

Business Day

SA's low-cost housing chain 'needs restructuring'

by [Carol Paton](#), 22 October 2013, 06:22

THE Financial and Fiscal Commission, the independent body which makes recommendations to Parliament on the division of revenue, says the government's model of low-cost housing delivery is financially unsustainable, puts the wrong incentives in place and should be completely restructured.

The provision of housing is a contentious political issue, with supply unable to keep up with demand and numerous complaints about the waiting lists and the quality of low-cost houses driving social protests.

The commission also shows that the government is getting diminishing returns on its housing budget: while expenditure is rising, the number of houses built is declining. "Reversing the trend will require a concerted effort to restructure the entire housing finance and delivery chain," a commission report reads.

The commission's acting chairman, Bongani Khumalo, told reporters at Parliament on Monday that the key finding of the report into financing options for housing was that "there is a need to relook and review the way we have been approaching housing delivery."

The report identifies and costs four scenarios, elements of which can be combined to achieve an optimal mix. The scenarios are: to continue in the same vein; to adopt a model encouraging those who can afford it to contribute to their own housing, while providing houses only to the indigent; to upgrade informal settlements; and to adopt the model called for by the National Development Plan (NDP), which would involve revising the finance regime and building more compact cities.

Of these, the option of continuing in the same vein was the most costly, at a cost of R878bn over the next eight years. This option also had the worst developmental outcome in that it would increase urban sprawl and put in place incentives that would work against the growth of an effective housing market.

The NDP scenario, which had the best outcome for the development of compact cities, was the second-most costly, at R689bn over the same period. One of the elements built into the NDP model was a housing voucher that could be accessed for the purposes of building.

The poor credit-worthiness of poor households makes it difficult for them to borrow, which would enhance the voucher. Vouchers could be accessed by people wanting to upgrade backyard accommodation, which would increase both the housing supply and household assets, said Mr Khumalo.

The NDP model includes upgrading of informal settlements.

The report describes the NDP option as "the best performing scenario". However for it to really benefit all targeted households, a "fundamental reduction in current levels of household indebtedness" would be required.

<http://www.bdlive.co.za/national/2013/10/22/sas-low-cost-housing-chain-needs-restructuring>