

https://dspace.org/

A study of public-private partnerships in the development of affordable housing projects: A case of Johannesburg

Dube, Simphiwe Petunia

2013-07-23
http://hdl.handle.net/10539/12893

Downloaded from a DSpace repository. https://dspace.org/

CHAPTER ONE: INTRODUCTION

1. Introduction

"Due to inefficiency or other reasons, the public sector may fail to keep up with increased demands. The response may be to set up partnerships with the private sector" (Rosenau, 2000: 235). The inability to keep up with demand is currently experienced not only in Johannesburg but the country as a whole and hence the emergence of more and more service delivery issues and protests (Alexander, 2010; Hough, 2008). This brings to the fore the importance of the investigation into public-private partnerships (PPPs) in the supply of basic services in the country. This research explores such joint efforts between the public and private sectors in the provision of affordable housing in the City of Johannesburg. The aim of this research is to determine whether such partnerships work the way they should in helping to address people's housing needs. This chapter sets out the background and problem statement of the study as well as outlines research questions, propositions and research methods used to address these.

1.1 Background

The right to housing is one of the most vital basic human rights recognised in the international context (BESG, 1999). The South African Constitution in section 26 sub section 1 of the Bill of Rights reiterates as it states that "everyone has the right to have access to adequate housing" (The Constitutional Assembly, 1996: 12). This manifests the importance of housing, low-income groups finding it difficult to get access to housing due to their lack of income and housing market prices as well as rentals being high.

Since 1994, the post-apartheid South African government has been trying to provide basic housing for low income groups through the development of various housing and urban development policies and projects. Regardless of this, there are still large and increasing numbers of people who lack adequate housing not only in Gauteng but the country as a whole. In 2003 it was documented that due to the government's inability to match the demand for affordable housing, low income/poor people find themselves having to live in decaying inner city neighbourhoods and informal settlements of South Africa (Harrison, 2003). Notwithstanding several interventions by government departments, their efforts seem to be falling short as the

numbers of people in need keep rising, “due to: population growth; particularly large increase in the number of households; continuing high rates of urbanisation; and continuing high unemployment” (Department of Human Settlements, 2009: 17).

Thus government alone does not have enough resources to address existing housing issues in the country (Bond, 2003). This is supported and proven by the continuously rising need for housing, riots and protests by people living in informal settlements who lack not only housing but other basic services (water, electricity and basic sanitation) (Alexander, 2010; Hough, 2008). These are also people who are tired of waiting to be allocated with Reconstruction and Development Programme (RDP) housing and who have been placed on waiting lists and have not been attended to for years (The Africa Report, 2010). Policy also acknowledges this fact, for example, The Urban Development Strategy (1995) stated that “relative to the needs, the level of resources available from the government is not sufficient to provide the necessary basic infrastructure in municipal areas” (Bond, 2003: 49).

Previous housing policy and attempts to provide affordable housing resulted in the development of more problems such as the poorest of the poor[1] being left out when this provision of affordable housing was left solely to the private sector (Diamond, 2009). Government attempts to address this problem resulted in the creation of a housing finance gap as their solutions excluded groups viewed as being better off in the low income band. People earning more than R3 500 were left out of projects and at the same time could not gain access to finance in the form of subsidies (Diamond, 2009).

The lack of capacity and resources to deal with affordable housing needs brings about the importance of government pulling in private sector resources to help in this regard. This makes the exploration and development of sound partnerships between municipalities in the capacity of the public sector and the private sector in the provision of basic services and specifically affordable housing a pertinent issue. The private sector is needed to step in and attempt to help close the gap between the growing need and the available supply of affordable housing options. This is why this research is of importance as “… in a time of diminishing federal and other governmental resources, we need to rely on the market and other forces for larger scale answers” (Iglesias, 2009: 19). One such answer is presented by ‘Public Private Partnerships’ (PPPs).To ensure that such partnerships work and address issues and problems directly, effectively and efficiently thus becomes important.

[1] Those earning between R0 to R3500 per month

The above mentioned shortfall in affordable housing brings about a serious challenge for both government and the private sector as it “results in societal problems as homelessness, overcrowding, inadequate conditions, and the payment by many households of a disproportionate amount of their income for housing” (Diamond, 2009: 2). This is a problem as due to the nature of the country’s constitution, it becomes the responsibility of government to address these issues and ensure that all citizens housed in dangerous and inadequate conditions get adequate housing (The Constitutional Assembly, 1996). These problems also affect the private sector as homelessness, informality and the decay of neighbourhoods can have negative impacts on their investments. This makes it critical for public and private sector to join forces and ensure that these housing issues are addressed. Working together will result in better and easier solutions as opposed to situations whereby the sole responsibility is given to one party. It is important to note that it is not easy to achieve successful working arrangements between these two parties and the important question of whether or not it is practically possible for the public and the private sector to have successful working arrangements still remains.

1.2 Problem Statement

Policy focus in the country is on ‘restructuring and integrating cities’ in order to make them accessible to low income and previously marginalised people and make it possible for them to acquire adequate housing in well located areas. Such adequate housing is aimed towards helping those previously marginalised to regain access to urban opportunities which they lost or did not have access to under the apartheid regime. Policy is aimed at reintegrating cities and correcting issues of the past whereby “the underclass lives in the tenements, the decaying inner city neighbourhoods, and in the barrios and informal settlements in the cities of the South” (Harrison, 2003: 16). Post 1994 government has been trying for over a decade now to address these issues but attempts have not been fully successful as mentioned above.

Post 1994 restructuring policies have also created problems of their own such as leading to low income housing being located on the outskirts of urban areas (Todes, 2003). These developments put low income people at a greater disadvantage than when living in decaying inner city housing and informal settlements as they find themselves burdened with high travelling costs to and from work. Old policies have since been amended and the new policy trend is attempting to reverse these effects through the creation of sustainable housing solutions (Todes, 2003).

Progress has been made over the years in ways of dealing with and addressing the disintegration of societies due to poverty, historical political roots such as apartheid as well as the effects of globalisation in urban areas (Mabin and Smit, 1997). “These include establishing partnerships, building social capital within integrative networks, developing policy coherence... [and] spatial integration” (Harrison, 2003: 18).

An example of a project aimed at addressing disintegration, dealing with poverty and the effects of globalisation in urban areas through the combined efforts of PPPs is the Inner City Regeneration Strategy for Johannesburg (City of Johannesburg, 2003). This strategy is aimed at addressing the decay of inner city buildings as well as providing improved and decent housing for low income people living in and around the inner city. Social Housing institutions such as the Johannesburg Housing Company have been attempting to influence the location of low income housing in the inner city through the Inner City Regeneration Programme (JHC online, 2011).

Regeneration is currently a priority of the Johannesburg municipality and “substantial investments in infrastructure are currently being made by organizations such as Blue IQ, established by Gauteng Provincial Government” (Oelofse, 2003: 96). Regeneration strategies have to focus on “providing good quality rental accommodation on a non-profit basis” to ensure that they have a positive impact and benefit low income people (Oelofse, 2003: 94). Such strategies can have negative impacts on low income groups as they result in increased property values which in turn lead to increased rentals. With high rentals low income groups find themselves being displaced from the inner city to the outskirts and informal settlements due to their inability to afford higher rentals. This has other consequences for them as they then have to pay high transport costs to and from work and other social and economic opportunities and they thus lose their economic and social linkages (Oelofse, 2003).

Some solutions to avoiding the above mentioned displacement of the poor from the inner city come from investments and housing subsidies provided through Social Housing institutions and several private property developers. These are major contributors to the regeneration process (Oelofse, 2003). Another solution to avoid displacing the poor would be government continuing to provide subsidies to regeneration projects for the upgrading and maintenance of buildings in order to bridge the gap between what people can afford and the real costs needed (Oelofse, 2003). This will also in turn encourage more private sector entities to involve themselves in regeneration projects as they will be backed by government subsidies which will allow them to

make profits as they are profit driven in nature. Their involvement in projects highly depends on expected profit levels therefore subsidies help encourage them to develop for an income group that they would not consider developing for in the absence of these subsidies (Henneberry and Rowley, 2002).

It is important to realise that the problem of affordable housing does not only affect the poorest of the poor but working class people who are perceived to have 'good jobs' as well (Iglesias, 2009). This is because "there is not a singular housing need, but quite diverse needs…housing policy should embrace this diversity" (Todes, 2003: 113). Working class people who are perceived to have 'good jobs' were previously neglected in housing policy as focus has been on the poorest of the poor. For example, subsidies have been aimed at helping and being given to those earning R3 500 and below, first preference given to single individuals responsible for households with dependants (Charlton and Kihato, 2006). These criteria were stipulated in the Housing Act (1997) and remained the same for a long time regardless of increased cost of living. This Housing Act and subsidy requirements were only reviewed and changed in 2004 with the introduction of the Breaking New Ground housing strategy. This strategy among many things called for the increase in the subsidy qualifying criteria to those earning up to R7 500 as opposed to the R3 500 stated in the Housing Act (DoH, 2004; Matjiya, 2009).

"The original housing policy aimed at creating an 'enabling environment' in which the state supports and facilitates the delivery of housing by the private sector, or by community-based organisations, rather than engaging directly in shelter provision itself" (Charlton and Kihato, 2006: 255; DoH, 2004). Over the years this has changed towards a more state centred provision of low income housing and a reduced involvement of the private sector. This state centred approach was introduced by the Housing Act of 1997 (ibid). The research explores why the approach from the White Paper on Housing (1994) was changed to such a state centred housing approach. It is important to explore these issues as "partnership is perhaps the most familiar of the concepts used to bring about linkage and integration within the fields of development and urban governance" (Harrison, 2003: 18).

The nature of the country's housing policy calls for assistance and support from government, private sector and non-governmental organisation for it to be successful. Subsidy mechanisms in some aspects assumed that low income people would be able to get finance in the form of mortgage bonds on top of government subsidies to get access to affordable housing. Since 1994 government has been attempting to reach agreements with private financial institutions for

them to participate in low income housing development and granting of housing finance (mortgages) for low income people (Charlton and Kihato, 2006; Tomlinson, 2007).

This being said, the research provides a framework regarding why government efforts of getting private sector to be involved in these projects has been picking up as slowly as it is. The study looks into explanations regarding why this is so and why it is proving to be difficult for government to mobilise the private companies and organisations towards productive and effective partnerships in the development, provision of finance of low cost housing options. “One of the most persistent difficulties identified as an obstacle in the provision of low-income housing is the reluctance of commercial banks to extend loans in this market despite the positive steps taken (Pillay and Naude, 2006: 874).

There is some private sector involvement in the provision of affordable housing where major banks such as First National Bank (FNB), Standard Bank, Nedbank and Amalgamated Bank of South Africa (Absa) have committed themselves to helping with affordable housing provision. These housing units are provided through partnership with the municipality which provides private institutions with subsidies and tax rebates in the refurbishment of decayed buildings in the inner city. From 2004 – 2008 the above mentioned financial institutions committed to deliver R42 billion affordable housing developments intended for those earning R1 500 to R7 500 per month in the country (Trafalgar, 2005). This research also looks into whether these promises made by private institutions actually materialise on the ground. If they do, are they successful and do they benefit the intended people? An investigation is therefore required to establish the achievements of these objectives.

1.3 Research Questions

The main question addressed by the research is:

- What is the current nature and activity in PPPs in the Provision of affordable housing in Johannesburg?

Sub-questions which aid in answering the above stated main question are as follows:

- How has the nature of PPPs in the provision of affordable housing evolved since 1994 to today?

- Is there any progress being made in gaining the confidence and interest of private sector in affordable housing development and financing?
- What hinders the public sector from getting private sector hyped up and eager to be involved in such partnerships and projects?
- Do housing projects developed in such partnerships benefit the intended groups/people after construction?
- How can partnerships be improved in order to deliver better results and for them to work better?

1.4 Research Claims/Propositions

The research claims and propositions guiding in this research are as follows:

- PPPs rarely benefit intended people as housing costs are normally too high for low income groups to be able to afford buying or renting in such developments undertaken by the private sector.
- Private sector does not have much confidence and interest in PPPs in the provision of housing.

1.5 Objectives of the Study

The aims of this study are to:

- explore the development of affordable housing projects paying specific attention to the joint efforts of the public as well as private sector;
- explore the part played by PPPs in the development of affordable housing in Johannesburg
- analyse past affordable housing projects developed under partnerships, looking at their success and problems faced; and
- suggest how PPP relationships can be improved for the success and better results of future PPPs in the provision of housing in the city.

- Determine through the study which types of PPPs work best and are most effective in affordable housing development and work towards ensuring that more of this form of partnerships are used in affordable housing provision.

1.6 Scope and Limitations

The research involves the investigation of affordable housing developments which are developed through PPPs. Units of analysis used are the number of developments, number of housing units dedicated to low income groups and the number of households or people who have benefited from projects.

Conceptual boundaries are focused around the fact that there is no clear understanding of public-private partnerships and not much information is readily available around this in the provision of affordable housing. Constraints to the study were the lack of unlimited access to information from government departments and private sector companies. Information for case studies had to be obtained from companies and government in order to be able to determine successes and problems faced in projects.

1.7 Research Methodology

The case study research method is adopted for the study as the aim is to find out how PPPs in the provision of housing are performing and why things are happening in the manner in which they are happening in the country, using Johannesburg housing developments as examples. The research took an exploratory as well as descriptive view in order to fulfil its objectives and answer posed questions (Yin, 2003). Yin (2003: 1) states that “in general, case studies are the preferred strategy when ‘how’ or ‘why’ questions are being posed, when the investigator has little control over events, and when the focus is on a contemporary phenomenon within some real-life context.”

A qualitative design is also used as the aim is to describe partnerships and relationships between public and private sectors as well as affordable housing and low income groups. This research interprets cases and develops concepts and discovers problems regarding the phenomenon of PPPs (Peshkin, 1993; Brink and Wood, 1998).

Extensive data on PPPs and Affordable housing projects and developments had to be collected and this was done through observation, books and interviews with different stakeholders involved in projects (Leedy and Ormrod, 2001). Data was analysed using theoretical frameworks, the main research question and sub questions discussed in chapter two and section 1.3 above respectively. Techniques used in analysis are pattern matching and explanation building where case study patterns were studied and compared to determine whether or not they are in line with stated propositions and expected patterns (Yin, 1994).

1.8 Structure of the Research

The research is structured in six chapters. The content of each structure is outlined below:

Chapter One outlines the background and states the problem in which the research is rooted. Subsequent research questions, study objectives as well as assumptions of the research and the used research methods are also put forward. The propositions investigated are also outlined here.

Chapter Two provides a theoretical framework where literature and concepts relevant to the study are discussed and critically analysed. These include subjects concerning: public-private partnerships; affordable/low-income housing and; South African Housing Policy.

Chapter Three provides a framework of the research tools used in the study. This chapter also outlines procedures used in the collection of information, its investigation and analysis methods used.

Chapter Four highlights the context in which the study is analysed, that is the city of Johannesburg's scenario. This includes the current state of affairs with regard to affordable housing and PPP development projects. Relevant local government policies and strategies are also outlined in this chapter.

Chapter Five provides a description and analysis of the field studies. These include the case studies and interviews conducted with stakeholders who are involved in affordable housing projects.

Chapter Six is the concluding chapter. This chapter begins by presenting the findings from the analysis of the field work from chapter five and pulls together important elements from the first chapter to chapter five. Recommendations for the different stakeholders involved in development projects are given here. Concluding remarks are made by outlining areas for future research and the limitations experienced during this research process.

1.9. Conclusion

This chapter has provided a brief description of the background of the study, the problem statement, research questions, and objectives of the study. The problem in which the need for this study arises is the shortage in the supply of affordable housing and the need for integration in South African cities. Policy calls for private sector assistance when developing and providing of affordable housing. The study claims that though the joint efforts of public and private sector, it is not the intended beneficiaries who benefit from the housing once the projects are complete and another claim is that the public sector is failing to attract the private sector to partner with them in the development of affordable housing. These are the claims which have to be proven or unproven through the study of literature, theory, conducting field work (case studies and interviews. Literature was explored to address these claims and provide answers to the research questions and objectives of the study. These are discussed in the following chapter.

CHAPTER TWO: REVIEW OF HOUSING LITERATURE

2. Introduction

Affordable/low-income housing shortage is an issue faced not only nationally but in the international context as well (Mohlasedi and Nkado, 1999). Cities across the globe are faced with the problem of providing sufficient affordable housing for low to middle income class residents (Fullarton, 2005). Southern hemisphere cities are characterised by high levels of class segregation in residential areas and "all of the countries in Sub- Saharan Africa face formidable housing problems" (Groves, 2004: 26). This is caused by the unequal distribution of wealth and housing attributed not only to the dividing nature of economic systems but long periods of discrimination and oppression, "be this colonialism, dictatorships or, in South Africa, the recent apartheid regime" (Huchzermeyer, 2003: 211).

Many concepts, theories and policies have been developed around these issues in an attempt to explain and address these dynamics. This chapter presents discussions on some of these concepts and policies relevant to affordable housing issues and projects, public-private partnerships (PPPs) and specific South African policies relating to affordable housing and PPPs.

2.1 Affordable/Low-Income Housing

Poverty and homelessness are some of the most discernible issues both internationally and nationally. "Poverty refers to lack of physical necessities, assets and income. It includes, but is more than being income poor" (Chambers, 1995: 175). Government as well as private sector entities including "NGOs and CBOs have focused on housing, social services, job creation and the related environmental challenges which can be addressed through housing delivery and habitat management" (Irurah and Boshoff, 2003: 251). The dynamics and underlying principles of housing and affordable housing policy are examined in the succeeding subsections.

2.1.1 Affordable Housing Goals and Underlying Principles

The promotion and development of affordable housing has a number of fundamental goals. The most basic and important being: "the provision of shelter and the potential creation of wealth" (Diamond, 2009: 1). The provision of shelter and creation of wealth are contradicting concepts and do not go hand in hand. This is because it is difficult to create wealth from affordable as the housing cost has to be low in order for the required income group to be able to afford the cost of housing. This makes it extremely difficult to convince the private sector to invest in these projects. Property owners, developers and investors' main aim is to create wealth from their investment and they are not necessarily concerned and do not prioritise the provision of shelter.

Other than the provision of shelter and creation of wealth, additional affordable housing goals are:

> *"…growth in the psychological well-being due to a resident's sense of "home" and its resulting stability, the improved physical health of the homeowner's family, the resident's increased participation in civic society, and the improved educational performance of their children. Another goal might be to achieve racial and economic integration in order to allow a wider range of residents to partake of the benefits associated with mixed race and/or mixed income communities..."* (Diamond, 2009: 1).

Over and above the mentioned goals, housing law and policy is also influenced and shaped by a number of principles. "They are (1) Housing as an Economic Good, (2) Housing as Home, (3) Housing as a Human Right, (4) Housing as providing Social Order, and (5) Housing as One Land Use in a Functional System" (Iglesias, 2009: 12 - 13). These ethics are what determine issues such as the financing, development and siting as well as housing use at national, provincial and local government spheres (Iglesias, 2009). These principles are explained in more detail below.

Housing as an Economic Good is centred around "the fact that most housing is financed, produced, and distributed by the private market" and for most people, the house they live in is one of their biggest investments and highest monthly expenditure (Iglesias, 2009: 13). This shows the important role that the private sector plays when it comes to the development and delivery of housing. These resources should also be used and drawn towards the development, finance and provision of affordable housing. This would help relieve some of the huge responsibility for financing affordable housing projects that has been placed on government.

Housing as a Home and Housing as a Human Right presents the importance of people being able to have access to adequate and affordable housing. This is important because housing plays a major role in people's lives and it "enables individuals to be healthy, take advantage of educational opportunities, to be productive members of the workforce, and to form nurturing families" (ibid: 14). The principle of housing as Human Right confronts "stereotypes about what kind of people need and qualify for affordable housing, highlighting that workers in 'good jobs' also both need and qualify for it" (ibid: 27). The city of Johannesburg has begun attempting to address the problem of bridging the gap in the provision of housing. This gap occurred when those earning a particular income (above R3 500) did not qualify for subsidised housing while on the other hand they also could not qualify for housing finance given by private institutions such as banks. Solutions towards addressing this gap include the development of 'inclusionary housing', "mandatory housing elements as part of comprehensive plans, all of which present affordable housing as one necessary land use for workable community rather than a human right" (ibid: 27; DoH, 2004).

Lastly, 'Housing as Providing Social Order and Housing as One Land Use in a Functional System' draws attention to the fact that it is important for housing law and policy to consider the effects of other land uses when the financing, location and design of housing is drawn up (Iglesias, 2009). All of these goals and principles must inform housing policy when it is being drawn up.

The World Bank in 1993 developed a table outlining what should and should not be done in order for housing markets to work efficiently. This table speaks to issues around: "developing property rights; developing mortgage finance; rationalising subsidies; providing infrastructure; regulating land and housing development; organising the building industry and; developing a policy and institutional framework" (Groves, 2004: 396). In summary, the table states that government should establish tenure regulations and legislation and develop property taxation laws. It also speaks to the role that private sector should play in housing provision in places such as financing and development but places emphasis on the need to regulate and balance roles between public and private sectors. Other important factors which emanate from the table are that it is important for government to regulate and coordinate development but also reduce the complexity of these regulations as well as costs of development. The World Bank also acknowledges the importance of having housing subsidies but emphasises the importance of these subsidies being transparent, targeting the poor as well as subsidies being directed or provided to people and not subsidising houses. It is also important for subsidies to be subject to

review and lastly it is important for governments to constantly monitor the performance of housing services and delivery to ensure that it is performing as per policy and outlined frameworks and to know if set policy is working as it should (Groves, 2004).

Table 1.1: Do's and Don'ts in enabling housing markets to work

Instruments	Do	Don't
Develop property rights	Regularize land tenure	Engage in mass evictions
	Expand land registration	Institute costly titling
	Privatize public housing	Nationalize land
	Establish property taxation	Discourage land transactions
Develop mortgage finance	Allow private sector to lend	Allow interest rate subsidies
	Lend at positive/market rates	Discriminate against rental housing investment
	Enforce foreclosure laws	Neglect resource mobilization
	Ensure prudential regulation	Allow high default rates
	Introduce better loan instruments	
Rationalize subsidies	Make subsidies transparent	Build subsidized public housing
	Target subsidies to poor	Allow for hidden subsidies
	Subsidize people, not houses	Let subsidies distort prices
	Subject subsidies to review	Use rental control as a subsidy
Provide infrastructure	Coordinate land development	Allow bias against infrastructure investment
	Emphasize cost recovery	Use environment concerns to justify slum clearance
	Base provision on demand	
	Improve slum infrastructure	
Regulate land and housing development	Reduce regulatory complexity	Impose unaffordable standards
	Assess costs of regulation	Maintain unenforceable rules
	Remove price distortions	Design project without link to institutional/regulatory reform
	Remove artificial shortages	
Organize the building industry	Eliminate monopoly practices	Allow long permit delays
	Encourage small-firm entry	Institute regulations inhibiting competition
	Reduce import controls	Continue public monopolies
	Support building research	
Develop a policy & institutional framework	Balance public/private sector roles	Engage in direct public housing delivery
	Create forum for managing housing sector as whole	Neglect local government role
	Develop enabling strategies	Retain financially unsustainable institutions
	Monitor sector performance	

Source: World Bank (1993, pp. 46–47).

(Groves, 2004: 396).

2.1.2 Affordable Housing in Africa

“The Striking feature of most African cities is the extent of informal development” (Groves, 2004: 26). This is mainly caused by extremely high levels of urbanisation being seen in many African cities which results in huge housing and service delivery backlogs (Onatu, 2010). A noticeable feature which has become more and clearer over the years is that it is not only those who lack income (income poor) who experience housing problems. The UNCHS (Habitat) has identified a condition they call “housing poverty”, which is related to the fact that it is not only the ‘income poor’ who experience difficulties in accessing affordable and decent housing but also those who earn reasonable income (Groves, 2004). According to the UNCHS in their 1996 report on Human Settlements, housing poverty is “...individuals and households who lack safe, secure and healthy shelter with basic infrastructure such as piped water and adequate provision for sanitation, drainage and the removal of household waste” (Groves, 2004: 26).

A major factor contributing to lack of adequate housing in Africa can be attribute to issues around land supply. Many factors inhibiting land supply are those around African law and land ownership. “ The principal outcome of these constraints on the operation of the land market is that access to formal land ownership in many African cities is effectively precluded to all but a minority of affluent and influential people” (Groves, 2004: 28). This leads to people having to resort to informal methods of accessing land creating these informal settlements developing. This leads to more problems as people who live in informal areas without proper title to their property cannot access finance from financial institutions to build proper houses (Renaud, 1999; Groves, 2004).

South Africa is faced with an inherited problem of lack of access to affordable housing and informality in its cities (Miraftab, 2003). This is a situation the new government led by president Nelson Mandela in 1994 inherited from the previous apartheid government which neglected Black and other race groups when prodividing services leaving them to live in extremely poor condistion and creating segregated cities, in terms of race (Jones and Datta, 2000). Since then, governments have set out different housing policies to address these problems and work towards creating integrated cities and societies, both socially and economically (Jones and Datta, 2000; Miraftab, 2003).

2.1.3 Housing Policy

As already mentioned above, there is an imbalanced distribution of income which leads to many people having insufficient resources to secure adequate housing through partaking in the open market. This provides economic grounds for government interference in the housing arena and market. Government intervention is necessary to ensure the speedy delivery of new buildings, renovation of dwellings and the eradication of slums/informal settlements (Harvey and Jowsey, 2004). The unequal distribution of income and segregated nature of cities has resulted in "much current housing policy having to be directed to rectifying mistakes made by past governments" (Harvey and Jowsey, 2004: 322).

The public sector treats housing as a 'social good' and hence the fundamental objective of housing policy is "that everyone should have a decent home with a reasonable choice of owning it or renting" (ibid: 322-323). This brings about the important question regarding what should be seen as adequate housing. For this reason, it is important when drawing up policy for government to realise that what is currently seen as adequate housing changes over time as people's situations and income increase. Policy should therefore define what is adequate as well as outline what future minimum requirements should be (Harvey and Jowsey, 2004).

Under normal market conditions, poorer households would not be able to acquire 'decent homes' and governments must realise this when developing housing policy and ensure that subsidies are created to bridge the gap between what low income people can afford and what the market offers (World Bank, 1993; Harvey and Jowsey, 2004). Affordable housing therefore has to be allocated firstly on the basis of need and needs to be subsidised for it to benefit intended groups. This method of allocation based on need may result in the loss of satisfaction in some cases as beneficiaries do not have much of a say or choice regarding house design and size as well as the location in most cases (Harvey and Jowsey, 2004).

Subsidies play an integral part in housing and service delivery as they ensure that poor people can access housing and services in free market conditions (World Bank, 1993). Two main objectives of subsidy schemes are "to redistribute income more equitably… *(and to)* allocate more resources to housing than would be available through the market economy" (Harvey and Jowsey, 2004: 334). If the main reason behind the implementation of a housing subsidy is inadequate income, the subsidy should be flexible to changes in income and should be attached to a person as opposed to a house. Subsidies have to be adjusted in line with changes in

housing needs as well as new policy requirements based on experiences (World Bank, 1993; Harvey and Jowsey, 2004).

There are a number of strategies that can be developed to promote the participation of the private sector in the development of affordable housing. These include incentives such as subsidies paid to owners or renters, tax returns and exemptions, zoning concessions and land write-downs. Due to the current economic climate as well as the profit-driven nature of private developers, government policy has had to create such incentives for the construction and regeneration of affordable housing units (Diamond, 2009; Iglesias, 2009).

Great changes have occurred in housing policy in the developing world over the years. Some of these are related to the development and provision responsibilities and the manner in which affordable housing is developed. For example in South Africa, there has been a shift from government/public sector playing a key role in the delivery and development of adequate housing for poor people. Difficulties were experienced with this method of delivery and governments were faced with much criticism such as houses built not adequately meeting the needs of the recipients. This was due to many issues such as access to land as well as financial limitations faced by governments (Mukhija, 2004). But how has the South African Housing Policy evolved over the years? In addition, how do their goals compare internationally? Are the principals of housing policy in line with international fundamental goal as well as whether their goals match above mentioned international goals and if the principles housing policy is built upon are in line with above mentioned fundamental goals. These questions are explored in subsection 2.2.

2.2 South African Housing Policy

It was mentioned earlier that most current policy is directed towards fixing problems emanating from past government policies (Harvey and Jowsey, 2004). This has been the case in the country as post 1994 policy has been directed towards addressing problems which resulted from apartheid government policies (Jones and Datta, 2000). The country has gone through a number of housing policies designed to deal with historical housing issues and problems such as informality, urban decay and the disintegration of urban systems emanating from apartheid. These have evolved from the state being the only stakeholder responsible for addressing the

shortage and need for affordable housing in society to the realisation that they need help in addressing existing housing needs (Harrison, 2003).

Affordable housing is also historically rooted and linked to poverty and race. South African Housing and Urban Development policies acknowledge these historical roots through understanding the links between the lack of adequate housing, income poverty and the apartheid regime. The country's policy "implicitly asserts that people are inadequately housed because they lack sufficient income to participate effectively in the market for housing" (Baumann, 2003: 92-93). Urban development policies have also been geared towards addressing urban fragmentation caused by the apartheid regime due to the separation of people by race and allocation of finance and developing those areas where white minority groups were located ignoring black township areas (Jones and Datta, 2000; Baumann, 2003). Sections below look into important policies which are relevant to this research and which exhibit above mentioned issues.

2.2.1 Housing White Paper

South Africa's first post-apartheid housing policy adopted in 1994 was the *Housing White Paper* which has since been amended and changed into a comprehensive housing policy containing many elements (Charlton and Kihato, 2006; Bond, 2003). One of the basic principles of the Housing White Paper was the attraction of private investment in the provision of housing (DoH, 1994; Miraftab, 2003; Goebel, 2007). This meant that housing would be supplied under normal market conditions (Bond, 2003). As mentioned in section 2.1.2, if affordable housing is to be provided under normalised market conditions, subsidies have to be implemented. The Housing White Paper acknowledged this principle and housing subsidies were developed and introduced (DoH, 1994).

This market centred approach to the development of affordable/low-income housing had some negative consequences which ranged from: private sector developers' project favouring and focusing on people with higher incomes who qualified for mortgages; and neglecting other areas as they were not willing to develop "in conflict-ridden areas where the need for housing was greatest" (Bond, 2003: 47). The focus on the lower end of the low income band resulted in the creation of "a housing finance gap for those between R3 500/month and R6 000/month, the latter being the minimum amount of income against which banks had by 2002 determined they could lend safely" (ibid: 46). With this attempt in providing housing and basic services to people,

it became clear that government was not coping with the need which was continuously growing while they were rapidly attempting to address it.

The Housing White Paper acknowledged that in relation to the need, resources available from government, are not sufficient for the provision of infrastructure and development needed in municipalities. In 1995, the Department of Constitutional Development released the Urban Development Strategy (UDS) and this strategy echoed this fact and stated that “relative to the needs, the level of resources available from government is not sufficient to provide the necessary basic infrastructure in municipal areas (Bond, 2003: 49).

This policy also introduced social housing which is a rental form of low income housing. Even though this type of housing was first introduced in 1994 in the Housing White Paper, “…this form of housing took some time to get off the ground and it was delivered through partnerships and the help of outside governments during the 1990s but now this housing is seen as a solution to the critiques of the RDP housing development” (Charlton and Kihato, 2006: 266). Social housing has mostly been able to reach the higher band of low income people when compared with the RDP houses.

Since this policy acknowledged that government did not have the capacity to deal with housing shortages and address backlogs on their own, other forms of delivery mechanism were instituted. In 1996, the National Housing Finance Corporation was established and its main objective was to “facilitate the involvement of banks in the housing finance, and to develop funding models for non-bank lenders and for institutions lending for non-freehold tenures (Jones and Datta, 2000: 404; NHFC, 1996; Tomlinson, 2007). NHFC acts as a secondary mortgage financier by buying existing debt from banks in order to allow banks to be able to release more funds into their systems and the corporation also has the responsibility of raising capital through international loans and grants (Miraftab, 2003; Bond and Tait, 1997). The NHFC charges banks commercial rates when lending to them (Jones and Datta, 2000). Another such corporation instituted was the National Urban Reconstruction and Housing Agency (NURCHA) and this agency “ provides guarantees of between 40 and 75% to institutions providing bridging finance to developers, including NGOs and community builders, and end-user finance guarantees to allow households to improve upon the basic housing subsidy” (Jones and Datta, 2000: 404; Miraftab, 2003). NURCHA is reliant on international donors and this has caused the agency to be forced by donors to shift from providing bridging finance to developers towards providing rental accommodation and the agency does not have much skill in this field. The main cause of

this is that the subsidy provided by government is too low to help developers acquire land, put in site services as well as build houses which can be afforded by the poor (Jones and Datta, 2000).

With government interventions and call for the private sector and financial institutions to be involved in the provision of affordable housing, “the private sector conditioned its commitment to make housing loans to low- and moderate income households on effective operation of these institutions” (Miraftab, 2003: 233). Regardless of these incentives provided by NHFC and NURCHA, the financial sector failed to provide and approve the 50 000 bondswhich they had committed themselves to providing and they only managed to approve and grant 20 000 bonds in the affordable housing sector (ibid). Other problems encountered in dealing with the private sector and financial institutions are that they favour higher income groups when compared to low income people as higher income groups provide better security when it comes to repayment of bonds. It also became evident that banks preferred to grant loans to applicants who came through private developers rather than mortgage loans to individuals due to the lower operations costs associated with this.

Miraftab, 2003 states that the greatest false impression contained in the country’s housing policy was that they assumed that “the relationship among the private sector, communities, and government would by default be one of cooperation, partnership, and complementarity” (Miraftab, 2003: 235). It turned out though that the private sector tended to dominate in relationships and the people and communities aimed to benefit from projects were marginalised and did not benefit from projects. Reasons behind this are the lack of clear cut conditions for relationships between the different stakeholders in housing projects (Miraftab, 2003). Due to the weaknesses and failures from this policy, government continues to adapt it and develop other strategies to work hand in hand with it to ensure success in the delivery of affordable housing. One such policy was the Local Government White Paper.

2.2.2 Local Government White Paper

The *Local Government White Paper (LGWP)* was passed in 1998, this policy brought forward three specific techniques for housing. These were “service subsidies…support to community organisations in the forms of finance, technical skills or training…linkage policies to directly link profitable growth or investment with redistribution and community development” (Bond, 2003: 45). This paper acknowledged that South Africa was under threat of seeing the development of

a new geographical order which would not be based on race anymore but based on income. Government saw the growth of a new spatial order where areas were no longer divided on the basis of colour but were now divided according to class (low, middle and high income class groups).Government realised that this jeopardised the socio-economic objectives of the post apartheid government and released this policy to attempt to counteract this (ibid). In addition, The White Paper also provided support for PPPs in service delivery and "…acknowledges that privatisation carries risks of 'cherry picking (refusal to provide services to low-income areas), poor quality services and unfair labour practices" (ibid: 45; Pillay and Tomlinson, 2006). This was a step forward from the Housing White Paper as it failed to foresee these possible issues from the start.

There were still discrepancies and problems in the affordable housing fields and strategies were still not successful in addressing housing backlogs and affordable housing needs. This called for a further review and development of a new strategy to deal with the housing issues at hand. This resulted in the development and implementation of a 'Comprehensive Housing Plan for the Development of Integrated Sustainable Human Settlements'; the Breaking New Ground Housing Policy.

2.2.3 Breaking New Ground Housing Policy (BNG)

This is the latest housing policy which was implemented in 2004. Its aim is to rework and change housing policy and ideologies towards a shift from focusing on the quantitative to the qualitative. This policy introduced the idea of sustainable human settlements which will "alleviate poverty and improve quality of life through creating access to basic services within the new settlements" (Institute for Housing of Southern Africa, 1999: 2; Charlton and Kihato, 2006: 257). Some strategies in this policy include the funding land in good locations for low income housing, the provision of services as well as the upgrading and formalisation of informal settlements in suitable locations. The policy also took a step towards not only accommodating the poorest of the poor by increasing the income band of those eligible to benefit from programmes and subsidies to those earning up to R7 500 (DoH, 2004; Charlton and Kihato, 2006).

This policy was developed due to government identifying the need for a strategy to shift housing delivery towards a more sustainable and efficient mechanism. This is not to say though that the new plan disregards past policy fundamentals, they remain relevant but had to be improved for better housing delivery. This new plan uses past policy visions which aimed "to promote the

achievement of non-racial, integrated society" and aims to achieve this "through the development of sustainable human settlements and quality housing" (DoH, 2004: 7).

> *"Within this broader vision, the Department is committed to meeting the following specific objectives:*
>
> *• Accelerating the delivery of housing as a key strategy for poverty alleviation*
>
> *• Utilising provision of housing as a major job creation strategy*
>
> *• Ensuring property can be accessed by all as an asset for wealth creation and empowerment*
>
> *• Leveraging growth in the economy*
>
> *• Combating crime, promoting social cohesion and improving quality of life for the poor*
>
> *• Supporting the functioning of the* ***entire single residential property market*** *to reduce duality within the sector by breaking the barriers between the first economy residential property boom and the second economy slump.*
>
> *• Utilizing housing as an instrument for the development of* ***sustainable human settlements****, in support of spatial restructuring"* (DoH, 2004: 7).

One of the important features of the new policy is that it introduced a new subsidy mechanism to ensure the availability and accessibility of mortgage finance products/instruments to include previously excluded people and middle income households[2]. This new feature is aimed at addressing the problem of middle income households being left out and not being able to qualify for both subsidised housing and housing provided in the private property market. This affordable housing finance mechanism is linked to household savings and housing loans from banks and other financial institutions (DoH, 2004).

Other underlying objectives of the new housing paradigm include a shift from the prior production of uniform so called match box housing towards the production of housing which responds to demand patterns. The BNG policy proposes a shift from the provision of single RDP houses on single plots in distant peripheral locations where there is low or no socio-economic infrastructure and current infrastructure cannot cope with added demand. The sustainable human settlements plan not only focuses on housing delivery but aims to address

[2] Those earning R3,500 to R7,000 per month

multidimensional needs of households; provide flexibility and enhance household mobility (DoH, 2004).

The policy also aims to increase the role of private sector through developing and continuing partnerships between the public and private sector in respect of building sustainable human settlements (Goebel, 2007). This element of the housing plan involves:

- *Construction capacity and the collapsing of the subsidy bands*: The BNG policy removed the 3 subsidy bands with an overall aim of enabling households with an income lower than R3 500 to also access an equal subsidy amount. This removed the restrictions regarding the qualification for full housing subsidies and resulted in an increased housing demand. This increased demand created new opportunities for private sector to participate in new housing programmes reproducing and reviving PPPs in housing construction (DoH, 2004).
- *The provision of housing finance*: "housing finance from financial institutions is key to the development of the primary and secondary housing market" (DoH, 2004: 9). The plan aimed to achieve this by: introducing mechanisms to overcoming the down-payment barrier to enhance lending by financial institutions; providing funding for social housing institutions through public-private partnerships and special purpose vehicles; introducing a risk sharing mechanism in order to reduce lender's loss to a normal loan to value in the event of default (loss limit insurance); the development of a fixed loan rate with banks in their products; new loan products have been created for the benefit of low income earners but this product does not benefit everyone. Households in the secondary market normally lack formal employment and income necessary for medium to long-term mortgage loans. Government and financial institutions aimed to develop savings/insurance products which will generate cash for the benefit of these types of households (new product development); the new plan introduced more transparency in lending through the monitoring of lending rends and enforcing the Financial Services Charter. (DoH, 2004).
- *Project management and other support*: the policy acknowledges that the public sector does not have enough capacity to deliver housing programmes at scale and therefore recognises the need to harness private sector resources in the delivery of housing. Under this programme operational expenses are made available for outsourcing planning, engineering, project management and social facilitation to the private sector to ensure delivery in the short term. In turn, private sector is expected to transfer skills and

training to the public sector employees who will in the long term be responsible for ensuring delivery (ibid).

- *Employer-assisted housing*: the private sector is also expected to play an active role in the housing process for low to middle income earners employed by their organisations and companies (ibid).

The Breaking New Ground plan aims to move towards a more effective and efficient plan of working with people and partner organisations in the development and achievement of sustainable human settlements (Goebel, 2007). Sustainable human settlements are: *"well-managed entities in which economic growth and social development are in balance with the carrying capacity of the natural systems on which they depend for their existence and result in sustainable development, wealth creation, poverty alleviation and equity"* (DoH, 2004: 11). At the heart of this idea of sustainable human settlements is a changed perception of affordable/low income housing a shift from it merely being the provision of basic shelter to the creation of sustainable communities and more efficient cities, towns and regions.

The policy also introduces the integration of informal settlements into cities in order to overcome their social and economic exclusion. The policy proposes the upgrading of informal settlements as a tool to do this. Settlement upgrading occurs through on site upgrading of informal settlements in suitable locations and relocation of households where in-situ upgrading is not possible or feasible. In-situ upgrades occur on well-located land and to optimise location value, preference in these projects is given to social housing (medium-density) solutions (DoH, 2004).

2.3 Inclusionary Housing

"Inclusionary housing in South Africa means the harnessing of private initiative in its pursuit of housing delivery to middle\higher income households to also provide (include) affordable housing opportunities in order to achieve a better socioeconomic balance in residential developments and contribute to the supply of affordable housing" (NDOH, 2007: 9).

It is important to look into the international context in inclusionary housing before moving on to explore South African Inclusionary housing policy. The sections below discuss the genealogy of inclusionary housing policy from the international context moving down on to the specific South African context.

2.3.1 International Context

Many countries worldwide have adopted and implemented inclusionary housing policies but such policies are found mainly in developed as well as rapidly developing countries, namely the USA; Ireland; Scotland, England; Netherlands, Malaysia, China (NDOH, 2007; Huchzermeyer, 2003). “Inclusionary housing policies have been introduced in an attempt to harness the energy of this industry and to leverage "affordable" housing delivery off the delivery of housing for middle and upper segments of the market” (NDOH, 2007: 4). Such policies vary from place to place and in different countries. Inclusionary housing policies generally require developers of greenfield projects to make particular proportions of the units in their developments available for affordable housing. This can be in the form of a particular percentage of the total units in the project, a percentage of project total development cost (capital) or a percentage of the bulk coverage allowances. Inclusionary programmes worldwide also include some or all of the following elements: “exemption for small projects; income or house price affordability criteria; the provision of incentives by government (usually in the form of density bonuses or tax credit schemes) and; restrictions on resale of affordable units” (NDOH, 2007: 5).

Inclusionary programme goals vary from the delivery of affordable housing in large quantities in countries such as Malaysia and China to aiming to achieve greater socio-economic balance and social inclusion while boosting affordable housing supply in the United States of America (USA) and the United Kingdom. “In the USA for example inclusionary housing is also seen as an important tool for achieving greater racial integration and to counter racially exclusive processes of built environment creation” (NDOH, 2007: 5).

Inclusionary housing programmes have been generally successful. In the USA, research shows that where properly done, these programmes do not negatively impact the performance of the real estate industry in both output and profits achieved. This is not to say there are no negative impacts from such programmes and policies. Countries such as Malaysia and Scotland have been badly affected by inclusionary housing policy requirements. Malaysia’s affordable housing supply has been boosted but some areas have suffered from abandoned housing where the 30% affordable housing has been provided in areas where there is no demand for it (NDOH, 2007). This brings forth the important point that ‘one size fits all’ approaches such as in Malaysia should be avoided as they do not work effectively. In Scotland inclusionary housing policy and requirements had a negative rather than positive impact on property prices as well as private developer activity in the housing arena (NDOH, 2007).

Such housing projects can be strongly linked to government subsidy programmes and they involve partnerships between developers and social housing institutions. In other countries, linking projects to government subsidy programmes is highly avoided as social housing institutions wish to prevent delays due to waiting for subsidies to be granted (ibid). Below is a discussion of inclusionary housing situation in South Africa.

2.3.2 The South African Context

In 2005, government and key private housing development sector stakeholders (including South African Property Owners Association (SAPOA)) in the country made an agreement and signed a social contract geared towards the rapid delivery of housing. This contract called for “every commercial development including housing developments that are not directed at those earning R1500 or less, spend a minimum of 20% of project value on the construction of affordable housing” (NDOH, 2007: 3). Since then, many local authorities including Johannesburg and EThekwini have begun requiring developers to include affordable housing units in their development projects.

It is important to understand that South Africa has some of the highest income inequality levels in the world and this makes it more difficult to achieve inclusionary outcomes while retaining project viability than in other countries/contexts. The country’s built environment is also highly segregated in terms of race and class; there are predominantly black RDP housing developments on one side and largely white private gated village developments on the other. This is evident for example in the north/south divide in Johannesburg and inclusionary housing programmes are aimed to address such divisions and problems. It is therefore very important for housing policy goals to be aimed towards addressing these socio-economic issues and inclusionary housing is one of the tools which can be used to address these issues (NDOH, 2007).

In relation to inclusionary housing, affordable housing is viewed both in terms of ownership and rental. In terms of ownership, affordable housing “is the range between the current cost of a fully subsidized RDP house and the top of the "affordable housing range" as defined in the Financial Sector Charter + 40%..”,in 2007 this ranged between R50 000 and R350 000 (NDOH, 2007: 9). “Affordable housing for rental is the range between the rent that someone earning R1500per

month can pay and the rent that someone earning R7500per month +20%can pay" (NDOH, 2007: 10).

The overall objectives of inclusionary housing in the country are: "

- *To make a contribution towards achieving a better balance of race and class in new residential developments;*
- *To provide accommodation opportunities for low income and lower middle income households in areas from which they might otherwise be excluded because of the dynamics of the land market;*
- *To boost the supply of affordable housing (both for purchase and rental);*
- *To mobilize private sector delivery capacity to provide affordable housing and;*
- *To leverage new housing opportunities off existing stock at the same as contributing to the densification of South African cities*
- *To make better use of existing sustainable human settlements infrastructure"*

(NDOH, 2007: 11)

2.3.3 Components of Inclusionary Housing in South Africa

The country's inclusionary housing policy contains two complementary strategies. These are: "a voluntary pro-active deal-driven component and; a compulsory but incentive-linked regulation-based component" (NDOH, 2007: 14).

The Voluntary Pro-Active Deal-Driven (VPADD) Component

This approach is project and not area driven as it does not compel developers to be involved. Willing parties decide to partake and develop partnerships whereby they will mutually benefit from developing inclusionary housing. Local governments will form partnerships with private sector companies by identifying projects which they wish to take up with private sector partners. Under this approach local government will normally contribute the land and ensure that a quick development application process occurs. In return, private developers will have to provide a percentage of units as affordable units depending on the provided incentives and project spectrum. Private sector partners are also encouraged to approach local government with project–partnerships they wish to embark on. Under this component, developers are required to provide from 0% to 60% of units for affordable housing (NDOH, 2007).

The Town Planning Compliant (TPC) Component

This component aims to ensure the rapid delivery of affordable housing "by trying to ensure that mandatory requirements are off-set as far as possible by appropriate incentives" (NDOH, 2007:15). Key instruments used here therefore relate to land use planning and development processes and requirements. These include township establishment procedures, local planning ordinances, town planning schemes, zoning and rezoning, development approval processes and subdivision approvals. "In short the principle of TPC is that development permission rezoning or subdivision approval is made contingent on meeting specified inclusionary requirements in return for being awarded certain development rights" (NDOH, 2007: 15-16). Programmes developed under this component can be required to provide from 0% to 30% of units for affordable housing.

Incentives

Inclusionary housing policy has to be accompanied by incentives to ensure success and involvement of private stakeholders. Six types of incentives are provided in inclusionary housing projects. These range from: tax benefits; land; development and use rights; bulk and link infrastructure; fast-tracking of approval processes and; access to government subsidies (NDOH, 2007). It is important to unpack and discuss the dynamics of public-private partnerships as they are an integral part of affordable housing delivery and inclusionary housing.

2.4 Conclusion

In summary, housing policy is underpinned by a number of important principles and goals and for policy to be successful; it must contain and address these elements. The most important goal in relation to affordable housing is the provision of shelter and ensuring that everyone has a decent home. This is a basic human right and a constitutional right in the country. Due to the unequal distribution of wealth to ensure that lower income people can access housing it is important for government to integrate a subsidy scheme into their housing policy for lower income groups to access housing. It is also important for subsidy schemes to accommodate upper low income people perceived to have good jobs.

The aim of government intervention and housing policy is to work towards the redistribution of income and integration of segregated cities. Housing policy is directed at fixing the mistakes of

the past government and to be effective in meeting set goals and objectives, policy must contain a subsidy scheme as a means of addressing housing, income and segregation issues. The country's policies have been directed to do this and have evolved from the state being the sole provider to the realisation that they need to draw resources from the private sector as well and hence the introduction and formation of PPPs in housing policy. The latest policy (BNG) acknowledges PPPs and calls for the development of sustainable human settlements. Another policy which pulls together both housing and affordable housing principles as well as PPP principles is the inclusionary housing policy. This policy focuses on both ownership as well as rental type affordable accommodation.

Housing is an economic good which is funded, constructed and in most cases distributed by the private sector and it is the largest investment and expenditure in people's incomes. Housing is also internationally seen as a basic human right which is why government intervention in the distribution and provision process is important for those who cannot afford to participate in an open market. Government intervention in housing dates back to as early as the 1900s and is influenced by: income inequalities which result in some people not being able to afford adequate housing; if people cannot afford housing this results in external costs of poor housing conditions; and public intervention is sometimes necessary to speed up the response of supply in relation to demand. This is where the importance on affordable housing arises. Some of the main aims of such housing policy are achieving racial and economic integration of different classes which were previously divided during the apartheid regime. This is clearly stated in the country's housing policy which has evolved from the 1994 Housing White Paper to today's Breaking New Ground Housing policy.

Over the years, South African housing policy has moved away from government being the sole stakeholder responsible for supplying housing to the poor and has tried to bring in more of private sector to help meet the ever growing housing demand in the country. A lot still remains to be done for the country's policy to meet international housing goals especially with regards to the development of property rights. This has begun though as affordable housing has begun to be provided with security of tenure through mortgaged property and ownership of RDP/BNG housing units. With regards to other principles and goals of providing subsidies; access to mortgage finance; access to infrastructure and developing guiding policies, the country has matched international standards. South Africa has also moved away from merely seeing housing as a structure where previously housing for the poor was developed on the outskirts of urban areas where there are no social or economic amenities. Policy today (BNG) has moved

towards seeing housing as part of the bigger social fabric and sees the importance of housing for the poor integrated into society as a whole and be developed close to economic centres and having other social infrastructure built into projects such as shopping and education and safety facilities. All in all, the country has done well in developing policy that is in line with international fundamental goals and principles.

CHAPTER THREE: REVIEW OF PUBLIC-PRIVATE PARTNERSHIP LITERATURE

3. Introduction

Public Private Partnerships (PPPs) are not quite fully understood and different people have differing views regarding them. This is why it is important to define what constitutes a Public-Private Partnership (PPP) since any relationship which involves the combination of private, voluntary and public sectors is prone to being seen as partnership.

This chapter explores the concept of PPPs through setting the background of how and when such partnerships begun, the characteristics and different types of partnerships as well as what developments and activities are happening in different parts of the world relating to PPPs and how they compare to what is happening in South Africa.

3.1 Public-Private Partnerships (PPPs)

A common misconception about PPP projects is that they are mainly about private sector financing public infrastructure and this is not precisely true as financing is not what forms the partnership but is one of the many elements of partnerships (Grimsey and Lewis, 2004). In PPPs, the public sector does not purchase an asset but instead purchases a stream of services under strict terms and conditions. This is important for the viability (or not) of the deal because "it provides the right economic incentives" (Grimsey and Lewis, 2004: 6).

In general, a "PPP is a strongly incentive-compatible contracting arrangement. The cost effectiveness of a PPP relative to traditional procurement is a result of upfront engineering of the design solution and financing structure combined downstream management of project delivery and the revenue stream. All of this is a consequence of the incentives built in to the services payment mechanism and the risk transfer in the PPP model" (Grimsey and Lewis, 2004: 6).

Some people understand PPPs as merely being marketing labels which promote housing development whereas in reality, they have no real substance in them. Others view them as just another form of "privatisation" and a way of merely transferring conventional government duties

to the private market (Savas, 2000). This is an economic view in which housing is seen as “only a private economic good and assuming the market is always the best provider” (Iglesias, 2009: 18). The Encyclopedia of Housing (Van Vliet,1998) “defines a partnership as a voluntary association of two or more persons or entities who agree to carry out a business together, with mutual participation in profits and benefits” (ibid: 18 - 19). The encyclopedia further defines, Public-Private Housing Partnership as partnerships “in which private persons or entities carry out specific programs or projects in conjunction with public agencies, sharing control and using both private and public resources” (ibid: 18). Public private partnerships normally occur in situations where the public and private sector have development objectives which they cannot complete on their own (Sagalyn, 2007).

Other definitions and views are broader and describe PPPs as “a cross-sectoral collaboration involving shared allocation of resources, risk, and/or other activities/roles and responsibilities usually based upon relative skills, competencies or other circumstances to achieve a combination of public private goals” (Iglesias, 2009: 18). In affordable housing, the main goal of the public sector is to provide basic and adequate shelter for low income people while for the private sector it is to make an income (profit) in the housing investment. PPPs in this regard should bring together respective public and private skills and competencies in order to accomplish their relative goals.

“For our purpose, PPPs can be defined as arrangements whereby private parties participate in, or provide support for, the provision of infrastructure, and a PPP project results in a contract for a private entity to deliver public infrastructure-based service” (Grimsey and Lewis, 2004: 2).

Partnership relationships can take many forms and include different requirements and features such as:

- The public sector entity transfers land, property or facilities it controls to the private sector entity (with or without payment in return) for the term of the arrangement;
- Private sector builds, extends or renovates a facility;
- Public sector entity specifies the operating services of the facility;
- Private sector provides services using public facilities for a specified time frame normally with restrictions on operations standards and pricing; and
- Arrangements are made between private and public sector that the private sector transfers the development or complete project to the public sector at the end of the arrangement.

(Grimsey and Lewis, 2004; Pierson and McBride, 1996).

3.2 Background on PPPs

PPPs have been in operation since 18th century with toll roads and railways. There has since been a regrowth of PPPs in development and practice as well as in policies over recent decades (Baruah, 2007). which can be traced to "changing attitudes to public services delivery, dissatisfaction with conventional procurement and construction methods, and the development of the project financing model" (Grimsey and Lewis, 2004: 15). Government has been the main and sole provider of infrastructure but this has changed over the past decade.

> "The Public-Private Partnership (PPP) emerged as a central component of urban policy in both the USA and the UK in the early 1980s although 'by the 1980s, the meaning of partnership had shifted to reflect the emergent desire across both public and private sectors to transfer responsibility for urban regeneration to private developers and investors" (Harrison, 2003: 18; Adams and Hastings, 2001:1475).

"Faced with budgetary stringencies and, at the same time, pressure to expand and improve public facilities and services, governments have turned to the private sector, in order to harness private finance and achieve better value for money" (Grimsey and Lewis, 2004: 19). Infrastructure finance can result in privatisation while infrastructure investment includes the development, operation and ownership jointly or by private sector alone. This resulted in further disintegration of urban governance and service delivery as the ideology behind it was that of transferring the responsibilities and functions of government to the private sector (Harrison, 2003). This called for the revision and development of a holistic conception of partnership which focused on "stronger and more inclusive forms of cooperation between public, private and community sectors" (Harrison, 2003: 18). "The private financing model has also resulted in the growth of PPPs in the last decade as its refinement and development of project finance techniques to 'engineer' the finance to suit PPP structures" (Grimsey and Lewis, 2004: 52)

"Partnerships are part of a broad shift in the workings of government and the search for new forms of governance. In this reorientation, the image of government as the direct provider of services is transformed to one in which government is the enabler, coordinating provision and actions by and through others" (Grimsey and Lewis, 2004: 53). This is a better approach as public approaches to infrastructure development and provision posed issues such as projects

being hampered by government red tape, political interference, lack of funds for new developments and the lack of proper administration and upkeep of facilities (Grimsey and Lewis, 2004). Public/private partnerships have since become a preferred strategy in the development of complex urban development (Sagalyn, 2007).

PPPs area procurement method for infrastructure services and “seeks to get the best of both approaches to infrastructure, employing private sector innovation and business acumen where appropriate, while allowing overall planning, coordination and regulatory control of the infrastructure networks to reside in public hands” (Grimsey and Lewis, 2004: 51).

3.3 Characteristics and Elements of PPPs

The most important elements of partnerships are:

- Participants: PPPs involve two or more stakeholders where at least one of them has to be a public body. Each participant “needs to be a principal, capable of negotiating and contracting on its own behalf. All parties must make an organisational commitment to the partnership” (Grimsey and Lewis, 2004: 13; Li and Akintoye, 2003)
- Relationship: Partnerships have to be enduring and relational to be successful
- Resourcing: Each participant must have a positive contribution to the partnership and arrangements seek to draw on the best skills, knowledge and resources from either public or private sector. Each partner must contribute something (money, property, authority, reputation) to the partnership as partnerships have to create value for money in infrastructure development (Grimsey and Lewis, 2004).
- Sharing: Partnerships “involve the sharing of responsibility and risk for outcomes (whether financial, economic, environmental or social) in a collaborative framework” (Grimsey and Lewis, 2004: 13). For an arrangement to be a partnership there must be a shared interest in the project as well as the same commitment from all involved parties (ibid).
- Continuity: This is formed by the contract in which rules will be set out to provide each partner with some certainty and develop principles which govern interactions. “There must be shared values, a common understanding of priorities and policy objectives, and a good measure of trust” in partnerships to ensure success and continuity (Grimsey and Lewis, 2004: 13).

Partnership are created for different purposes, some are developed for the development of policy, setting priorities as well as to ensure the coordination of different organisations from various sectors. The main but not only concern for this research is projects related to service provision in relation to social and economic infrastructure (Grimsey and Lewis, 2004).

> *"The PPP model that closely approximates what we have in mid is that developed in the UK, Australia, Canada and South Africa, the basic elements of which are as follows:*
>
> - *The public sector defines the services it requires over a long-term period (typically 15-30 years) by reference to an output specification and closely specified performance criteria, without being too prescriptive about the means of delivery*
> - *No payments are made until the asset is delivered and working, and subsequent payments are subject to reduction if service performance standards are not met*
> - *Design risk, in terms of the decision on the type of assets needed to deliver the services to the required standards, is left to the private sector*
> - *The public sector provides no funding during the construction phase, and the risk of cost overruns, delays, etc. rests with the private sector*
> - *The public sector has to devolve control to the private sector over the assets and resources needed to deliver the services to such an extent that the private sector bears the risks and receives the rewards of effective ownership"*

(Grimsey and Lewis, 2004: 6-7).

When considering the sustainability of PPP projects it is important to consider the following:

- Financial sustainability: when considering if a project will be financially sustainable or not, it is important to look into potential revenue sources and how costs will be recovered. These income sources must be measured against all costs of the life of the project.
- Technical sustainability: involves the assessment of technological alternatives according to their suitability in the provision municipal services required over the duration of the project
- Level of the amount of assistance: this amount must be a reasonable ratio of the total projected project cost. In principle, it is stated that this amount should not exceed more than 3 – 8% of the estimated total project cost

(Rwelamila, Chege and Manchidi, 2003).

Sagalyn in 2007 stated that,

> *"successful public/private projects generally share three attributes: partners are cooperative rather than adversarial, because their interests align; formal contracts set the terms under which they share risk and responsibility for mutual financial gain and social benefit; and custom-tailored business arrangements often persist after the project is completed and operating" (Sagalyn, 2007: 8).*

Sagalyn (2007) identifies that it is difficult to find general practice principles in terms of PPPs because projects developed in partnership are designed differently in relation to their context. She further goes on to say, "The void reflects a troublesome gap between theory and practice: Those who know about how to organize public/private ventures seldom stand back from their work and evaluate it, and those who write about the subject are seldom knowledgeable enough about the details to go beyond broad assertions" (Sagalyn, 2007: 7-8). It is therefore important to understand the context in which partnerships and joint ventures occur as the success of partnerships is quite context specific. "The success of particular housing PPP programme is highly influenced by the country's economic, political and cultural circumstances. Put simply, the success and failures may be country-specific" (Abdul-Aziz and Jahn Kassim, 2011: 151; Brown, Orr and Luo, 2006). To learn about these, it requires case studies to be done and for case to case comparisons in order to understand the complex dynamics that takes place in such projects (Sagalyn, 2007).

3.4 Types of Public-Private Partnerships

There are many different types of public-private partnerships with the most common being in the form of Build Operate Transfer (BOT) or Build Own Operate (BOO) arrangements, joint ventures (JV), leasing, contracting out or management contracts, and various forms of public-private cooperation (Grimsey and Lewis, 2004). More detailed description of these forms will now be given below:

- Build Operate Transfer (BOT): in such contracts the private sector is responsible for the funding, design, building, and operation of the project. Control and ownership is the given to government upon completion.

- Build Own Operate (BOO): the control and ownership of projects in these arrangements remains in the hands of the private entity and this entity is responsible for financing, building, owning and operating project or infrastructure facility into perpetuity.
- Leasing: such projects transfer part of the risk to private sector. Arrangements are also known as *affermage* contracts; here private sector covers the design, construction and sometimes the operation of a project. These arrangements are mainly used in France and a number of ex-French colonies in Africa.
- Joint Ventures (JV): here finance, ownership and operation are the responsibility of both sectors (public and private). This type of procurement method is used in urban regeneration schemes in the United States where local government buy and clear disintegrated areas for themselves or private entities to invest in new construction such as a new city hall or government offices or downtown redevelopments (Grimsey and Lewis, 2004; Beauregard, 1998).
- Operation or management Contracts: arrangements here are for the partial involvement of the private sector where they provide a service or management of a project. Such "contracts allow the private sector to provide infrastructure-related services for specified periods of time" (Grimsey and Lewis, 2004: 11). Examples of the use of such contracts can be found in state owned agricultural business in countries such as Senegal, Cote d'Ivoire and Cameroon. This type is also used in service provision (water and electricity) in Guinea-Bissau, as well as mining operations in Latin America and Africa (Rondinelli, 2002).
- Cooperative arrangements: are a more informal type of contract agreement which occur between public sector and private entities in social housing development projects. "In many localities, fiscal incentives or guarantees are given to attract private capital into low-cost housing associations for social housing projects" (Grimsey and Lewis, 2004: 12).

The above discussed types are the most commonly used kinds of partnerships but not the only types found. A new development which involves partnership is that of social housing projects. Partnerships here are between the public sector, private entities and non-profit organisations. Another new type of partnership is that of 'green' public private partnership which have revolutionised the provision of public infrastructure over the past years (Grimsey and Lewis, 2004). "More familiar examples of PPPs come from toll roads, light rail systems, bridges, tunnels, waste water treatment facilities, hospitals, courts, museums, schools and private

prisons" (Grimsey and Lewis, 2004: 1). There are other different types and models which are used and applied in different countries and the concept of partnerships is always changing and evolving in different contexts and countries where partnerships are implemented (ibid).

3.5 Examples of PPPs in Different Contexts

The implementation of PPPs is an international practice. Li and Akintoye (2003:3) state that "governments worldwide have sought to increase the involvement of the private sector in the delivery of public services... there is a range in partnerships, from those dominated by the private sector to those dominated by the public sector. Some types of partnerships are more prevalent in some nations than others". Below is a discussion of some of the partnership form adopted and used in a few countries and contexts.

3.5.1 The American Context

Public private partnership development approaches began being used during the 1970s in the United States. Such approaches were mainly implemented on downtown redevelopment projects (Sagalyn, 2007).

> "In the USA, PPPs have covered transport (e.g. toll roads) and private prisons and detention facilities, but have also dealt with education policy priority setting, welfare provision, health and medical services, and a range of community activities and services from schooling to urban regeneration and environmental policy. This broader framework encompasses both 'policy-level' partnerships and 'project-level' partnerships" (Grimsey and Lewis, 2004: 7).

Partnerships have also been used and are continuing to be used in Latin America and the Caribbean. Here the private sector has been and continues to be actively involved in infrastructure development. Partnerships are also involved in skills development of low-income youths through the teaming up of public and private sector as well as non-governmental organisations (NGOs). A fast growing form of partnership is the transformation of privately owned natural areas into privately owned protected natural areas. This involves landowners deciding to turn their land into Private Reserves of Natural Habitat (PRNHs) without them losing their property rights (Li and Akintoye, 2003).

3.5.2 The European Context

Table 2 below outlines and defines the different kinds of PPP models used in the United Kingdom.

Table 3.1: PPP models used in the UK

Model	Definition
Asset sales	The sale of surplus public sector assets
Wider markets	Introducing the skills and finance of the private sector to help make better use of assets (both physical and intellectual) in the public sector
Sales of business (by flotation or trade sale)	The sale of shares in state-owned business, by floatation or trade sale, with the sale of minority (e.g. BNFL) or majority (e.g. CDC) stake
Partnership companies (e.g. NATS)	Introducing private sector ownership into state-owned business, while preserving the public interest and public policy objectives through legislation, regulation, partnership agreements, or retention by government of a special share
Private Finance initiative	The public sector contracts to purchase quality services with defined outputs, on long-term basis from the private sector, and includes maintaining or constructing the necessary infrastructure; the term also covers financially free-standing projects where the private sector supplier designs, builds, finances and then operates an asset
Joint ventures	Partnerships in which the public and private sector partners pool their assets, finance and expertise under joint management, so as to deliver long-term growth in value for both partners
Partnership investments	Partnerships in which the public sector contributes to the funding of investment projects by private sector parties, to ensure that the public sector shares in the return generated by these investments
Policy Partnerships	Arrangements in which private sector individuals or parties are involved in the development or implementation of policy

(HM Treasury, 2000 in Li and Akintoye, 2003: 3)

3.5.3 The Asian Context

In the Malaysian context the form of partnership used has been privatisation. Privatisation has been used as a means of affirmative action in addressing ethnic income differences. This has

included “the sale or divestment of state concerns; public issue or sale of shares in state-owned public enterprises; placement of shares with institutional investors; sale or lease of physical assets; joint public-private ventures; schemes to draw private financing into construction projects; ‘contracting out’ of public services previously provided within the public sector; and allowing private competition where the public sector previously enjoyed a monopoly” (Li and Akintoye, 2003: 20-21).

3.5.4 The African Context

African countries are recognising more that Private Finance Initiatives (PFI)/PPP is the most effective method for moving forward in service provision (Li and Akintoye, 2003). “Botswana is said to be an excellent example of a country that has exploited its natural resources through PPP arrangements” (ibid: 23; Ball, 1999). In Zimbabwe, private sector participation has been increasing in an attempt of government to rationalise the local government service (Li and Akintoye, 2003).

Cameroon experienced an economic crisis during the mid-1980s with further political and social uprisings during the early 1990s. This caused decreases in public finances resulting in difficulties in the implementation of rural development strategies. This led to many communities initiating their own development projects through seeking foreign financing through local or foreign NGOs based in the country. An example of such a project was the Niger Integrated Rural Development Project (NIRDP) which was supported by the European Union and the Netherlands Development Organisation (SNV). These organisations worked in partnership with the community to ensure better standards of living for the Niger people (Li and Akintoye, 2003).

3.5.5 The South African Context

Following the end of apartheid the country’s government has been hard at work testing and trying to find innovative techniques for service delivery. Tested approaches are adopted from those which have been tested and refined by other countries while South Africa was isolated from the international world. Some of these approaches include public-private partnerships (PPPs) also referred to as municipal service partnerships (MSPs) which include possibilities of PPPs. These include long-term concession and lease contracts, management and service contracts, as well as sales of government assets (Rwelamila, et al, 2003).

The Municipal Infrastructure Investment Unit (MIIU) is a non-profit organisation developed to offer financial as well as technical support to local governments exploring the above mentioned service delivery techniques, which include partnerships (Rwelamila, et al, 2003). “The long-term aim of the MIIU is to develop a market place in which informed local authority officials and professionals can obtain the services of private sector advisers, investors and service providers as well as other public sector service providers and experts, to find more cost-effective ways of providing urban services to citizens” (Rwelamila, et al, 2003: 301).

“PPP is very much a buzzword in South Africa today, where prison sector in particular has become an area for PPP” (Ball, 1999; Li and Akintoye, 2003: 23). PPP agreements need written approval from the national treasury or relevant provincial treasury. “A build-operate-train-transfer (BOTT) programme has been implemented in a water system in South Africa. However according to Gentry and Fernandez (1997), this kind of PPP has not yet been widely applied worldwide” (Li and Akintoye, 2003: 23).Table 3 below outlines other sectors and types of Public-private partnerships used in South Africa.

Table 3.2: Sectors and types of PPP in South Africa

Type	Definition
Corporatisation	Municipality forms a separate legal corporate entity with the private sector to manage municipal service provision. The municipality continues to own the enterprise, but it operates with the freedom and flexibility generally associated with a private sector business
Management Contract	The municipality pays a private firm a fee for assuming overall responsibility for operating and maintaining a service delivery system, allowing it the freedom to make day-to-day management decisions. Typical duration: five years
Service Contract	A municipality pays a private firm a fee for providing specific operational services such as meter reading, billing and collection, and operating facilities. Typical duration: one to three years
Concession	Under this PPP arrangement a private firm handles operations and maintenance, finances investments (fixed assets) and provides working capital. Assets are usually transferred to the private company for the duration of the contract, but continue to be owned by the municipality and must be returned to them in the condition specified at the end of the contract. Concession projects are designed to generate sufficient revenues to cover the private firm’s investment and operating costs, plus an acceptable rate of return. The municipality exercises a regulatory and oversight role,

	and receives a concession fee for this arrangement, which usually focuses on operating and financing the expansion of existing system components. Typical duration: 15 + years
Municipal debt issuance	Under this arrangement the municipality issue bonds or borrows from lenders to raise capital cost of the structure or expanding an infrastructure system. The municipality maintains total control of the project and bears all associated risks. The issuance process is usually facilitated by underwriting firms (public or private banks) and may involve financial advisory service providers. Typical maturity of debt: 5 – 20 years.
Lease contracts	Here a private company rents facilities from a municipality and assumes responsibility for operation and maintenance. The lessee finances working capital and the replacement of capital components with limited economic life but not fixed assets, which remain the responsibility of the municipality. Typical duration: ten years
Build-operate-transfer	This form of PPP concession emphasise the construction of new, stand-alone systems. The municipality may or may not receive a fee or share of profits. Typical duration: 15+ years

(Rwelamila, Chege and Manchidi, 2003: 310 – 311)

3.6 Public- Private Partnership Stakeholders

Government has a social responsibility and is more oriented towards environmental awareness and is well acquainted with "difficult-to-serve" people (Rosenau, 2000: 218). "The private sector is thought to be creative and dynamic, bringing "access to finance, knowledge of technologies, managerial efficiency, and entrepreneurial spirit. It is better at performing economic tasks, innovating and replicating successful experiments, adapting to rapid change, abandoning unsuccessful or obsolete activities, and performing complex or technical tasks" (ibid: 218). The non-profit sector is good in areas which need "compassion and commitment to individuals" (ibid: 218).

Public and private sectors are driven by different goals and aims. Private sectors main goals and objectives are: "achieving returns on the invested funds; daring to take business risks; having to anticipate market and competitive developments; and realising a corporate goal" (Rosenau, 2000: 229). The public sector on the other hand is interested in "legislation, regulations, and authorities; political opinions and political influence; democratic decision-

making processes; the minimisation of risks; and the realisation of a social goal" (Rosenau, 2000: 229).

"Authentic partnering, in theory, involves close collaboration and the combination of the strengths of both the private sector (more competitive and efficient) and the public sector (responsibility and accountability vis-à-vis society)" (Rosenau, 2000: 219). This is not always the case though in the real world as sometimes partnerships do not involve close cooperation and may even be similar to privatisation.

3.7 Strengths and Weaknesses of Public-Private Partnerships

PPPs can result in decreased costs and slight improvements in performance; this is especially true in cases where partnering is very loose and partners do no work closely together in projects or programmes (Rosenau, 2000). A positive outcome of joint venture projects is that at times they help mobilise and develop long-term and mutually beneficial relationships between different stakeholders (public and private) involved in projects. Such programmes also "offers a long-term, sustainable approach to improving social infrastructure, enhancing the value of public assets and making better use of taxpayer's money" (Li and Akintoye, 2003: 3).

PPPs do not guarantee equity and fair access to services. This is a major weakness of partnerships as equity and fair access to services is always an issue and "abuse is possible from both public and private providers" (Rosenau, 2000: 223). This makes "turning the provision of goods and services for vulnerable populations to private, for-profit, companies, even with partnerships, imposes a caveat emptor philosophy that creates problems" (ibid). Problems can range from vulnerable groups not being able to meet the purchaser requirements and competing in normalized market conditions. Accountability is very important in ensuring that partnerships fulfil intended policy objectives successfully. For success, partnerships therefore need to be closely monitored to ensure that they increase access and successfully provide services to those in need (ibid).

Public and private sectors have different strengths, weaknesses and orientations. On one hand, it is important to combine the strengths by the teaming up of these stakeholders or entities but this carries a threat of there being conflicts of interest as they are oriented towards different goals. The implication of this is therefore that public-private partnership "requires special attention" as public and private sectors have different orientations (Rosenau, 2000: 229). Private

sector lacks transparency which is of major importance when providing services for or dealing with vulnerable groups.

3.8 Partnerships in the Delivery of Affordable Housing

Service delivery approaches favour privatisation when it comes to delivery which brings to the fore the importance of having public private partnerships in order to have efficient service delivery systems (Bond, 2003). It is crucial to always be aware "that individuals will be motivated by their own self-interest regardless of what they might consider the greater societal good" when developing and working in PPPs (Diamond, 2009: 7). "Providing housing for people in need has long been the responsibility of an amalgam of private-sector forces and public initiatives, but has come to be increasingly dominated by programs that seek to leverage private-sector resources and expertise for public goods" (Davidson, 2009: 36).

"Although not as commonly adopted for infrastructure provision, public-private partnerships (PPP) in the delivery of homes have been practised in Egypt, India, Pakistan, South Africa, Bulgaria, Mexico, Russia, Thailand and the United Kingdom" (Abdul-Aziz and JahnKassim, 2011: 150).There can be a number of opportunities and positive outcomes from the development of affordable housing under PPPs. These range from improved perceptions of affordable housing by both public and public sectors and changing the general public's perceptions of affordable housing. Such partnerships are also likely to result in increased subsidies and construction as with success the private sector would gain confidence and want to be involved in projects increasing the funding and resources available for development (Iglesias, 2009). PPPs "are now an accepted alternative to the traditional state provision of public facilities and services" (Akintoye, Beck and Hardcastle, 2003: xix).

> "The challenge will be to identify through practice which PPPs most effectively promote affordable housing and then to unite around advocating for those forms while maintaining the historically favoured form of PPPs in affordable housing development – direct government subsidies" (Akintoye, Beck and Hardcastle, 2003: 32-33).

"Anticipating success or failure in advance in implementing public-private partnerships, although desirable, is extremely difficult, and monitoring partnerships for impact is critical" (Rosenau, 2000: 219). To be successful public and private stakeholders need to share a common responsibility and be guided by policy which aims to impact citizens (ibid).

3.9 Conclusion

From the beginning, housing policy has called for PPPs in addressing housing issues and the provision of adequate housing for the country's citizens. Such PPPs are not fully understood and different views have ranged from them meaning the passing of government tasks to the private sector. Today the understanding of PPPs is that it calls for the shared allocation of resources, risks and responsibilities between the private and public sector in order to achieve public private goals. In relation to affordable housing these goals are the provision of adequate housing on the public sector side and the creation of wealth and income from investment on the side of the private sector.

CHAPTER FOUR: RESEARCH METHODOLOGY

4. Introduction

The following chapter presents the research method used in the study. The research methodology employed in this study is that of exploratory qualitative research. The research also uses the case study design. This is explained in greater detail in following sections which outline sampling procedures, data collection and analysis methods, ethical considerations as well as research limitations.

4.1 Research Method

This study uses a qualitative research methodology and the nature of qualitative research is exploratory and inductive. Qualitative research is useful in descriptive studies as well as in studies which aim to examine certain perspectives, events, beliefs, or practices from participants' views. The research takes an emergent, exploratory, inductive qualitative approach. A qualitative research method is good in exploring complex research areas and when the researcher is trying to understand certain groups or phenomena (Pellissier, 2011). This research uses the qualitative method as its main aim is to explore, describe and understand issues around public-private partnerships in the development of affordable housing.

Though qualitative research is often exploratory, such research is also useful in substantiating specific hypotheses, claims and propositions (Trochim, 2006). Such a qualitative study provides "verification – to allow a researcher to test the validity of certain assumptions, claims, theories or generalisations within real-world contexts; evaluation – to provide a means through which a researcher can judge the effectiveness of particular policies, practices, or innovations" (Peshkin, 1993). An exploratory research is useful as it aids in questioning the dynamics of PPPs in the development of affordable housing and help develop an understanding of them (Brink and Wood, 1998).

Trochim (2006) states that it is important to ask a couple of questions before undertaking qualitative research. These are whether the aim of the research is to generate new theories or hypotheses; if the aim is for a deeper understanding of the issues surrounding the research

area; whether there is a will to trade detail for generalisations; and lastly whether funding to carry out the research is available. Qualitative research is valuable when investigating complex and sensitive issue such as low income housing issues and this study uses the qualitative approach as it aims to develop a deep understanding of these housing issues as well as PPPs in affordable housing projects. To gain a detailed understanding of what people think when engaging in such qualitative studies, in-depth interviews play an important role (Trochim, 2006).

One of the strengths of qualitative research is that it is very good at producing detailed information. Quantitative research can also do this but has the weakness of data tending to shape and limit the study analysis. Qualitative research is therefore considered to be better for detailed studies because data is more 'raw' and in most cases is not pre-categorised. This means that the researcher has to be ready to organise collected raw data (Trochim, 2006). This detailed nature of such studies also has weaknesses as it results in difficulty in generalising information and works well where research aims to provide full description of phenomena being researched. This is why it is sometimes better to mix qualitative and quantitative research with the qualitative "'telling the story' from the participant's viewpoint, providing the rich descriptive detail that sets quantitative results into their human context" (Trochim, 2006: online).

4.2 Research Design

A case study research design is used for this study, "a case study is an intensive study of a specific individual or specific context. There is no single way to conduct a case study, and a combination of methods (e.g., unstructured interviewing, direct observation) can be used" (Trochim, 2006: online). "As a research strategy, the case study is used in many situations to contribute to our knowledge of individual, group, organisational, social, political, and related phenomena" (Yin, 2003: 1). This type of research design is preferable for this study as it explores PPPs in the provision of affordable housing to contribute towards current knowledge of its failures, successes and reasons behind these.

A multiple case study approach is taken in order to learn and be able to determine similarities and see what was done differently in studies which were a success as opposed to unsuccessful ones. "Researchers study two or more cases – often cases that are different in certain key ways - to make comparisons, build theory, or propose generalisations, such an approach is called a multiple or collective case study" (Leedy and Ormrod, 2001: 149). Two case studies were used

in this study due to time and resource constraints to be able to explore more cases than this. Cases used are based in the greater Johannesburg area ranging from the CBD to outer suburbs in order to avoid bias on the inner city residential market but look at a greater market area and look into different housing typologies.

4.3 Sampling Procedures

“Sampling is the process of selecting units (e.g., people, organisations) from a population of interest so that by studying the sample we may fairly generalise our results back to the population from which they were chosen” (Trochim, 2006: online). The group which is generalised to is known as the population. There are theoretical populations which you wish to generalise in and the actual accessible populations which are actually available for the study (ibid). The population for this research are the stakeholders involved in affordable development in both the public and the private sector and the actual accessible population are the stakeholders that were actually involved in the study.

The sample is therefore the group of people chosen to be in the study but this does not mean that all of them were eventually be involved in the study as some of them may not be contactable or may not respond to given questions. For this study, purposive sampling was used and “in purposive sampling, we sample with a *purpose* in mind” (Trochim, 2006: online). Purposive samples most likely result in opinions of the target population, but are also likely to overweigh subgroups in the population that are more readily accessible (ibid).For this study, the sample used was seven stakeholders involved in PPP projects developing affordable housing. Two such development projects were also selected to be used in the study.

4.4 Data Collection Process

Being an explorative qualitative research which uses case studies, this research type and design calls for the extensive collection of data on PPPs, the development of affordable housing and related programmes and projects. This information was collected through observation, document review (articles and books) and interviews (Leedy and Ormrod, 2001).

For the purpose of this study, data collection methods used were written notes, documents and in-depth and unstructured interviews involving individuals or groups. When undertaking such interviews, data is collected by recording in one of these methods: stenography; audio recording; video recording; or written notes. Such interviews help the researcher to explore the ideas of the interviewees regarding the phenomenon of the research (Trochim, 2006). For the purposes of this study, interviews were recorded using audio and written notes. Unstructured interviews are much more flexible and allow the interviewer to be able to control the direction in which the interview takes according to what comes up during the conversation with the interviewee. The interviewer has guiding questions and continues from there according to responses received from interviewees. It is of major importance when using this structure that the interviewer ensures that interviews cover similar issues as the weakness of this structure is that it tends to produce unique interviews which become difficult to analyse and compare across all respondents (ibid).

4.4.1 Case Study and Interview Questions Outline

When looking into case studies and setting out research questions, the focus was on issues around finance, developmental as well as lessons learnt by different stakeholders involved and what they feel could be improved. This goes back to addressing the research questions set out in the first chapter as well as meeting the objectives of this study set out in section 1.4.

Interview questions were structured into general questions in the beginning to kick the interview off and just ease the interviewee's into speaking and answering questions. Such questions were focused on the interviewee and how long they had been in the company or organisation they work in as well as what he/she does and how many PPP projects they have been involved in developing.

The second group of questions were structured around the nature of public-private partnerships in the development of affordable housing. These questions aimed to find out how the relationships between the different stakeholders in these projects are structured as well as which of these structures are preferred by the different stakeholders such as whether the public sector prefers to work with private sector or other public sector entities and why this is the case. Question in this section also were focused on drawing out the issues faced in the projects and how these problems can be addressed. Answers to these questions helped to discover how

partnerships relationships in project delivery have changed as well as what and how they can be enhanced for better efficiency and delivery of affordable housing.

Other questions looked into the financial elements of the projects. These include how and who has the financial responsibility when conducting such developments which also leads to the risk sharing between the different partners/stakeholders involved. This led to questions around the products as well as the price range and affordability once projects have been delivered.

Methods to analyse the data collected are now discussed in the following section. These methods were used to analyse the information gathered in the case studies and interviews conducted. The analysis and findings are discussed in chapter six of this document.

4.5 Data Analysis

Two analytic strategies are used in the analysis of the evidence from studies and collected data. The first strategy is based on the theoretical propositions in which the study is based and the research question, literature and new insights. The second analytic strategy is the development of a case description. Here analysis is based on the description of the characteristics and relations of PPPs in the provision of affordable housing (Yin, 1994). Most research involving social issue normally use three major steps in its data analysis. These are: data preparation that is cleaning and organising collected data for analysis; descriptive statistics which is describing the collected data and lastly; Inferential statistics where developed hypotheses, models or propositions are tested (Trochim, 2006).

Analytic techniques used are: pattern matching and explanation building analysis. Pattern matching involves the linking of two patterns which are normally a hypothetical pattern and practical pattern. Such an analysis strategy involves an attempt to relate, link or match theoretical and observation patterns. In such cases where the study uses a case study design, pattern matching involves the analysis of case study patterns and their comparison with predicted patterns (theories, propositions and hypotheses) and whether or not there are any alternative explanations or patterns (Trochim, 2006; Yin, 1994). Figure 1 below outlines the thinking process which goes with the pattern matching approach.

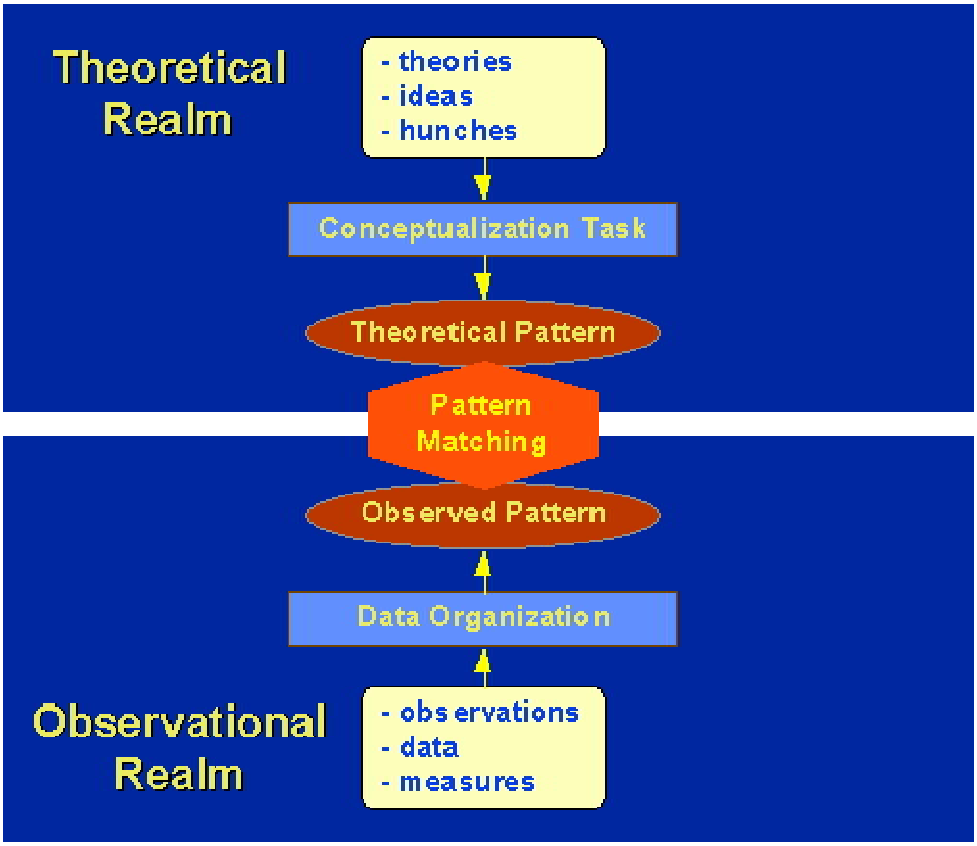


Figure 4.1: Pattern matching theory (Trochim, 2006: online).

The explanation technique requires collected data to be analysed by building an explanation about the case and identifying a set of causal links. When using the explanation building strategy researchers have to be careful not to drift away from the original topic as this is one of the potential problems when using this strategy (Yin, 1994; Trochim, 2006).

First and foremost, the analysis on written documents is done and this is known as content analysis. This can be quantitative, qualitative or both. This is a broad analysis which aids in the identification of patterns in the text. An important part used in this study is that of thematic analysis of text, which identifies and pins down major themes found in the reviewed documents. These documents include field notes, newspaper articles, technical papers or organisational memos collected during the data collection stage (Trochim, 2006).

The analysis done in a study determines the units of analysis therefore the units of analysis used in this study is a group as the study is looking into a number of affordable housing projects

undertaken in public-private partnerships. The study though involves hierarchical modelling as to investigate properly individual units that is individual households which get affordable housing from such projects and; books, photos, newspapers, about such affordable housing projects and policies were used (Trochim, 2006).

Table 4 below summarises the case study research design and describes the aim of case study, method of conducting a study, data analysis as well as the type of research in which the case study method can be used

Table 4: Case study research design

CASE STUDY	Study an individual programme or event in depth. Suitable for a little known or poorly understood situation. Also to study changes over time, possibly as a result of intervention
	Method: collect extensive data on the individual, programme or event. Observations, interviews, documents, past records or audio-visual material. Details about the context surrounding the case – social, historical and economic circumstances.
	Data Analysis: organise details, categorise data. Interpret single chunks of data, identify patterns, integrate findings and generalise results.
	Research report: reason for studying the case, describe the facts and the data, discuss the patterns found and relate this to the larger scheme of things

(Pellissier, 2011).

4.6 Validity and Reliability

Validity refers to the truth contained in proposition, presumptions and conclusions made in the research. External validity is about whether conclusions made in the research can be applied or generalised and hold true for other people or places at other times (Trochim, 2006). External validity has three major threats that could make conclusions drawn in research hold untrue in other contexts. These are people, places or times. To improve external validity, it is important to use a great sample in research and this involves the random selection rather than a non-random sampling procedure. Once sample is chosen it is also important to ensure that chosen participants participate and do not drop out or not respond. To improve external validity of this

study, the study is done in a number of places, that is three cases and each of these cases involves different people. Studies were also undertaken on cases which were developed at different times to strengthen the studies external validity. This makes the external validity/ability to generalise the study stronger (Trochim, 2006).

Internal validity is about the accuracy of conclusions regarding cause-effect or causal relationships. Internal validity is important for this study as it aims to assess the effects of social housing programs around affordable housing. For internal validity, the key issue is whether observed changes in affordable housing development and provision are due to the programs and policies discussed in the previous chapter and not due to other causes (Trochim, 2006; Yin, 1994).

4.7 Ethical Considerations

Ethical issues important and relevant to this study are voluntary participation whereby participants in the research do so voluntarily and are not forced to participate in any way. Another issue is that of informed consent where the participants are informed about the research and what it entails and get their consent to use their ideas and inputs when they are fully aware of what the research is for and what will be done with it. This is to ensure that participants are not put in any danger due to participating and being involved in the research. Ethically a researcher has the duty to also protect the privacy of research participants by ensuring confidentiality and making sure that no personal information is made available to people not involved with the study (Trochim, 2006).

4.8 Limitations

Limitations to this study are that the population selected for the study is not representative of the whole low income population and affordable housing development projects in Johannesburg. This means that findings are not likely to be able to be used and generalised across the province or country. What the study does is lay a foundation for future research to be done in these PPPs in the provision of affordable housing and look into much broader contexts such as the whole province or country at large.

Other important limitations here are the lack of sufficient and unlimited information from both government and public sector projects and information. Time is also a major limitation as research has to be done and completed in less than a year hence the limiting of case studies to three.

4.9 Conclusion

To conclude, the study uses a qualitative research method which is exploratory and inductive in nature. Such studies are good as they provide detailed information. A case study design in the form of multiple cases approach is employed to be able to learn and be able to compare studies and determine similarities and differences between different cases. The sample population chosen for the study is low income people who qualify and occupy affordable housing units in projects developed in partnerships. This sample was chosen using the purposive sampling procedure which helps in targeting relevant populations which provide the researcher with information relevant to the study.

Information was collected through direct observation, written documents and in-depth unstructured interviews and collected information was analysed using pattern matching and explanation building analysis techniques. Important ethical issue the research had to be sensitive towards are voluntary participation, informed consent as well as ensuring confidentiality and the protection of privacy. Lastly, the chapter outlined the limitations to the study which include findings not being able to be generalised and time constraints.

CHAPTER FIVE: CONTEXTUAL FRAMEWORK AND FIELD STUDY ANALYSIS

5. Introduction

The following chapter outlines and describes the context of Johannesburg where the case studies used in the research are located. The three case studies of affordable housing projects developed through public private partnerships or by the private sector as a means of aiding the public sector address affordable housing shortage issues are also discussed in this chapter. The chapter looks into the background of the development, partners involved and costs of the housing units among other factors. The first project is the Fleurhof project on Main Reef road; followed by the Pennyville Housing project in the South West of Johannesburg, on New Canada Road.

5.1 Background

The City of Johannesburg is located 550 km south of the country's northern part and 1 400 km of the country's most southern part. The city covers an area of 1 644 km², below is a map showing the location of Johannesburg in the context of the Gauteng province (City of Johannesburg, 2011a).

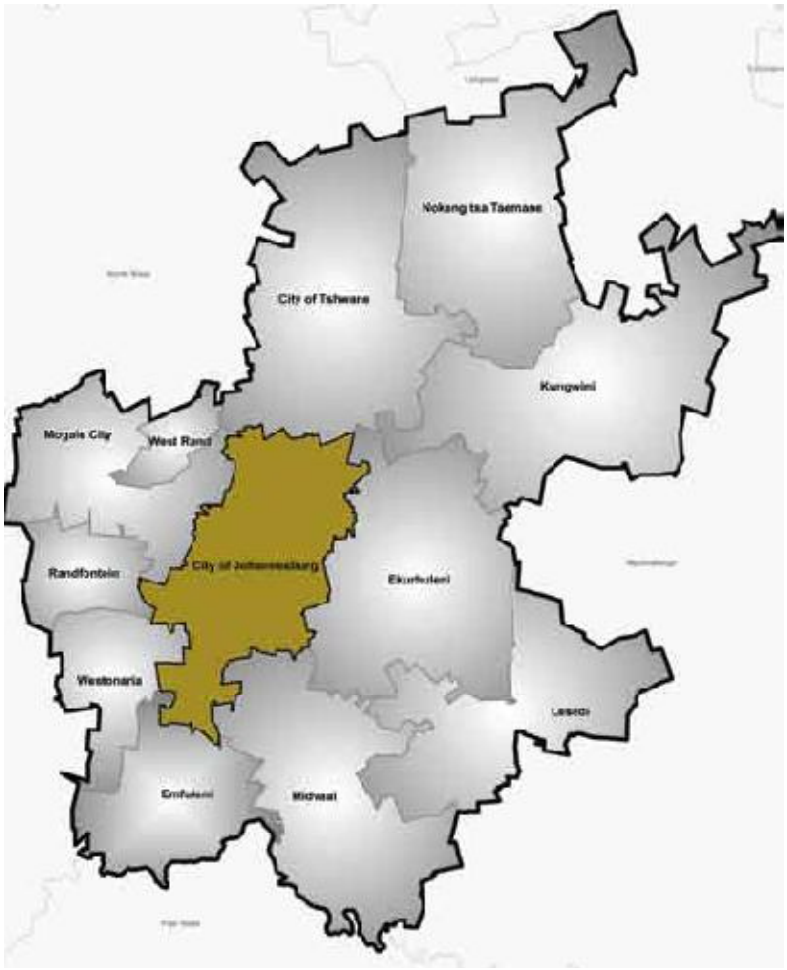


Figure 5.1: Johannesburg in the context of Gauteng (City of Johannesburg, 2011a: 18).

In 2010, the city was estimated to be home to 3.8 million people and the city's annual population growth rate is 1.8% (City of Johannesburg, 2011a). This population growth is mainly driven by migration of people into the city from other South African provinces as well as other countries. This population makes up 1.3 million households with an average household size of about three people. Household sizes are projected to grow at about 1.7% per annum. The distribution of these household is such that 30% of total households in the city are women-headed households with the remainder being 67% being male headed households (ibid). The graph below (figure 3) shows the age distribution of the city's population in 2009, the graph reveals that majority of the population is found in the 30 – 39 years age. People in this age group are mainly those who come to the city due to being attracted by job opportunities found in the city.

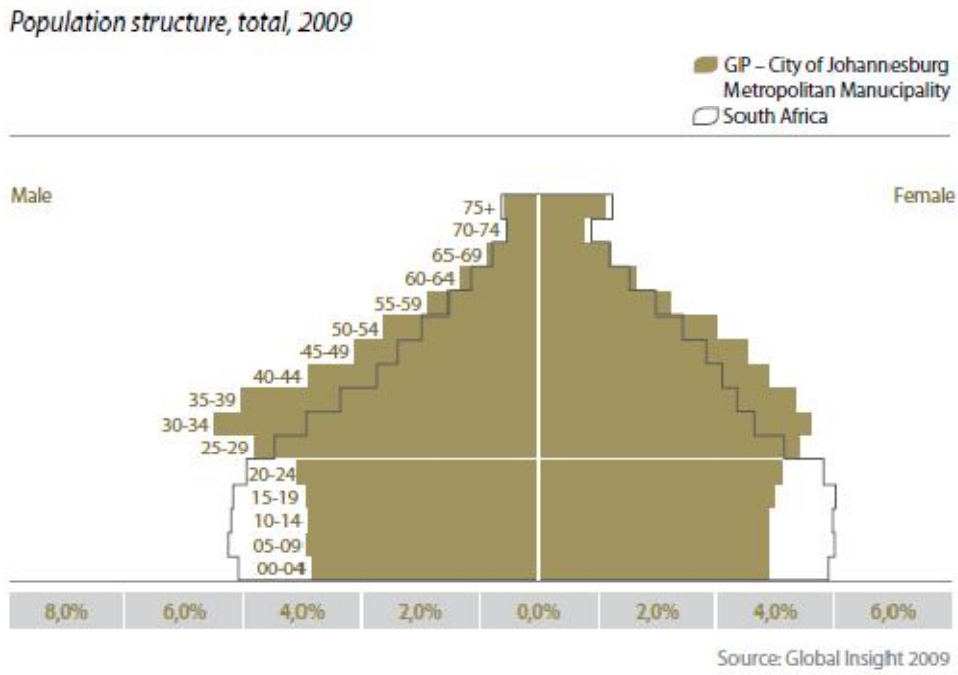


Figure 5.2: South Africa's 2009 Population Structure (City of Johannesburg, 2011a: 19).

"Johannesburg is a city of stark contrasts. It is home to both wealthy and poor, resident and refugee, global corporations and emerging enterprises" (City of Johannesburg, 2011a: 18). The city's spatial form is made up of diverse neighbourhoods which range from low-density suburbs which are home to the wealthy to high density informal settlements which are home to the poor residents of the city.

"In general, there is a divide between the wealthy north and the poorer south, although there are areas of poverty in the north and wealth in the south" (City of Johannesburg, 2011a:18). The city is further divided into seven regions to ensure easy governance and accessibility to local communities. Each region has its own offices which provide residents with convenient access to different services provided by the city. The map (figure 4) below shows the different city regions in Johannesburg.

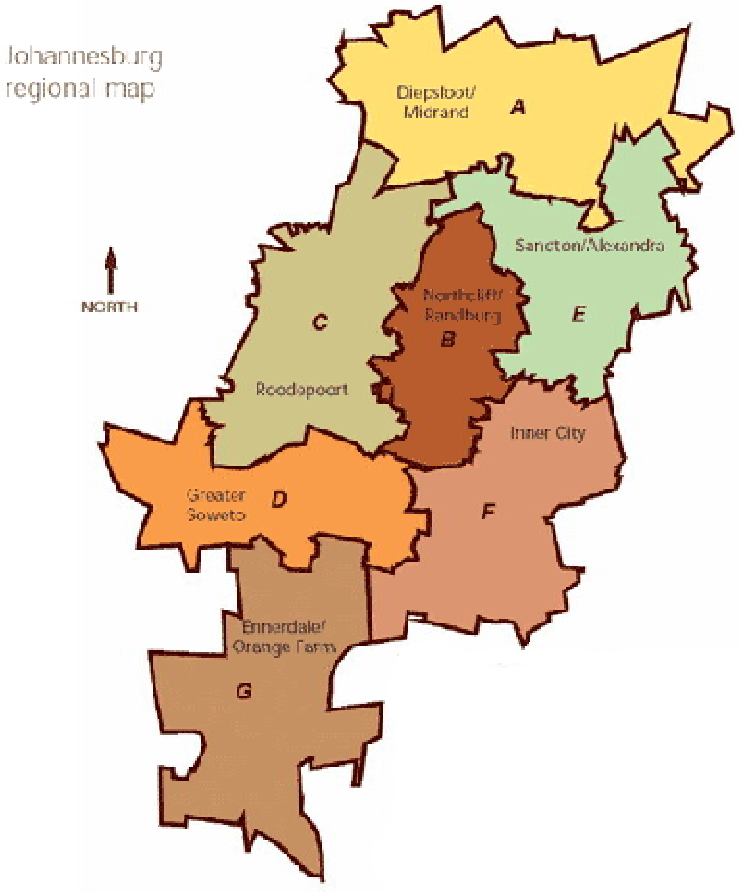


Figure 5.3: Map showing the seven administrative regions in Johannesburg (http://www.joburg.org.za/regions)

5.2 Economic Background

"The City of Johannesburg is a financial hub of the country and provides a vital gateway to the African continent as a whole" (City of Johannesburg, 2011a: 8). The city's economy is dominated by the tertiary and secondary economic sectors, "namely: financial and business services, retail and wholesale trade, community and social services and manufacturing" (City of Johannesburg, 2011a: 20). The construction sector has also grown quite tremendously over the years and a major factor for this was the hosting of the 2010 FIFA world cup. After the soccer World Cup, the sector began to tighten and many workers in this industry were retrenched.

The city of Johannesburg has also been negatively affected by the international recession. From 2008, activity in industrial and emerging markets has been weak, coupled with low commodity

prices and foreign direct investment fell. “Statistics SA reveals that by the second quarter of 2009 the most affected sectors were: the manufacturing industry, wholesale and retail trade, hotels and restaurants, finance, real estate and business services” (City of Johannesburg, 2011a: 20). This was evident in the employment rates in the city as the unemployment rate rose from 19.4% to 21.8% between 2008 and 2009. Unemployment in the city mainly affects African women as 27.5% of the people in this group are unemployed. The graph below (figure 5) shows these labour force participation rates as well as unemployment rates from 1996 to 2009.

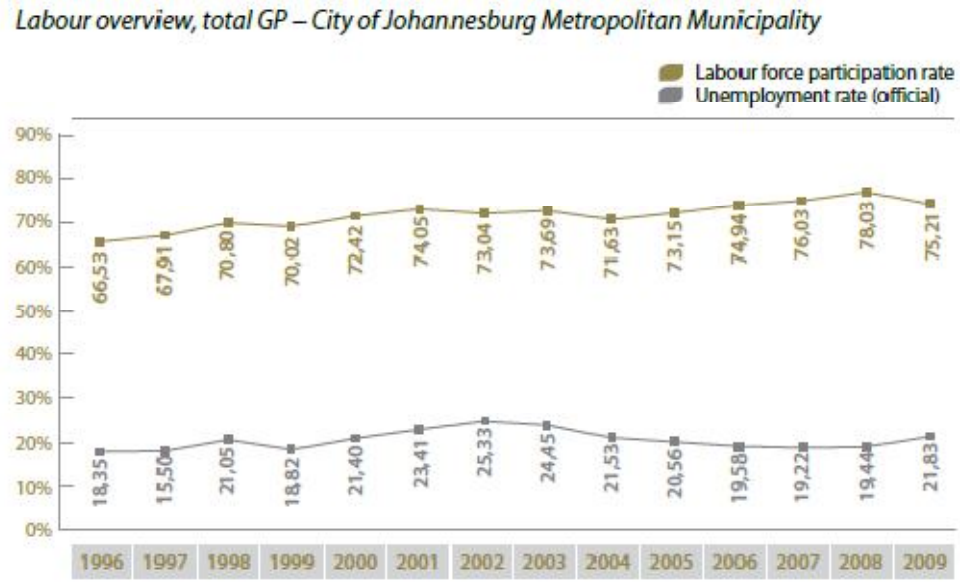


Figure 5.4: Gauteng Labour Statistics (City of Johannesburg, 2011a: 21).

5.3 City of Johannesburg Strategies

Under Mayor Amos Masondo, 2000 – 2011, the Vision of the City of Johannesburg was that:

> *“In the future, Johannesburg will continue to lead as South Africa’s primary business city, a dynamic centre of production, innovation, trade, finance and services. This will be a city of opportunity, where the benefits of balanced economic growth will be shared in a way that enables all residents to gain access to the ladder of prosperity and where the poor, vulnerable and excluded will be supported out of poverty to realise upward social mobility. The result will be a more equitable and spatially integrated city, very different from the divided city of the past. In this World-Class African City for all, everyone will be able to enjoy decent accommodation, excellent services, the highest standards of health*

and safety, and quality community life in sustainable neighbourhoods and vibrant urban spaces." (City of Johannesburg, 2011a: 31).

Under the new Mayor, Councillor, Mpho Franklyn Tau the new vision outlined for the city states that:

> *"Johannesburg – a World Class African City of the Future – a vibrant, equitable African city, strengthened through its diversity; a city that provides real quality of life; a city that provides sustainability for all its citizens; a resilient and adaptive society."* (*Tau, 2011: 3;* City of Johannesburg, 2011b: 35*).*

There are similarities in these visions and the points that stand out are that the municipality aims to develop Johannesburg into a World class African city which provides equal opportunities (social as well as economic) to all its citizens/dwellers. To develop the city into a World Class African City, a number of projects have been executed in the city such as the improvement of the transportation system through the Rea Vaya BRT system which now runs in the city and surrounding townships, regeneration strategies have been implemented in the city through public private partnerships and the city's different departments have been at work trying to address service issues such as sanitation, water, electricity as well as housing shortages in the city (City of Johannesburg: 2011a).

An important issue for the city to address is that of building and maintaining an inclusive city. The city has been working towards making Johannesburg an inclusive city through different projects such as upgrading informal settlements and formalising them in order to accomplish its objective of eradicating informal settlements and reducing poverty by 2014. Through these initiatives which have been implemented by the city, they still acknowledge that a lot more still has to be done to accomplish this eradication of informal settlements and reduction of poverty. To do this the city aims to continue work towards improving service delivery with regard to local government and improving the quality of healthcare and education in the city (City of Johannesburg: 2011b).

Under the governance of the new mayor in the city, the city has compiled a new Growth and Development strategy 2040 (GDS 2040) and this builds upon the 2006 Growth and Development Strategy principles. The six principles in this strategy are:

1. Eradicating poverty

2. Building and growing an inclusive economy
3. Building sustainable human settlements
4. Ensuring resource security and environmental sustainability
5. Achieving social inclusion through support – and enablement
6. Promoting good governance

(City of Johannesburg, 2011b).

5.3.1 Housing in the City

As mentioned in section 4.2 above, three of the principles in the 2040 GDS of the city directly affect or speak to issues relating to affordable housing. These principles are: eradicating poverty, those who suffer from poverty are the ones who lack and do not have access or means to access affordable housing; building and growing an inclusive economy, the unemployed and low to middle income groups are the ones that have difficulty accessing decent housing due to not qualifying to get bonds from banks while some of them do not even qualify to get subsidy grants from government; building sustainable human settlements, ensuring that all citizens in the city not only have access to basic housing but other services as well such as education, basic services (water, electricity and sanitation) (City of Johannesburg, 2011b).

In relation to housing, “the City continuously aims to create sustainable settlements and good neighbourhoods that offer a wide range of quality accommodation opportunities that are adequately serviced and well-located” (City of Johannesburg, 2011a: 10). To develop sustainable settlements the city is also at work trying to provide efficient and well maintained service infrastructure for all citizens to have access “innovative, safe, reliable and affordable services” (City of Johannesburg, 2011a: 10). Priority is given to the provision of basic services such as housing, water and sanitation, electricity and solid waste services and over the past years, the city has been working towards improving and providing adequate housing and basic services. To provide adequate housing, the city began its project known as The Formalisation and Upgrading of Informal Settlements Programme and the basic aim of this project is “to bring dignity to the poorest citizens of the City of Johannesburg by providing decent housing and eradicating informal settlements by 2014, in line with the goal of a “nation free of slums” (City of Johannesburg, 2011a: 10).

With regard to the informal settlement upgrade project, 180 settlements were identified which are home to ± 200 000 households. Over the past five years, more than 52 settlements have

been formalised and the city envisages that the remaining settlements will have been formalised by 2014. Over this time frame, the City of Johannesburg had a target to deliver 100 000 housing units through the use of its own resources as well as through partnerships with other public and private stakeholders (City of Johannesburg, 2011a). The city did not manage to meet this target though, due to economic and financial constraints. The greatest shortfall was experienced in the mixed-income housing delivery and this was mainly because private developers could not access funding and financial institutions were stringent on their lending due to the market downturn. Due to this, only 30 000 of the 50 000 units targeted for mixed-income housing were delivered.

On the other hand, other sectors in the housing delivery outperformed as the target for rental housing programme of 15 000 units was exceeded and a total of 18 573 units were delivered. A number of private stakeholders from rental and social housing sector have partnered with the city in the delivery of affordable rental units in the city and this has resulted in this positive result in the rental housing sector. All in all, the performance of the housing sector has not been all that bad as it is estimated that a total of 80 000 units have been delivered of the targeted 100 000 units (City of Johannesburg, 2011a).

5.4 Case Study Discussion

5.4.1 The Fleurhof Extension 2 Project Description

This project is located on the south western part of Johannesburg next to an existing residential township of Fleurhof extension 1. This is going to be the largest integrated housing development in Gauteng when all the phases have been complete. The development covers an area of 291 hectares and comprises of different housing typologies and tenure forms targeted at specific economic markets. These housing types include: fully subsidised RDP/BNG housing units, GAP, social rental and affordable housing. Once all the phases are complete, there will be a total of 9 600 units built in this phase (Calgro M3, 2011: online; www.fleurhof.co.za; Wesselo, Personal Communication, 2011; Chitsime, Personal Communication, 2011).



Figure 5.5: Fleurhof Locality Map (Calgro M3, 2011)

Figure 6 above shows the location of this development. For sustainability and environmental green issues, the development team investigated potential green initiatives which could be implemented such as energy saving techniques which include solar water heaters, heat pumps and improved insulation for different housing units. Other initiatives include residential recycling projects, food gardening and urban greening initiatives. This is not only to comply with environmental requirements but also to help reduce the demand for electricity and make the township socially as well as visually more attractive. A new water reservoir is being built and the township will receive electricity from a substation implemented by the Calgro M3 group for the Pennyville project. This project is estimated to produce revenue of R2, 28 billion (Calgro M3, 2011: online).

The development includes the following urban amenities:

- 9 600 units
- Infrastructure such as roads, water, sewer, reticulation and storm water facilities.
- Extension of Westlake Road – linking Soweto with northern suburbs
- 4 business centres (mixed use)
- 7 crèches
- 5 religious sites
- 1 community centre
- 3 schools
- 20 – 30 parks

(Calgro M3, 2011: online; Chitsime, Personal Communication, 2011).

Over 6 000 units are expected to be complete by 2013, table 6 shows development phases. Below is a table (table 5) showing ownership and zoning details of the property, a pie chart (figure 7) showing the breakdown in land use and a table further describing the land use in the development.

Table 5.1: Fleurhof ownership and zoning Information

Land Owner	**Fleurhof Extention 2 (Pty) Ltd (Subsidiary of Calgro M3 Land (Pty) Ltd)**
Description	Portion 17 of the farm Vogelstruisfontein no 231 registration division i.q., the province of Gauteng and remaining extent of portion 18 of the farm Vogelstruisfontein no 231 registration division i.q., the province Gauteng
Size	441 Hectares in total comprising of two portions of 243.5820 hectares and 197.4095 hectares respectively. The Fleurhof Ext 2 Township will be approximately 291 ha in size.
Local Authority	Johannesburg Metropolitan Council
Zoning	Zoning on Acquisition: Agricultural Proposed zoning: Residential 1 & 3

(www.fleurhof.co.za)

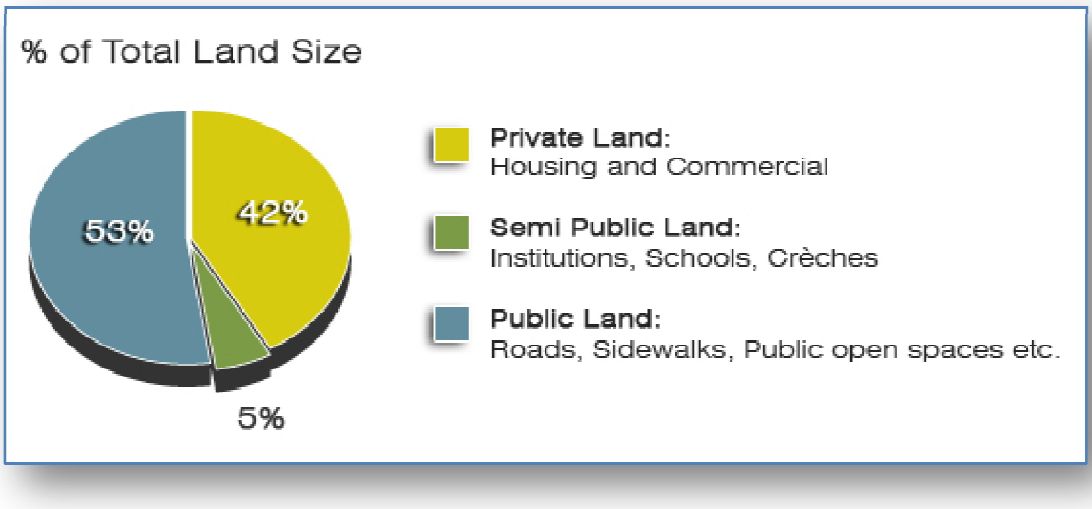


Figure 5.6: percentage land use for different uses on the site (www.fleurhof.co.za)

Table 5.2: Unit breakdown during different phases

PHASE	TOTAL	1	2	3	4	5	6
RESIDENTIAL	**6384**	**1563**	**1257**	**1320**	**628**	**1322**	**294**
Total RDP	**2102**	**631**	**768**	**224**	**134**	**345**	**0**
RDP	1606	439	676	148	102	241	0
2 Storey RDP	496	192	92	76	32	104	0
3 Storey Gap Housing	**2403**	**420**	**300**	**600**	**168**	**762**	**153**
Affordables	**1879**	**512**	**189**	**496**	**326**	**215**	**141**
120m2	**296**	171	13	112	0	0	0
150m2	**589**	153	154	12	132	119	19
250m2	**950**	188	22	328	194	96	122
400m2	**44**	0	0	44	0	0	0
NON RESIDENTIAL	**124**	**33**	**45**	**16**	**8**	**17**	**5**
CRECHE	**7**	2	2	2	0	0	1
RELIGIOUS	**5**	3	1	0	0	1	0
SCHOOL	**3**	0	1	0	2	0	0
BUSINESS	**5**	2	1	0	0	0	2
INDUSTRIAL AREA	**1**	0	1	0	0	0	0
COMMUNITY CENTRE	**1**	0	0	0	1	0	0
HOSTEL	**1**	0	1	0	0	0	0
ACCESS	**64**	18	30	6	0	10	0
PARKS	**37**	8	8	8	5	6	2
GRAND TOTAL	**6508**	**1596**	**1302**	**1336**	**636**	**1339**	**299**

*(*www.fleurhof.co.za*).*

5.4.1.2 Project Partners

This project is in line with the Breaking New Ground housing policy principles discussed in chapter 2, section 2.2.3 which seeks to integrate communities and bring them closer to areas of economic opportunities. The developer for this project is Calgro M3 holdings in conjunction with other strategic partners such as First National Bank (FNB), the City of Johannesburg municipality and International Housing Solutions (IHS) among others. The project partners aim for this project to be a bench mark in Gauteng on how to manage rapidly growing urban populations (www.fleurhof.co.za).

5.4.1.3 Housing Typologies and Pricing

The development consists of free standing and semi detached houses which come in different sizes and plans, images of these can be seen in figure 8 below. Table 7 below shows these different houses and their respective characteristics. Two types of units in this development are sold to the open market; these are free standing units and apartments/flats. Prices for these range from R279 000 for free standing units to R289 000 for apartments/flats (Calgro M3, 2011: online).

Table 5.2: Housing typologies

Housing Typology	Size	Description
Free standing	40 m²	2 bed, 1 bath
Semi-detached	40m²	2 bed, 1 bath
Semi-detached	43m²	2 bed, 1 bath
Semi-detached	46m²	2 bed, 1 bath
Free standing	50m²	2 bed, 1 bath
Free standing	60m²	3 bed, 1 bath
Free standing	70m²	3 bed, 2 bath
Free standing	99m²	4 bed, 2 bath

(Calgro M3, 2011: online)



Figure 5.7: Housing typologies in Fleurhof (Housing in Southern Africa, 2011).

5.4.2 The Pennyville Housing Development

5.4.2.1 Project Description

The Pennyville housing development is a mixed housing development located in the South West of Johannesburg along New Canada road. The project was developed on what was once 100 hectares of barren and rocky land, the project can be located in figure 9. The project is located across from the New Canada station and next to New Canada Road which provides residents with easy access to the city. Accessibility is a major factor which has to be considered when developing affordable housing and in this regard, this project has met and addressed this issue (Joshco, 2011: online). The project was constructed in four phases and it comprises of:

- 1 600 fully subsidised RDP houses
- 600 Johannesburg Social Housing Company (Joshco) affordable rental units
- 200 Joshco social housing units
- 800 mid-to-high income rental units
- A crèche

(Calgro M3, 2011: online).

The crèche was built as part of the group's corporate social investment. Through this development, the Zamimpilo informal settlement was eradicated as 1 600 people who lived in

the informal settlement received formal housing in through this development (Joshco, 2011: online). Housing opportunities were also provided to Orlando East backyard dwellers. Other beneficiaries of the housing units built in this project were from Riverlea, Noordgesig and Wesbury and neighbouring communities (Calgro M3, 2011: online).

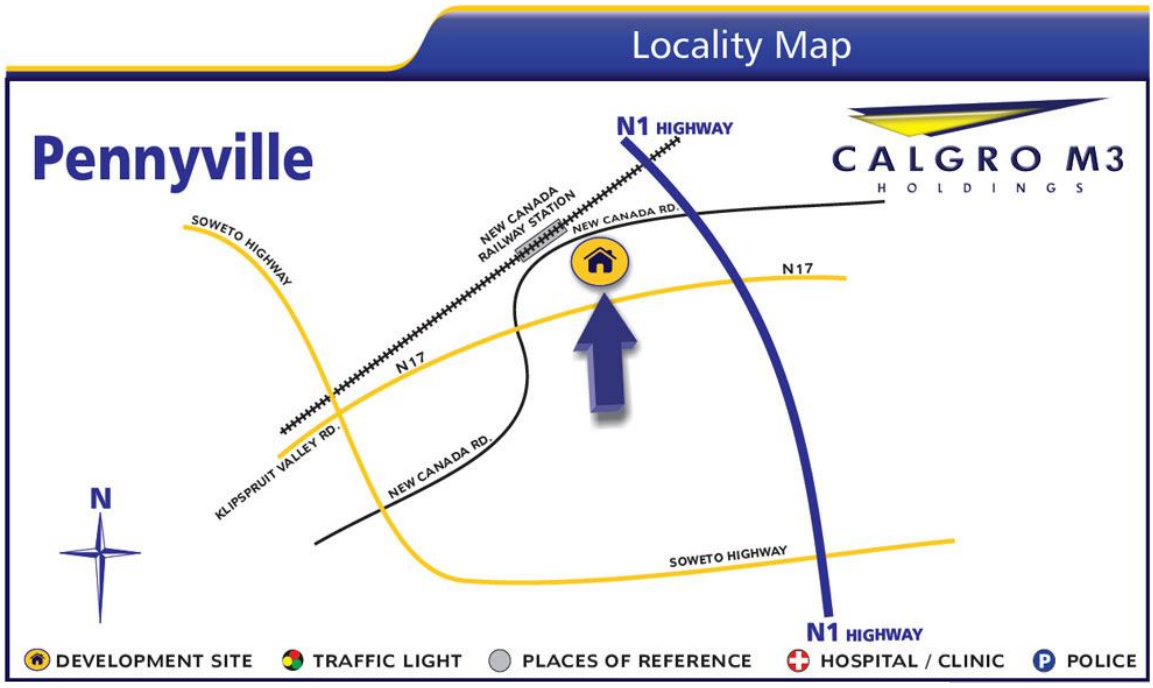


Figure 9: Pennyville Locality Map (Calgro M3, 2011).

5.4.2.2 Project Partners

This project was a partnership between the City of Johannesburg's Department of Housing and the Pennyville Zamimpilo Relocation Pty Ltd, which is a subsidiary of Calgro M3 and the ABSA group (Housing in Southern Africa, 2011: online). The partnership resulted in the exchange of land between the partners, the land was owned by the City of Johannesburg (Joshco, 2011: online; Calgro M3, 2011). The city also provided the crèche under its Early Child Development Programme (ECD) as well as a satellite library service (Malherbe, 2011: online).

Other partners in the project include The Johannesburg Social Housing Company (Joshco) which took and manages 600 affordable rental units in the development. These units are targeted at families from the Zamimpilo informal settlement earning R3 500 to R7 000 per month which did not qualify for housing subsidies. Financial institutions and other investors also

partnered in the project as they took 800 middle to high income rental units and offered them to the market (Joshco, 2011: online; Housing in Southern Africa, 2011: online).

5.4.2.3 Housing Typologies and Pricing

In this project, prime land was allocated to RDP/BNG housing which is subsidised by government. The housing typologies found in this project include sectional title units as well as other rental units (social housing and mid to high income rental units. The value or price range of affordable housing is rated differently by different people. According to Malherbe, (2011), “affordable housing exceeds R500 000. Sectional title units cost up to R300 000, and free standing Gap market housing costs under R500 000” (Housing in Southern Africa, 2011(online)). This project consists of stand-alone housing units as well as three storey walk-up sectional title units which can be seen in the following image (figure 10).



Figure 10: Housing typologies in Pennyville (Housing in Southern Africa, 2011).

5.5 Field Study Analysis

The following section analyses the case studies outlined in the above sections as well as discussing the findings from the interviews conducted. Full interviews can be found in section…

of the appendices section. This analysis is based on the principles, objectives and policies discussed in chapter two and looks into whether practice on the ground in Johannesburg and in the projects used as case studies are in line. Once that is done, recommendations as to how practice and Public Private Partnerships in the development of affordable housing can be improved and be made more efficient.

5.5.1 Case Study Analysis

The two case studies outlined in the previous chapter are analysed in the subsequent section in terms of whether they adhere to general rules, principles and affordable housing goals; South African housing policy as well as the general principles of public private partnerships.

5.5.1.1 Issues of Affordable Housing

Matters relating to affordable housing are central to this study and affordable housing projects developed in Johannesburg should adhere to the general rules and principles of affordable housing as set out in the international context. As earlier mentioned in section 2.1.1, the fundamental goal with regard to affordable housing is that of providing decent shelter on the side of the public sector and the creation of wealth for private sector (Diamond, 2009). This is where the problem begins as those who require affordable housing lack the financial status to pay for housing provided by the private sector and sold in the open market. This is due to the fact that issues relating to access to adequate housing emanate from deeper issue relating to poverty. Poverty itself is a result of lack of education, lack of employment and access to economic activity (Harvey and Jowsey, 2004). This is why there are certain guiding principles and goals which should be met in the provision of affordable housing as well as which developers should meet when developing and delivering housing to people. The following sections looks into whether the case studies used in this study abides by these principles and goals.

5.5.1.2 Affordable Housing Goals and Underlying Principles

There are various principles and goals in the development of affordable housing. As mentioned in chapter two, these are:

> *"…growth in the psychological well-being due to a resident's sense of "home" and its resulting stability, the improved physical health of the homeowner's family, the resident's increased participation in civic society, and the improved educational performance of their children. Another goal might be to achieve racial and economic integration in order to allow a wider range of residents to partake of the benefits associated with mixed race and/or mixed income communities..."* (Diamond, 2009: 1).

In relation to the projects discussed in the previous chapter, the projects addressed these goals as in both projects, previously disadvantaged poor people managed to get access to decent housing as in the Pennyville case, households which previously lived in the Zamimpilo informal settlement were given decent housing in the 1 600 RDP units that were developed as part of this project. In the Fleurhof project, a total of 2 102 RDP units were developed to accommodate households from surrounding townships. This is a step towards growing the psychological wellbeing of residents as they now have proper structures to call 'home'. Once one has proper housing, this also goes a long way in improving the physical health of the family. In this case households now reside in healthy environments where they have proper access to basic infrastructure which includes running water, electricity and sanitation. This also goes a long way in improving the health of residents. In this regard, the two projects (Fleurhof and Pennyville) addressed these goals of improving the psychological as well as physical wellbeing of these households.

With regards to the remaining goal which is improving the educational performance of children living in these households, there is no evidence that was gathered in this regard but from the elements of the projects it may be safe to assume that these projects contribute towards this as in both projects, provisions were made for the development of educational facilities so as to ensure that children are not put at an advantage once moved from their previous homes as they have educational centres to attend close to their homes, reducing their travel time as well as expenses to and from school. In the Fleurhof project provision was made for a total of 7 crèches and 3 schools, these were to be developed and spread out according to the different phases as this is a large development. With regard to the Pennyville project, provision was made for a crèche and mobile library in support of the City of Johannesburg's Early Childhood

Development Programme (ECD) (Joshco, 2011: online; Calgro M3, 2011). No provisions were made for schools as this project was developed close to the informal settlement therefore children can continue attending the same schools they were attending. The crèche would help giving children a solid foundation before they went into school as well as giving parents a place to take their children while they went to work so this addresses two issues with a single solution.

Lastly another goal for affordable housing development is racial and economic integration which allows residents to easily partake in mixed race and mixed income communities. Both the project used as case studies are integrated housing developments which develop housing for different income groups but within the same project area. Houses in these projects range from RDP housing given to people who earn R3 500 and less and therefore cannot afford to purchase their own houses. There are also social housing units which are rental housing units which can be afforded by the same income group. The last housing typology are GAP/affordable housing units which are bondable houses sold at affordable rates. These houses are targeted at the Gap market which does not qualify for the subsidised housing types and do not earn enough income to afford bondable housing developed according to the market and sold at market rates. This is the income groups which earns above R3 500 to R15 000 per month. It is therefore in the goals of the projects to integrate different income groups in the same projects and this helps in developing mixed income communities. These projects also aim to integrate the residents into the economy of the city as they are both located close to the economic hub of the city of Johannesburg, being the Johannesburg business district. This gives the residents easy and cheap access to the city and business centre and cheap commuting costs to and from their respective work areas.

5.5.2 Housing Policy

There are general rules and principles guiding the development of housing policy which are generally accepted not only nationally but in the international context as well. The basic aim of housing policy should be to ensure that everyone has access to a decent home. That being said, it is important for policy to state what is decent, to avoid the delivery of housing products which do not meet the needs of the beneficiaries. As earlier mentioned, the poor lack the resources to get themselves decent housing therefore it is imperative for policy to make provisions for government assistance in the form of housing subsidies for those who lack the income to purchase their own houses. These subsidised houses should also therefore be

provided on the basis of need and to those households with the greatest need first. In this regard, South African policy adheres to these principles as government has been working hard towards ensuring that all the countries citizens which lack the means to access decent housing, have a fair chance to get access to a decent home.

Since 1994 policy has had an aim of providing housing to those who were previously marginalised during apartheid and subsidies have been instituted in order to ensure that housing built for the poor is of a decent nature. According to the World Bank do's and don'ts in creating affordable housing markets that work, it is important for housing policy to ensure that government creates an environment which allows and encourages instead of inhibiting property ownership. Government also has to develop a healthy property financing system and environment by: creating subsidies and ensuring that processes are transparent and benefit the poor; providing the necessary infrastructure for development; ensuring that the housing and development markets are well regulated to reduce complex development procedures and processes and it is also of importance that the building industry is regulated and well coordinated to avoid monopoly and exclusion of smaller building companies being involved in the development of housing. Lastly it is important for there to be a clear cut policy which outlines the roles and responsibilities of private and public sector in the housing delivery process as well as being a basis for monitoring the behaviour of the market to see if set goals are being met and if the market if performing as it ought to perform (World Bank 1993).

The country's housing policy which is relevant to this study is the Breaking New Ground Housing Policy (BNG) of 2004 and this policy is now analysed as to whether it meets these basic principles for a successful housing market to exist. The country's housing policy allows and provides different tenure options for low income people these range from full title in the form of RDP now known as BNG housing units, rental options in the form of social housing units (DoH, 2004). Important elements of this policy is that it ensures that houses received by beneficiaries are a form of wealth creation as policy prohibits beneficiaries from selling the houses they receive now for a period of eight years. After these eight years they can dispose of the house and get money and be able to move to a better house as the property will have appreciated in value over the years.

In the BNG policy, provisions were also made for housing finance and removal of bottlenecks preventing financial institutions from being actively involved in housing finance. Financial institutions play an important role in the housing market as they fund and provide bonds to those

who wish to purchase houses. In the case studies discussed in the previous chapter, financial institutions played a major role as they not only provided bonds to those who qualified to purchase houses in the projects but they also provided capital in the projects and purchased some units to be held as their own stock. For this purpose, the National Housing Finance Corporation (NHFC) and the National Urban Reconstruction and Housing Agency (NURCHA) were created to facilitate the funding of such projects by banks and to facilitate the involvement of other non-financial institutions in the funding of housing projects. Such agency and financial assistance helps in the delivery and success of integrated housing projects such as the Fleurhof and Pennyville developments.

5.5.2.1 Inclusionary Housing

In order to develop integrated communities, another policy was created known as Inclusionary Housing Policy. Basically, “inclusionary housing in South Africa means the harnessing of private initiative in its pursuit of housing delivery to middle\higher income households to also provide (include) affordable housing opportunities in order to achieve a better socioeconomic balance in residential developments and contribute to the supply of affordable housing” (NDOH, 2007: 9). This has been relevant to the two case studies as part of the agreement was that the development companies could get access to the land to develop middle income housing/gap housing only if they would also accommodate the low income people earning R3 500 and less in the projects. The aim of the projects are to develop housing for the gap market, being those who earn above R3 500 upwards who cannot afford to purchase housing sold in the open market to willing buyers.

There are two components and these projects used both components, the voluntary pro-active deal-driven component applied as projects are normally put out to tender and willing companies submit tenders to develop the projects. The town planning complaint component also applies as when these projects are developed, partnerships with the municipality ensure that the town planning related approvals occur smoothly to ensure reduced cost and quick delivery of stock into the market. Such help and compliance comes in the form of incentives which accompany inclusionary housing projects. The public sector provides, tax benefits; land; development and use rights; bulk and link infrastructure; fast-tracking of approval processes and; access to government subsidies to the private developers (NDOH, 2007).

In the projects studied, they are developed on government owned land and for the companies to get the tenders they must comply to certain specifications outlined by government for them to be granted tenders and to benefit from certain government incentives. In both these projects, government supplied infrastructure to the projects and in the Fleurhof project, the municipality even granted greening infrastructure such as trees and other rehabilitation initiatives on the site such as the land and former mine dumping sites.

5.5.3 Public – Private Partnerships

To recap, in chapter two it was stated that a...

> "PPP is a strongly incentive-compatible contracting arrangement. The cost effectiveness of a PPP relative to traditional procurement is a result of upfront engineering of the design solution and financing structure combined downstream management of project delivery and the revenue stream. All of this is a consequence of the incentives built in to the services payment mechanism and the risk transfer in the PPP model" (Grimsey and Lewis, 2004: 6).

In the Fleurhof and Pennyville projects, incentives were granted to the developers in the form of the provision of infrastructure through the Municipal Infrastructure Grants (MIG). These are incentives built into the contract and agreement as well as design and specification requirements for the housing which must comply to government specifications for the contract to be valid. With regards to affordable housing development, government has found a successful way of pulling the private sector into projects and ensuring that both parties benefit from the partnerships. This is not to say that the programme is at its best and does not need to be improved. Further information regarding this is discussed in the findings from conducting interviews with different stakeholders involved in the projects. Different types of partnership contracts were also discussed in chapter two.

The types of partnerships used in the development of these housing projects are a mixture of Build Operate Transfer (BOT), Joint Ventures and Cooperative arrangements. The projects show elements of these three partnership types as Calgro M3 in the Fleurhof development and the Pennyville Zamimpilo Relocation company in the Pennyville project developed the projects and had control and responsibility to source funding, develop designs as well as operate (BOT) the projects. Once the projects are done, control and ownership was passed to the public sector

in the form of the housing department to distribute BNG housing and the Johannesburg Social Housing Company to run and manage the social housing rental units. With regards to the remaining bond housing, they were transferred and sold to new buyers. They also resemble Joint Ventures as they are jointly funded by both public and private sector as public sector provides funding for the BNG housing in the form of subsidies and they also provide the land for development and private sector has to invest in the construction part of the projects (Grimsey and Lewis, 2004; Beauregard, 1998). In relation to Cooperative arrangements, projects use some of the elements as government provides incentives such as land and infrastructure provision among other incentives are given to the public sector to attract them into funding and being involved in low income housing projects and programmes (Grimsey and Lewis, 2004).

5.6 Interview Discussion and Analysis

According to section 3.4 in chapter three, the data collection process included the conducting of interviews with different people working in the affordable housing development industry in order to get a feel of the activity there as well as the experiences and lessons that have been learnt during projects. The following section outlines the findings from the interviews conducted in relation to addressing the questions and objectives stated in the first chapter.

5.6.1 Interview Findings

The aim of this research as stated in the first chapter was to investigate why it has been difficult for the public sector to mobilise the private sector into the provision of affordable housing development as well as the financing of such development projects. From 1994, government has been hard at work trying to address the housing needs in the country as well as working towards creating integrated and racially as well as economically inclusive cities but public sector efforts alone have proved to be futile, hence their working towards attracting the private sector to help them in these initiative. Over the years, private sector involvement in affordable housing has picked up with banks promising to deliver R42 billion affordable housing between 2004 to 2008, the research investigated the current nature and activity in PPPs in the provision of affordable housing in Johannesburg.

To do this, case studies were used as well as interviews with major stakeholders from both the public and private sector who are involved in such projects in order to find out what activity is happening in the affordable housing market. From case studies it is evident that government efforts have shifted from previous attitudes of seeing housing as just the house or physical housing structure towards the realisation that housing goes beyond this. This is evident in the latest housing policy which is the Breaking New Ground policy of 2004 discussed in chapter 2, section 2.2.3 which places emphasis on the creation of integrated and sustainable human settlements. These are settlements which provide not only homes to people but access to all the basic services as well as access to economic opportunities and sustainable living environments. From the case studies used it was found that housing developments which are occurring now are in line with these principles of the BNG policy as they are not just housing in isolated areas but they are projects which are developed in a way that integrated them into the fabric of the city. These projects are located close to the CBD and economic centres and they are close to transportation nodes as they are located near main road being the Main Reef road in the Fleurhof case and the New Canada road and New Canada railway station in the Pennyville project. In these developments, different income classes are catered for in the same development in order to work towards creating an integrated society and not the economically segregated society which has developed where the poor are found in townships and the middle and high income live alone in the north in gated communities.

The BNG policy called for the provision of socio-economic infrastructure in housing development. In the two projects studied, there is evidence of this happening as the developers working with other public sector departments provided such socio-economic infrastructure on the development sites. in the Fleurhof case, provisions were made for the development of four business centres, 7 crèches, 5 religious sites, a community centre as well as 3 schools to make the development a complete community which will be sustainable and viable both socially and economically. Children have schools close by that they can attend and everything will be available in a reasonable distance rather than people being located far from economic areas where they can shop or places where they can go worship.

Overall it was found that problems which make it difficult to mobilise private sector to get involved in affordable housing development range from public sector capacity issue to issues relating with procedures and policy requirements. These findings are discussed in greater detail in the coming sections.

The main research question was:

- **What is the current nature and activity in PPPs in the Provision of affordable housing in Johannesburg?**

Through the literature review, desktop studies and field studies it was determined that activity in the affordable housing industry in Johannesburg is currently picking up and the private sector is becoming more and more active in this field. This is not to say the industry is operating at its optimal point. A lot still remains to be done and improved for greater efficiency. Sub-questions were also devised to aid in answering this primary research question and the answers to these sub-questions provided clarity as to what is happening in the affordable housing industry.

Sub-questions were as follows:

- **How has the nature of PPPs in the provision of affordable housing evolved since 1994 to today?**

In this regard it was found that post 1994, the main focus when it came to affordable housing was in the provision of affordable housing for the poorest of the poor who are those earning R3 500 and below. This is the class range which qualified for subsidies for then known as RDP housing which is now described as BNG housing. It then became clear that there were still a large number of people who could not get access to their own housing through participating in the open market while they also could not access government subsidies either. Government then increased the subsidy range to include up to those earning R7 500. The provision of affordable housing has also shifted from just providing low income housing (BNG) in isolation towards the provision of affordable housing within integrated housing developments where low and middle income housing is integrated in one development. This is aimed at creating integrated societies and avoiding there being areas which are pockets of poverty on one side and having wealthier communities in other locations.

It was also found that projects nowadays focus more on the gap market which was previously left out in projects. This is the group which earns around R7 500 to around R15 000 a month. Banks have been drawn in to provide such income group people with bonds for them to be able to purchase homes in the open market and in affordable housing development projects. Those

earning R7 500 and below are also catered for in the integrated/mixed-income development projects studied as they include RDP/BNG houses as well.

- **Is there any progress being made in gaining the confidence and interest of private sector in affordable housing development and financing?**

From the views of those interviewed it appears that the private sector is more willing now than they were previously to be involved in affordable housing projects which means the public sector has been successful in gaining the confidence of the private sector in the development and financing of affordable housing developments. For example there are a number of private sector companies and financial institutions who are now actively involved in the funding and development of affordable housing. International Housing Solutions (IHS) is one such institution which was involved in the funding of the Fleurhof project on Main Reef road, other institutions were also involved, being Calgro M3 as the developer and other financial institutions such as First National Bank (FNB).

In the interview conducted with Alan Dinnie, he stated that the affordable housing development market has become so buoyant such that other developing companies and institutions that were operating in other housing markets are now moving into the affordable market because there is such demand and only a few suppliers who are failing to keep up with current demand. As much as there is greater activity in the market by private sector, a lot of responses pointed out that there is quite a lot that still remains to be done by the public sector in this regard. This is outlined in more detail in the question below.

- **What hinders the public sector from getting private sector hyped up and eager to be involved in such partnerships and projects?**

The main view which came up in almost all the interviews conducted was that the public sector is faced with serious capacity problems which make it difficult for the private sector as dealing with them now means that something that should take 3 months to be processed and approved now takes 6 to 9 months. Private sector works on time and especially in the development industry where delay costs can be quite cumbersome and expensive.

Another issue that came up which is linked to the above was that of the need for there to be integration between different government departments which would also help to make approval

processes quicker if different departments knew what was happening in other departments. Rod Pearce from the housing department in the city of Johannesburg also reiterated this fact as he stated that government should have specialized units within departments which will only deal with PPPs instead of any and every unit being able to deal with PPPs making the process ad-hoc and haphazard.

Mr Makhakhe and Mr Pearce stated that one issue is that private and public sector have differing motives which are to create profit for the private sector and that of having a social responsibility for the public sector therefore aligning these two is quite difficult in partnerships. Overall Mr. Makhakhe emphasised that the public sector is a good partner to have in such developments.

- **To what extent do housing projects developed through PPPs benefit low-income people after development?**

The general feeling regarding what extent housing projects developed through PPPs benefit low-income people after development was that it is the responsibility of the public sector to ensure that RDP/BNG housing reaches the intended beneficiaries. In the projects, the private sector will develop housing and then pass the responsibility of distributing BNG housing to the department of human settlements. With regards to other housing which is the sectional title or stand alone houses, people then apply to banks or financing organisations to purchase housing.

Mr Pearce from the City's Housing Department said he thinks projects are benefiting lower income people but he still feels that there still needs to be control of the projects as well as the eventual allocation of development to communities.

- **How can partnerships be improved in order to deliver better results and for them to work better?**

As mentioned earlier, many problems or complaints with regards to PPP boiled down to a lack of capacity of the side of government to deal efficiently with such projects. Rob Wesselo from the IHS said that things that should be improved for partnerships to be more successful are that government should increase their capacity and have enough qualified people with the expertise to handle such projects. He went on to further state that if they cannot hire people then they

should look to working more with the private sector and appointing external people to help them in administering such projects.

Another element which came out from the interviews was that there needs to be better planning and integration from the side of the public sector for greater efficiency in developments. Better planning would in turn help address the issue of timing when it comes to administering certain project elements and approvals. This came out of the view of Yankho Chitsime from the IHS, Kgositsile Sedumedi from ABSA, Alan Dinnie from JPC and Rod Pearce from the City of Johannesburg's Housing department. The main issue here is the municipal and other government policies and regulations and processes take time and need to be made more efficient as the private sector needs efficiency in order for them to be more willing and involved in dealing with public sector in affordable housing development. Private sector always wants to avoid delays and cumbersome land release processes among other take time and cause delays in developments.

According to Henry Chitsulo and Yankho Chitsime another issue is that of understanding of the market in which you are dealing with. Yankho Chitsime emphasised the importance of the public sector understanding the affordable and Gap housing markets as well as private sector programs in dealing with and addressing the demand in this market. He stated that delays in the funding of the Fleurhof project were partly caused by a lack of understanding of their intended programme from the part of the public sector side as they thought what they were talking about would probably take around three years to manifest and therefore did not budget for the infrastructure provision on time. Henry Chitsulo also emphasised the importance of understanding the housing market. He mentioned that "there's always need for housing and when you get the formula right, everybody would want to deal with you".

Another issue that came up was that of corruption in the industry which makes it difficult for people to be involved in the industry due to questionable tender allocation processes and other issues. Kgositsile Sedumedi mentioned that when there is corruption, there is a corrupter as well as someone being corrupted therefore one cannot only blame the public sector for corruption. Both public and private sector are responsible and involved in the corruption dilemma. He also mentioned that government should also try to invest more into infrastructure as many projects are delayed for years due to lack of infrastructure on the sites to begin development.

Lastly Motlatsi Makhakhe provided a proposal which could help in partnerships projects running smoother. He mentioned that in the projects which he has been involved in, they have developed and introduced the idea of having institutional framework and arrangements whereby a committee is formed which constitutes of all the parties involved in the project (public and private) and they have some sort of coordinated planning around the whole development. Committees meet on a regular basis to discuss progress and deal with problems which arise along the way and this helps in the smoother running of projects according to his experiences in PPP in affordable housing development.

5.7 Conclusion

The vision of the City of Johannesburg is that the city will be a world class African city which will boast of providing equitable opportunities (social and economic) to all its citizens. The city though experiences a high population growth rate and this is mainly driven by migration into the city from other provinces as well as other countries in the continent. This leads to the city experiencing difficulties in providing equal and quality services and infrastructure (Housing, water and sanitation and many more) to all its citizens as the population and need is constantly growing.

The city thus finds itself faced with numerous problems which include problems in the city's spatial form as many people are found in the south of the city living in locations while economic activity and growth is more focused in the north. Government has devised numerous policies to try and address these problems such as the GDS 2040.

The Fleurhof Extension 2 project is an integrated Housing Development and is set to be the largest integrated development in Gauteng. The development covers 491 hectares which consist of 384 integrated residential units targeted at the lower income groups and the gap market which doesn't qualify for subsidies as well as full bonds for middle income housing. Units consist of BNG (RDP), GAP (FSC) and affordable housing units which range between R279 000 and R289 000. Further information regarding this project can be found in the interviews conducted with individuals from International Housing Solutions (IHS) under the annexure section. The Pennyville project is also a mixed income development but here priority was given to subsidised housing units as opposed to the Fleurhof case where priority and prime land was allocated to Gap housing. Partners involved in the Pennyville project were the City of

Johannesburg and the Pennyville Zamimpilo Relocation Company which is a subsidiary of CalgroM3.

These projects were both developed in line with the principles and theories of affordable housing as well as public-private partnerships. Principles of affordable housing state that affordable housing development should provide both social and economic benefits to beneficiaries as well as integrate them into the bigger picture of society. The above discussed case studies accomplished this as in the one (Pennyville), Zamimpilo informal settlements residents' livelihoods were enhanced and they got access to proper housing and basic services as well as other benefits such as educational and security facilities. In the Fleurhof case, educational facilities as well as economic facilities were provided in the project making the community to be sustainable and functional. The partnership elements used in the projects are a mixture of the Build Operate Transfer (BOT), Joint Ventures and Cooperative arrangements. Incentives are built in as stipulated in the principles of successful partnership agreements and the public sector is still involved in the project design to ensure that the products developed meet government requirements and will benefit the end users.

CHAPTER SIX: CONCLUSION, FINDINGS AND RECOMMENDATIONS

6. Introduction

The following chapter presents a summary of the findings of the research and highlights the important findings. Following the research findings, recommendations are given as to how public-private partnerships in the development of affordable housing can be enhanced for them to work better and run more efficiently. The last section of this chapter presents concluding remarks and pulls together the major issues outlined in the whole document. Recommendations for further research are also given here.

6.1 Field Study Findings

6.1.2 Research Objectives

To address the above mentioned problem statement, objectives were drawn up. The first two objectives of "exploring the development of affordable housing projects paying specific attention to the joint efforts of the public as well as private sector; and exploring the role of PPPs in the provision of affordable housing in Johannesburg" were addressed through desktop studies (journal articles, internet articles as well as other research papers) as well as field studies of development projects of affordable housing developed through public private partnerships. Major findings in this regard were that activity in this industry is picking up and more and more projects are being undertaken and developed through the joint efforts of the public and the private sector where mutually beneficial relationships are developed.

The third and fourth objectives aimed to "analyse past affordable housing projects developed under partnerships, looking at their success and problems faced; and to suggest how PPP relationships can be improved for the success and better results of future PPPs in the provision of housing in the city". These objectives was addressed through field and desktop studies but the main method of addressing them was by conducting of interviews with different stakeholders who have been involved in these projects and enquiring about their experiences and lessons

learnt through being involved in development processes. Main findings from these interviews pointed out that partnership relationships are improving and projects becoming more prominent when it comes to affordable housing provision. For improved success the main point from interview responses was for greater competence from the side of the public sector as onerous development approval processes were seen to hinder development success and efficiency.

The last objective was to 'Determine through the study which types of PPPs work best and are most effective in affordable housing development and work towards ensuring that more of this form of partnerships are used in affordable housing provision' this was addressed mainly through literature review and desktop studies as from learning from other countries or contexts as to what works and how problems are addressed. A number of factors came up in this regard but the most important was that partnership relationships work differently in different contexts as different contexts have different situations, economic, political and social. This means that if certain elements of partnerships work somewhere else in the world that does not necessarily mean that the same elements will work in the context of Johannesburg.

6.1.3 Research Claims/Propositions

The research claims and propositions which were tested in this research were:

- **PPPs rarely benefit intended people as housing costs are normally too high for low income groups to be able to afford buying or renting in such developments undertaken by the private sector.**

Through conducting this study, it was found that affordable housing development developed under partnerships are benefiting the intended income groups as the different stakeholders involved in the project ensure that developers adhere to certain specifications such as design as well as pricing of developments. With regards to BNG/RDP housing, it is the responsibility of the public sector to allocate these to the intended beneficiaries but overall, the feeling was that it is the intended beneficiaries who benefit in the end.

Product prices were found to range from R250 000 to around R500 000. Affordable house prices range for the bonded houses and rentals range from around R3 000 to a maximum of R4 200 per month for rental units. From this one can say that the affordability level for such housing is generally acceptable as looking at some who is earning around R7 500 to R15 000 per

month, they will be able to afford to pay these rentals. Bear in mind that those earning below these levels will be catered for in the RDP/BNG housing units.

- **Private sector does not have much confidence and interest in PPPs in the provision of housing.**

This claim made by the research was also proven to be wrong as from reading literature, conducting desktop studies and field studies it was revealed that the activity in the affordable housing market industry is gradually picking up and the private sector is now becoming more and more involved in this market. Government has managed to attract the private sector into this market through the provision of support to the private sector when they partner with them to provide affordable housing. Support ranges from land exchange to the provision of infrastructure on projects in order to share the risk and reduce the financial burden on the private developers and financiers during development.

6.2 Recommendations

6.2.1 Recommendations for the Public Sector

From the responses from interviews conducted it was clear that a major problem relating to the private sector is that of lack of capacity in their departments. This is an issue which affects all stages of partnership relations as it results in unnecessarily lengthy periods of time from tender stage to final payment stage. This causes expensive delays for the private sector which might in turn make them lose interest in partnering with the public sector in addressing this important and major societal problem of lack of affordable housing for not only the citizens of Johannesburg but the country's citizens as a whole.

Other recommendations for the public sector would be that they review land development procedures in order to decrease the amount of work and time that goes into land zoning and township establishment. Currently it takes around 18 to 24 months for the township establishment process to be complete and the cost of holding land over this period of time without getting any profit from it is quite expensive and only the more established developers will be able to partake in these processes as they have the capital to hold on to land until the procedure is complete and they can begin developing.

The support that the public sector is providing to the private sector such as municipal infrastructure grants among other things is highly appreciated by the private sector. Another recommendation therefore is for the public sector to work towards increasing the budget for such incentives as well as ensuring that grants and paid on time to encourage greater participation from other private sector companies in affordable housing development. From the interviews it came out that the private sector appreciate the smallest of support that they receive from the public sector even the support which is not of a capital nature. Public sector should nurture and build relationships with committed private stakeholders who are willing to assists in helping then meet the housing backlog.

6.2.2 Recommendations for the Private Sector

With regards to the private sector most comments received were not negative in nature. A recommendation that can be brought forward would be for the private sector to gain an understanding of the affordable housing market in order to know where the majority of demand lies and provide stock according to where the greatest demand is. It is also important for the private sector to have an understanding of public sector procedures and processes in order for them to know what to expect and how processes run. The private sector must acknowledge that the public sector is not entirely inefficient but they have procedures to follow in everything they do and if the private sector does not understand this and allow for these procedures to be followed this impacts negatively on not only government but affect public-private partnerships and housing projects developed through such partnerships.

It is important for the private sector to also work towards reaching a point where they develop a technique or mechanism of creating the right mix of affordable sectional title units and RDP/BNG housing units in developments.

6.2.3 Recommendations for future research

Areas for future research include studies which will be focused on the experiences of the people who benefit by purchasing or renting housing from developments built through public-private partnerships. This study basically looked into the views of the developers and the public sector involved in projects and not into the views of the general public who uses the finished product.

Other studies conducted should look into the reflection of projects once they are completed. Once this is documented those involved in similar projects in the future will have studies to look to guide and help them foresee and avoid certain problems they might be faced with during the life span of the project by learning from other project's experiences.

6.3 Conclusion

Lack of affordable housing is a major problem in the country as well as in the international context. This research explored other methods of providing affordable housing stock into the market by using PPPs. This method of public-private partnerships in the provision of affordable housing and the dynamics around this. Literature regarding affordable housing development and principles surrounding this was explored and theory regarding public private partnerships was discussed pulling out major and main elements in order to determine if these were used in the context of affordable housing development through partnerships in the context of Johannesburg.

This chapter presented the concluding remarks by outlining first the major findings of the study in relation to the nature of the activity in public-private partnerships in the development of affordable housing. In short, the study revealed that activity in this market is improving and there in since greater participation and interest from the private sector to partner with the public sector in affordable housing development. There are certain areas in partnership relations which need to be improved but overall. In general, as much as activity has picked up, it has not yet matched demand and more involvement is needed from the private sector but government needs to improve their capacity and understanding of dealing with affordable housing projects in partnership with private institutions. Those involved in the studies used in the research complain that the public sectors lack of capacity has negative impacts on projects and affects the timing of projects as government does not deliver timely on what is expected from them.

Limitations to this study were that of the tight timeframe within which the study was to be completed. This timing did not allow for enough time to follow up and research all the issues that could have been included in the study. For example timing did not allow for more than two case studies to be used as accessing information was time consuming and not easy. This is also true with regards to the interviews that were conducted. There are many more stakeholders who could have been interviewed for greater credibility of the study but due to lack of time only

seven sources could be interviewed. In many instances, it was difficult to get access to people to interview as they would not respond to email requests for meeting. When offices were visited, it was difficult to get through to relevant persons as one could not get permission or referral from the receptionist. Other interviews were set up and interviewees called and cancelled last minute and did not come back to reschedule. There was no time to keep following up on such cases, one had to do with what and those people who were available.

REFERENCES

Abdul-Aziz, A. R. and JahnKassim, P. S. (2011). Objectives, success and failure factors of housing public-private partnerships in Malaysia. *Habitat International*, 35, 150 – 157.

Adams, D. and Hastings, E.M. (2001) 'Accessing Institutional Relations in Development Partnerships: The Land Development Corporation and The Hong Kong Government prior to 1997', *Urban Studies, 38(9)*, 1473 – 1492.

Akintoye, A., Beck M. And Hardcastle C. (2003), 'Introduction: public-private partnership in infrastructure development. In Akintoye A, Beck M and Hardcore C, 'Public-Private Partnerships: Managing risks and opportunities. Blackwell Science: Oxford, UK.

Alexander, P. (2010). Rebellion of the poor: South Africa's service delivery protests – a preliminary analysis, *Review of African Political Economy*, 37 (123), 25-40.

Ball, J. (1999) 'Marketing a concept abroad', *Project Finance*, 193, 18-19

Baruah, B. (2007). Assessment of public-private-NGO partnerships: Water and sanitation services in slums. *Natural Resources Forum*, 31, 226 -237.

Baumann, T. (2003) 'Housing Policy and Poverty in South Africa', In Khan F. and Thring P. (eds). *Housing Policy and Practice in Post-Apartheid South Africa.* Johannesburg, Heinemann.

Beauregard, R. A. (1998), 'Public-Private Partnerships as Historical Chameleons: The Case of the United States', in J. Pierre (ed.*), Partnerships in Urban Governance – European and American Experience*, New York: St Martins Press.

BESG, (1999) '*Towards the Right to Adequate Housing.'* Durban and Pietermaritzburg, BESG.

Bond, P. (2003) 'The Degeneration of Urban Policy after Apartheid', In Harrison P., Huchzermeyer M. and Mayekiso M. (eds.). *Confronting Fragmentation: Housing and Urban Development in Democratising Society.* Cape Town, University of Cape Town Press. 40 – 56.

Bond, P. and Tait, A. (1997). The Failure of Housing Policy in Post-Apartheid South Africa. *Urban Forum*, 8 (1), 19 – 41.

Brink, P. J. and Wood, M. J. (1998) *'Advance design in nursing research.'* (2nd Ed). SAGE Publications, London.

Brown, A., Orr, A., &Luo, J. (2006). The suitability of public private partnerships in the provision of sustainable housing in China. *World Review of Entrepreneurship, Management and Sustainability Development*, 2(1/2), 101-125.

Calgro M3, (2011). Completed Developments: Pennyville Extension 1. [Online], accessed: 12-01-2012. http://www.calgrom3.com/portfolio/completed/pennyville-gallery/pennyville_ext1.asp

Chambers R. (1995). Poverty and livelihoods: Whose reality counts? *Environment and Urbanisation,* 7(1), 173 – 204.

Charlton, S. and Kihato, C. (2006) 'Reaching the Poor? An Analysis of the Influences on the Evolution of South Africa's Housing Programme', In Pillay, U., Tomlinson, R. and du Toit, J. (eds.). *Democracy and Delivery: Urban Policy in South Africa.* Cape Town, HSRC Press.

Chitsime, Y. (2011). Interview. International Housing Solutions (IHS), Illovo

City of Johannesburg, (2011a). *Sharing the legacy: Executive Mayor's End of Term Report 2006 – 2011*. City of Johannesburg Metropolitan Municipality. Johannesburg http://www.joburg.org.za/index.php?option=com_content&view=article&id=6527&catid=60&Itemid=114

City of Johannesburg, (2011b). The Johannesburg 2040 Growth and Development Strategy. City of Johannesburg Metropolitan Municipality. Johannesburg http://www.joburg.org.za/index.php?option=com_content&view=article&id=7343&catid=73&Itemid=114

City of Johannesburg, (2003). *The Inner City Regeneration Strategy.* Johannesburg.

City of Johannesburg, (Undated). *City of Johannesburg Regions.* Johannesburg (http://www.joburg.org.za/regions)

Davidson, N.M. (2009) 'The Value of Lawyering in Affordable Housing Transactions', In Davidson N.M. and Malloy R.P. (eds.) *Affordable Housing and Public - Private Partnerships,* Farnham, Ashgate Publishing. 35 – 49.

Department of Housing (DoH), (2004). '*Breaking New Ground: A comprehensive plan for the development of sustainable human settlements.'* Pretoria: South Africa.

Department of Housing (DoH), (1994). *The housing white paper: A new housing policy and strategy for South Africa*. Pretoria, South Africa:

Department of Human Settlements online, (2009) 'Part 2 The policy Context: The National Housing Code' [online]. Available from http://www.dhs.gov.za/Content/planned/Docs/Housing%20White%20Paper.pdf [accessed: 04 April 2011]

Diamond, M. (2009) 'Affordable Housing and the Conflict of Competing Goods: A Policy Dilemma.' In Davidson N.M. and Malloy R.P. (eds.) *Affordable Housing and Public - Private Partnerships,* Farnham, Ashgate Publishing. 1 – 9.

Fullarton, F. (2005). Public Private Partnerships for Affordable Housing. *Australian Planner,* 42 (2), 28-31.

Goebel, A. (2007). Sustainable Urban Development? Low-cost housing challenges in South Africa. Habitat International, 31, 291 – 302.

Grimsey, D. & Lewis, M. (2004) '*Public Private Partnerships: The Worldwide Revolution in Infrastructure Provision and Project Finance'* Edward Elgar Publishing, Cheltenham, UK.

Groves, R. (2004). Providing Affordable Housing in African Cities: Challenges facing the provision of affordable housing in African cities. *Housing Finance International June 2004*, 26 – 31.

Harrison, P. (2003) 'Fragmentation and Globalisation as the New Meta-Narrative', In Harrison P., Huchzermeyer M. and Mayekiso M. (eds.). *Confronting Fragmentation: Housing and Urban Development in Democratising Society.* Cape Town, University of Cape Town Press. 13 – 25.

Harvey, J. and Jowsey E., (2004). 'Housing'. *In Urban Land Economics*. 6th edition, Palgrave Macmillan, Hampshire.

Henneberry, J., & Rowley, S. (2002) 'Chapter 6: Developers' Decisions and Property Market Behaviour' In Guy S. &Henneberry J. (eds.). *Development and Developers Perspectives on Property.* Oxford, Blackwell Publishing Company.

Hough, M. (2008). Violent protest at local government level in South Africa: Revolutionary potential. *Scientia Militaria: South African Journal of Military Studies*, 36 (1), 1 – 14.

Housing in Southern Africa, (2011). *Housing Case Study: Pennyville vs Fleurhof*. Housing in Southern Africa, March 2011.

Huchzermeyer, M. (2003) 'Addressing Segregation Through Housing Policy and Finance.' In Harrison P., Huchzermeyer M. and Mayekiso M. (eds.). *Confronting Fragmentation: Housing and Urban Development in a Democratising Society.* Cape Town, University of Cape Town Press.

Iglesias, T. (2009) 'Our Pluralist Housing Ethics and Public – Private Partnerships for Affordable Housing', In Davidson N.M. and Malloy R.P. (eds.). *Affordable Housing and Public - Private Partnerships,* Farnham, Ashgate Publishing. 11 – 33.

Institute for Housing of Southern Africa, (1999) *'Housing Minister outlines 5-year strategy'* Johannesburg: institute for Housing of Southern Africa.

Irurah, D.K. and Boshoff, B. (2003) 'An Interpretation of Sustainable Development and Urban Sustainability in Low-Cost Housing and Settlements in South Africa' In Harrison P., Huchzermeyer M. and Mayekiso M. (eds.). *Confronting Fragmentation: Housing and Urban Development in a Democratising Society.* Cape Town, University of Cape Town Press.

Joshco, (Online). http://www.joshco.co.za/pennyville.php. Accessed: 12-01-2012.

JHC online, (2011) *'About The Johannesburg Housing Company'* [online]. Available from http://www.jhc.co.za/about_us/about_johannesburg_housing_company [accessed: 04 April 2011]

Jones, G.A. and Datta, K. (2000). Enabling Markets to Work? Housing Policy in the 'New' South Africa. *International Planning Studies*, 5 (3), 393 – 416.

Leedy, P.D. and Ormrod, J. E. (2001), '*Practical Research: Planning and Design',* Merrill Prentice Hall, New Jersey.

Li, B. and Akintoye, A. (2003) 'An Overview of Public-Private Partnership' In Akintoye A, Beck M and Hardcore C, 'Public-Private Partnerships: Managing risks and opportunities. Blackwell Science: Oxford, UK.

Mabin A. &Smit D. (1997). Reconstructing South Africa's Cities? The Making of Urban Planning 1900-2000. *Planning Perspectives* 16 (3), 193-223.

Matjiya, A.T., (2009), '*Assessing the Housing Policy Framework in Promoting Inclusionary Housing Developments'*, University of the Witwatersrand, Johannesburg.

Miraftab, F. (2003). The Perils of Participatory Discource: Housing Policy in Post apartheid South Africa. *Journal of Planning Education and Research*, 22, 226 – 239.

Mohlasedi, K.M. and Nkado, R.N. (1999). The Role of Stakeholders in the Delivery of Affordable Housing Schemes in South Africa. *Urban Forum* 10 (1), 57 – 74.

Mukhija, V. (2004). The Contradictions in Enabling Private Developers of Affordable Housing: A Cautionary Case from Ahmedabad, India. *Urban Studies*, 41, 2231 - 2244

National Department of Housing (NDOH), (2007). '*Framework for an Inclusionary Housing Policy (IHP) in South Africa'.*

National Housing Finance Corporation (NHFC), (1996).*Private Placement of R100 million Unsecured Senior Convertible Debentures in the NHFC, Offer Document*, mimeograph.

Oelofse, M. (2003). 'Social Justice, Social Integration and the Compact City: Lessons from the Inner City of Johannesburg', In Harrison P., Huchzermeyer M. and Mayekiso M. (eds.). *Confronting Fragmentation: Housing and Urban Development in Democratising Society.* Cape Town, University of Cape Town Press. 88 – 105.

Onatu, G.O. (2010). Mixed-Income Housing Development Strategy: Perspective on Cosmo City, Johannesburg, South Africa. *International Journal of Housing Markets and Analysis*, 3 (3), 203 – 215.

Pellissier, R. (2011). *Research Design Workshop*. 5th – 7th December 2011.

Peshkin, A. (1993). 'The Goodness of Qualitative Research', *"Educational Researcher", Vol. 22 No. 2*, 23-29

Pierson, G. And McBride P. (1996), 'Public/Private Sector Infrastructure Arrangements', *CPA Communique*, 73, 1-4.

Pillay, A. and Naude' W.A. (2006). Financing Low-income Housing in South Africa: Borrower Experiences and Perceptions of Banks. *Habitat International* 30, 872 – 885.

Pillay, U. and Tomlinson, R. (2006). 'Conclusion', In Pillay, U., Tomlinson, R. and du Toit, J. (eds.). *Democracy and Delivery: Urban Policy in South Africa.* Cape Town, HSRC Press.

Renaud, B. (1999). The Financing of Social Housing in Integrating Financial Markets: a view from developing countries. *Urban Studies*, 36, 755 – 773.

Rondinellii, D. (2002), 'Public-Private Partnerships', in C. Kirkpatrick, R. Clarke and C. Polidano, *Handbook on Development Policy and Management*, Cheltenham: Edward Elgar.

Rosenau P. (2000). 'The Strengths and Weaknesses of Public – Private Policy Partnerships.' In Rosenau P. (eds.), *Public – Private Policy Partnerships.* Cambridge, the MIT Press.

Rwelamila, P. Chege, L. and Manchidi, T. (2003) 'Public-private partnership in South African local authorities: risks and opportunities' In Akintoye A, Beck M and Hardcore C, 'Public-Private Partnerships: Managing risks and opportunities. Blackwell Science: Oxford, UK.

Sagalyn, L. B. (2007). Public/Private Development. *Journal of American Planning Association,* 73 (1), 7 – 22.

Savas, E. S. (2000). *Privatisation and public private partnerships*. New York: Chatham House.

Tau, M. F. (2011). Executive Mayor's Foreword, The Johannesburg 2040 Growth and Development Strategy. City of Johannesburg Metropolitan Municipality. http://www.joburg.org.za/index.php?option=com_content&view=article&id=7343&catid=73&Itemid=114[accessed: 12-01-2012]

The Africa Report, (2010) *'South Africa Battle Huge Housing Backlog'* [Online]. Available fromhttp://www.theafricareport.com/last-business-news/3290012 south%20Africa%20battles%20huge%20housing%20backlog.html [accessed 06 April 2011].

The Constitutional Assembly, (1996) '*The Constitution of the Republic of South Africa, 1996',* South Africa.

Todes, A. (2003). 'Housing, Integrated Urban Development and the Compact City Debate', In Harrison P., Huchzermeyer M. and Mayekiso M. (eds.). *Confronting Fragmentation: Housing and Urban Development in Democratising Society.* Cape Town, University of Cape Town Press.109 – 121.

Tomlinson M. (2007). The Development of a low-income housing finance sector in South Africa: Have We Finally Found a Way Forward? *Habitat International* 31 (1), 77 – 86.

Trafalgar, (2005) '*Trafalgar Inner City Report 2005* [online]'. Available from www.eprop.co.za/images/dbAttachment.aspx?idAttachment=797 [Accessed: 06 April 2011].

Trochim, W. (2006). *'Research Methods Knowledge Base'* [Online].http://www.socialresearchmethods.net/kb/sampaper.php, [accessed: 25/05/2011].

Van Vleit, W. (1998). *The Encyclopedia of Housing*. Thousand Oaks, Calif: SAGE.

Wesselo. R. (2011). Interview. International Housing Solutions (IHS), Illovo.

World Bank (1993). *Housing: Enabling Markets to Work*. World Bank Policy Paper (Washington, DC: World Bank).

Yin, R.K. (1994) *'Case Study Research, Design and Methods, 2nd Edition.'* Applied Social Research Methods Series Volume 5. Sage, London.

Yin, R.K. (2003) '*Case Study Research: Design and Methods, 3rd Edition*.' Applied Social Research Methods Series Volume 5. Sage, London.

www.fleurhof.co.za (undated), *Fleurhof.*[accessed: 26/09/2011]

APPENDICES

APPENDIX 1

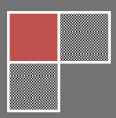
2011

A STUDY OF PUBLIC – PRIVATE PARTNERSHIPS IN THE DEVELOPMENT OF AFFORDABLE HOUSING PROJECTS: A CASE OF JOHANNESBURG

Interview Questions

The aim of this study is to look into the development of affordable housing through public-private partnerships in Johannesburg. All information provided during this interview will be treated with the utmost respect and confidentiality. Information provided will only be strictly used for the academic purposes of this research and nothing else.

Simphiwe Dube: 0502701X
University of the Witwatersrand



Research Questions

- When did your company begin developing affordable housing through partnerships?
- How many affordable housing projects has your company been involved in developing?
- In partnerships, which organisations do you normally partner with in developing such projects?
- Which organisations (public sector, private sector, Non Governmental Organisations) do you find better or easier to work with in projects?
- When you develop affordable housing, what is the price range of units or what income group qualifies for that housing?
- In the affordable housing projects, what difficulties do you normally encounter in partnerships?
- How have partnership relationship improved since the beginning of development projects?
- How do you finance the projects?
- What support do you receive from the public sector when developing affordable housing?
- What obstacles or problems do you normally come across in affordable housing projects?
- What would you change to make PPPs in the delivery of affordable housing easier and more successful?
- What lessons have you learnt in the process of affordable housing projects?
- Do you think PPPs in the development of affordable housing are working and if not what is hindering their success?
- What or how do you think PPP in the development of affordable housing can be improved in order to bring about more interest and participation from the private sector?
- In your opinion do you think these partnerships in affordable housing are working as they should and do they benefit the intended people i.e. low income people?

Thank you for your participation.

2011

A STUDY OF PUBLIC – PRIVATE PARTNERSHIPS IN THE DEVELOPMENT OF AFFORDABLE HOUSING PROJECTS: A CASE OF JOHANNESBURG

Questionnaire

The aim of this study is to look into the development of affordable housing through public-private partnerships in Johannesburg. All information provided in this questionnaire will be treated with the utmost respect and confidentiality. Information provided will only be strictly used for the academic purposes of this research and nothing else.

Simphiwe Dube
University of the Witwatersrand
12/1/2011

RESPONDENTS' DETAILS	
Name:	**ROD PEARCE**
Company:	**CITY OF JOBURG**
Department	**HOUSING**
Position held:	**ASSISTANT DIRECTOR: PROJECTS**

1. **In partnerships, which organisations do you normally partner with in developing such projects?**

   Private developers

2. **Which organisations (public sector, private sector, Non Governmental Organisations) do you find better or easier to work with in projects?**

   Private sector

3. **When you develop affordable housing, what is the price range of units or what income group qualifies for that housing?**

   There are different levels of affordable housing – RDP is a basic dwelling which is given to qualifying groups (income less than R 3 500 p.m.); partially subsidised are for the next income level and are priced from about R 250 000

4. **In the affordable housing projects, what difficulties do you normally encounter in partnerships or relationships with other parties?**

   There can be issues regarding the control of a project where the private developer is skilled at the physical, or construction, aspects of the project and wants to control the project whereas the municipality is the channel for the government funding and as such must be responsible for the financial control and any issues that may arise during a 'value for money' audit.

5. How have partnership relationships improved since the beginning of development projects?

All parties have learnt from earlier projects the requirements of each party and can now respect, and understand the need for, each other's requirements and processes.

6. How do you finance the projects that you are involved in developing?

Mostly government funding – Urban Settlement Development Grant (USDG), Dept. of Housing grants, or direct municipal funds plus private funding.

7. As the public sector, what support do you provide for the private sector when they are developing affordable housing?

Required to provide the bulk and link services to any approved development. Also act as channel for national and provincial funding for the low cost areas of mixed development.

8. What obstacles or problems do you normally encounter in affordable housing projects?

Creating suitable housing from the limited funding available from national and provincial sources;

9. What would you change to make PPPs in the delivery of affordable housing easier and more successful?

Have specialised units within the departments that deal only with the PPP processes and therefore become expert at this rather than have any section available handle PPP on an almost ad-hoc basis.

10. What lessons have you learnt in the process of affordable housing projects?

Haven't personally been involved long enough to identify specific lessons but answers above should give some indication.

11. Do you think PPPs in the development of affordable housing are working and if not what is hindering their success?

Similar to 10 above I haven't been involved long enough but from what I have seen they seem to be working and it is a matter of managing the process properly and the various parties working together as they both have the same goal but just approach it from different aspects. Private developers are trying to get profit from their projects while the municipality is trying to achieve a social solution at an acceptable cost.

12. What or how do you think PPP in the development of affordable housing can be improved in order to bring about more interest and participation from the private sector?

As most of the processes that the municipalities have to follow are fairly involved and take time they must be made efficient wherever possible so that private developers are not frustrated by apparent delays.

13. In your opinion do you think these partnerships in affordable housing are working as they should and do they benefit the intended people i.e. low income people?

Yes I think they are working and benefiting the lower income levels but there still needs to be better control on the projects and on the eventual allocations of communities to the developments.

14. What are the benefits of having partnerships between the public and private sector in the development of affordable housing?

The private developer is more efficient as they are profit driven whereas the municipality has access to the larger national funding.

15. What problems if there are any do you face when dealing with low to middle income people in housing projects? (E.g. access to finance, affordability, etc).

The approval of qualifying people can take time and is open to misinterpretation by people on the ground and the allocation of housing is a very emotional aspect of the development.

THANK YOU FOR YOUR PARTICIPATION.

APPENDIX 3

Interview 1

The first interview was with Rob Wesselo from the International Housing Solutions on the 30th October 2011 at 10.00 a.m. at the International Housing Solutions offices in Illovo. Rob Wesselo is a Managing Partner in this organisation. The interview lasted twenty minutes. This interview has been transcribed and a full version of it can be found in appendices section in appendix 2. This interview basically provided insight as to what type of organisation the IHS is and what kind of work they do Mr. Wesselo also shed some light on projects which have been undertaken by the organisation and what they have learnt through the development processes.

Interview 2

The second interview was also conducted at the IHS offices on the 29th September 2011 also at 10.00 a.m. with Yankho Chitsime who is a Deal Maker in the company and has been involved in the Fleurhof project used as a case study. A full version of this interview can also be found in the appendices section. This interview basically provided a detailed description of the project and how and what has been done and the different partnerships and relationships between the partners. It also provides input on lessons learnt and what problems are faced and what can be done to reduce problems and ensure the smooth running in future projects. This interview lasted for about 30 minutes.

Interview 3

The third interviewee was Henry Chitsulo from the Gauteng Partnership Fund (GPF). The interview was held in Sandton at the GPF offices on the 29th September 2011 at 11.00 a.m. and it took around 40 minutes. This interview provides some light as to what the aim of the GPF is and the projects they are involved in. It provides information regarding the funding of affordable housing projects as well as partnerships involved in project finance and development.

Interview 4

This interview was held in the Johannesburg central business district at the Absa offices on the 30th November 2011 at 10.00 a.m., the interviewee was Kgositsile Sedumedi who is a Development Manager at the ABSA DevCo division. The interview lasted for 25 minutes in which Mr Sedumedi provided insight on the work that is done by Absa in the field of affordable housing. He spoke about a project he has worked which is in Pretoria as well as some insight on the Pennyville project which is one of the case studies used here.

Interview 5

The fifth interview was also held at the Absa offices in Johannesburg. The Interviewed person here was Motlatsi Makhekhe who is also a Development Manager in the company. This interview was held on the 5th December 2011 at 9.30 a.m. This interview provided information on the Absa development processes and procedures when it comes to affordable housing development and the interviewee gave examples using a project which he is currently involved in developing which is based in EMalahleni, formerly known as Witbank. He spoke of lessons learnt, what they have found to work well and what can be improved.

Interview 6

This interview was conducted in Braamfontein at the Johannesburg Property Company offices on the 8th December 2011 at 14.00 p.m. The Interviewee was Alan Dinnie. Mr Dinnie gave information in relation to the public sectors view and way of doing things in affordable housing projects and the interview lasted around 18 minutes.

Interview 7

This interview came in the form of a questionnaire and the respondent here was ROD PEARCE who is the assistant director in the projects division from the City of Johannesburg's housing department.This Department was visited on the 5th December 2011 to request interviews with two representatives involved in affordable housing development. Due to it being December, the office was busy and a number of people had gone on leave therefore I was requested to draft a

questionnaire and send it through for them to respond. I only received this one response from the department. The response to the questionnaire provides information from the view point of the public sector and their experiences and how they feel about partnership projects in the development of affordable housing, what the feel the issues and problems are here as well as how and what can be improved.