing programmes since 1994 and provided shelter to 3-million people, according to Housing Minister Sankie Mthembi-Mahanyele.

Mthembi-Mahanyele said the construction industry had produced an average of 200 000 low-cost houses a year, reaching a high of 300 000 in 1997/98. Almost 700 000 low-cost units had been built since 1994 or were under construction, "an unprecedented record in

housing delivery in this country", she said. Analysts indicated that although government had failed to meet its target of delivering 1-million low-cost houses by May this year as promised, it had nevertheless made significant progress.

The National Business Initiative (NBI), a not-for-profit organisation with 180 local and international companies as its members, said that at the end of last year, 16 000 subsidies were being awarded each month and 10 000 houses started.

"Compare this to the figures at the end of 1996 when 300 000 subsidies had been awarded and only 100 000 houses were complete or under construction. At that stage, the target of 1-million houses by 1999 seemed impossible," the NBI said.

Mthembi-Mahanyele said the target of 1-million houses was arrived at taking into consideration the estimated backlog in 1994, which was 1.5-million homes. The backlog is

now estimated at 2.6-million to 3-million homes.

"It should be noted that this figure (the backlog) was an estimate because there was no reliable information in the form of a population census. Above all, this did not take into consideration the ever-increasing demands for new housing, estimated to increase at the rate of 200 000 a year," she said.

Analysts said that although the national housing budget had fallen over the past two years and was likely to remain static, growth in the delivery of homes could still be achieved.

One analyst said this was likely to come from partnerships between government and the private sector, notably the presidential lead project unveiled at last year's job summit.

This would be financed largely off-budget, although the final financing mechanism has yet to be unveiled. The housing minister said a pilot project, focusing largely on rental housing, would be completed by April 2003. It is expected to deliver between 50 000 and 150 000 housing units for low-income families.

BD 7/14/99

# DOOMED CITY

Inspectors say houses are unfit to live in at council's R14-million Lost City development

TOM HOOD

**I**NDEPENDENT assessors have condemned every house in a pilot sample of 20 at a R14-million Mitchells Plain development built six years ago

The experts examined 20 of the 1 000 council-owned houses at Lost City, Tafelsig, after a mass of complaints about cracked walls, faulty foundations, water seepage, damp floors and walls, leaking roofs and electrical problems. They found that foundations specified in the plans were not appropriate for the environment.

Office worker Joan Daniels, a tenant in a six-year-old house in Miranda Street which has been recommended for demolition, said she was not surprised.

"All the houses should be bulldozed into the sea and proper houses built," she said.

Rats crawled through holes in the brickwork to get into her kitchen, she said, so all food had to be kept on top of wardrobes and high cupboards.

Cracks and holes in other walls were big enough for a peeping tom to watch her in the bath.

"If I drop a cup on the concrete floor, it doesn't break but leaves a dent in the floor. High-heeled shoes also sink into the floor."

She and her two children rent the one-bedroomed cement-block home for R300 a month.

The 1 000 houses were built by two major companies on concrete slabs in the sand, with only a raft foundation.

So many things went wrong that the Tafelsig community forum complained to Cape Town's housing committee. As a result, city manager Andrew Boraine instructed independent experts to make an evaluation of 20 houses.

Their report saying all 20 should be demolished was disclosed at a meeting of the housing committee on Wednesday.

Committee chairman Phillip Jacobs said councillors would make an inspection soon and look at different options.

Daniels said "We have been trying to get the houses repaired for the past three years but nothing happens. Ninety-nine percent of the people in Lost City refuse to pay their rent until the houses are repaired."

Pool builder Tauhir Willemse, who lives in nearby Lihan Street with five children, said rainwater streamed down the kitchen walls and he and a daughter had become asthmatic.

He had built a small wall to help prop up the house. The sand under his house's cement slab is eroding, according to the report, and the outside wall is severely cracked. Cement blocks close to the foundation have no cement between them.

Pensioner John Hanse, a sub-tenant of a house in Erica Street, pays R320 a month to someone who, he said, did not pay the council and owed R4 700 in arrears.

The technical report said rainwater drained under the concrete slabs, causing water to penetrate through his floor.

Lost City tenants said they were originally offered the houses for about R28 000 but there were no takers. Then two years ago the Tafelsig community forum suggested selling the houses for about R5 000, with the new owners being responsible for repairs. But the

council refused this option.

This week, faced with repair bills running into millions, the city housing committee decided to investigate selling the houses.

Housing manager Daphne King said "People don't pay rent and we cannot maintain the houses. We want to look at the options of making a deal with tenants so that they don't lose out."

Blaming weather conditions in the area, Neels Veldtman, one of the inspectors, said "The houses I inspected were chosen by the com-

munity forum and my report does not mean the whole development is condemned. There are other houses that are attractive. At the end of the day, it is not a feasible proposition to keep patching houses with no proper foundations."

The 1 000 houses were built by Peninsula Construction and Stocks Housing. Three hundred houses were severely damaged when they were illegally occupied in late 1993. Windows, doors and plumbing fittings were stolen. The council spent R500 000 on repairs.



HOME DISCOMFORT: Tauhir Willemse and four of his children outside his house, which has been falling apart for five years. Picture: KIM LUDBROOK

(123)  
(cm) ST 114199

# Banks urged to aid homeless

THE Ministry of Housing is looking at creating incentives, such as tax breaks, to encourage banks to offer more perks to low-income clients, Housing Minister Sankie Mthembu-Mahanyele said yesterday

Speaking at a media briefing ahead of a three-day meeting with her United States counterpart Andrew Cuomo, Mthembu-Mahanyele said the local banking system had much to learn from the US system

She said banks in the US had developed cordial relationships with low-income earners

Cuomo, secretary of housing and urban development in the US since January 1997, is in South Africa for the annual meeting of the Bi-National Commission (BNC) housing committee

~~58~~ (123)  
The committee is one of seven that were formed in 1994 by US deputy president Al Gore and SA Deputy President Thabo Mbeki

Some of Cuomo's greatest achievements at home involve initiatives related to credit and finance initiatives, such as encouraging home ownership

"I particularly want to share American expertise in the areas of home financing and construction of affordable housing," Cuomo said yesterday

Mthembu-Mahanyele said she was confident banks would understand the benefits of what was being done in other communities "Local banks are coming round to understand what we are trying to do," she said

Cuomo is scheduled to visit Johannesburg, Pretoria, Soweto and Cape Town. - Sapa

*Secretary* 13/4/99

(123)  
**US to aid local housing growth**

*SAW 14/4/99*  
South Africa and the US signed a memorandum of understanding on housing development in Pretoria yesterday.

Housing Minister Sankie Mthembu-Mahanyele said the emphasis would be on housing programmes in poor communities, with the intention to create jobs.

The countries would

share data on housing, and exchange ideas in empowering women so that they would have equal access to home ownership and housing.

US Secretary of State for Housing and Urban Development, Andrew Cuomo, said he was impressed with SA's rate of housing development.

Sapa

...not reminder of the wars the court

# New tenure rights are in the pipeline

(123) 

BD 20/4/99

Politically sensitive proposals expected to serve as basis for a bill to be presented after the election

Stephen Laufer

MILLIONS of rural residents could get enhanced property and tenure rights, including the ability to register occupation, use and benefit of land under far-reaching proposals now being finalised by the land affairs department

The proposals will be discussed with a wide range of parties within the next few weeks, land affairs sources say.

The measure, if passed, will affect almost all the estimated 16-million people living on the 13% — or 16-million hectares — of SA formerly reserved as homelands and owned by the state

The land is registered in the name of the land affairs minister or the SA Development Trust, and is generally administered by tribal authorities.

The changes in tenure rights to full property rights protected by the constitution are politically sensitive because of their potential impact on the role of traditional leaders in some provinces

Many will be placated by the fact that the measure foresees a role for tribal authorities and other organisations where they have the capacity and standing in the community to function as registrars and managers of the new rights, but not as their owners

While the measure might sway some traditional leaders towards the United Democratic Front or the Inkatha Freedom Party, it is likely to win support for the African National Congress among many rural residents, who now have fears for their security.

The proposals are expected to serve as the basis of a bill to be presented to parliament after the election. They could come into force next year

It is proposed to let residents register property they occupy or use — for example for housing, grazing or crop planting — with the deeds office, even though nominal ownership remained vested in the minister or the trust. Registered use

would imply a deed of statutory title sufficient to obtain a housing subsidy or bank loan, and could be traded.

The proposals come in response to a breakdown in several provinces of the present tenure system, itself regarded as a relic of the past and a brake on investment and development because it does not provide individuals with sufficient security. North West and the Free State have stopped issuing Permission to Occupy certificates under the 1956 Black Authorities Act, while Northern Province and KwaZulu-Natal continue to do so.

The resulting uncertainty of tenure has given rise to growing demands for the transfer of freehold to individuals.

Although many white farmers, larger black farmers and some in the ANC believe this is the way forward, the measure's proponents argue that conveyancing fees make it too costly, and the need for a deeds search and survey would extend the process for decades. Individual freehold also runs the risk of creating a class of landless rural poor. Communal tenure, the measure's proponents argue, provides a safety net for the poor.

The proposal builds strongly on community agreement to registration of land use rights. Groups sharing land, for example for grazing, will have to agree on it being registered jointly. Full transfer of ownership would occur where there was no dispute, and it was asked for.

Experts say conflict over just 10% of the requests for registration of the right to use and benefit can be expected, as opposed to much greater conflict over boundaries and other details if full ownership were to be transferred on a massive scale. Adjudication boards set up by the land affairs minister would resolve disputes under the proposal.

Experts familiar with the proposals say they offer several advantages over present uncertainty of tenure, which has limited investment and productivity in many rural areas.

## Remnants of rent controls to go

(123) Star 26/4/99  
New laws intended to protect

both the tenant and landlord,  
explains Jean Redpath

The remnants of rent control are to be scrapped. A free market will be limited only by a complaint-mediation system and any "unfair discrimination" by landlords will be penalised.

The rental housing market will soon be free from rent control, save where a complaint of an "unfair practice" is brought to a provincial tribunal. Unfair discrimination by landlords against prospective tenants, tenants and visitors of a tenant will be prohibited and penalised.

At the moment all buildings built prior to October 1949 are subject to rent control in terms of the Rent Control Act of 1976. The Rental Housing Bill seeks to repeal this act. Landlords of such buildings will be free to set rentals without approaching the Rent Board once three years have elapsed after the bill becomes law this year.

However, all buildings leased for housing purposes "including flats, huts, shacks, outbuildings and garages" will be subject to provincial "housing rental tribunals".

Disgruntled landlords or tenants may bring complaints to a tribunal, which will have the power to decide whether an "unfair practice" exists between a tenant and landlord.

If an unfair practice exists, the tribunal may make a ruling which includes the determination of a fair rental.

The concepts of declared "regulated areas" and "assured tenancies", proposed in draft bills by the Department of Housing, have been jettisoned.

Such tenancies would have had their rental increased only by determination of a tribunal, and evictions would have been permitted to occur only on specified grounds.

Instead, the bill now follows a complaint-driven procedure introduced in Gauteng in terms of the Gauteng Residential Landlord and Tenant Act of 1997.

Gauteng landlords and tenants may approach the Gauteng Rent Board, free of charge, for mediation of their disputes.

Since its inception just 12 months ago the board has faced 622 formal cases. The Gauteng act, however, does not give the board the power to determine fair rentals.

In determining a fair rental, the bill provides that a tribunal must take account of the "prevailing economic conditions of supply and demand" and "the need for a realistic return on investment".

"Our intention is to provide an incentive to put up new stock through normalising the rental market," says Richard Thatcher of the Department of Housing.

An "unfair practice" will be prescribed by regulation "and the member of the executive council (MEC) for housing in a province will be empowered to make these regulations. Matters to which unfair practices may relate include locks, damage, ejections, overcrowding, maintenance, as well as the lease itself."

Anti-discrimination measures applicable to landlords are also included in the bill. Unfair discrimination against tenants, prospective tenants and genuine visitors of a tenant in advertising premises, negotiating a lease, or during the term of a lease will be prohibited. There are 17 listed grounds of discrimination in the bill, including race and sex.

At this point, what will constitute unfair discrimination, is not clear. However, the normal onus of proof applies. These provisions come ahead of a general anti-discrimination law which the constitution requires by February 2000.

While a complaint is before the tribunal, a landlord may not evict his tenant, who must continue to pay rent, for up to three months, or until the resolution of the matter.

Any person may be summoned to give evidence before the tribunal.

The bill also provides that certain terms, which may not be waived, will be deemed to be included in any housing rental agreement. These relate to the provision of receipts, the investment of deposits, inspection of damage to the premises, and notice periods.

Penalties of a fine and up to two years imprisonment apply for unfair discrimination, for not complying with tribunal rules and directions, and for contravening regulations.

■ Jean Redpath is a parliamentary analyst for the South African Institute of Race Relations.

# New bid to outlaw bank bias

CHARLES PHAHLANE (123) ~~(123)~~

PARLIAMENTARY BUREAU

ARG 28/4/99

There's good news in the pipeline for tens of thousands of low-paid people who cannot raise mortgages and other loans because banks have branded them "high risk".

When Parliament convenes after the elections it will consider two bills now being processed by the trade and industry and housing ministries that will outlaw discriminatory lending practices by banks, and force them to explain why loans are refused.

Department of Trade and Industry chief director Alistair Ruiters said the Consumer Credit Bill would have broad applications to all types of credit, including mortgages, personal loans and loans to small business.

Dr Ruiters said legislation would also prohibit banks' blanket bans on mortgages

in areas considered high-risk - commonly known as red-lining

"The aim is to rationalise and simplify laws that govern credit transactions, and ensure that all institutions are regulated equally," said Dr Ruiters.

The other bill is the Home Loan Disclosure Bill, incorporating principles of the Fair Lending Practices Bill, which was sent back by Parliament.

The Reconstruction and Development Programme commits the Government to investigate ways of legislating against discriminatory lending practices by banks.

It also demands that the banks disclose whom they lend money to and in which areas

Housing Minister Sankie Mthembi-Mahanyele said banks had failed to live up to an agreement that they provide 150 000 loans over a three-year period to low-income earners at the top end of the government housing subsidy scheme.



# There are more repossessed homes, and they are harder to sell

(123)  
Madeleine van Niekerk

BD 28/4/99

HOME repossession has increased since last year, and banks are experiencing difficulties in selling the repossessed homes

"Stocks of repossessed homes are up 15% up till March this year, while the number of repossessions is up 10%," said Absa Bank GM of mortgage loans Richard Gahagen

A year ago it took three to four months on average to get rid of repossessed stock. However, it now took six to seven months, he said. "Banks do not want to get involved in the property market, (and) do not want to be property owners."

However, since last month there has been an encouraging rise in the sales of repossessed homes due to lower interest rates. Banks were also playing a more active role in marketing them. Gahagen said Absa was advertising repossessed homes on the internet and through its branch networks and estate agents.

Ayanda Mjekula, a Standard Bank home loans assistant general manager, said repossessions had definitely increased from a year ago, but not substantially. "It is not out of line with Standard Bank's predictions."

In response to the evictions of residents in Soshanguve in Pretoria — who had been evicted by Nedcor's People's Bank but returned to their homes and threw out guards occupying the properties — Nedcor said that it was not necessarily in the bank's best interest to buy property.

Borrowers had a responsibility to meet their monthly repayments, and the rule of law had to be upheld. "Because we understand that some of our clients may be experiencing financial hardship, we are always open to discussing a solution that works for both parties," Nedcor said.

"However, where borrowers repeatedly miss payments without making arrangements with the bank, or where they are unable to demonstrate that they can afford their bond repayments, we may have no choice but to repossess a property so that we can resell it, and thereby recover at least some of our losses."

"Evictions are only considered as a last resort. They are part of a legal process to recover moneys owed to the bank, so we are acting in accordance with the law. During the period leading up to an eviction, the borrower is notified well in advance of the process that will follow, and is given every opportunity to make alternative payment arrangements."

# Saving a precious resource

(123) Star 29/4/99

South Africa's first-time participation in a global industrial design project aimed at producing new water solutions has emerged with concepts that should go some way towards solving decades-old problems. *Ufrieda Ho reports*

**B**etter holistic industrial design is emerging as one of the most effective tools to help stave off the looming global water crisis.

Innovative design means that new generation water saving devices need to improve the quality of life of users and need to employ affordable and accessible technologies. These challenges were among those which have been thrashed out by teams of international industrial designers at the Interdesign '99 Water Conference held in Pretoria over the past two weeks.

This was the first Interdesign workshop in which South Africa took part and was also the first time it was held on the continent. The workshop was a tri-country collaboration, which included Australia and Mexico.

All three countries have arid regions and mounting problems of water shortage, problems with the sustainable implementation of the utility, conservation and purification of water. Simultaneous workshops were held in the three countries which culminated in a video-conferencing session between the three at the week end.

Some of the primary focuses have been in conserving water, enhancing the catchment and storage of rainwater and also investigating more effective modes of payment and transportation of water.

The workshops concentrated on the needs of people living in peri-urban and rural areas.

Gianfranco Zaccai, who is president of Design Continuum in Boston and Milan, headed the group on finding better ways to store and harvest water.

"This is about devices and philosophy," Zaccai says. "Integrated with this belief is the need to ensure an understand-

ing of social dynamics and community structures when providing the utility.

"Water is not just for cleaning and for cooking food, it's also for quality of life," Zaccai says. Drawing from the conclusion of various site visits, Zaccai says women in particular have a strong connection with the use of water.

"Women spend so much time with cooking and washing. Water needs to be used in a convenient way," says Zaccai.

Some of the concepts devised included improving underground sand dams, which are already used in some rural

areas. The sand dam is a pit lined with an inexpensive waterproof lining. It is filled with collected water and sand. Once lined on the top it is covered with a layer of earth. Water is extracted with a simple pump.

Zaccai says that this is one of the most effective ways to store water. The sand is a natural purifier and if properly planned the pit can hold 60 cubic metres of water, which is enough to supply a family of six with water for a year.

Other filtration devices include the use of ceramic plates. For better hygiene in the storage of water the team also

investigated the use of small, collapsible plastic containers which can be carried by children but without the risk of contamination. Other devices also include a portable polyethylene container which doubles as a shower. The bag can be heated in the sun and is fitted with a pipe which acts as a shower head.

Chris Bradnum, industrial design lecturer at the Witwatersrand Technikon, who also participated in the focus group, says many of the devices for purification and for effective harvesting and storage of water are commercially available.

However, as they're marketed for the camping and outdoors industry the prices are inflated.

Bradnum says "We're looking for an overall system that works better. We believe that industrial design can make this impact."

The belief that concepts can be implemented and sustained

is also the vision of the water conservation focus group.

Leader of the conservation group, Robert Hellier, has a medium term plan to change the way water utilities are established in new communities.

"People are not well consulted and there isn't a sense of ownership which leads to abuse

CHRISTINE NESBITT



and misunderstanding of the system. Conservation needs to be built into the framework," says Hellier who is based in the Netherlands. "We don't want to be prescriptive and the top down approach is failing."

It's the same reason why pre-paid metering systems are flawed.

Their focus group came up with three broad concepts for the conservation of water in peri-urban and rural communities.

Their "water exchange" concept is to find better ways to utilize grey water (water such as the run-off from showers or rinsing dishes). Hellier says these can be simply treated or filtered and re-used.

Their vision is to have a central point for collection and treatment of grey water.

In their concept of the "oasis", the team looked at creating better public water utilities and also creating a social atmosphere around these facilities. These include communal laundry facilities.

Their "wish" concept which stands for Water Integrated Structural Home is a plan to create integrated systems in new homes. The infrastructure needs to be effectively mapped out without compromising the individuality of homeowners.

The workshops also looked at more efficient ways to transport water and also discussed better ways to ensure that utilities are responsibly paid for.

The concepts will be presented in at the seventh annual Water Africa '99 Conference and Exhibition which will be held at the Cairo International Conference Centre next month.

Changing concepts... participants of the Interdesign '99 Water

Workshop have come up with plans for better water utilities for rural and peri-urban communities.

*Stormy but co-operative reception to legislation on water*

# New laws make an impact

(123) CT(MR) 29/4/99

New policy and legislation initiatives with regards to water have been implemented.

These include White Papers on community water supply and sanitation, the National Water Act, the Water Services Act and the National Water Supply Regulations. In addition, the national water conservation strategy has been drafted. The Work For Water (WFW) programme, which was launched in 1995, has also become a national government flagship programme.

The response to the new legislation has been stormy, which is not surprising, taking into consideration all the ramifications of the legislation, such as pollution control and the proposed charges on water, previously regarded as private or rain water.

Industry, often a major cause of pollution, will be facing more stringent pollution control methods. Stream-flow reduction activities are also going to have to pay for water used that could have serviced people and livestock further downstream. Over and above forestry, which has already been declared a stream-flow reduction activity, other activities, such as recreational dams, fishing and farm dams, could be added to the list.

"The legislation calls for a tightening up all round and water flow in rivers will now be strictly monitored. The command and control method used



**TOUGH STANCE** Tami Sokutu, deputy director general water policy and resources

to prescribe the pollution standards has been fairly successful, but the department will now look at the water flowing in a river and determine the actual state of the river versus what is acceptable," said Tami Sokutu, deputy director general, water policy and resources.

"We will have to categorise major rivers from the cleanest to the most polluted and determine water resource quality objectives for each one. We will then look at who uses the water and what the impact is. The department will put in place the most effective resource directed measures, borrowing from the

best practices in the world, for example from Europe, the US and from the rest of Africa.

"For example, if there are 10 polluters in an area, they will have to ensure among them that they do not exceed the resource quality objectives. We are concerned with the quality of water flowing on downstream from these activities and its probable impact on people, animals and the environment.

"And the pricing structure is also regulated on any water activity — users pay to use the water and then again to discharge the water.

"To monitor this, we will be establishing catchment management agencies, established by an act as parastatals and they will have the authority to issue licences for water use, water discharge and will be responsible for the quality of the water in their area.

"Industries have to acknowledge which pollutants they are responsible for, and then take steps to rehabilitate that water. The historical polluters are a big problem — we have old plants and systems in many of our large industries and that rehabilitation is very expensive. But we are pleased to report that industry is willing to work with the department in building modern plants. Where practical they have also come up with solutions to old problems. Some of these are remarkable in the recovery of water previously

thought to be beyond reclaiming, such as mine water."

Agriculture has not escaped the new water legislation either. Historically, agriculture has not had to pay for irrigation from boreholes and/or rivers and dams. This is now to be redressed, and water allocations are going to be regulated by the state. Permanent water allocations are to be abolished and replaced with temporary allocations for a period not exceeding 40 years, with a possibility of a rolling licence.

"Water can no longer be privately owned. It is your borehole, but not your water. However, this does not mean that the state can just walk in and demand water. The water needs of each area will be reviewed first and then steps taken to resolve problems," said Sokutu.

"Catchment areas will have water user associations to look after their own interests. These have been transformed from the old irrigation boards by broadening the scope of interest to that of all water users. Farming will be encouraged to look at high yield/high value products and subsidies need to be reviewed and time limits imposed.

"The department's vision of 'Some for all, forever' and the subsequent legislation has been regarded by many other water scarce countries as an excellent framework on which to ensure that everyone in the country has access to this most basic right."

# Africa's largest engineering project

CT (MR) 29/14/99 (123)

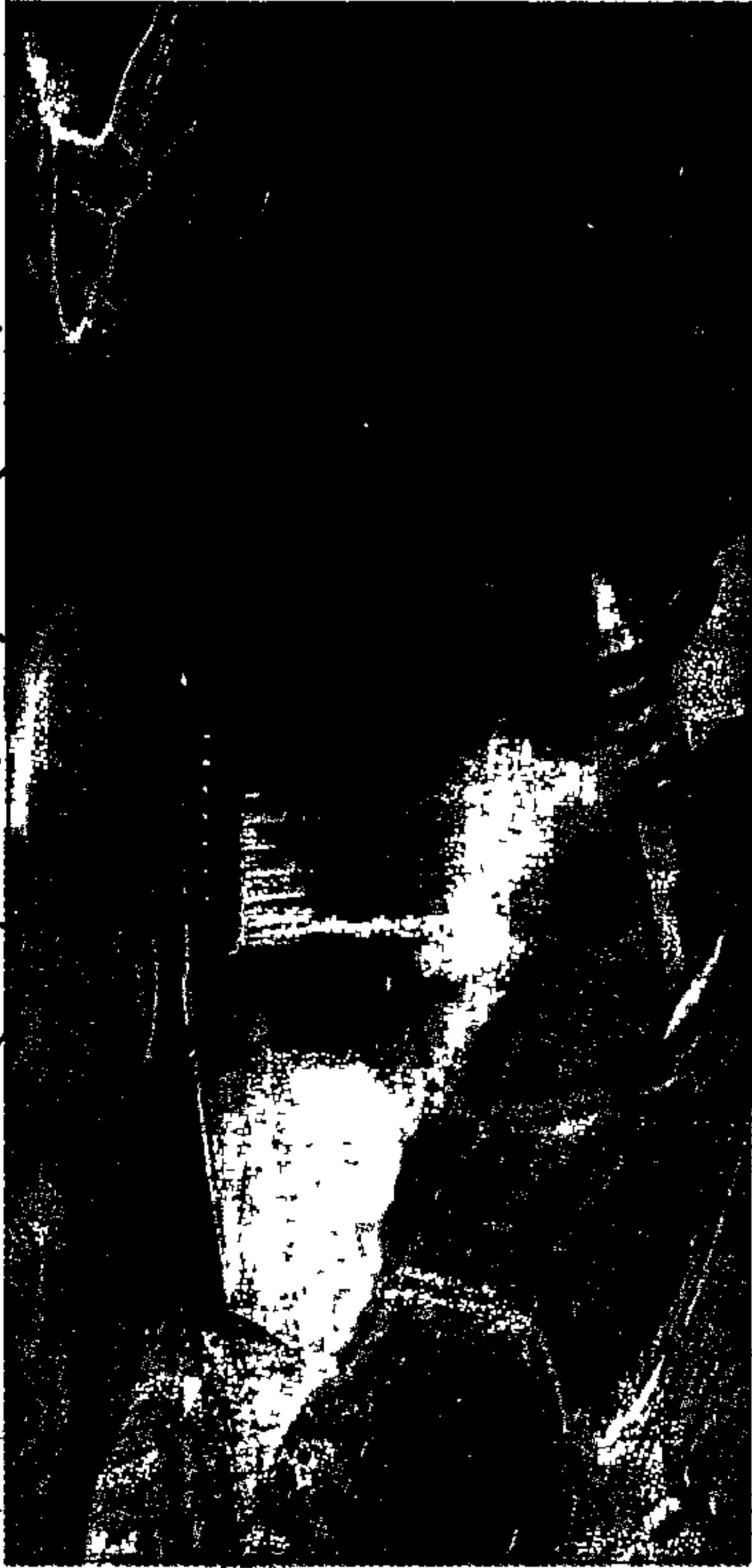
The Lesotho Highlands Water Project (LHWP) is Africa's largest engineering undertaking and its longest inter-basin water transfer system.

This project, with the Trans-Caledon Tunnel Authority (TCTA) stand, will be a highlight of Afriwater '99. The authority is responsible for the funding, debt servicing and financial risk management of the water delivery component.

"The South African public has only a passing knowledge of this massive project, and the role of the authority," said George van der Merwe, head of public relations. "Our participation at Afriwater '99 is an important part of a campaign to actively promote a better understanding of the project, its scope and benefits."

The Highlands project is a binational project between South Africa and Lesotho which aims to transfer water from the highlands of Lesotho to the Vaal River system in South Africa, while simultaneously generating hydroelectric power in Lesotho.

Since January last year (almost 12 years after the treaty was signed), 39 million cubic metres of water a minute is being delivered, while 44- to 80MW of electricity is being generated. Before the first drop of Highland water splashed into the Ash River near



**JOINT BENEFITS** The Katse Dam will supply South Africa with much needed water

Clarens, access roads had to be built through the Maluti mountains; bridges were built; the Katse and Muela dams were constructed, and tunnels linking the dams to the Ash River outfall were bored through the mountains in Phase 1A of the project.

Phase 1B, which is scheduled for completion in 2003, includes the construction of the Mohale dam and transfer tunnel, and the Matsoku weir and transfer tunnel, both of which will feed water into the Katse Dam.

"These construction projects

constitute the largest part of the water delivery component, and all the costs will ultimately be repaid through tariffs," Van der Merwe said.

The estimated cost to complete Phase 1A is R9,6 billion, and Phase 1B is likely to be R4,7 billion.

The Trans-Caledon Tunnel Authority and the Lesotho Highlands Development Authority have raised capital funding for the project in local and foreign markets through various government guaranteed financial in-

struments

The TCTA will be responsible for the ultimate debt repayment through the application of levies, which will remain constant in real terms even when Phase 1B comes on line in 2003.

The benefits to Lesotho and South Africa are as massive as the project itself. In Lesotho, the project is providing infrastructure, electricity and employment, while the royalties paid by South Africa are providing direct revenue for the widespread development of rural areas.



# Co-operative housing move expected soon

(123)

Robyn Chalmers

THE housing ministry is crafting a policy to encourage social and co-operative housing as part of SA's low-cost housing push, Housing Minister Sankie Mthembu-Mahanyele said yesterday

In a speech read on her behalf at yesterday's international conference on co-operative housing, Mthembu-Mahanyele said current policy was skewed in favour of ownership, and that the new policy would be announced soon

Social and co-operative housing projects, run by independent institutions with residents involved in management, target people earning between R1 500 and R3 000 a month who are looking for an alternative to individual ownership or freehold tenure.

Mthembu-Mahanyele said the 1994 housing white paper did not include social housing as a strategy. The National Housing Finance Corporation had been assigned to propose a policy framework to facilitate its development

SA lacked a social housing vehicle that allowed for beneficiary membership and shareholding.

"For this reason, I cannot help but recognise that the co-operative housing model critically requires our attention," Mthembu-Mahanyele said

The model would give residents real control of their housing as the board of a co-operative housing association would be run by residents

Housing consultant Kecia Rust said SA did not have a co-operative housing sector, though a number of initiatives function co-operatively. The East London Housing Management Co-operative is the only registered housing co-operative in the country

Rust said, however, that the potential for a co-operative approach to address the need for low-cost housing has raised the profile of this model

"In addition, the new administration seem positively disposed towards the co-operative model, evident in . (President Thabo Mbeki's) opening speech in Parliament," she said

Mbeki said government would place greater emphasis on the development of a co-operative movement to combine the financial, labour and other resources to rebuild SA's communities

# Department to study savings-driven housing plan

8/7/99 (127)

## Robyn Chalmers

THE housing department is investigating a new model to mobilise savings for low-cost housing, focusing on the more than 2 500 savings clubs, or stokvels, around the country.

Cabinet yesterday welcomed the initiative. It resolved to bring together a number of departments to examine a multifaceted savings campaign that will feed into the development of small, medium and micro-enterprises and job creation.

A spokesperson for the housing ministry indicated yesterday that the investigation into savings mobilisation was still under way, and details would be made available later.

However, Housing Minister Sankie Mthembu-Mahanyele told a parliamentary briefing last month that one priority for housing in the next five years was to focus on savings mobilisation, including stokvels. "This includes the use of government subsidies as structured support and incentives to match sav-

ings and increase people's investments." To date, government has approved a total of 1-million housing subsidies, with about 700 000 houses built or under construction.

Mthembu-Mahanyele told an international housing conference yesterday that a nationwide audit would begin next week covering housing projects built between 1994 and 1995. The audit will gauge the extent to which housing has made a difference and look at models to improve housing delivery in the future.

The savings initiative is understood to be linked to work done by the National Urban Reconstruction and Housing Agency. The nonprofit agency encourages private-sector involvement by sharing risk with financial institutions through loan guarantees. It focuses on families earning less than R1 500 a month.

Executive director Nhlanhla Mjoli-Mncube said yesterday the agency had discovered that while a lot of South Africans could not access credit due to low incomes, a sig-

nificant number were saving.

Mjoli-Mncube said the agency had developed a model to guarantee potential beneficiaries with a six-month savings record so they could access credit from formal and informal lenders. This related to all people with a savings record and not just those belonging to stokvels or other savings clubs.

The model also aimed to allow people to get credit at preferential interest rates and to link them up with building materials suppliers.

# Kasrils axes Working for Water schemes

690 lose jobs in Cape as minister clamps down  
ARG 8/7/99 (123) (173)

JOHN YELD  
ENVIRONMENT WRITER

New Water Affairs and Forestry Minister Ronnie Kasrils has closed three Working for Water projects in the southern Cape with immediate effect, affecting 690 temporary workers and management staff.

Among the reasons for closure Mr Kasrils cited indiscipline, low levels of productivity and the refusal of workers to do short-time work on specific tasks.

The award-winning Working for Water programme employs around 23 000 people in more than 300 projects across South Africa, clearing "water-hungry" invading alien plants such as wattles, pines and hakea from water catchment areas

Mr Kasrils said he had closed the three operations - the Garden Route project near George, the Ruitersbos project near Mossel Bay and the Knysna project - after representations by the national managers of the Working for Water programme and staff in both his department and Cape Nature Conservation, which acts as the department's agent in the Western Cape.

He said persistent attempts to resolve the problems had failed, leaving no alternative but to close the projects.

"If new projects are to be started afresh, they will have to comply with strict conditions regarding discipline, productivity and local government partnership," he warned.

It was unfortunate that about 690 temporary workers and man-

agement staff would be affected by the closure. They would be paid two weeks' wages.

"It is hoped that in this period the parties can arrive at a working solution to restart new projects in the area," he said.

He expressed dissatisfaction with support for the programme by the beneficiaries - municipalities and private landowners - saying more than R24-million had been spent on the George project alone.

"It is difficult to justify such spending in comparatively well-off areas when there are areas of deep rural poverty that are also in need of assistance in clearing invading alien plants, and who have little or no ability to contribute financially to such work."

Mr Kasrils said he still supported Working for Water overall.

# Housing South Africans 'needs more than one strategy'

Pearl Sebolao

THE government should be prepared to reform its housing strategies in order to deliver housing in a diverse environment Gauteng housing MEC Paul Mashatle said yesterday.

Mashatle told an international conference on co-operative housing which is being held in Johannesburg that a multipronged approach was necessary in order to deal effectively with the housing

challenges facing the country. "We would be doing ourselves and future generations a great disservice by sticking rigidly to one particular delivery formula because it may be successful in the short-term in putting more houses on the ground," he said.

Mashatle said various approaches including co-operative housing where people could own separate units in a building were significant because it put people in charge of improving their lives.

He said the Gauteng housing department was frequently approached to finance the upgrading and purchase of inner city flat buildings by resident-based housing co-operatives.

It had already committed itself to funding 13 000 social housing units over the next three financial years as well as establishing a Social Housing Registrar to monitor such institutions, he said.

At least 2 300 units had been completed through various mod-

els, including housing co-operatives Mashatle said.

Although Gauteng was the smallest of SA's nine provinces there were huge housing challenges facing it. It had a housing backlog of 482 000 units, and 200 informal settlements.

Mashatle said the conference provided an ideal opportunity to come up with new strategies and explore housing co-operatives which were a relatively new concept in the country.

He said strategies that were suggested should have a clearly targeted social component.

Meanwhile a preliminary report on the Health Special Investigating Unit's probe into the provincial housing department will be handed over to Gauteng Premier Mbhazima Shilowa next Monday.

The unit, which is working with the public protector and the auditor-general, began its investigation on allegations of fraud and corruption in May this year.

BD 9/7/99 (123)

## New home-loan scheme

### for low-income earners

(123) CT 9/7/99  
SARAH-JANE ROSE

Charlene Lea, CEO of HLGCC explains "The difference between Makhulong and other provident-backed lending is that the loan is paid out only on transfer and/or completion of the property, so it is a real mortgage substitute for employed people."

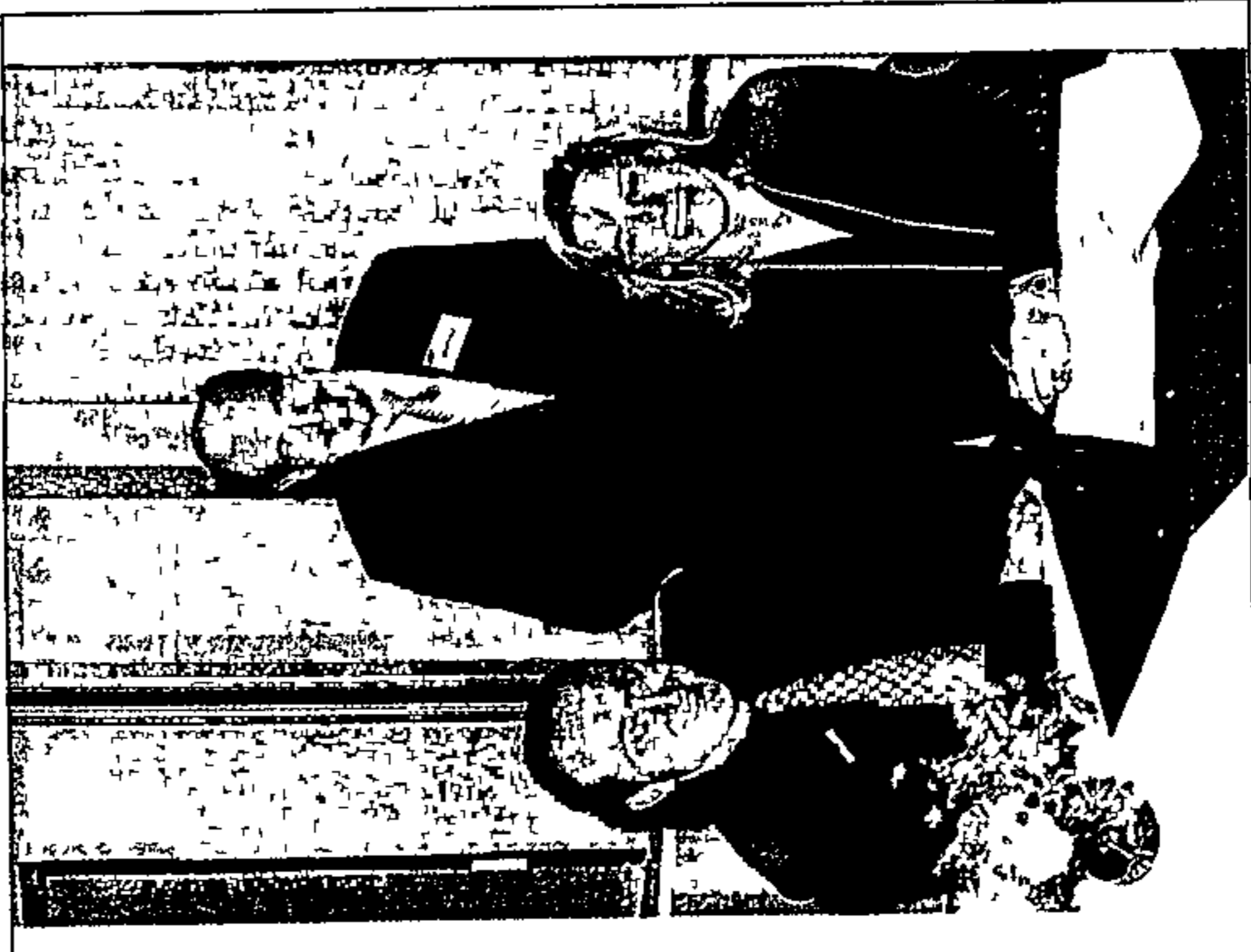
David Porteous, MD of Gateway said "Makhulong home loans are advanced by accredited retail banks and micro-lenders, and then sold to Gateway."

"Gateway then consolidates and packages these loans so that they can be sold into the capital market at the best possible rates."

"The HLGCC guarantees to reduce the risk to capital market investors substantially so we can pass the best possible rates on to borrowers," said Porteous.

Borrowers receive counselling on the obligations of home ownership, through accredited counsellors who undergo special training. Gateway has chosen HLGCC to provide the training in this area.

For more information contact Charlene Lea at HLGCC on telephone (011) 726 3150, or fax (011) 726 7415, or call David Porteous on (011) 484 0701 or fax (011) 484 5050.



HOUSING AGREEMENT David Porteous, MD of Gateway Home Loans, HLGCC chairperson George Thomas and Charlene Lea, HLGCC CEO



# Government to focus on group housing strategies

Robyn Chalmers (123)

GOVERNMENT is pursuing a number of new approaches to the low-cost housing programme with a strong focus on group-based strategies, according to Housing Minister Sankie Mthembu-Mahanyele

Closing a three-day international conference on co-operative housing last week, Mthembu-Mahanyele said her department would borrow from the People's Housing Process to drive co-operative housing

The People's Housing Process is a policy initiative which involves encouraging individuals, families or groups of people to take the initiative to organise the planning and building of — or actually to build — their own houses.

Mthembu-Mahanyele acknowledged that there was a policy vacuum around social housing and co-operatives, with the current legislative framework for low-cost housing focusing on individual ownership tenure

"This policy focus was influenced by the huge national housing backlog in 1994," she said. The housing backlog is currently estimated at between 2.5 million and 3 million houses

While current legislation has gone a long way towards housing the poor, she said there was an acute need to provide a wide range of tenure alternatives. This would be done either through direct ownership or through rental with a variety of options.

In order to safeguard proper management systems within institutions driving social housing delivery, government is looking at running empowerment programmes for provincial, local government and social housing institutional structures

Most speakers at the housing conference emphasised the need for a legislative framework to assist the development of co-operative housing in SA. The country currently does not have a co-operative housing sector, with the East London Housing Management Co-operative being the only registered housing co-operative in the country

The seven buildings project in Johannesburg is one example of a co-operative housing model. Pressage Nyoni, who is involved in the project, said the model saw the tenant owners centrally involved in the ownership and management functions of the scheme

BD 12/7/99

# Sanitation still a pipe dream for many South Africans

(123) CT (# 15/7/99)



**THE** South African Bill of Rights contained in our Constitution guarantees everyone the right to have their dignity respected and protected. It also guarantees the right to an environment that is not harmful to health or well-being. Yet many South Africans are without adequate sanitation, which deprives them of the chance to perform the most basic bodily functions in privacy and exposes them to potentially fatal diseases. **ERIC NTABAZALILA** investigated the issue.

**I**N 1994 it was estimated that a whopping 21 million South Africans were without adequate sanitation. This frightening picture seems not to have changed for thousands of Western Cape township residents who still, out of necessity, use the bucket system.

Families from more than 3 000 households from six municipal areas still use the unhealthy bucket system, which is also a hazard to children, causing serious disease.

Silvertown squatter camp residents in Khayelitsha thought the bucket system they have used for five years would change in 1994 when the ANC-led government took over.

But every evening, theoretically, Tygerberg Municipality tractors roar down the bumpy, dusty streets filled with dirty water to collect the 1 400 buckets filled with "night soil". The buckets have been used for the previous 24 hours.

Tygerberg Municipality spokesperson Charles Cooper described Silvertown as a transit camp whose people would be removed to a developed area with facilities like sanitation facilities.

But the transit camp has been in existence for more than 10 years so far, and its population is growing every day.

"It's a temporary arrangement, and we are hoping to remove these people to a suitable place when it exists," he said.

He said there were about 50 other buckets "scattered" around Khayelitsha, which were used by people who built their shacks in places where it was difficult to build flushing toilets.

"These are areas like those under powerlines or next to roads and the highways."

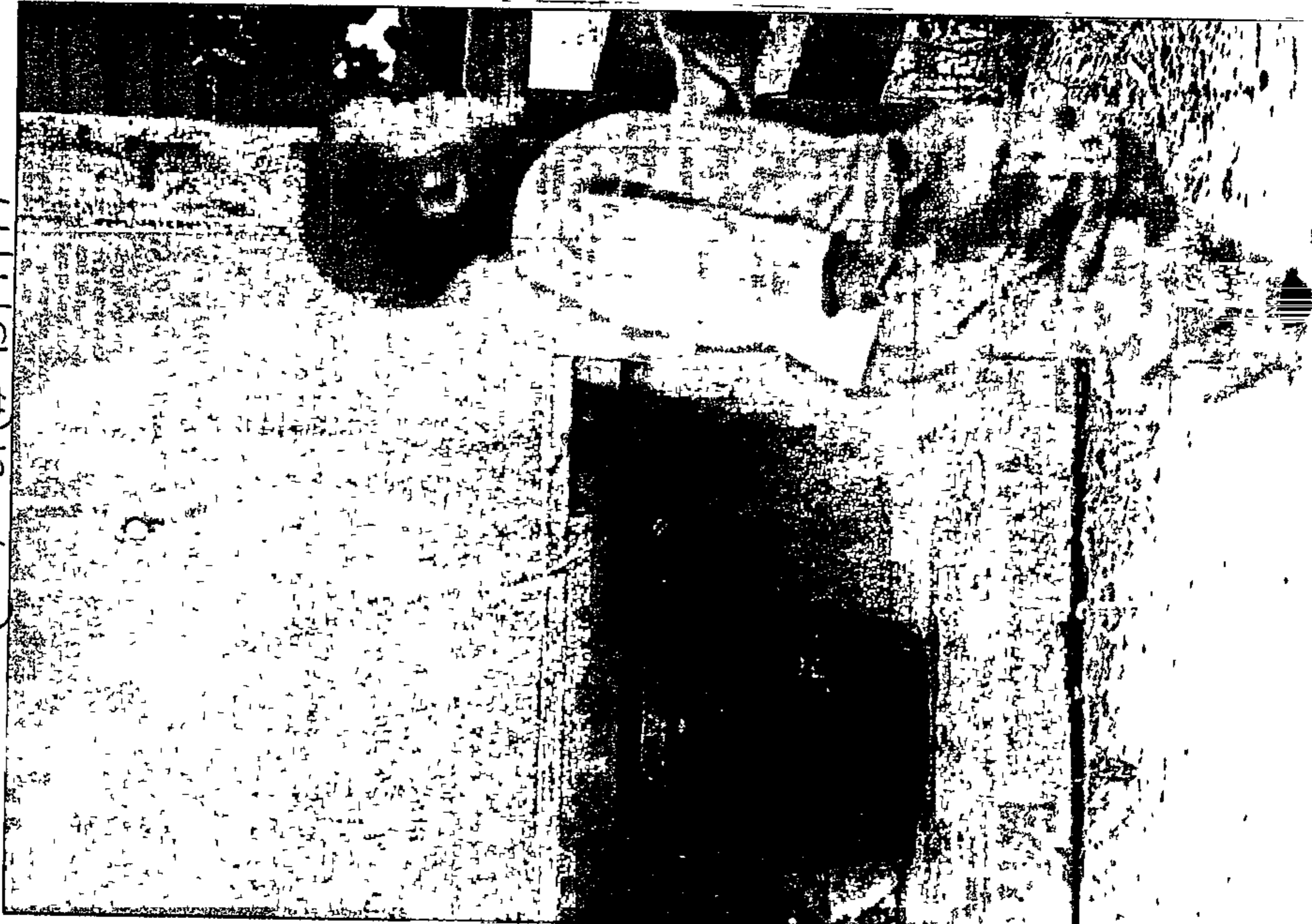
One of the residents, Lindelwa Manayi, denied that the buckets are collected every night without fail. She claims that sometimes the buckets stand for two days before being collected.

Manayi is the mother of a six-month old child who was diagnosed with diarrhoea, which is prevalent in areas where there is inadequate sanitation.

She is very concerned after she heard about the death of three children after the outbreak of Shigella — a bacteria which causes patients to have blood and mucus in their faeces. This causes children to develop kidney failure and bleed heavily. It can be fatal.

"It is very frightening, especially for people like me who have very young children," she said.

Areas under the Tygerberg City Council are not the only ones living reluctantly with the unhealthy bucket system.



• **MAVIS SOTOMELA** from Silvertown, who doesn't own a bucket: "It's better for people living in the lower part of the squatter camp as they have buckets. We have to ask them to use their buckets and at times you find them not in a good mood. Sometimes you find that the people you usually ask to use their buckets are not at home and you have to use your own."

• **LINDELWA MANAYI**, Silvertown resident who has a six-month-old baby, and shares a bucket with a neighbour: "What makes this bucket system more dangerous is that they are not picked up every day. We have to keep them when they are full, or think of other plans like digging up holes. I was told that my child developed gastro-enteritis because we are staying in a dirty area full of germs. This bucket system is really bad for the children and I think it may be the cause of many diseases, especially the ones that attack children."

• **LEONORA DE SOUZA ZILWA**, spokesperson for the Cape Town City Council, commenting on whether the buckets were a health hazard: "If the residents operate the buckets properly, they should not be a health risk."

• **DOCTOR IVAN TOMS**, medical officer in the Department of Health in the Cape Town City Council: "There was a recent outbreak of Shigella which has caused the deaths of children who were exposed to human faeces. This is the type of diarrhoea where human waste comes out with blood. High incidences of this disease were prevalent in areas which were still using the bucket system. Diarrhoea is one of the highest causes of death in many developing countries."

• **ALAN SYVE**, Professor of Pediatrics at Red Cross Hospital: "We had a recent outbreak of the disease at the Red Cross Children's Hospital, and interestingly the majority of the patients were from Gugulethu. I'm not sure whether they were coming from areas where the bucket system was used. However, this disease is much more common in areas where there are sewerage problems. It has led to death, but I cannot say how many people have died. I have been involved in one of the cases where a patient's colon had to be removed."

# New hope for the homeless

(103) Sowetan 19/7/99

## By Charity Bhengu

**T**WO YEARS ago migrant labourer Manuel Vilankulu came from Mpumalanga to look for a job in Johannesburg. After two months he found a part-time job in Florida but did not have anywhere to stay.

He moved into a shack with a friend. "I hope to buy myself a decent place some day so that I can bring my two children and wife to live with me," he says.

Vilankulu (40) is one of hundreds of people who live in an informal settlement near the Highgate shopping centre west of Johannesburg. Their shacks are crammed between a residential and industrial area.

They live under hazardous health conditions and share one tap and five toilets. Pools of stagnant water block the pathways and garbage is strewn everywhere.

The residents says they allocated the plots to themselves illegally because they had nowhere to stay. They are painfully aware that they can be evicted at any time.

Now however the plight of Vilankulu and other homeless families may finally change for the better.

Last week Minister of Housing Sankie Mthembu-Mahanyele said that five years ago the country's homeless did not have any hope of finding suitable accommodation.

However with the advent of "a caring and democratic Government" in 1994 access to a home was made a constitutional right and the Government started building thousands of low-cost houses.

"Many people were brought to the cities as a labour force and accommodated in hostels during the 'apartheid era,'" she told a housing development function in Johannesburg last Thursday.

Economic and labour policies of the past did not provide adequately for the rural migrant who found themselves in cities.

"Shacks and informal settlements mushroomed in the cities and today the homeless and squatters remain a visible sight of an economic and social landscape inherited from the past.

Mthembu-Mahanyele said the Government would restore people's human dignity by redefining a new ethic in the delivery of basic services for the poor.

She was the keynote speaker at the Kaya-Mia Housing and Cash Bank competition staged by Sowetan and SABCE's Mamepe. The promotion was run over two months and was structured to include research and education.

It entailed giving away a house and discounted bond rates for buyers during the promo-



GRAPHIC: JO NHILOPO

people were able to get access to custom-built homes, supported by a government subsidy.

"We also introduced new and innovative ways in the construction of homes for the poor," she added. "Energy-saving homes a first in the country for the poor, has made sure that people live in comfortable units while at the same time making a contribution towards conservation."

Mthembu-Mahanyele said the next five years would see a decisive shift in emphasis from "bean-counting" - in terms of the number of houses constructed - to concentrating on the quality of delivery and rural development.

Key operational areas will include the following:

- The People's Housing Process will be the flagship of housing delivery for the next five years. In turn, this will help Government to address issues around the size and the quality of the houses being built.

- The department will continue to promote private-public partnerships by creating an enabling environment for other players to get involved in the industry.

- It will focus on promoting the role of women in housing and highlight their potential in creating wealth and much-needed jobs and

- Administrative efficiency, coordinated integrated development, quality assurance, expanding choice, building capacity and effective communication will also become key issues.

In addition, the ministry plans to focus on smoothing the processing of subsidies by making sure that loopholes and gaps revealed by irregular practices are closed.

Criminal actions - for instance, people using more than one identity document or submitting false information when applying for a house - will be referred to the Justice and Safety and Security departments.

However, the ministry will introduce disincentives to stop such actions as well. It will also help to stop collusion between developers and conveyors to secure subsidies for people who do not qualify.

"We will make sure that the benefits of the subsidy accrue to the people it is meant for," Mthembu-Mahanyele said.

The Minister added that the battle to secure decent and affordable shelter was still a fact of life for many South Africans.

tions that made efforts to root out the legacy of the past.

The National Home Builders Registration Council, for instance, helped to provide a safety net for home owners by providing them with protection against shoddy workmanship.

The National Urban and Reconstruction Agency enabled emerging contractors, five per cent of whom are women to take part in the building industry.

The National Housing Finance Corporation introduced alternative forms of housing finance for the poor.

Mthembu-Mahanyele also outlined the department's successes since 1994. More than three million people received homes with running water, sanitation and electricity during this period.

The housing subsidies of an additional million were approved as well and hostel units were converted into homes.

For the first time in South Africa, disabled

national period in May and June.

Mthembu-Mahanyele commended the initiative as a true nation building project and said such programmes would revolutionise the housing industry.

She also praised non-governmental organisations for joining the Department of Housing in building houses for the poor and regarded this as an example of a successful partnership with government.

Other examples of successful private-public partnerships involved built-environment support groups in KwaZulu-Natal like the Umzamo Development Trust, Mzungisi Development Group and Inanda Development Group.

Their efforts helped to develop sustainable partnerships which could promote integrated approaches to housing.

"We will make sure that more and more players are involved in the industry," said Mthembu Mahanyele.

She also paid tribute to those housing institu-

# Date set for housing trust sale

## Robyn Chalmers

THE troubled SA Housing Trust is to be privatised by November after several abortive attempts to restructure the provider of low-cost housing finance.

The previous government invested R600m in the trust and underwrote a further R890m.

Yet the state is expected to take a heavy loss on the investment due mainly to continuing bond boycotts and the inability of some homeowners to repay their loans.

The trust was set up in 1987 to help develop SA's low-cost housing sector. Besides making direct loans, it has purchased sizeable tracts of land for development by private companies.

The assets up for sale include Khayalethu Home Loans, which has a

loan book of more than R1bn, and Nu-Way Housing Developments, which has a R120m land portfolio.

Chris Stephen, former head of KPMG Management Consulting, who has been appointed to oversee the sale, says potential investors have until next Tuesday to register preliminary interest.

Stephen says the rationale behind the move is that the housing department has decided its role is to manage housing policy.

"The trust needs a capital injection and government has decided not to put more money into it. The state wishes to limit such direct investment in the housing sector."

## Government is expected to take a huge loss in the privatisation

In 1997 the cabinet approved a plan to restructure the trust into three companies: Khayalethu, Nu-Way and Nu-Loans, which was formed to buy performing loans from Khayalethu.

Before this plan got off the ground, however, the housing ministry decided to wind down the trust, with Khayalethu's book of performing loans to be sold to the highest bidder and Nu-Way to be sold at net value.

The latest plan will see the two divisions put on the market. Bidders are most likely to be micro-lenders and financial institutions for Khayalethu and township developers for Nu-Way. The trust has almost 300 employees.

most of whom are on contract. If Khayalethu and Nu-Way are sold as going concerns, it is unlikely there will be significant retrenchments, Stephen says.

Khayalethu, which provides retail home loan finance to low-income communities, has about 28 000 loans on its book, of which half are performing. It was hit hard by bond boycotts in the early 1990s, with some communities viewing it as an apartheid structure.

Stephen said there was an improvement in bond payments after the 1996 agreement with the SA National Civics Organisation, which allowed Khayalethu direct access to its clients for the first time.

However, there are still about 15 000 home loans with an estimated value of R500m which are not being repaid. Stephen says government does not want to see these loans written off, although it is clear that the sale of the nonperforming side of the book is unlikely to realise much.

He says Nu-Way has turned its finances around through its turnkey approach to managing projects for mass low-cost housing, moving from an R11m loss in 1997 to a surplus of almost R7m last year.

Nu-Way has extensive land holdings in Gauteng and six other provinces, a portion of which is serviced. Nu-Way recently diversified into the middle-income housing market and has undertaken its first joint venture project with a financial institution.

## Robyn Chalmers

SA's housing strategy this year should focus on ways to attract and pump private sector investment, at least matching government's investment, into the low-cost housing sector.

This is a key message from the housing department's latest annual report which says it is of concern that government is still largely the sole key player in the low-cost housing market.

This is despite the introduction of several risk reduction interventions to stabilise the housing market. "Clearly, business has remained largely risk-averse," it said.

The report estimates only 16% of all low-

# Govt seeks partners on housing

cost housing developments are credit-linked, with 84% funded purely by subsidies. Between 1994 and the end of last year, government has injected R9,4bn through the subsidy system.

The report suggests that the subsidisation mechanism needs to foster joint venture partnerships and make private investment a necessary prerequisite. "The time has come for a clearer definition of partnerships with the various role-players in housing," it said.

The report indicates that had sufficient

funds been made available, government would have been able to meet its promise of delivering 1-million houses within five years. By this year's election, there were 700 000 low-cost houses built or under construction.

Government's capital subsidy scheme was introduced in April 1994 and the report shows provincial governments' spending was slow at first. Only R12,7m was spent in 1994-95, with the majority of funds going on housing commitments made by the previous government.

Expenditure rose significantly and R471,3m out of the total R931m allocation was spent on the capital subsidy scheme. By December last year provincial government spent R2,2bn of the total R2,8bn.

The report says it is necessary to formulate a new national housing delivery target, and provincial delivery targets and a new formula are being considered.

The report says this year will be a year of innovation in delivery approaches — maximising the choice of housing options to suit various needs, mobilising resources and focusing on integrated development and an improvement in size and quality of houses delivered.

BD 22/7/99

# SA's water among the best in the world, says Rand Water

Louise Cook

(127)

PRETORIA — SA's potable water is among the best in the world but it is human settlements rather than industrial pollution that may pose a threat in future, says Rand Water quality marketing manager Karl Lubout.

Lubout said at the weekend that Rand Water used the World Health Organisation's standard to measure the quality of potable water.

"Tests are done regularly and so far our raw water is relatively unpolluted because most river catchment areas have escaped huge settlements

"If we do not care for catchment areas, biological pollution could easily become a threat," he said.

There is also problem with how South Africans view their own water, Lubout says. Because it costs very little, compared with electricity, many people believe it is of an inferior quality.

He says this explains the increase in sales of bottled mineral water.

The bottled water industry has

boomed in the past two years, with many farmers who have natural springs on their land starting bottling plants.

The first legal battle in the industry erupted last week when mineral water producer and bottler, Valvita threatened to sue M-Net magazine programme Carte Blanche for allegedly presenting its product in a "extremely detrimental and misleading" manner.

Lubout believes that bottled water is a fad. Consumers would appreciate the quality of SA's potable water had they paid more for it over the years, he said.

Rand Water corporate planner John Connolly says the water board's uniform tariff does not take into account water's real economic value.

"For instance, water going to Sandton runs off into the Limpopo River catchment area after it has been used, unlike the mines where the water is repeatedly recycled.

"In view of the growing scarcity and the need for more elaborate schemes to provide the additional water, price increases are inevitable," Connolly says.

# Water pollution threat to millions

By Russel Molefe (126)

MILLIONS of people in Gauteng, parts of Mpumalanga and Free State could be in danger of contracting water-borne diseases because of pollution of the Vaal River

The Water Research Commission (WRC) has said that the pollution of water sources, which may cause cholera and severe diarrhoea, is making it increasingly difficult to provide pure drinking water in the areas

The WRC said it had found that some harmful organisms had a natural resistance to chlorine, a chem-

ical used to purify water

"During the purification process of water, most but not all of these organic compounds are removed or broken down to more elementary products that are easier to consume

"It is impossible to remove all of these organic compounds that occur in water sources other than by very expensive processes that put a further financial burden on the consumer," the WRC research manager Ms Annatjie Oelofse said

"What exacerbates the problem is the long pipelines and the warm climate of South Africa which con-

tribute to growth of bacteria in the water distribution networks

However, Oelofse said these problems occur worldwide and the research conducted by the WRC was aimed at determining the extent of the problem under local conditions.

"The quality of treated water is tested on a daily basis by most of the water suppliers to prevent the deterioration of the water quality

"It is the duty of all of us to protect our water sources and prevent pollution, because at the end it is the consumer who has to pay for expensive water treatment," Oelofse said

Sowetan 29/7/99

# Mthembu-Mahanyele begins audit

BD 30/7/99

(123)

**Robyn Chalmers**

HOUSING Minister Sanku Mthembu-Mahanyele began a nationwide audit yesterday of low-cost housing projects built with government's subsidy since 1994.

The tour comes in the wake of a shift in the focus of the national housing policy towards the quality of housing built rather than the quantity of units delivered.

Government is focusing more closely on group-based strategies of housing people, such as social and co-operative housing. This represents a further shift away from individual ownership tenure pursued in government's first term of office.

The audit began with a tour yesterday of the Jeppe Oval project in Gauteng, the first

rental housing project to be built in an inner city in SA. It was funded with government's institutional subsidies.

The purpose of the tour was for Mthembu-Mahanyele to witness the effect that the development of Jeppe Oval had made on low income earners in Johannesburg's inner city in the past two years.

Mthembu-Mahanyele said Jeppe Oval was a good example of co-operation between government and non-governmental organisations. The land on which the houses were built was provided by the Greater Johannesburg Metropolitan Council at a special rate.

Approximately 20% of the funding for Jeppe Oval came from the institutional subsidy programme while the balance was provided by the Johannesburg Housing compa-

ny. The company used funds obtained from the European Union through Kagiso Trust, and the Flemish regional government through the New Housing company.

"We are moving away from apartheid spatial planning," she said.

Gauteng is the first stop on Mthembu-Mahanyele's nationwide audit. She will visit other provinces in the next three months.

About 800 000 subsidised houses have been built, or are under construction, since 1994 — against a target of 1-million homes — at a cost of almost R10bn.

While there have been problems with the small size and quality of some of these houses, Mthembu-Mahanyele said that this was not nearly as widespread as had previously been indicated.



# Pilot project aims for 150 000 houses

Robyn Chalmers

AS MANY as 150 000 low-cost and rental houses are set to become available in Gauteng, Mpumalanga and the Eastern Cape in the coming years as the national pilot project on housing gets underway.

Labour Minister Membathisi Mdladlana announced this week that the housing department had selected the first group of three mass housing projects.

This is part of the housing pilot

project which emerged from last year's presidential job summit.

Mdladlana said the projects identified are in Coega in the Eastern Cape, Newtown in Gauteng and Witbank in Mpumalanga. The projects will be linked with spatial development initiatives — or corridor developments — being undertaken by the trade and industry department.

He said that R1bn from govern-

ment's poverty relief fund could be allocated in due course to boost job creation in the short term.

Housing ministry spokesman Gegé Kekana said yesterday that the project was being steered by the housing department.

He said the funding details had still to be ironed out, with financial support having been pledged by government, labour and private sector

The pilot project aims to build between 50 000 and 150 000 housing units by December 2001, with a minimum of 5 000 units in each scheme.

It is estimated that for every house built, one permanent and three temporary jobs are created.

Three-quarters of the overall pilot project will be made up of rental housing and the remainder will be direct ownership, financed largely by

Three-quarters will be rental housing and the rest direct ownership

loans through the Gateway mechanism. This aims to provide finance, via securitisation, of between R20 000 and R50 000 to employed people who cannot access conventional credit.

Housing Minister Sankie Mthembu-Mahanyele said recently that to ensure the project was a success the ministry hoped that with the help of trade unions, it could convince employers to introduce a payroll system to ensure regular payment by clients of the units.

(123) ~~123~~ BDC 18/99

# Evictions no answer - Sanco

By DOMINIC MAHLANGU

THE South African National Civic Organisation, Sanco, has called on banks for restraint in dealing with bond defaulters.

Sanco said that the burning down of houses was the result of the strong-arm tactics used by banks against the defaulters.

Sanco's national chairperson Mlungisi Hlongwane said the evictions, mainly in townships, were a national problem that needed to be addressed by all

stakeholders

He said the action taken by residents in vandalising houses and burning them in Katlehong on the East Rand was an indication of frustration and the dire economic situation many people found themselves in.

"The economic situation of the country should be taken into account by the banks before they evict people."

"We are all living in hard times and for banks to just always expect high money returns would

be impossible in such times," said Hlongwane.

Hlongwane said with the economy in decline many people were being retrenched and this had contributed to bond defaulting.

Sanco warned the banks and the government to stop all evictions with immediate effect and come to the negotiation table.

It said it had put on paper a programme which they said would find a solution to the housing problem countrywide.

(123)

CP 15/8/99

# Servcom evicts 450 families from homes

(123) 0016/8/99

Robyn Chalmers

SERVCON a joint venture between government and banks to deal with bond defaulters has evicted 450 families after the bond holders refused to co-operate with finding solutions to nonpayment problems.

Servcon was set up in 1995 as an integral part of government's drive to encourage banks lending to the lower end of the housing market. It oversees 33 000 repossessed houses, all of which are occupied and nonperforming loans on the books of seven banks valued at more than R1 25bn.

Servcon MD Denis Creighton says about 18 000 defaulters have signed agreements with the organisation and 34% of defaulters are making payments to the re-

Loss of employment is one of the most frequent causes of defaulting on bonds

evant banks. To date almost 4 000 properties have been sold.

Creighton says after a lengthy hiatus Servcon and banks are now moving ahead with an eviction programme for defaulters who refuse to take up any of the options offered by the organisation.

Eviction is the last resort, he says as Servcon's objective is to get people to take up the relief measures on offer.

"The tempo of evictions has increased in recent months and about 450 families have been evicted to date," says Creighton. "About 75% of these evictions have ultimately been effective with about

25% of people having moved back into their houses."

He says Servcon's eviction programme has the backing of the banks as well as the ministries of housing, finance, justice and safety and security.

The biggest cause of default on bond payments is poor affordability levels frequently due to loss of employment. While people are starting to understand that they need to resume payment of bonds as soon as possible, Creighton says a proportion continues to dodge the responsibility.

In addition certain areas such as townships in the Free State and North West re-

main inaccessible to Servcon's officers. Options Servcon offers to bond defaulters include buying their properties back in a subsidised instalment programme or rescheduling their debts.

They can also opt for an interim rental scheme whereby defaulters can pay a rental amount which initially totals half the bond instalment with a gradual increase in the payments.

The third option is a "right-sizing" programme for those who cannot afford the property they are occupying. This helps occupants find other accommodation, with government paying relocation assis-

tance. Thubalisha Homes, a sister company to Servcon, was established this year to procure alternative right-sizing stock from developers and builders.

The final option is assistance for the elderly and disabled. These groups can receive relocation assistance from government without actually having to move from their homes.

As part of a refocusing exercise in April last year government and banks agreed that Servcon would only deal with repossessed properties and nonperforming home loans on the banks books up until August 1997.

Servcon has been given eight years until 2006 to sort out the 33 000 properties in its portfolio.

# Govt brings in experts to stem subsidy fraud

ND 17/8/99 (123)

**Robyn Chalmers**

FRAUDULENT activities by people with access to the state's housing subsidy and by some conveyancers and councillors were a major problem facing government's drive to deliver low-cost houses, Housing Minister Sankie Mthembu-Mahanyele said yesterday.

She told a media briefing that her ministry had brought in experts to deal with a number of syndicates that were operating around the country.

Arrests had been made in KwaZulu-Natal, where subsidy funds were being pilfered. There had been problems also with accounting and engineering firms in the North West.

"We are dealing with government funds, which are provided to house the very poorest of the poor. We have discovered there are citizens who are not prepared to change," she said.

Government has spent almost R10bn on the state subsidy scheme since 1994. Housing ministry spokesman Gege Kekana said a comparatively small percentage of this amount had been affected by fraud.

Mthembu-Mahanyele said a challenge facing the housing programme was the inability of many beneficiaries to obtain credit from financial institu-

tions. As a result, the National Urban and Reconstruction Agency, a section 21 company not for gain, was established to provide bridging finance to emerging contractors.

At the end of February this year the agency had supported 97 projects involving 29 134 houses, and had issued guarantees of R23,4m.

The agency's goals included strengthening the capacity of institutions involved in low-income housing delivery and promoting small and medium enterprises in housing and development.

Mthembu-Mahanyele said 54% of the 800 000 houses built or under construction with government subsidies have been erected by emerging builders.

Willie Ramashaba of Portfolio Holdings said talks were in the final stages on the establishment of a new mortgage financing vehicle. Discussions were being held with a number of financial institutions and black empowerment organisations. Ramashaba said the new organisation would be black-owned.

Mobilising credit for the construction of low-cost houses is a key problem facing government's housing programme. Traditional financial institutions have been reluctant to extend loans into this market due to high risk.

# Graft affects housing

Sowetan 17/8/99 (123)

**By Joshua Raboroko**

HOUSING Minister Sankie Mthembu-Mahanyele said yesterday that various obstacles, including corruption in the Government and private sector, have hampered the delivery of low-cost housing to communities and rural areas.

Addressing an Islamic Chamber of Commerce breakfast meeting in Johannesburg, the minister said corruption was exposed when her department conducted an audit of the past five years.

She said syndicates operating in KwaZulu-Natal and involving foreigners were allegedly abusing the funds from the department by making fraudulent claims. She

was unable to estimate the exact amounts involved.

A number of Government officials have been arrested in connection with the alleged abuse of funds. Conveyancers, accountants and building contractors were also involved in the scams, which have hampered housing delivery.

"We will fine-tune the processing of subsidies by enhancing them and making sure that loopholes revealed by irregular practices are closed. We will uproot corruption in all forms in the housing sector."

She said the prevention of corruption would entail looking more "microscopically at issues of allocation, screening, management and finance." Criminal actions in

the housing industry would be dealt with by the Justice and Safety and Security departments.

Mthembu-Mahanyele said despite the obstacles in housing delivery, the department had built more than 800 000 low-cost houses and provided shelter to three million people.

She said the Government promoted the role of women in the housing delivery, adding that the National Urban Reconstruction and Housing Agency provided bridging finance to emerging contractors.

"They have done a sterling job in financing and bringing women in not as beneficiaries but also as contractors who are now involved in creating wealth and much needed jobs," she said.

# As precious as life itself

(127) (9) MGT 17/8/99

Draft legislation aims to change the way South Africans think about water, writes **Saliem Fakir**

If you have intentions of expanding your swimming pool, or as they do in Namibia when the heat is on — putting a sprinkler on your roof to cool you down you'll have to take into account the attempts by the Department of Water Affairs and Forestry to institute a comprehensive national water conservation and demand management strategy

The department's draft national strategy framework was released recently for comment and discussion. It includes measures aimed at preventing water loss — in some parts of the country water losses are estimated to be as high as 50% — and reducing demand by influencing usage.

The strategy framework encourages a change in attitude, given that South Africa is a water scarce country plagued by inefficient use of water in all sectors. This has been perpetuated by a culture that attaches no value to water because it has always been provided at a cost lower than its true value.

The framework document estimates that if demand management measures are not taken into account in Gauteng for example, over the next 20 years the government will have to fork out R10-billion on waste water treatment plants and R17 billion on

new water augmentation schemes.

The framework aims to establish water use efficiency, water conservation and environmental protection, and equity objectives in all water use sectors

The mandate for water conservation emanates from both the Water Services Act and the National Water Act. The latter is designed to "ensure that the nation's water resources are protected, used, developed, conserved, managed and controlled in ways which take into account among other factors promoting efficient, sustainable and beneficial use of water in the public's interests"

Many things, as they say, are easier said than done

There are four challenges facing proponents of water demand management. The first involves shifting "supply side dominance", and ensuring that water conservation and demand management is part of what the framework document calls "integrated resource planning"

By this is meant weighing various options arising from supply and demand factors, and then deciding which way forward between the two would be the best route to take

The incorporation of this kind of thinking is a long way from being recognised within the dominant water



**Big gulp** The agricultural sector reportedly uses about 50% of arid South Africa's water resources  
PHOTOGRAPH: HENNER FRANKENFELD

planning fraternity, who happen to be large dam engineers with little time for the people whom they view to be bunch of "softies" with too much of a conservation mindset.

In many ways the battle to incorporate the principles of water demand management as an intrinsic part of the management of water resources is not over, and neither is it close to being won. At present, out of a total of R270 million allocated to water planning only R16-million is committed to water conservation and demand management

The second challenge is a social and psychological one fundamentally changing the behaviour patterns of water users

During periods of extreme drought, changes to behaviour have been achieved albeit with the use of restrictive and punitive measures. No

sooner are the droughts over than the bad habits return again

Consumer habits need to be changed to incorporate an element of awareness prodded along by regulatory oversight. Ways must be found to encourage consumers to regard water to be as precious as life itself

The third challenge is to target the largest consumers. The agricultural sector reportedly gulps down about 50% of the country's water resources. Hiding behind emotive arguments about food security the agricultural sector is resistant to the "new thinking". This is the sector the strategy framework hopes to engage to find reasonable ways of introducing efficiency

Successes may be more easily achieved in the urban and industrial sectors. For instance, the Windhoek municipality has reduced consumption between 30% and 50% since de-

mand management programmes were instituted several years ago

The framework document does not really come to grips with how local government institutions will introduce the measures as part of their water resource management strategies and services

Stumbling blocks are likely to occur in providing financial incentives for co-operation, beefing up infrastructure and, most important of all, getting people to pay for better services

And then there is the obstacle of convincing planners and engineers that conservation and demand management is where the future of water lies

*Saliem Fakir is country programme co-ordinator for the IUCN South Africa (World Conservation Union)*

rankly, the efforts of the wine industry to make inroads in the US market by far the world's largest and most affluent, have been risible too much trashy, overpriced wine.

# Millions stand to win a place they can call home

By Robyn Chalmers

Programme to transfer township rental houses is moving ahead, writes Robyn Chalmers

ALFRED Maseko's family has lived in a state-financed rented house in Soweto's Orlando East for more than 45 years. Yesterday Maseko — who has never owned a house before — received the title deed for his home. Maseko believes that government has done "something great".

"We had no opportunities for so long and now we are at least being given a chance," he says. Maseko is one of millions of people who stand to benefit from government's plan to transfer state or council-owned rental housing stock to the occupants. The plan, which will affect residents in the former black townships throughout SA, has been in the pipeline since the early 1990s.

In 1996 housing deputy director-general Neville Karsen announced that government would write down about R5bn of the estimated R12bn assets in the National Housing Fund through the transfer scheme.

The housing ministry estimated that between 1-million and 1.2-million tenants were eligible to buy units first occupied before June 30 1983 at discounts of up to R7 500 on the selling price. Assuming a 100% acceptance rate and a replacement value of R40 000 a serviced site plus the

house this represents a potential free transfer of assets valued at more than R5bn.

At the time of the announcement then-housing minister Sankie Mthembu-Mahanyele said many local authorities were unable to recover debts or to service loans of up to R10bn granted by the fund. This was attributable to rent and service boycotts and administrative problems. Transfer of state-financed homes would take place only once all outstanding debts up to a certain date were settled.

The transfer process has been laborious. Gauteng was the first province to get the ball rolling by setting up a host of transfer bureaux around the province and initially it had a flood of inquiries from potential beneficiaries.

The Gauteng government also passed a special law to assist first-time buyers of state-owned property to acknowledge debts owing from February 1994, after which houses could be transferred immediately.

Former Gauteng housing MEC Dan Mofokeng believed this measure constituted a boost for government's Masakhane campaign because the acknowledgment of debt was a legal instrument that obliged beneficiaries

to pay service charges arrears on agreed terms and conditions.

The first batch of title deeds were handed over to their occupants in Soweto in March 1997. Yesterday a further 100 titles were issued to families in Soweto, bringing the total number to 100 000 in Gauteng. Gauteng housing MEC Paul Mashatile says the struggle for the transfer of houses first started in Soweto. "It is in areas like Soweto, Tembisa, Sebokeng, Kagiso, Mamelodi and Katlehong that people were deprived of the right of ownership," he says.

He acknowledges that the transfer process has encountered significant difficulties. The same is true for almost all the other provinces undertaking a similar route.

In Gauteng Mashatile says many people are not coming forward to sign their draft title deeds and there are disputes within and among some families about who is entitled to the house. A percentage of eligible candidates are not aware of the programme on offer and there are negative perceptions about the process. "These factors have led to serious delays in the process," he says.

Without any disputes the timing of the process from receiving the occu-

pany's claim to transferring the property should take only about five to six months.

But as far back as 1995 housing experts were predicting that as many as 40% of the total number of houses to be transferred around the country could be disputed. This is due in part to local authority records being destroyed or incomplete. There are also disputes about who is entitled to the homes if there has been a divorce in the family or if the original occupant has vacated the property.

The 100 000 title deeds issued by the Gauteng housing department are only a portion of the total 380 000 homes in line for transfer with a value of R1.4bn. Mashatile has set a target of three years to achieve this and his department has had to set up an adjudication process to help families in dispute.

The transfer of homes to beneficiaries represents far more than just receiving ownership of a house that many occupants have already paid for in rentals. It is also about giving people dignity and security. Perhaps, most importantly families will now have collateral to access finance for home improvements, business ventures or education.

**Transfer of state housing in SA**

**Total houses to be transferred to occupants 1-million to 1.2-million**

**Total value of houses: R5-billion**



Graphic: KAREN MCCOLMAN

pic: ROBERT BOTHA

# Housing financier aims to build 50 000 homes

(123)  
ET(BR) 30/8/99

**ROY COKAYNE**

Pretoria - The National Urban Reconstruction and Housing Agency (Nurcha), the low-cost housing financier, hoped to help finance projects during this financial year that would lead to the building of 50 000 houses, Cedric de Beer, Nurcha's chief executive, said last week.

"This is highly ambitious, but taking our new guarantee products into account, we believe our attitude that we need to aim high is justified," he said.

De Beer said 21 500 houses had been built on projects Nurcha supported since the agency began operating in 1995.

He said, "We expect the government to continue to provide subsidies for 200 000 houses per annum, which will enable the low-income housing industry to operate at satisfactory levels."

Nurcha had issued its biggest bridging finance guarantee,

amounting to R8,16 million, in support of loans forming part of the financing for the All Africa Games village.

He said 1 800 houses being built to accommodate the athletes would be transferred to their new owners after the games.

De Beer said that in the year to February 28, Nurcha had issued guarantees to lenders financing 18 emerging contractor loans and 27 loans to established contractors. If all houses were constructed, this would result in the building of 16 177 homes.

De Beer said Nurcha's project assessment and liaison with banks had helped to secure the go-ahead for a further 15 projects, delivering 11 263 homes. He said 14 677 houses were reported built and transferred on Nurcha projects during the year.

The majority of Nurcha-supported houses were built for subsidy beneficiaries who earned below R1 500 a month.

# Court rules for greater protection for tenants

PD 6/9/99

David Greybe

CAPE TOWN — In a ground-breaking judgment based on one of the constitution's "second generation rights", the high court has given greater protection to tenants facing eviction.

The judgment, handed down on Friday, revises procedures for evictions from residential accommodation which have been in force for more than 60 years. It finds that landlords seeking to evict tenants must do so before a magistrate or judge, and that a magistrate's court clerk or the registrar of the high court cannot grant the order by default.

Landlords seeking eviction orders would have to provide full details, Judge Suraj Desai and acting Judge Gerald Josman ruled.

Before an eviction order is granted, special consideration could in future be given to the rights of the elderly, children and disabled persons and particularly to households headed by women, the judges said.

For a landlord to merely state, as has been the practice since the case of Graham v Ridley in 1931, that a tenant was occupying the property illegally, was no longer sufficient, they ruled.

The housing clause in the Bill of Rights — section 26 (3) of the constitution — states "No one may be evicted from their home, or have their home demolished, without an order of court made after considering all the relevant circumstances. No legislation may permit arbitrary evictions." The judges said section 26 (3) of the constitution "has indeed modified the common law as laid down in Graham v Ridley".

The ruling came in the matter between tenant Vanessa Ross and Cape Town's South Peninsula municipality as landlord. The case was taken to court

(123)  
after Ross "took an exception order" against a summons applying for her eviction. She appealed to the high court against the magistrate's rejection of the exception.

Advocate George Bizos of the Legal Resources Centre argued the case on behalf of Ross.

Steve Kahanovitz of the centre said the judgment would benefit mainly poorer tenants who were unable to defend themselves in court. Until now, applications left undefended and pinned to the door of a home had often been sufficient for an eviction.

"What is important is that this (judgment) is the start of the shift in our law to a situation where the relationship between the landlord and the tenant will be one of fairness," he said.

The municipality has 21 days in which to amend its papers if it wishes to proceed with the eviction application.



# Housing corporation funding leaps

Money to intermediary lenders rises from R258m to R443m

Robyn Chalmers

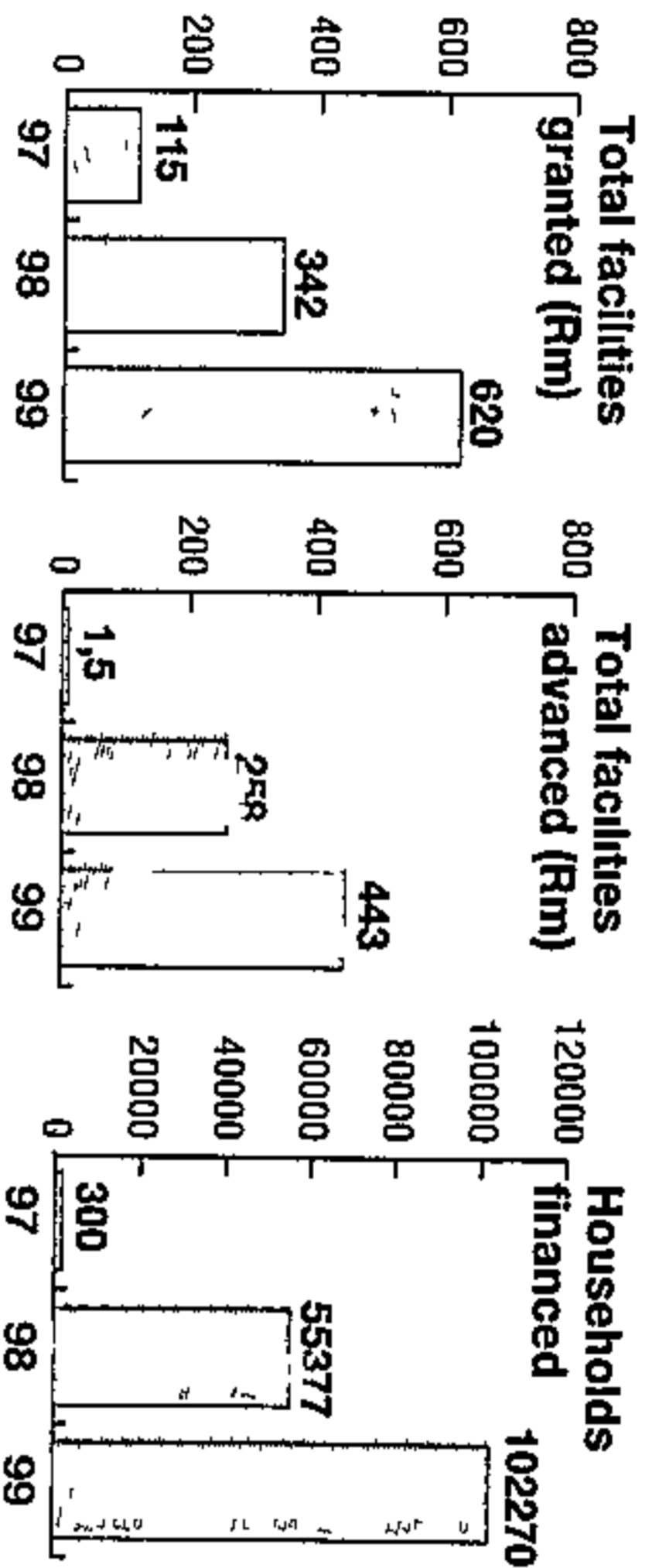
THE National Housing Finance Corporation disbursed a total of R443m into the lower end of the market in the year ended March this year, a significant increase on the R258m the previous year.

The corporation was set up by government in May 1996 to facilitate lending into the middle and lower ends of the housing market. It provides technical assistance to intermediary lenders such as micro-lenders and financial and housing institutions.

Corporation chairman Eric Molobi said in spite of recent volatility in financial markets and high interest rates, loan approvals increased 81% to R620m, from R342m the previous year.

Molobi said the organisation had a significant effect on the ground, with more than 102 200 households receiving finance, from 55 000 last year. The number of clients, or intermediary institu-

## National Housing Finance Corporation



KAREN MOOLMAN Source: NHFC ANNUAL REPORT

tions, increased to 33 from 18. Corporation CE Samson Moraba said the organisation has expanded its resources to build capacity within retail housing lenders in order to create broader access to housing finance. Through its linked deposit instruments, it has been able to leverage private sector funding from small-

er banks into the low and moderate income household market. Moraba said the corporation was influenced during the review period by a significant shift in the micro-lending environment. The success and growth of the industry has resulted in greater competition which translates into greater access to housing finance

credit, a lower cost of finance and product diversification. There has also been consolidation in the micro-lending industry with a number of lenders being taken over, mainly by bigger institutions.

He said a highlight in the period was the establishment of Gateway Home Loans. It aims to develop a secondary housing market that will ultimately securitise standardised housing loans for mid to low income earners. So instead of borrowing money from a bank, the borrower issues securities which can be traded.

Gateway head David Porteous said four lenders were accredited by year end, namely Standard Bank, Nedcor, Alternative Finance and King Finance — the latter two being part of African Bank.

Porteous said Gateway's main objective in the current year was to assemble a pilot loan book of 10 000 loans. It will also develop the profile of its initial product, the Makhlong Home Loan, which has three key characteristics. Loans can only be used for the purchase of houses, repayment is

undertaken by payroll deduction and uses guarantees from retirement funds as collateral.

Apart from Gateway, the National Housing Finance Corporation has several other funding initiatives. These include the niche market lenders programme which provides large-scale funding to providers of housing loans, and the housing equity fund which provide technical assistance and start-up capital to new ventures in the housing lending sector. The housing institutions development fund focuses on promoting social housing institutions.

Moraba said future challenges include developing key performance indicators to capture the impact of the corporation's debt funding programmes, and to continue building relationships with clients, partners and government. The corporation will also partner financial institutions to advance the Gateway model so the initiative delivers 20 000 housing units in two years, and it plans to accelerate the turnaround time for loan requests.

# Rent Act should provide houses (123)

SOWETAN 14/9/99

New laws to regulate rentals are currently being considered by Parliament. Political correspondent Waghed Misbach writes that the new Rental Bill could provide a much-needed boost to Government's housing delivery plans.

**T**HE new Rental Bill could not have a come at a more opportune time to strengthen the Government with a comprehensive plan to boost flagging housing delivery.

This country's first democratic Government understandably placed a great emphasis on providing people with their own homes.

The late Joe Slovo was the champion of this cause, promising houses for the millions of South Africa's landless and homeless.

His vision was clearly one of addressing apartheid's legacy originally contained in the 1913 Land Act.

Under Slovo's leadership, Government provided subsidies to people who wanted to own their own homes and gave incentives to the private sector to build affordable houses for people.

But increasingly, as housing delivery stagnated over the years, Government clashed with illegal tenants and the private sector was criticised for failing to deliver on their promises, it became clear that the approach to housing policy needed to be clearer and more holistic.

The Rental Bill, currently being amended in Parliament, is one of the most important pieces of legislation needed to fill the gaps in Slovo's housing policy.

The plan now is to ensure that more houses are provided for rental purposes and to regulate the behaviour of unscrupulous landlords so that tenants do not pay exorbitant rents.

The Rental Bill also provides for a special tribunal to mediate between landlords and tenants in the event of disputes and outlaws the current practice of evicting long-standing tenants from their homes without mediation.

Government is clearly committed to providing this type of housing for the country's homeless.

At the recent Presidential Job Summit, it supported a resolution for a Presidential Lead project to build 50 000 to 150 000 houses for rental over three years.

Government has also called on the private sector to play a greater role in the provision of these houses and will provide incentives to keep them interested.

The Congress of South African Trade Unions (Cosatu) has supported the Government in this priority, having been party to the resolution adopted at the summit.

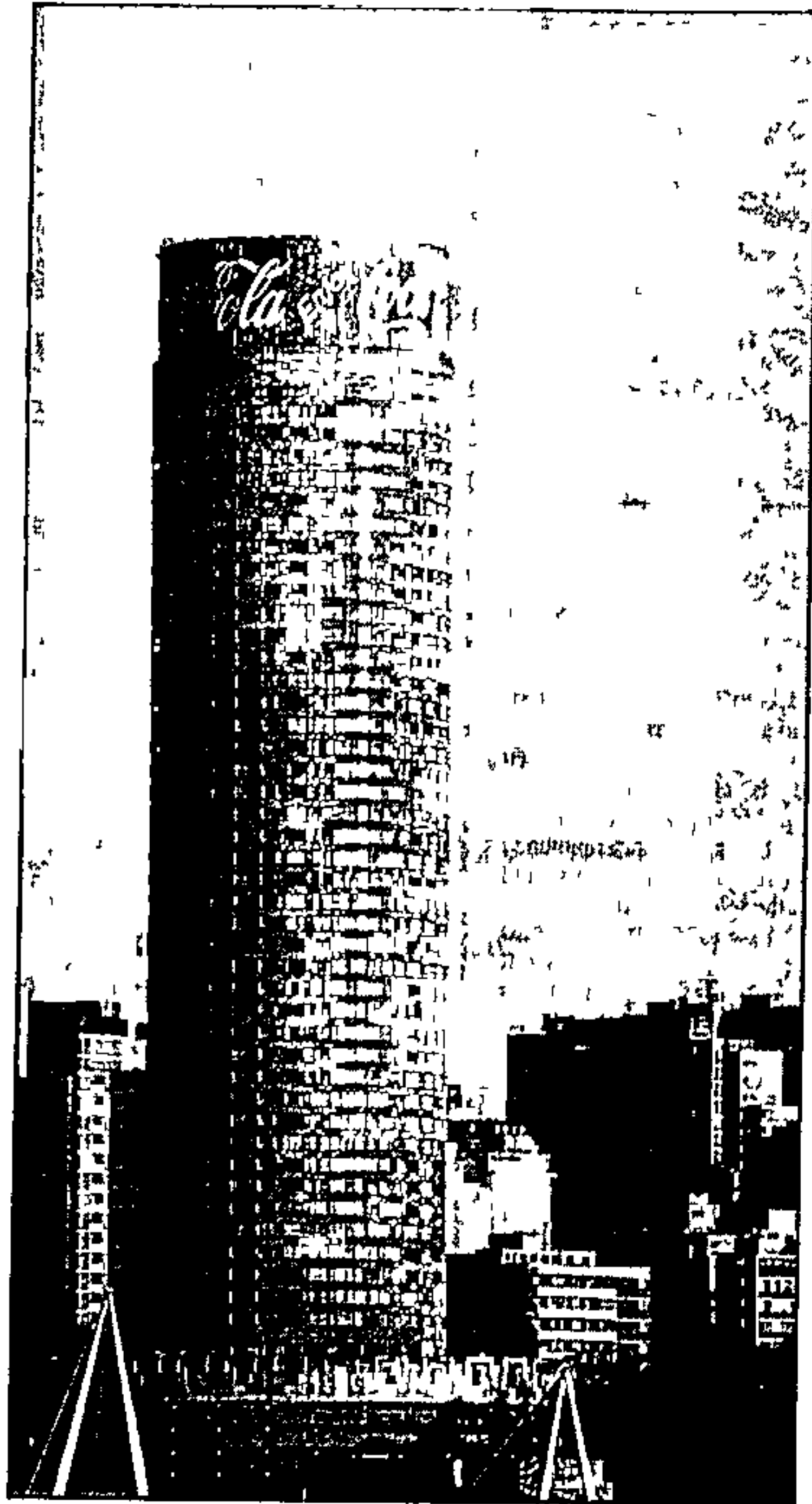
However, the giant union federation says that the Government is not going far enough since they want it, rather than the private sector, to lead the process.

They say the Bill is flawed because it places a greater emphasis on market forces rather than on state intervention.

The Government can play a greater role in the provision of housing for rental purposes by setting up a housing parastatal to deal with delivery, said Cosatu, the single most powerful stakeholder before the housing portfolio committee last week.

In its submission to the committee, Cosatu's deputy head of the federation's parliamentary office, Oupa Bodipe said that current legislation should not be driven by the private sector or market forces.

"The Bill as it stands gives undue weight to concerns of the private



The new Rental Bill will impact significantly on urban areas, like Johannesburg's densely-populated inner city, by improving current rental stock including the renovation of old buildings.

PHOTO PICTURENET

sector and insufficient emphasis on the need for a direct state role in affordable rental housing."

Bodipe says that it is a "matter of concern" that the development of the Bill was prompted by complaints from the private sector about abolishing the current Rental Control Act.

"To date the private sector has not delivered housing to low income earners on the scale envisaged in the reconstruction and development programme, in spite of guarantees and incentives from the state."

Bodipe said the Bill should follow what former president Nelson Mandela said in his opening address to Parliament in 1998, that the "state should intervene where the market fails to provide basic needs."

Cosatu's position is that a new rental housing policy should go beyond the management of current rental stock to the creation of new rental stock, particularly in the rural areas, which in turn will boost the construction sector and create employment.

This approach will incorporate policy measures that include

- rental housing subsidies,
- building of rental accommodation by Government and the private sector,
- price controls to make rentals

affordable,

● management and improvement of current rental stock, including the rejuvenation of old buildings.

The current Bill is also skewed towards delivering rental houses in urban areas and does not take into account the greater needs of the rural areas, the federation said.

Cosatu has also urged the Government to ensure that the Rental Housing Tribunal - the body that mediates between landlords and tenants - be expanded to hear complaints from a wider group.

Currently only tenants and landlords can make submissions to the tribunal. Cosatu wants to make sure that anyone who has an interest in a particular dispute should also be allowed to make representations, in line with how the courts operate.

Landlords should also be strictly regulated around what they can charge tenants and on providing a secure leasing contract.

All leases should be made in writing and a ceiling should be imposed on the level of deposits that landlords can charge.

If the Bill is successfully scrutinised and revised in Parliament over the coming months, it will become a crucial piece of legislation in boosting housing delivery for the country's homeless.

(123) fm 17/9/99

# TARGETING HOMES BACKLOG

## But will SA's payment boycotts history scare off investors?

**D**evelopers hope a State plan for rental accommodation will make a massive dent in SA's 3m unit housing backlog

Parliament is to consider a Rental Housing Bill, whose recommendations include construction of 150 000 rental units in the short term, and a rental subsidy

The rental stock — comprising mainly apartments but also houses — is likely to become a dominant feature of the low-income urban housing landscape. It is a sea-change in housing policy, which has always emphasised ownership. Rental units are intended to cater for the upper end of the low-income market by targeting employed people earning R1 500-R3 000/month

Rental estates are a common feature of many overseas industrialised countries, where they bring workers closer to their jobs. For many lower-paid SA workers, the alternative is squatter camps and other informal settlements

"The lag in housing policy has hurt the construction industry," says Paul Leseur of Group-5 Properties. "Government recognises it must use the private sector." The rental units will be funded jointly by a R75m allocation from the fiscus and R1,3bn from the private sector

The funds will be disbursed through the National Housing Finance Corp's Gateway scheme in the form of a rental subsidy still being finalised by the Housing Department. The subsidy could be paid to private-sector developers or to housing co-operatives. The draft law says rental accommodation will be managed by public-private sector partnerships. It is an attempt to deal with a massive backlog in housing. The waiting list for houses is 2,5m-3m units, government's existing owner-driven policy has seen about 500 000 houses built since 1994. A further 300 000 subsidies have been granted

"We hope to attract investors into the rental market," says Housing Minister Sankie Mthembu-Mahanyele

The Rental Bill also abolishes rent con-

trol, a long-time disincentive for investment in rental property. "We make it conducive for them to invest because the relationship (between tenant and landlord) is properly described," says the Minister

The rental plan emerged at last year's Jobs Summit. Many urban-based young couples and migrant workers do not want the commitment of owning a home. They are either too young to put down roots or want their owned houses built at their rural homesteads. But the State does not provide for a double subsidy at R16 000 for each qualifying homeowner, the existing subsidy already stretches the Housing department's coffers

Planners have drawn on similar rental models in urban centres of Malaysia, India, Singapore, the Netherlands and Britain, where rental housing is common. Most of the rental stock will be newly built but existing blocks of flats might also be bought by joint ventures. In Johannesburg, two pilot projects already exist. The Jeppe Oval and a development in Newtown are mixed-income rental complexes. "We want provinces to encourage such alternative forms of tenure," says the Minister

Developers have steered clear of rental housing up to now because of SA's history of rent and service payment boycotts — a fact acknowledged by the legislation. It attempts to allay investor fears by defining the landlord-tenant relationship, and the rights and duties of each. The primary

vehicle for enforcing these is rental housing tribunals that will seek solutions by mediation. Tribunals will be appointed by provincial housing MECs

Earlier drafts of the Rental Housing Bill were opposed by the SA Property Owners' Association (Sapoa) because it considered them prescriptive. It argued they effectively introduced a new form of rent control

Sapoa's Boet van Straten says the latest draft is more palatable but still imperfect. The industry is particularly worried by the provision that tribunals can rule on unfair practices which include "exploitative rentals" — wording that might be interpreted as trying to sneak in rent control through the back door. The legislation states that any rulings must take account of "prevailing economic conditions of supply and demand" and "the need for a realistic return on investment for investors"

Sapoa wants government to consult the private sector before determining incentives, mechanisms and standards that will govern rental housing

Other concerns likely to crop up as the Bill proceeds through parliament include whether the plan is financially sustainable. Because the State can't afford to carry the cost, rents can't be pegged as low as council housing once was

Significantly, the Rental Housing Bill also assumes a consistent base of tenants who remain employed. And who can guarantee that?

Ferial Hatfajee



**Mthembu-Mahanyele** can't succeed without private-sector support

Russell Roberts

**"Many couples and migrant workers don't want home-ownership commitment"**

# New bill will open the door for poor tenants

CHARLES PHAHLANE (123)  
PARLIAMENTARY BUREAU

ART 22/9/99  
Urban renewal and provision of rental housing to meet the needs of the poor have come a step closer with the passage of legislation on rental housing in the National Assembly.

The Rental Housing Bill will now be considered by the National Council of Provinces after the three-week recess starting on Friday

The bill seeks to create a legal framework for the Government's move into the rental industry

It also establishes tribunals where disputes between landlords and tenants will be adjudicated

If the findings of the tribunal are disputed, the aggrieved parties will have recourse to the courts

The Democratic Party said yesterday it had "serious reservations" about the bill Donald Lee,

DP MP, said it was "rammed" through Parliament

He posed a number of questions including whether the state could afford rental subsidies.

The New National Party MP Mr Rodney Rhoda, supporting the bill, said measures should be put in place to stop people selling low-cost subsidy housing and using rental housing subsidies

Housing Minister Sankie Mthembu-Mahanyele criticised the rent control process of the previous government, saying it discouraged private investors from embarking on rental housing development

Coloureds and Indians had a subsidy grant while whites "got the bigger chunk of the slice" with buildings before 1941 declared rent-control buildings

The Government had committed itself to rental housing and rural housing in this term after setting up delivery programmes for the poor in the last five years

# NHFC increases (123) its client base

By Shadrack Mashalaba

**W**HOLESALE financing intermediary National Housing Finance Corporation (NHFC) has increased its client base from 18 to 33, while at the same time increasing its disbursements by 72 percent to R443 million.

According to NHFC's 1999 annual report released yesterday, its funding activities resulted in the construction of 136 542 houses this year compared to 55 000 last year.

NHFC chief executive Samson Moraba said the organisation has delivered beyond its mandate.

"Greater access to housing and finance is imperative to the poor. While carrying out our mandate to continue providing finance to low-income earners, we will still remain cautious of inherent risks in the start-up market,"

Moraba said.

"Our returns on assets increased from 10 percent to 14 percent. During this time, the company's revenues have grown to R202 million, which is 34 percent up on last year's figure of R151 million."

He said the year could be summed up by four areas: growth through increased number of end user loans and expected new units consolidation through broadening of access to housing and housing finance, leadership through the pioneering of the secondary home loan process and innovation in terms of developing new housing products and systems.

In a chairman's report Eric Molobi said one of the difficulties faced by NHFC at its formation was to address the problems and needs of the low income earners.

Molobi said one of the key strategic priorities of the NHFC in the coming

year is to deliver on its vision of affordability by encouraging government incentive schemes that would promote savings whilst encouraging banks to partner with NHFC on a long-term basis.

In the year under review, one of the successes of NHFC has been the establishment of Gateway Home Loans, which - through its lending scheme Makhulong - was developed to speed up delivery.

Gateway subsequently signed a loan deal with financial institutions who agreed to lend to low-income earners.

NHFC was established in 1996 by Government to search for new and better ways to mobilise finance for housing in partnership with the private sector.

Its other programmes include the Housing Equity Fund, Rural Housing Finance Loan, Niche Market Lenders and Housing Institute Fund.

*Southern* 1/10/99



## IN LIMBO FOR OVER A YEAR

No voice for civil society

**H**ousing Minister Sanke Mthembu-Mahanyele has yet to renew or appoint new members to the National Housing Board (NHB) whose term expired in March 1998. The 27-member NHB was established in terms of the Housing Arrangement Act of 1993 and consists of people with expertise and knowledge in housing who represent consumers, lenders, developers, material suppliers and government Chairmen of provincial housing boards sit on the NHB in an ex officio capacity.

The NHB is required to advise the Minister on housing policy strategy and other matters. Recommend housing budget allocations in facilitatory institutions parastatal housing bodies and the provinces and monitor and evaluate the performance of the housing sector and review policy.

The NHB evolved from the National Housing Forum (a body made up of all political parties except the then ruling National Party) and housing activists to press for a new housing policy before the 1994 election. Its work culminated in the Botshabelo housing summit in October 1994, which helped to map out a new housing policy. Thereafter then Housing Minister Joe Slovo started reconstituting the NHB.

Mthembu-Mahanyele took over after Slovo's death and appointed members of the board in May 1995. It drew together experts like Bifsa's Ian Robinson, the Urban Foundation's Mathew Nel and Mputi Nxumalo-Nhlapo now Housing DG.

Ongoing NHB chairman Ismael Mkhabela says he can't explain the delay in appointing the new members. "We worked well with the Minister. There were no problems. It's now more than a year since our term expired." He says the absence of the NHB means civil society has no voice in the formulation and implementation of national housing policy.

"The NHB brought in issues from all facets of housing and we had key players in housing with us." Housing Ministry spokesman Gege Kekana says the names of the new board will be announced soon. Once Cabinet has approved the process has taken this long because we had to advise people had to apply and interviews had to take place. We have to make sure those appointed understand the issues. It's a rigorous process.

Banyani Mthembu

# Thousands get low cost houses

Housing corporation loan approvals 81% higher

Robyn Chalmers

A TOTAL of 300 000 people have received finance for low cost housing in the past three years due to the activities of the National Housing Finance Corporation says Housing Minister Sanke Mthembu-Mahanyele.

At yesterday's launch of the NHFC annual report, Mthembu-Mahanyele said that the corporation was established in 1996 to mobilise housing finance for the underserved segment of the housing market.

She said this was necessary as buying a home has traditionally meant people had to have access to funding or some form of collateral. "This has managed to cut off an estimated 30% of the housing market which does have the means to contribute financially to their housing needs," she said.

The NHFC was set up to address this segment of the market focusing on the dearth of housing finance in the R15 000 to R50 000 house price range. This market segment has traditionally been served by nontraditional retail lenders and the NHFC had to develop the capacity of these lenders.

"Breaking the logjams around housing credit is therefore seen as a fundamental requirement in order to facilitate the ongoing improvement of the housing needs of households in the government subsidised market," she said.

The NHFC recently announced the implementation of its secondary housing programme, Gateway, which will play a key role in implementing housing proposals outlined at the job summit.

NHFC CE Samson Moraba said the NHFC had disbursed R443m into the lower end of the market in the year ended March, a significant increase on the R258m of the previous year.

He said that during the review period the NHFC had focused on growth, consolidation, leadership and innovation. It had increased the business of the corporation's various fund programmes and consolidated the number of start-up and emergent lenders so they became viable intermediaries and housing institutions.

Moraba said the organisation has expanded its resources to build capacity within retail housing lenders to create broader access to housing finance. Through its linked deposit instruments, it has been able to leverage private sector funding from smaller banks into the low and moderate income household market.

Corporation chairman Eric Molobi said in the annual report that in spite of recent volatility in financial markets and high interest rates loan approvals increased 81% to R620m, from R342m the previous year.

Molobi said the organisation had had a significant effect on the ground with more than 102 200 households receiving finance, from 55 000 last year. The number of clients, or intermediary institutions, increased to 33 from 18.

Moraba said future challenges include developing key performance indicators to capture the effect of the corporation's debt funding programmes, and to continue building relationships with clients, partners and government.

## RENTAL HOUSING BILL

# BOOST FOR 'SOCIAL' HOUSING

But details of landlord and tenant rights need to be re-examined

(12/1) 10/10/99

**H**ousing Minister Sanke Mthembu-Mahanyele has laid what she hopes will be the legislative foundation for a rapid expansion of the rental housing sector (see Property September 17). With an official national backlog of 3m houses and the hope of owning their own homes a remote dream for the poor and unemployed rented accommodation presents itself as a logical part-solution. And, unquestionably, Mthembu-Mahanyele's Rental Housing Bill is a bold step to encourage private-sector participation in "social" housing.

Earlier this year the Minister drew attention to "a serious shortage of low-cost rental stock" adding that the current subsidy system (for first-time home-owners) "does not specifically promote the business of providing rental housing, especially for the income group R1 500-R3 000 a month". The constraint upon private investment in this sector is specifically tagged in the Bill as "the perceived high risk among investors of nonpayment among tenants of rents and service charges". The fraught issue of rent control (which applies to all buildings built before October 1949) is tackled head-on - it will be abolished.

The opposition parties have welcomed the Bill while expressing some concern over the vagueness of certain key definitions, the expansion of bureaucracy that will inevitably arise and the availability of funds for a rent subsidy scheme. Another concern is the apparently Draconian powers of the provincial Rental Housing Tribunals that will mediate landlord-tenant disputes and (subject to review) have authority to impose fines and even jail sentences on transgressors of certain of the Bill's provisions.

Democratic Party housing spokesman Donald Lee notes the haste with which the Bill is being pushed through parliament arguing that the consultative process necessary for a law of this nature has been aborted and that while the DP supports the Bill "I want to warn the House that we will be back with amendments sooner rather than later". (The Bill received its second reading in parliament last week.)

A major flaw is apparent in the broad-brush approach to the rental market as a

whole. Thus a "dwelling" includes "any house, hut, shack, flat, apartment, outbuilding, garage or similar structure which is leased, as well as any storeroom or demarcated parking space".

When disputes arise - on either side - the Rental Tribunals (to be established by the Housing MECs in each province) will have the power, as Lee puts it, of "creating crimes" particularly for errant landlords.

While the preferred course is mediation the Bill's bias is naturally on the rights of the poor and exploited, and the tribunals can "challenge irresponsible landlords to provide rental accommodation of a standard commensurate with rental levels".

Discrimination against prospective tenants on grounds of "race, gender, sex, pregnancy, marital status, sexual orientation, ethnic or social origin, colour, age, disability, belief, culture, language and birth" is outlawed.

While Mthembu-Mahanyele's Bill emphasises "the need for a realistic return on investment for investors in rental housing", it is even more emphatic that any "unfair practice" by a landlord must be eliminated.

if necessary by "a fine or imprisonment not exceeding two years or both".

The High Court within the tribunal's area of jurisdiction may review its proceedings there is no provision for an appeal. Landlords who fail to discontinue practices such as condoning "overcrowding, unacceptable living conditions, exploitative rentals or lack of maintenance" will be penalised.

Lee raises five major points of contention, asking:

- Will the Bill actually stimulate the provision of low-cost rental housing? Possibly not - rent control will be abolished, but it is in effect reintroduced through the tribunals' authority to determine what constitutes a fair rent. No rent may be increased by more than 10% a year unless a tenant has seriously defaulted.
- Can the State afford a rental subsidy scheme for the poor? As it stands the Bill is too broadly cast to enable any State organ to decide who qualifies and who does not. If certain rents are to be subsidised in tandem with the expansion of low-cost home-ownership, then additional demands on the fiscus are likely to fail.

Should the Bill be applicable to all leases? As matters stand, it is.

What will be the relationship between the mooted tribunals and the existing provincial Housing Development Boards? This has not yet been spelled out, and

Who will act as agents for the State when it comes to rent collection? The explanatory memorandum to the Bill says "extensive consultation took place with stakeholders and interested persons" in all nine provinces.

However the details of precisely who - and under what conditions and with what budget - will be the rent collector are still not clear.

In short, while the intentions of the Bill are socially commendable the vagueness over definitions and powers is a distinct problem that may continue to inhibit private investors in a sector they normally avoid because of its uncertain returns. Without such a commitment the grand plan for low-cost rental accommodation may falter if not fail.

Peter Wilhelm



Hillbrow flatland better deals ahead?

# Exclusivity alive and well in urban planning

BD 4/10/99 (123)

It is expensive to be poor in post-apartheid cities, writes Colin Marx



## World Habitat Day

TODAY marks World Habitat Day, and it is useful to reflect on the theme for 1999, "Cities for all"

This is because exclusion is the defining feature of our urban environments and, by implication, our social relationships. Our cities are not developing on the basis of inclusiveness.

The post-apartheid city is being constructed in the same image of exclusivity that characterised the apartheid city. The fundamental basis upon which the cities are being shaped is not up for debate.

Decisions about urban investment in housing and infrastructure for the poorly housed focus on how much is needed, not why it is needed in the first place. The underlying social and economic factors that shape urban life remain unacknowledged.

The cities are exclusionary because they prevent people from participating fully in the economic and political activity of the city. The status quo is maintained, partly because people have little to start with but mainly because the poverty prohibits any chance of engaging in economic activity that will move the majority of households above the poverty line.

It is expensive to be poor in SA's cities. Energy costs are more expensive to the poor because of consumption in smaller units, having to use a range of fuels and the opportunity costs associated with purchasing and using fuels other than electricity.

Despite the introduction of block rising tariffs, water costs more for those with the lowest level of water provision.

Housing costs more as the poorest are restricted to "incremental processes" that pit rising building mate-

rials costs against declining incomes. The poor have to spend more time buying food that costs more because it is in smaller quantities. Fragmentation of the city means that it takes the economically poor more time to find work and travel to it.

The result is that it is more difficult to maintain the health of the household, afford education, and engage in productive economic activity.

Cities that work for all citizens are important if SA is going to grow. More than half the population currently lives in urban areas, and SA's cities are the major contributor to the gross domestic product.

Despite the best will in the world, urban local government is not coping with the demand for housing and services. The systems of local governance are critical to sustain and guide the development of urban areas. Without systems of governance, development processes become chaotic, corrupt and exacerbate inequalities.

Yet the current demands and development processes are burdening local government rather than increasing its ability to sustain local governance. Households that have received housing through the current housing policy are more of a burden on local government because they are unable to afford the ongoing costs associated with formalised housing.

Among the reasons for this is that there has been a focus on providing housing rather than focusing on the reasons why people were not adequately housed to begin with. The proposed solutions lie not in privatising municipal services nor the wholesale redistribution of wealth but in better forms of regulation.

Solutions lie in making the city inclusive through removing the barriers that people face to survival. This means that rules and regulations must be more sensitive to the needs of those currently excluded, such as the poor, the homeless and the aged.

It also means tackling issues on an intersectoral basis and at both a technical and socioeconomic level. Technical solutions on their own create more problems.

Urban nongovernmental organisations such as affiliates of the Urban Sector Network and Homeless People's Federation are busy leading the way in identifying and dealing with the social bases of exclusion.

Finally, we all need to recognise and seek to understand why our cities are exclusionary because it is in everybody's interest for our cities to become "cities for all".

□ Colin Marx is the director of the Built Environment Support Group.

# Gauteng speeds up transfer of housing titles

Tommy Makoe

IN LINE with the theme of this year's United Nations (UN) Habitat Day, the Gauteng department of housing will today launch housing bureaus tasked with the transfer of more than 26 000 properties to beneficiaries in the former Coloured and Indian areas.

The theme — Cities of the future, cities for all — accords with the department's plan to reverse apartheid settlement patterns by providing permanent residence in areas closer to amenities and job opportunities.

This was a right denied to blacks, Coloureds and Indians under apartheid, but now that the department has dealt with all the bottlenecks that affected the provision of title deeds in predominantly Coloured and Indian areas the process can begin.

The transfer of ownership of houses started in the predominantly black townships as a result of the 1990 Soweto Accord. Since 1995, the department has transferred 108 000 properties with an estimated market value of about R1,4bn.

The department's approach has been twofold. On the one hand it allocated township residents with permanent residence through the provision of title deeds. On the other, it brought communities closer to employment opportunities and amenities through its Focus Area housing project.

The project's focus is not only to settle communities in well located areas, but also to deliver housing fast. Through the project, the department aims to deliver more than 21 000 houses. This will benefit more than 105 000 family members.

The Bophelong Focus Project, which delivered 10 000 houses in less than two years, is an example of speedy delivery.

Given more capacity and the commitment to fast-track the transfer of titles, the department is now able to transfer 5 000 properties a month. This means the department will be able to transfer the remaining 270 000 titles in less than five years.

□ Tommy Makoe is a spokesman for the Gauteng housing department.

# Bill seeks to regulate landlord-tenant relations

(123) BD 4/10/99

Manase Sefathe

THERE is no doubt that SA's rental housing is in chaos.

The Rent Control Act of 1976 has loopholes and is a recipe for confrontation as it fails to protect landlords and tenants against nonpayment and failure to manage and maintain collapsing services. The Rental Housing Bill must be enacted to stabilise rental accommodation in the country. It is in line with a high demand for low-cost rental housing as it aims to introduce the delivery of rental stock while ensuring proper management and maintenance of existing rental stock.

This January a Johannesburg landlord shot a tenant after a dispute about the deteriorating conditions in a block of Berea flats.

Tenants were boycotting rent payments because sewage was running in a passage, and some of the toilets did not flush. They were paying up to R850 a month for their accommodation.

In Cresthill flats, the landlord has disappeared without trace. A heavily

armed gangster in the building is collecting rent from tenants at gunpoint. The building is still in chaos today, and the owner cannot be traced.

When Housing Minister Sankie Mthembu-Mahanyele introduced the bill in Parliament two weeks ago, she said government had observed the rental sector for too long. It was time for the law to take its course.

"We have seen some unsavoury elements entering the market as a result of the demand for housing near places of economic and social activity. In some cases tenants have waged a war and declared some buildings no-go areas."

"The tension between the landlords and tenants has over the years escalated to fever pitch, and there seems no sign of (the conflict) abating."

The Rent Control Act is being repealed as it does not provide clear guidelines for the resolution of disputes or the management and maintenance of existing rental stock.

The new bill tackles the perceived high risk among investors of nonpayment. In this case, the landlords are also

protected and stiff measures made available to deal with defaulters. This move will surely encourage private investments as the right to accumulate profits will be enforced and protected by the law.

In many instances inputs received from various interested parties, particularly tenants, indicate that landlords are charging exploitative rents.

The bill empowers tenants to challenge landlords through rental housing tribunals to be established by provincial MECs. The tribunals will have the power to summon any person to appear before them.

These tribunals will have the power to determine rental levels and may also take steps against overcrowding, deal with unacceptable living conditions, and rent defaults.

The bill also provides for the establishment by local councils of rental housing information offices to advise tenants and landlords on their rights and obligations.

The tribunals will have the power to appoint inspectors to enter and inspect

any building and to demand records or documents in pursuit of fairness in the industry.

It will no longer be possible to evict tenants without a proper court order. The era of changing locks, unfair deposits, damage to property, forced entries, demolitions and conversions and ejection will soon belong to the past.

The bill will empower the proposed tribunals to impose sentences on anyone found guilty of an offence in the rental industry.

In an unprecedented move to provide low costing housing at a much bigger scale and following the job summit recommendation to provide about 50 000 to 150 000 rental units in three years, the bill will give the minister the power to facilitate the provision of a rental stock.

A sustainable, profitable and rental housing programme, not determined by race, is long overdue.

□ Manase Sefathe is assistant director public relations in the national housing department.

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# Social housing should offer more options, says report

Robyn Chalmers

COMPREHENSIVE legislation on social housing is required to ensure it plays a meaningful role in government's low-cost housing policy, says a recently released task team report

The study was commissioned by Housing Minister Sankie Mthembi-Mahanyele in 1997 as part of a bid to create a social housing strategy in SA. The minister said recently that her officials were busy crafting government's policy position on social housing, which would be released soon for public scrutiny.

Social housing encompasses various tenure options including rental and collective ownership, in which residents govern and manage their houses.

Informal settlements, backyard shacks and communal land holdings can also incorporate the social housing approach.

The report says the key role of social housing in SA is to provide additional tenure options, broaden the range of available options in the low-cost housing programme and diversify the low-income

housing output

The report, which is the first phase of three reports presented to the minister, found that a number of factors were inhibiting the development of the social housing industry. These included an inadequate policy, regulatory and financial framework around social housing and insufficient mechanisms to facilitate the development of social housing organisations.

There is a lack of consensus on a definition for social housing, which means there is no single groundswell of activity behind the initiative.

"The most efficient and direct way of consolidating the existing social housing framework so that social housing as a low-income housing approach is effectively enabled is through the development of comprehensive legislation which is social housing specific," the report says.

Mthembi-Mahanyele told a recent conference on co-operative housing that the ministry had identified several key priorities for the next five years. These included developing a social housing policy

framework and forging a rental policy and programme to support the delivery of rental stock.

The ministry will also focus on the People's Housing Process to assist the poor looking to build their own homes, and mobilising savings to augment the subsidy grant and provide incentives to beneficiaries.

The final area of focus is the development of a second housing white paper, which is understood to consider new tenure options, review the subsidy system to increase its efficiency, mobilise alternative financing methods and focus on reducing corruption in the housing system.

A recent workshop held by the Urban Sector Network, a national association of nongovernmental organisations, identified a number of areas to be addressed by the white paper.

Fazila Farouk, the network's housing co-ordinator, said these included housing finance, social and rental housing, urban land and urban restructuring, monitoring and evaluation and the allocation of housing subsidies.

(127) BD 7/10/99



# Banks face ban on home loan curbs

New law aims to stop 'red-lining' practice

(127)(58)

ARL 8/10/99

**CLIVE SAWYER**  
POLITICAL CORRESPONDENT

**Red-lining, the practice by banks of barring people in certain high-risk areas from getting mortgage loans, is to be banned by proposed equality legislation.**

Red-lined areas have tended to be in black areas because of factors including mortgage bond repayment and rent boycotts, and political unrest

At the same time, the ministries of housing, finance and trade and industry are working on harmonising planned legislation which will compel mortgage lenders to disclose why loans are refused

The Promotion of Equality and Prevention of Unfair Discrimination Bill contains far-reaching provisions aimed at ending discrimination on a range of grounds, including in regard to goods, services and facilities, including bank credit and finance services

Approved by the Cabinet subject to further amendments by Justice Minister Penuell Maduna, the Bill is to be tabled in Parliament before the end of the year

The constitution requires national legislation on equality and the prevention of unfair discrimination to be approved by March

No-one will be allowed to unfairly discriminate against "any person or persons either directly or indirectly in any manner" including "imposing terms and conditions that perpetrate the consequences of past discrimination or exclusions regarding access to financial resources, such as 'red-lining'".

The Bill requires that within two years of the measure becoming law, the Minister of Finance will have to take steps to eliminate any form of discrepancy in any law, policy or practice, and report details of these steps to the Human Rights Commission

Meanwhile, Deputy President Jacob Zuma, in his capacity as Leader of Government Business in Parliament, has listed the Home Loan And Mortgage Disclosure Bill among priority legislation for committees to start processing so that it can be approved early next year

However, this Bill is still in the redrafting process, after an earlier version was sent back by the Cab-

net with an order to the Housing Ministry to consult Finance and Trade and Industry colleagues on harmonising all laws relating to home loans and mortgages

Housing ministry representative Gege Kekana said this was being done to ensure there were no contradictions or loopholes in the laws to be piloted by the three ministries

The intention of the Bill was to ensure that mortgage lenders would scrutinise applications thoroughly, and was to provide an open and transparent manner for reporting reasons why people's applications were refused, for example because they lived in a "red-lined" area

Commenting on the Equality Bill proposals on red-lining, The Council of SA Banks said it supported the outlawing of any discriminatory practices related to race, sex or religion

"It is important to ensure that the rule of law prevails and that where loans are not repaid, the banks can exercise their security. Where lending is not possible within normal risk parameters, government should look to provide appropriate loan guarantees," the council said

Initial target of 50 000 units could grow

ETCBE) 11/10/99

# Jobs summit launches R2bn housing project

(173) (123)

**NATHI SUKAZI**

Johannesburg - The Presidential Jobs Summit's interim governing body yesterday called for proposals for a R2 billion, labour-intensive housing pilot project

The project, which would be financed by the government and the private sector, would be the first of a number envisaged over the next few months, said Mike Morkel, a director of Settlement Dynamics, the project's consulting firm

The pilot project is aimed at delivering 50 000 housing units, a figure which, if achieved, could be doubled later. A total of 75 per cent of the units would be for rental and the remainder for freehold ownership.

Morkel said a suitable financial mechanism was being put in place through which investors could contribute. Government funding would take the form of subsidies and grants.

The project is currently financed by the Gateway (Makhulong) Home Loans. The stated intention is to address spatial imbalances, revitalise urban areas and promote development corridors.

Morkel said the location of the

units had to make developmental sense, as they were crucial in job creation and spreading other economic benefits to underdeveloped areas.

"The private sector would be concerned about the viability of the project and returns on investment," he said.

About 10 projects will be developed for the pilot phase, which will run until the end of 2003. Each will consist of approximately 5000 units. Morkel said he envisaged the participation of major local housing developers.

However, "the invitation is structured in such a way that consortia could be formed," he said. "The intention is to create opportunities for smaller developers." The deadline for submission of proposals is November 5.

Morkel said the project was expected to get off the ground in the first quarter of next year.

It would be used to explore different approaches of delivering affordable mass housing in a sustainable and manageable way.

"The project will stimulate jobs and promote economic development," said Morkel. "As such, labour intensive methods of construction will be considered favourably."

# Houses for poor too small - expert

'Not conducive for healthy families' (123)

**PETER GOOSEN**  
SPECIAL CORRESPONDENT

**The thousands of houses being built for the country's poor and homeless are too small, says Hans Smit, president of the Institute for Housing in South Africa.**

He told the the national housing conference in Neispruit today the biggest, 27m<sup>2</sup>, was the best that could be done with the present state housing subsidy throughout most of the country, but was not conducive to the development of healthy families and healthy communities

The state should consider setting minimum "social standards" for housing, and increase capital subsidies so "proper" houses could be built

"The number-chasing game has resulted in the development of dormitory towns where much-needed community facilities, such as clinics, libraries, halls and sports facilities, are not being built. This impacts negatively on community development."

Mr Smit, executive director of housing services for the South Peninsula Municipality, said that while the state provided financ-

ing for housing, it was not taking responsibility for rising debt in service arrears that new home owners were running up

"A study of minimum living levels indicates that a large percentage of people receiving state-assisted housing are unable to make any contributions towards municipal rates and services

"Meanwhile those people who can afford to pay, but don't, should be evicted from their houses, and the state should consider introducing a housing benefit scheme similar to that in Britain to enable the poor to meet their basic obligations."

He referred to the state's bid to build a million houses by April this year, and said "We need to focus less on number chasing for housing delivery, and look at the quality of environments - and at the social consequence of what we are producing

"The quality of society is more important than numbers, and is our investment in the future."

Meanwhile the country's capacity to meet the housing shortage was being hampered by the fact that the financial sector had not "come to the party" as envisaged. They were instead

focussing on the risk, and on an inappropriate mortgage-linked-product approach.

The financial sector should consider moving away from conventional mortgages to micro loans that could be linked to savings schemes, stokvels and underwriting institutions

Mr Smit said the housing subsidy system had not led to housing being built for renting

"The national housing department needs to speed up work with the development of a new rental housing policy that is market-related and private-sector driven via housing associations or similar utilities," he said

While the reconstruction and development programme had correctly targeted the development of emergent contractors in the housing industry, problems had been experienced with technical construction standards and dishonest contractors

Mr Smit said 746 000 houses had been built or were being built between 1994 and 1999. The one million target had not been reached mainly because the state allocation for housing had been cut from R3,135-billion in 1997/98 to R2,8-billion for 1998/99

BA ARG 18/10/99 (123)

# MD calls for the education of borrowers

Robyn Chalmers

NELSPRUIT — A co-ordinated effort to educate borrowers in the lower end of the housing market is critical to avoid continuing problems with the nonpayment of loans, says Standard Bank regional MD Chris Lombard.

Delegates at the Institute for Housing of SA conference heard yesterday that the high risk involved in providing loans to first time home buyers in the lower end of the housing market has caused many banks to shy away from this sector.

Housing minister Sankie Mthembu Mahanyele, who is due to speak at the conference today, has previously indicated that banks' limited involvement

in the low cost housing market is of concern to government.

Banks have largely failed to enter this end of the market, despite a safety net set up by the government in the form of the Mortgage Indemnity Fund which indemnified banks from risk in certain areas.

The fund was set up as a limited intervention and it has subsequently been closed.

"It is our view that better education and counselling has the potential to reduce the incidents of nonpayments of loans — thereby removing obstacles to wider entry into the low cost housing market by private sector players."

He said it was clear from SA's experience over the past five

(123) (58)

years that there is no quick fix to housing delivery. The banks and other players in the housing market faced a number of obstacles. These included the inability of banks to find money because capital subsidies for credit-linked applications had started drying up.

"In this regard it should be made clear up front that it would be an incorrect assumption to make that banks should be viewed as the primary source of funding for low income housing," he said.

It is now generally accepted that the traditional mortgage bond is not the most appropriate lending instrument for low income earners.

Mortgage bonds have proven

complex to understand and manage, as well as being expensive, making them ill suited for the poor.

"Being able to offer creative financing alternatives to encourage home ownership is one of the big challenges facing us in banking today," he said.

Niche lenders like Cash Bank, Future Bank and New Bank have pioneered "unsecured" lending for the lower end of the market.

They are selling a product with a high interest rate to cover their cost and risk.

The loan is repayable over a relatively short period of four to five years and innovative ways to recover instalments, including community involvement, have been implemented.

## Budget cuts thwart housing delivery

Robyn Chalmers

NELSPRUIT — Recent cuts in the national housing budget have led to a sharp fall in the number of low-cost houses delivered, with annual units built or under construction dropping to 231 000 from 322 000 between April 1998 and April this year.

These figures were released at an Institute for Housing conference yesterday, where several speakers and delegates raised concerns about the housing process. These included the emergence of dormitory towns without community facilities like schools and clinics, and the rising debt burden of local authorities.

The Institute's president, Hans Smit, said about 40 contractors were leaving the building sector each month, and many would not return.

"It took SA years to reach the housing momentum seen in 1997/98 and now we are losing it largely due to cuts in the budget. A lot of other projects are now taking bites at the subsidy allocation," he said.

Smit said the main reason for the 1-million target not being reached was the cutback in the state allocation for housing from R3,14bn in 1997/98 to R2,8bn for 1998/99.

In 1994, government pledged to deliver 1-million houses by the 1999 election. Instead, about 746 000 houses were completed or were under construction by the end of the five-year period. Although the 1-million target was not reached, Smit said the housing de-

partment should be commended for its performance within the financial staffing and other constraints it faced.

However, he said the "number chasing" approach previously adopted by the department was not conducive to the development of healthy communities. A key issue is the medium- to long-term consequences of providing the houses which are often too small.

"The state is expecting too much from developers who are expected to further reduce profit and increase risk (to build bigger units). The net result is that competent developers can be expected to leave the housing industry."

Smit called for government to set realistic minimum standards for housing construction and urged the national department to speed up the development of a new rental housing policy.

David Dewar of the University of Cape Town said current debates and practices were very similar to those in the housing sector 25 years ago.

"The only real difference is that the backlogs are larger and less is being provided in terms of shelter," he said.

Mpumalanga premier Ndaweni Mahlangu said while the new government had inherited a bloated, fragmented system that operated on colour lines, there was now a single housing policy and a subsidy system targeted at low-income earners regardless of race. Government had established delivery systems, mobilised credit and provided housing subsidies.

Education of borrowers: Page 4

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# Second housing white paper aimed at tightening loose ends

(123) BD 21/10/99

**Robyn Chalmers**

PUBLIC debate on the second housing white paper, which will guide SA's housing policy into the new millennium, began for the first time this week at a wide-ranging conference on low-cost housing

Housing Minister Sankie Mthembu-Mahanyele said the second white paper is aimed at tightening the loose ends and assessing the transformation process in the housing sector. It will also look at housing needs and the effectiveness of the housing policies and strategy. "The second white paper will be a product of co-operation between the three spheres of government and other stakeholders."

Mthembu-Mahanyele said existing policy gaps will be addressed by the white paper. These include rental and social housing policies, housing, education, capacity building and the role of housing in

poverty alleviation. A number of speakers at this week's Institute for Housing conference gave input on areas which they believed should be considered by the white paper.

Mpumalanga provincial housing director Piet du Plessis said the achievements of the past five years on housing should not be underestimated. "We must not try to reinvent the wheel. We have built up massive experience over the past five years (which) must not be overlooked," he said.

Du Plessis said there were flaws in the system which had to be addressed. The individual subsidy programme had many gaps and although provinces had been instructed to tighten controls, the subsidy implementation manual on which many provinces rely remained unchanged.

The institutional subsidy had not taken off as there was limited institutional capacity in SA, and

project-linked subsidies paid lip service to integrated development. "We have to get away from the number-chasing game," he said.

Du Plessis said there is no guidance on how or where housing funds should be invested and the state should be upfront about how interventionist it will be in housing development in the future.

Home Loan Guarantee Company CEO Charlene Lea said the policy will have to deal with relevant methods of financing low-cost housing as mortgage-based lending was inappropriate.

Borrowers must be required to put down a deposit when getting a housing loan.

"People must have something to lose, otherwise they have no reason to repay that loan."

Borrower education was the key to a successful housing process, and it needed to begin as early as possible.

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# 'Low-cost homes no longer on the house'

Government has major rethink on housing policy

ST 31/10/99

(123)

CAROL PATON

**W**OULD-BE home owners will have to pay more money if they want to qualify for housing subsidies

As part of a major rethink on the low-cost housing policy, the Minister of Housing, Sankie Mthembu-Mahanyele, said this week that more emphasis would also be placed on people building their own homes using subsidised materials

Instead, the government would focus on providing people with the necessary infrastructure

"We have been able to reduce the number of people who were homeless with the 800 000 units that we have built. But it's time we look at other bigger issues like the quality of the product. We will continue to provide our housing subsidy, but with an added caveat that people must begin to think about investing in their own hous-

es through their own individual savings," she said.

The requirement that people would have to save for their own homes would "test their will, their discipline, their responsibility"

Proposals could involve tapping into savings clubs like stokvels and burial societies. "We want to enhance that saving to make sure it yields an investment. People are not helpless, they have got the potential, they can do it," she said

The government's new housing policy, which will be contained in a White Paper still to be drawn up, is also likely to place more emphasis on people building their own homes, following the success of projects which have resulted in bigger and better houses than those built by contractors

Mthembu-Mahanyele said she would like to see this "develop and expand"

She added that the government was poised to announce new financing mechanisms and a new

rental subsidy arrangement when it finalises the building of 150 000 homes planned by last year's Job Summit

The new mechanism includes the use of securitisation by banks — which is new to South Africa — to reduce risks when lending to the lower end of the market, and a new rental subsidy.

Securitisation, which is widely used in the US, is a mechanism whereby banks sell their loan books to investors who reap returns, as a result spreading the risk of defaulting among several different parties

It is likely to be piloted on the Job Summit project.

Mthembu-Mahanyele said other mechanisms could include securing the consent of employers and unions to sell a portion of the resources of pension and provident funds forward to cover risk.

Fixed-rate bonds were also being negotiated for the low-income market.

Mthembu-Mahanyele said

the department had made efforts to expose banks to financial instruments in the rest of the world and that the decision to use securitisation was a result of increased dialogue with the banks

"The banking sector has to modify its way of doing things and its approach to the low-income earner

"We don't want it to lend badly. But we want it to be reasonable to its clientele. At least now there is communication and not the initial hostility that was there between us and the banks," she said

A further thrust of the new housing policy will be an emphasis on the provision of homes for rent, sometimes with an option to buy

Of the Job Summit housing projects, 75 percent of the 100 000 to 150 000 units will be for rental.

Mthembu-Mahanyele described the new policy thrust as "phase two" of housing delivery.

# Do they hold water? Study and dam the consequences

BD 10/12/1999 (123)

Body examines impact of hydropower, writes Louise Cook

DAMS are among the man-made wonders of the world

However, the nature of their construction could change after extensive research by the World Commission on Dams. The commission is shining a spotlight on the environmental and social impact of these structures.

"There is a place for dams in development, particularly in Africa," says commission chairman and SA Education Minister Kader Asmal. "But they have to be conceived and developed in the right way."

What is the right way?

Asmal says it means learning from past mistakes to avoid situations like the forced removal of hundreds of farm workers to make way for the building of the Gariep and Vanderkloof dams on the Orange River in the '70s.

In the case of the Gariep Dam, SA's largest, it was found that the dam caused a proliferation of black flies, which feed on the blood of sheep and cattle. The insects have caused heavy livestock losses. It costs R2m a year to control the problem.

The Financial Times reports that in India, large numbers of villagers are being removed by the construction of a series of dams along the Narmada Valley.

In Turkey the building of the Ilisu Dam has heightened tensions with Syria and Iraq. Damage to water supplies and a threat to the livelihood of farmers in those countries could lead to war with Turkey, some argue.

"The reality in today's debate on dams is that it is civil society and the private sector that will, to a large extent, determine whether governments will choose a dam as their preferred option," says Asmal.

The rate of dam construction has come down since the '70s, when more than 5 000 were built worldwide. Today there are about 1 600 dams under construction in 42 countries. India, China, Turkey, South Korea, Japan, Brazil, Spain, Thailand and Romania are the main dam builders. They are investing no less than \$15bn in hydropower.

A fifth of the world's electricity is generated by hydropower, while most large dams are built to provide water for irrigation and human consumption.

The World Conservation Union established the dam commission in May last year. Its sec-



Kader Asmal chairs the World Commission on Dams

retariat is based in Cape Town and its mandate will end in June next year, when it will issue a report on its findings.

"We want to know how effective large dams have been in delivering a range of development benefits like those anticipated at the start of projects 10, 20 and even 50 years ago, as well as the benefits one would expect of a dam built today," says Asmal.

The commission is made up of representatives from governments, nongovernmental organisations, academics and industry. According to senior commission adviser Maehodio Niasse, the commission aims to address "conflicting viewpoints that have polarised the debate" and build a common understanding among interested parties.

"Dams provide developmental and security benefits, but they can also mean a loss of plant, animal and aquatic biodiversity and have significant human impacts," he says.

About 4-million people worldwide are displaced on an annual basis as dams begin operating, says Asmal. "We embarked on 10 case studies of individual dams and their respective river basins. In Africa, our main study is of the Kariba Dam and the Zambezi river basin.

"The dam straddles Zambia and Zimbabwe and its history offers unique lessons regarding water-sharing and water resource development, environmental and ecological impacts and resettlement issues."

The commission has brought

together researchers with sharply differing views.

Some researchers, for example, challenged the notion that hydropower was environmentally acceptable. They said it was associated with eutrophication (a process that causes deterioration of water quality) and the production of greenhouse gases carbon dioxide and methane.

Others said that hydropower could have a positive effect on greenhouse gas emissions.

Asmal emphasises the need for civil society to be involved in future dam construction. "The debate should not begin with a politician saying 'We need a dam and will deliver the following services.' Instead, the discussion should start with the statement 'We need XYZ services and what is the best means of realising those needs?'"

The commission believes its findings will serve as a basis for planning new dams and in other major development projects.

The Economist magazine reports that in Asia, politicians are forging ahead with big dams despite opposition from activists. These include the Three Gorges dam in China and the Narmada project in India.

Officials point to many splendid benefits that are to flow from these projects.

Three Gorges, for example, is designed both to generate 20 gigawatts of electricity and to help control the flood waters of the Yangtze River. Last year 5-million homes were destroyed in floods in China.

New Delhi says that the Narmada project will deliver electricity and irrigation in a country where a lack of the latter relegates millions of people to subsistence farming.

But one of the arguments now used against big dams is that they destroy one set of objectives while fulfilling another. For example, flood control requires officials to throw open a dam's gates in doing so, irrigation water and power production is lost.

Releasing water to meet green goals, such as boosting fish populations in the dry season, means lost electricity sales.

Disenchantment with the large dam projects has forced the Narmada project in Gujarat and the Tehri project in the Himalayas to be shelved.

By Mbulelo Musi

ONE of the greatest challenges that countries will have to face in the next millennium individually or collectively, is the problem of poverty

Despite the gigantic strides made during the 20th century in science, technology and information, poverty still continues to afflict millions of people across the globe

It poses a huge threat to the social fabric and to economic and political stability. It therefore needs to be tackled decisively and with the urgency it deserves.

One of the manifestations of the high levels of poverty in Africa in general and South Africa in particular, is homelessness. Millions of people still do not have access to decent housing.

The housing backlog in South Africa alone is estimated at about two million. This problem is compounded by the fact that many people migrate to South Africa from other countries, particularly neighbouring states.

Gauteng, being the economic hub of the subcontinent, is most affected. Although it is the smallest province, with a territorial surface of 17 010 square kilometres, 40 000 people migrate to Gauteng every month.

Other factors that amplify this problem are the low income rates of the majority of people and high unemployment.

According to Census 96 of Statistics SA, there are about 9.6 million households in the country. More than 74 percent of them have an income below R1 500 a month.

The rate of unemployment further aggravates the situation. Of the estimated 13.8 million economically active people, about 4.7 million are without work.

Meanwhile, more than 60 percent of the country's wealth is still owned by less than 10 percent of the population. Apartheid rule was designed so that those few owning the wealth of the country would be white.

Yet history teaches us that there can be no sustainable socio-economic development if the majority of the population live under conditions of poverty.

Reconciliation, reconstruction and development will therefore remain empty slogans unless this reality is tackled head-on and urgently redressed.

The Government initiative over the past five years of giving a housing subsidy of up to R15 000 (now increased to R16 000) to those that earn less than R3 500 a month - is an important step in this direction.

It has created the necessary enabling environment for all, especially those who are mostly denied mortgage loans by banks, to get the opportunity of access to adequate housing.

To date, the Government has facilitated the construction of 750 000 houses. Consequently, no less than four million people have for the first time been provided with shelter and security of tenure.

Between 1994 and 1998 the Government spent R9.6 billion on housing, of which 84 percent

# SA housing needs urgent attention

(123)

Sowetan 16/12/99

funding. This type of subsidy is not only unprecedented in South Africa but is also perhaps unique in the world.

Whilst this intervention has gone a long way to improving the quality of life for millions of people, it is far from adequate. The housing backlog and homelessness continue to be very high.

It has therefore become clear that the nation must harness all the resources at its disposal if it is to deal more effectively with our housing problems in the next millennium.

Of critical importance is the role of the private sector. This sector has huge resources at its disposal.

Noting this, the 1998 annual report of Housing Minister Sankie Mhembu Mahanyele stated "Government still remains largely the sole key player in the provision of low-cost housing

despite introducing several risk-reduction interventions to stabilise the housing environment.

Only 16 percent of all low-cost housing development is credit linked. The private sector will therefore have to play an even more significant role in the new millennium, particularly financial institutions. The challenge is not only to make houses available, but also affordable.

However, for many years, most - if not all financial institutions - played a very small or no role at all in low-cost housing. The banking sector is known for being "risk averse".

But the question arises: Are the continued high levels of poverty and homelessness not even more of a risk and threat to the country's social, political and economic stability?

On the other hand, communities have an active role to play as well. The culture of payment, including for bonds and services, must be given impetus and strengthened. The Masakhane campaign should get more attention.

South Africa is sitting on a time-bomb which will explode unless drastic measures are taken. As the country enters the 21st century, it must truly become "A Nation at Work for a Better Life for All".

Business, labour, the Government, communities and civil society at large must close ranks and form strong partnerships to tackle the complex problem of poverty in general, and homelessness in particular.

Housing is not merely about mortar and bricks. It is also about human

rights. It is one of the basic necessities of life.

The solution to the housing problem is fundamentally linked to the fight to restore the human dignity and integrity of the majority of the people lost for many decades under colonial and apartheid rule.

Its resolution should therefore be integrally linked to the quest for an African renaissance, democracy and human rights.

In the new millennium, the entire spectrum of South African society - especially financial institutions - must make a paradigm shift and play a more meaningful role to find solutions to the housing problem facing the poorest.

(The writer is deputy director of communications in the Gauteng department of housing.)



By Joshua Raboroko

**T**HE Government's low-cost housing plans have been plagued by ongoing lullups in all provinces — only 800 000 units have been built since 1994, despite promises of a million units by the end of the century. According to the Department of Housing R12 billion was spent on the delivery of homes to the poor between 1994 and October 1999, giving shelter to more than three million people.

The ministry says after a very slow start delivery escalated dramatically — it initially averaged 200 000 units a year but eventually approached the 350 000 a year target in 1998.

In addition the Government has approved 1 034 161 housing subsidies between 1994 and early this year. However, the impressive delivery record was achieved against a lukewarm Government fiscal commitment to housing. The housing budget for 1998-99 was 24 percent lower than the 1997-98 allocation of R4,8 billion (which included a R1,76 billion rollover).

However the planned housing budgets for 1999-2000 and 2000-01 are even greater cause for concern. The budget rose only marginally to R3,74 billion in 1999-2000, and will drop to R3,6 billion in 2000-01.

Housing analyst Professor Dan Smit says a reduced budget allocation is an indication that not all in Government are satisfied with the housing delivery process. Less money he says, means less faith.

He says criticism over the quality and size of the homes being provided is affecting the Government's faith in the entire delivery process.

There is also tension between the Government and financial institutions over housing delivery. Despite this, attempts are continuing to link the urban poor to the finance sector. The Government attempted to gain the cooperation of finance institutions by assuming some of their lending risks.

Several initiatives addressed private sector concerns. The Mortgage Indemnity Fund, essentially a government-owned company, provided a "guarantee" scheme to financial institutions to prevent them from selling the assets of those in loan arrears.

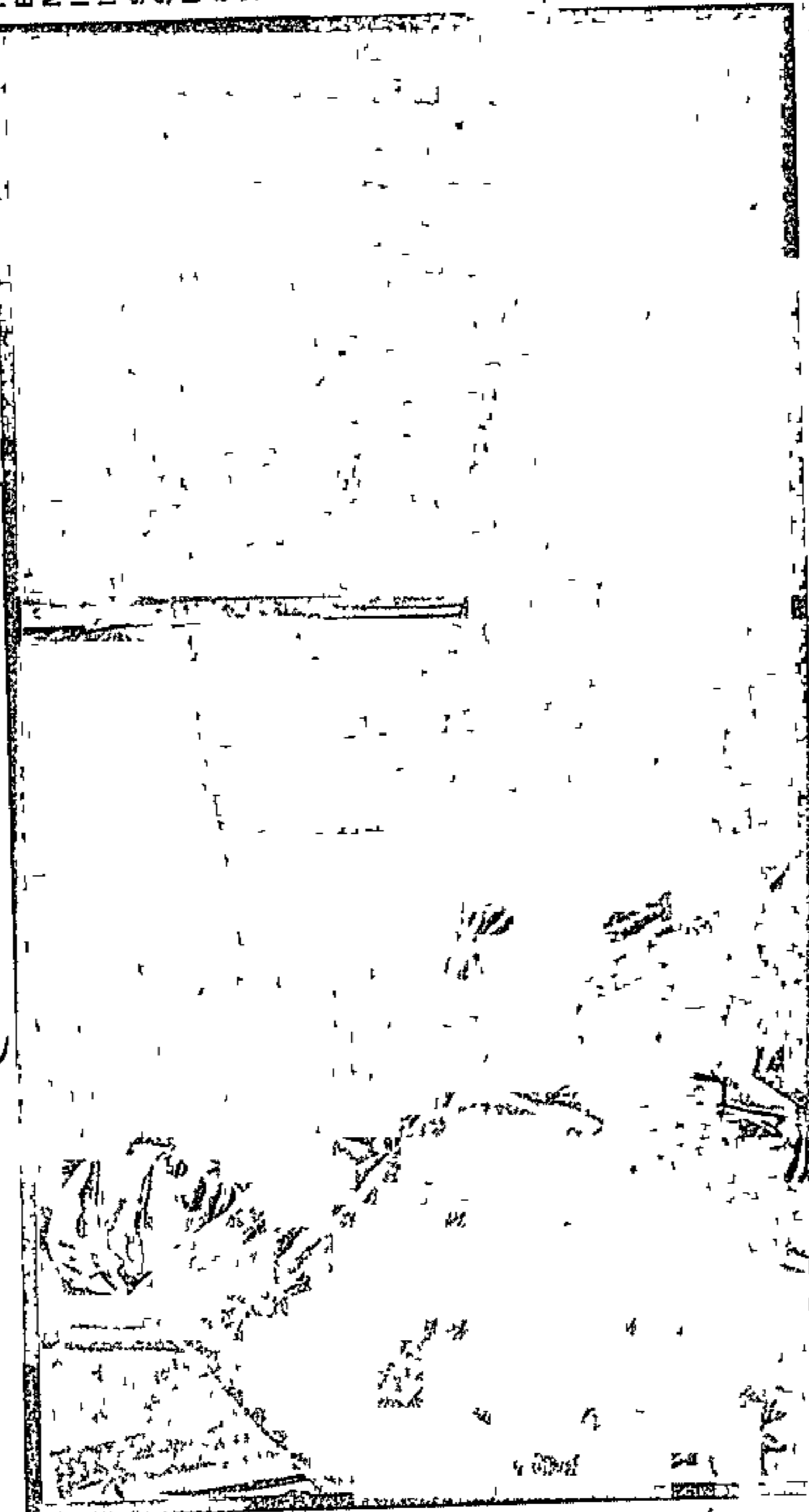
The Product Defect Warranty Scheme administered by the National Home Builders Registration Council, launched in 1995 provides additional cover to financial institutions and protects consumers as well. The National Urban Reconstruction and Housing Agency uses "guarantee" funds to mobilise both bringing

# Housing SA's priority

## Still a top priority

Sowetan 30/12/99

Flashback  
Elunice Mchinyalo, who lives in an informal settlement near Soweto, warming herself in front of a fire during this year's winter.  
PHOTO ANTONIO MUCHAVE



buildings or the construction of new high-density affordable housing for rental.

● Direct new private investment in rental housing to inner city areas and promote integrated and balanced urban planning development, and

● Introduce measures and mechanisms to resolve conflict between landlords and tenants and to normalise the housing market in areas where there is instability.

The Government is also trying to close loopholes which affect the delivery of homes to the poor. As a result the acquisition of homes by low income earners will be fast tracked by amending the Housing Act.

Another challenge facing the Government is the corruption and theft in low cost housing at provincial level. The Health special unit is investigating allegations of maladministration amounting to millions of rands.

Investigations, mainly linked to the allocation of the Government's

housing subsidy, were conducted in Eastern Cape, KwaZulu-Natal, Mpumalanga, Gauteng, and North West.

As part of the attempt to address problems in housing delivery at provincial level, the national department will coordinate its delivery programme with that of the nine provincial housing departments.

Earlier this month the housing department held a second national consultative conference with various stakeholders to develop a housing strategy for the new century.

The aim is to incorporate input from diverse sectors and publish these for public comment nationwide. This will form a roadmap to guide housing delivery for the next five years.

Mthembu Mahanyele says she plans to broaden access to housing subsidies, introduce measures to prevent subsidy fraud and introduce a rental policy programme as part of her housing strategy.