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AN OVERVIEW OF THE INDIVIDUAL RURAL HOUSING SUBSIDY VOUCHER SCHEME

1. Background

The Individual Rural Housing Subsidy Voucher Programme was approved by the human settlements MINMEC meeting held on 21 August 2001. The programme was developed as an alternative subsidy option to augment housing choice in rural areas where project-based housing delivery is not planned for the foreseeable future.¹

The concept of a rural subsidy voucher scheme was developed in response to the challenges that rural low density dwellings on communal land pose to conventional project-driven housing delivery, such as:²

- Land acquisition, utility services and cost-efficient delivery of top structures can only be organised in the context of large coordinated projects that are constrained by lengthy lead-times and bottlenecks in municipal planning and implementation capacity.
- Beneficiaries on communal land typically are required to relocate to new project developments away from their ancestral homes in order to claim their housing benefit. This interrupts the social structure of the established rural communities, and may leave beneficiaries isolated in anonymous housing projects with limited employment opportunities, reduced scope for subsistence farming and an environment prone to crime.

Instead, it is anticipated that an individual voucher will empower rural residents to claim their housing subsidy where it would benefit them most, in the context of their established community and social safety-net. Further, it is expected that such scheme will maximise the housing choice for rural communities. It has been suggested that coordinated housing delivery, although conceptually preferable, in reality creates a barrier to "access" that tends to exclude the most vulnerable rural residents on communal land, who may not be reached by project-driven housing delivery during their life-time. It is conceptualised that the individual voucher programme will be designed in such a way that participants can still reap some of the benefits of coordination by obtaining volume discounts on self-organised group orders, for example.

¹ DHS (2011)

² Rural Housing Loan Fund, communicated on 31 May 2012.

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The individual voucher is not intended to compete with the existing Rural Housing Subsidy system. It also does not replace the People's Housing Process that may be used by some housing recipients to access the Rural Subsidy. Rather, the Individual Housing Voucher should be seen as a complementary mechanism that will speed up housing delivery in rural areas (communal land), where individuals are not in a position to move to a rural housing project or join a PHP initiative.

2. Implementation of the subsidy voucher programme

2.1 How the subsidy voucher will work

Individual Rural Housing Subsidy Voucher Programme represents an owner-build scenario. As such, eligible beneficiaries who enjoy functional tenure rights on communally-owned land may apply for the individual subsidies.

The subsidy, once approved, will be issued in the form of a voucher.³ Beneficiaries would need to open a subsidy account with RHLF or one of its retail implementation partners into which the subsidy amount is allocated. These voucher funds can be spent by the beneficiary in whole, or in instalments on building a house or home improvements from a catalogue of approved materials, systems and suppliers. This catalogue will include basic building materials such as bricks, cement, timber, and roofing materials at competitive retail prices. Certified alternative building technologies and supplies suitable for rural applications may also be made available via the catalogue. Critically important, the catalogue will also offer individualised package solutions to the problems of potable water, sanitation, heating, cooking and electricity supply. Such solutions may include environmentally safe latrine systems, solar electric lighting and water sterilization systems, water harvesting and storage, compact high efficiency stoves and water heaters etc.

2.2 Institutional arrangements

The Rural Housing Loan Fund (RHLF) was appointed the implementation agent for the programme, and will, therefore, act as the official subsidy administrator and financial agent. This means that, RHLF will manage the beneficiary application process, the accreditation of materials supplies and administer the progress payment system. It will also be responsible for training and quality control. The RHLF could also outsource some of its functions to approved credit providers who are operational in rural areas to ensure that the beneficiaries could access the programme benefit as close as possible to the areas of residence.⁴

³ DHS (2011)

⁴ Ibid



In 2010, the Department of Human Settlements reported that as the subsidy administrator and financial agent, the RHLF will be entitled to the 2 x 2.5% (i.e. 5%) statutory fees calculated on the gross cost of the voucher awarded. The RHLF, however, cautioned that to ensure the acceptance of the individual voucher system in the eyes of the beneficiary, it will be critical that administration fees will not be deducted from the published subsidy amount, but paid separately from government housing budgets.⁵

In carrying out the administrative processes, the RHLF intends to subcontract much of the customer service interface to its established network of retail housing lenders who have the rural branch footprint, information technology (IT) systems and customer service capacity to manage large volumes of applications and implement the delivery-versus-payment approach with suppliers. The processes of verifying receipt of goods and services by the beneficiary and releasing payment to the service provider are largely identical to the current building material credit sales model perfected by RHLF retail lenders. The voucher programme could thus be implemented alongside RHLF's lending programmes on shared IT infrastructure at reasonable cost.

The RHLF indicated that special attention will also be paid to using and training local community labour in the conventional building activity, as well as in the installation and maintenance of the more complex system packages. Informal local builders would also benefit from the professional training opportunities under this program that should improve their long-term employability in the building industry. In this regard, the RHLF will link up with the Construction Education & Training Authority (CETA).

2.3 Pilot and implementation

By 2010, the RHLF already submitted an initial implementation plan and risk mitigating strategy to the Department of Human Settlements, who expressed concern about the cost indicators tabled. The Department of Human Settlements did, however, expressed the view that the RHLF is the most suitable agent able to undertake a programme of this nature. An implementation date has not publicly been communicated by the Department of Human Settlements, but it was anticipated that a phased-in approach would be employed for the national roll-out of the programme.

It was indicated that the RHLF would require at least R8 million additional funds during the first year of the implementation phase, and an additional R25 million for a three year Medium Term Expenditure Framework (MTEF) period (in addition to the 5% subsidy-based fee).

⁵ Rural Housing Loan Fund, communicated on 31 May 2012.



It was indicated that the programme would be piloted in the Eastern Cape Province in certain selected areas in the province during the 2011/12 financial year. Three potential municipalities were identified where pilot implementation would be most feasible, and potentially yield approximately 500 individual subsidy allocations. However, information is not available on this pilot and it is unclear whether the pilot was implemented.

3. Issues for consideration

- It was cited that beneficiaries would have to reside on communal land in rural areas – what other qualifying criteria would apply?
- Has a subsidy amount been set, and if yes, how was the subsidy amount determined?
- Was the subsidy programme piloted in the Eastern Cape as planned during 2011/12? If yes, which municipalities were selected for the pilot? What was the financial implication for the pilot, and did the Eastern Cape Province budget for the pilot project, as agreed to?
- What is the intended time-frame for national roll-out of the subsidy voucher programme?
- In 2010, it was reported that the first year implementation would require R8 million, followed by R25 million over a three-year period. Has projections on the cost of implementing the programme changed since then? If yes, how did it change?
- What would be the cost implication per annum of the 5% statutory fees payable to RHLF?
- Would provincial allocations be set for awarding of subsidy vouchers annually? If yes, what are they based on?
- To date were traditional leaders engaged on the proposed subsidy voucher programme, and if yes, what were their comments?
- Were discussions held with significant stakeholders, such as the *Ingonyama Trust* in KwaZulu-Natal given the fact that it owns the majority of rural land in the province?
- It was reported that the RHLF submitted an initial implementation plan and risk mitigating strategy to the national Department. To what extent have provinces been able to engage with these documents and what were their concerns?
- Will the implementation of the proposed subsidy voucher programme have any implications for provincial budgets? If yes, what are they?



References

National Department of Human Settlement (2011) "Rural Interventions: Individual Rural Housing Subsidy Voucher Programme" [Available on cloudfront.net] [Accessible on 31/05/2012]

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