



# human settlements

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Department:

Human Settlements

**REPUBLIC OF SOUTH AFRICA**



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# PRESENTATION TO THE PORT FOLIO COMMITTEE

## INDIVIDUAL RURAL HOUSING SUBSIDY VOUCHER PROGRAMME



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# Background

## Why a special intervention?

- Not many projects in rural areas;
- Depopulation of rural communities;
- Rural development is a priority for Government;
- Many households in rural areas are in need of housing assistance but housing projects do not reach them.



# Overview of programme

## The key features of the programme are:

- It is an individual subsidy programme;
- The subsidy is issued in the form of a voucher in exchange for building materials and services;
- The self help concept is a fundamental requirement;
- The RHLF is to act as Implementation agent;
- Rural registered financial institutions are to

play an important role



# Land Rights

- The Programme only applies to persons with informal land rights;
- The land rights must be uncontested
- The land rights must be substantiated
- It is State owned land and the Ingonyama Trust land in KZN; and
- It does not apply where normal individual subsidies or project linked subsidies apply.



# How will the process work?

- The RHLF will negotiate funding reservation with MECs over the MTEF periods
- Agreements will be concluded and an advance payment system to RHLF will apply
- RHLF will evaluate and appoint subsidy administrators (rural lenders that provide unsecured finance to rural dwellers)
- RHLF indicated it will act as Financial and Administrative Agent roles



## Fees for service provider

- RHLF will receive 5% of subsidy amount as a fee for its services;
- RHLF will conclude agreements with Subsidy Intermediaries;
- RHLF will pay approved subsidy funding to Subsidy Intermediaries on a cash flow basis;
- Subsidy Intermediaries will pay material suppliers, service providers and beneficiaries; and
- RHLF will approve material list and suppliers.

# The Role of The Subsidy Administrator

- The Subsidy intermediary will advocate the scheme, train beneficiaries, assist with applications for subsidies, administer the subsidy voucher, pay material suppliers and service providers;
- Once subsidy application is approved by MEC, a voucher is issued to beneficiary;
- Beneficiary may draw pre-approved materials on a structured phased process





# Payment options

- Beneficiary must complete phase 1 to enable the withdrawal of phase 2 materials and services;
- Beneficiary may employ labour and special service providers;
- Any residual amount available per phase may be paid to beneficiary on request for labour costs.



# Verification

- RHLF may also appoint service providers to certify:
  - material delivery;
  - workmanship;
  - phase completion;
- Fees for such must be financed from the 5% fee.



# General aspects

A complete material list for a typical subsidy house was developed;

- RHLF will accredit suppliers and confirm standard of materials;
- A standard house plan as an option will be developed for pre-approval to save time;
- Upgrading of existing houses will be possible as well but at a later stage.



# General aspects

- Municipality to approve house plans;
- Normal qualification criteria will apply;
- NHBRC registration and enrolment not applicable (non registered ownership);
- Norms and standards are not obligatory but serve as a guide;
- The initial projects will entail new dwellings while upgrading of existing will be phased in as capacity is developed.



# Implementation requirements

The following still needs to be developed, should MINMEC approve the programme:

- The voucher system (smart card/ debit card?)
- Standard house plans and approval thereof
- Contractual documentation to govern relationships and roles and responsibilities
- Accreditation requirements



# Challenges

- Possible funding misappropriation
- Possible incomplete dwellings
- Possible inferior workmanship
- Possible conflict between parties
- Availability of service providers
- Availability of subsidy administrators
- Availability of material suppliers
- Transporting of materials



# Financial Implications

- Take-up of subsidies under the proposed programme is envisaged to be minimal at first
- Only limited subsidy administration capacity exist
- Target provinces are: Limpopo, Mpumalanga, Eastern Cape, North West, KZN and Free State
- No information is available on the possible demand
- RHLF suggested a pilot phase to ensure that implementation is tested before a national role out phase is considered.
- During the pilot phase, RHLF will cover voucher intermediary fees and other external start-up costs beyond the 5% reimbursement using the KfW accompanying measure where possible.
- Potential for a further shortfall of R8mil in the pilot phase and a total of R25 mil over the 3 year period exist.



# Conclusion

- In view of the financial implications and inherent risks attached to the Programme, MINMEC decided to defer the implementation of the Programme until the investigations on the establishment of the envisaged Housing Development Financed Institution is concluded
- This process is work in progress.





# Thank you



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