iv) The third priority is to assist persons who are prepared to help themselves but cannot obtain financial assistance from private sources. The Department will make limited funds, but considerably more than in the past, available to local authorities and Administration Boards for 90% individual loans and for the purchase of materials to make it possible for individuals to erect self-help and self-build projects under proper supervision.

v) Thereafter funds will be utilised to provide for the lowest income categories, i.e. those with an income of less than R150 per month. (The Urban Foundation Subsidy Proposals; 1990)

3.2.3 Housing Priorities as Stated

On the basis of the general policy principles the National Housing Commission (NHC) drew up the following priorities.

i) The purchase of land and the provision of infrastructure in order to provide serviced sites

ii) The provision of loans to local authorities for the purchase of building materials for self-builders as material loans

iii) The provision of shell and core housing

iv) The provision of complete housing units at minimum standards with the occupant expected to upgrade the house himself.

v) The provision of short-term bridging finance to utility companies

vi) In exceptional cases, such as resettlement, housing of a higher standard than mentioned above.

The priorities are not totally consistent with the 1983 housing policy, except insofar as self-help is emphasised. The priorities are those agreed to by all the departments concerned, but their interpretation of these varies. For blacks the Department of Development Planning and all four provincial administrations see their priorities as:

i) the purchase of land and, related to this,

ii) the provision of infrastructure and services, which involves loans at subsidised interest rates to local authorities, utility companies and so on for the purposes of development;

iii) building materials loans;

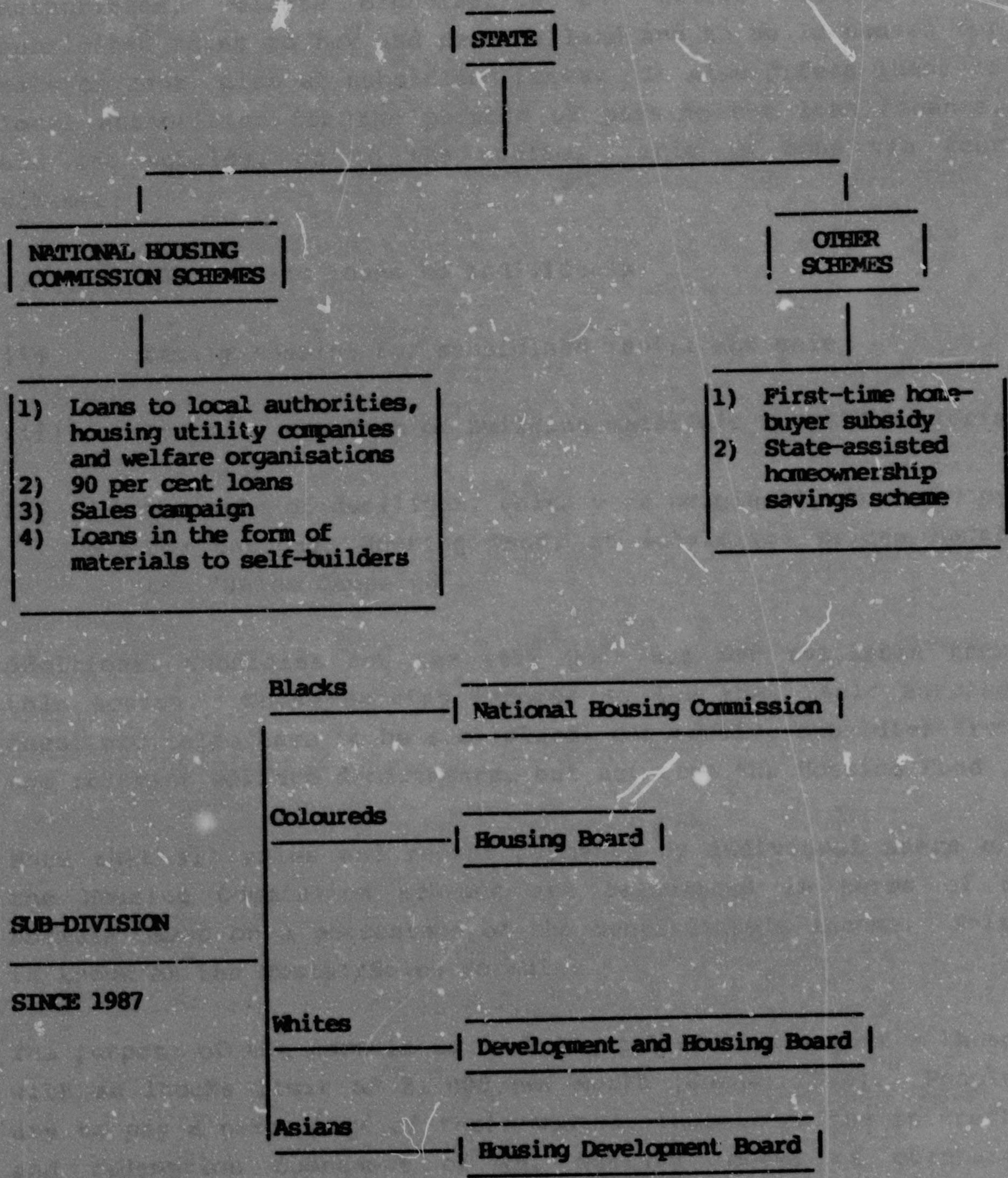
iv) welfare housing

The provision of serviced sites together with material loans is actively encouraged. This, it is believed, will reach more households and allow the State to be responsible for initial financing and the household for the additional improvements. (Urban Foundation Subsidy Proposals; 1990).

3.2.4 Subsidy Schemes in Operation in SA

State subsidy schemes can be divided into two categories: those funded by the National Housing Fund and administered by the Housing Commission and those provided outside of the apparatus of the National Commission. The different schemes discussed below are presented schematically in Figure 1. (Touzel; de Vos, Bester; 1990).

FIGURE 1: HOUSING SUBSIDIES ADMINISTERED BY THE STATE



3.2.5 Housing Commission Schemes

The Housing Commission offers development loans to local authorities, welfare organisation and utility companies at subsidised rates to buy and service land and to build houses for sale or rent, also at subsidised rates. It also offers loans to local authorities for the purpose of passing the loan finance, and the subsidy, on to the public. This is done via four schemes:

i) 90% housing loans to individuals

ii) family housing for subsidised rental and sale

iii) loans in the form of building materials to self-builders

iv) the sale of dwellings, which were originally financed by the National Housing Fund, at subsidised prices under the "Sales Campaign".

Additional subsidies for the very poor are not available from this source. Those earning incomes so low that their service fees, etc. also have to be subsidised, can receive subsidies from the relevant welfare departments, but not from the Housing Fund.

Note that all sales and rental payments by individual users of the Housing Commission schemes are calculated in terms of a formula based on a percentage of the beneficiary's income. This is known as the **Rental/Sales Formula.**

The purpose of the formula is to bring relief to the poor - those with an income limit of R1 000 per month (Goede; 1990). People are to pay a percentage of their monthly incomes as the interest and redemption component of the monthly rental or purchase payment. The percentage is to increase with rising income until economic payments are made, based on the lowest current bank and building society rates. The present policy is thus to subsidise the interest and redemption payments of the capital costs of properties. (The Urban Foundation Subsidy Proposals; 1990).

The subsidy schemes aimed at the end-user are dealt with below in more detail.

i. **90% Housing Loan Scheme**

The aim of the 90% housing loan scheme is to increase the existing housing stock and preference is therefore given to the building of new homes. Loans are only granted to persons who are the breadwinners of families and dependents. The emphasis is therefore on new housing for families. (The Urban Foundation Subsidy Proposals; 1990).

The general terms and conditions of this scheme are that:

Low interest loans are provided to people in specified income groups to buy or build houses:

Income Groups	Interest Rate
0 - 300	3%
301 - 350	5%
351 - 450	7%
451 - 650	9%
651 - 1 000	11,25%

The maximum loan is R29 700. The loan may not be more than 90% of the purchase price with a maximum purchase price of R33 000. Monthly repayments may not be more than 25% of breadwinner's salary except in the R651 - R1 000 p.m. income category where this restriction does not apply. (Appleton; 1988).

It is possible to obtain additional loans, subject to the above conditions, in order to extend or upgrade a dwelling. The total value after additions may not exceed the R33 000 limit. Applications for the loan must also be accompanied by a building plan and an administration and inspection fee of R160 is payable.

ii) **Family Housing for Subsidised Rental and Sale**

Family housing is produced with NHC funds through local authorities for subsidised rental or sale to persons qualifying for assistance. Family housing units are complete, conventional houses.

The sale and rental of family housing financed from the National Housing Fund is to be governed by the new Rental/Sales Formula (introduced in 1987).

The purpose of the formula is to bring relief to the poor. People are to pay a percentage of their monthly incomes as the interest and redemption component of the monthly rental or purchase payment. The percentage is to increase with rising income until economic payments are made, based on the lowest current bank and building society rates. The present policy is thus to subsidise the interest and redemption payments of the capital costs of properties.

iii) **Loans in the Form of Materials to Self-Builders**

In developing a scheme for self-builders a local authority is meant to provide the following:

- serviced sites (to be paid for by the home-owner)
- the necessary expertise
- the required material
- administrative support
- short- and long-term loans

Participants in the scheme can then purchase serviced sites and obtain material loans. (The Urban Foundation Subsidy Proposals; 1989). The material loans operate as follows: Loans of between R7 000 to R10 000 are provided for materials for self-build schemes. The loans are advanced on the same basis as the new "rent value" formula. Amounts of up to R1 000 are also advanced for labour for specialist trades. In some cases this is deducted from the materials loan, in other cases is additional to the materials loan. (Appleton, 1988).

iv) **Sales Campaign**

Although the Sales Campaign is a form of subsidy in that people can buy their homes at lower then market prices and pay according to a subsidising Rental/Sales Formula, the sale of State housing was not intended to form part of the government's housing subsidy schemes and is not a component of its subsidy policy. However the Sales Campaign will be evaluated in the following chapter.

3.2.5.1 Process of Application

This section addresses the question of how an individual can gain access to a subsidy financed by the National Housing Fund.

Applications for Housing Commission subsidies are to be made to local authorities, except where these are unable or unwilling to administer the application.

An individual who meets all terms and conditions is not necessarily assured of a subsidy. When one considers the fact that housing projects of local authorities are subject to their approval and the availability of funds it is conceivable that the local authority may not be able or willing to grant such a subsidy. Tenants wishing to purchase their dwellings under the Sales Campaign action, however, and who are eligible, should not experience any problems.

In cases where local authorities are unable to, or are lethargic in identifying housing needs and motivating appropriate projects, the regional office, (whites, coloureds and Asians), or provincial administration, (blacks), may perform these functions. Applications in such cases can be submitted directly to the appropriate office. These applications would then normally be redirected to the appropriate local authority with only the exception being processed at a higher level of government.

The process of application by implementing agencies i.e. local authorities, housing utility companies and welfare organisations for Housing Commission loans will now be addressed. The only procedure that will be discussed is that regarding Black Housing subsidies:

1. Black local authorities determine the housing need. Data obtained from the housing need survey may serve as the basis for the preparation of an application for approval of a project in principle.

2. Local authorities motivate the need, allocate a priority and then submit an application for approval of a project in principle to the regional representative of the provincial administration.

3. The regional representative submits the application for projects to the provincial administration.

4. The regional committee of the Housing Commission considers the application and approves the project in principle. Projects approved in principle are then recorded by the regional committee on a draft provincial priority list.

* Priorities of all projects are reviewed by the chairman of the Housing Commission

* Priorities for all projects are finally determined by the head of the provincial administration

5. The draft regional priority list is submitted to the Housing Commission for consideration and approval and then submitted to the Minister concerned with housing for final approval.

6. Head office compiles a 5-year housing programme based on approved priorities and submits the programme to the head of the provincial administration for consideration and allocation of funds.

7. The head of the provincial administration approves the housing programme and authorises funds for projects classified as Year 0+1 and Year 0+2 from allocation for year 0.

Note: Welfare housing is not a high priority at present. Where welfare housing is concerned the procedures will be similar to those followed in the case of the other three groups.

The procedure followed by the Whites, Coloureds and Asian local authorities is very similar to the one described above. The major difference is that welfare housing is a priority and programmes are approved by the relevant ministers and Head of Departments concerned with housing.

3.2.5.2 Project Implementation (all groups)

A project passes through various stages before an applicant can proceed with the execution thereof.

i Preliminary Stage: Approval in Principle

When a proposed project is considered worthwhile it is included in a priority list. At this stage no approval for any expenditure has yet been granted.

ii. Planning Stage

Approval is granted to incur expenditure in order to draw up plans and compile a Bill of Quantities, specifications and tender documents. A sketch plan has to be submitted to the relevant department for approval.

iii. Formal Approval State

Working drawings are prepared and the planning finalised.

iv. Construction Stage

Funds are allocated and the project can be proceeded with.

3.2.6 Non-Housing Commission Schemes

These schemes differ from the Housing Commission schemes in their terms, operation and implementation. There are three such schemes. The first two, namely the State-assisted Home-ownership Savings Scheme and the First-time Home-buyer's Scheme, are administered by the private sector financial institutions.

The third and fourth are Development Institutions' subsidies and Employer subsidies. While it is not an on-going scheme it does constitute a significant allocation of public sector funds and is therefore briefly described.

(i) **The state assisted home-ownership savings scheme:**

This applies to individuals who deposit funds in financial institutions, the funds being earmarked specifically for housing purposes.

The general rule of the scheme are:

* A maximum of R20 000 may be saved.

* The State adds 3% tax free interest to that of the financial institution.

* An investor may withdraw 50% of the amount saved to purchase a building site, without losing the interest subsidy. This may be done once only.

* The State's interest addition is only payable for a period of up to 10 years.

Any amount may be saved each month, and building societies will generally grant bonds to those who use this scheme. The money saved must be used for the purchase or building of a home within 12 months after the R20 000 limit has been reached.

No prior application is required to participate in this scheme. The individual applies directly to the financial institution. At the end of the savings period the financial institution adds the 3% additional interest from the state and submits a claim to the relevant State department.

(ii) **First-time home-buyer's subsidy scheme:**

The general rules of the scheme are:

* All first-time home-buyers may participate

* Persons receiving other forms of assistance are disqualified

* Participants in the State-assisted Home-ownership Savings Scheme are eligible

* The subsidy applies only to a first loan

* Persons who are transferred may utilise the advantage of the subsidy for the remaining portion of the full term, provided it is done within 12 months. This applies only to new dwellings.

* Should a financial institution have to acquire a dwelling to which this scheme applies, it may be sold to a second first-time home-buyer. The subsidy will be payable for the remainder of the term.

The maximum dwelling cost to qualify for a subsidy is R45 000 (excluding the cost of land) with a further R5 000 allowed under special circumstances. For all dwellings where the building costs are less than R20 000, a subsidy equal to that on a R20 000 loan is payable.

As regard the value of the subsidy: the State subsidises the cost of one-third of home loan repayments over the first 5 years of a new house.

3.2.7 Development Institutions' Subsidies

The Development Bank of Southern Africa (DBSA) makes loans available for bulk and link infrastructure and infrastructural services at various interest rates below market level. The DBSA will also consider providing under special circumstances home loan finance for dwellings not qualifying for building society or other institutional finance.

The South African Housing Trust (SAHT) was started by the South African Government and provided with an initial R400m interest free loan. The SAHT provides both development and long term finance currently at 8%. Dwellings to qualify for finance must cost less than R20 000 and be built of conventional materials. finance at present is not advanced for a site only or for informal dwellings.

3.2.8 Employer Provided Subsidies

The Public Sector, as an employer subsidises its own employees who apply for loans from building societies. Black public servants are increasingly making use of this facility. Applications are rated according to a table which determines the maximum bonds available to them. The basis of the table appears to be arbitrary. The Government pays the difference between 25% of the employee's salary and the loan payment. In addition, employees can volunteer to pay an additional sum each month to pay off the loan more quickly. In this case the Government pays between 3,5% and 6,7% of the additional payments. (Appleton; 1988; The Urban Foundation Housing Policy Unit; 1990).

3.3 THE BUYING OF LAND

Public funds are also used for the buying of land. According to the above stated housing policy principles and priorities, the government regards the freeing of land to stimulate a self-help housing process, as their most important goal and objective. Minister Kriel announced earlier this year, (The Citizen; 22/04/1990) that the government has already identified enough land to accommodate approximately 26 million blacks in and around the country's large cities. About R69 million would be spent in this financial year (1990/91) to buy land for low income groups. An additional amount out of the R1 billion proposed by the State President for socio-economic development, would also be available to buy land. The critical factor regarding the freeing of land, is however the development thereof.

3.4 SERVICED SITES

The local authorities are the formal public sector bodies with the authority and power to allocate land to developers or institutions. Local authorities can also develop the land themselves. Loans can be obtained from the NHC or Development Institutions (such as DBSA). Regional Services Councils (RSC) also play an important role in the planning and financing of bulk infrastructure and services (Goede, 1990).