The Economics of Housing Lower Income Populations in South Africa: Challenges and Opportunities in KwaZulu-Natal

by

Marcella M. Barrière

B.A., Economics, 1997

University of Massachusetts at Amherst

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Signature of Author _____
                            Program in Real Estate Development
                            July 30, 2013

Certified By _____
                            Albert Saiz, PhD
                            Associate Professor, Department of Urban Studies and Planning
                            Thesis Supervisor

Accepted By _____
                            David Geltner
                            Chairman, Interdepartmental Degree Program in
                            Real Estate Development

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ABSTRACT

Since 1994, approximately three million homes have been built for lower income households in South Africa, but as a result of population growth, immigration, increasing urbanization and systemic inefficiencies, such as corruption, the backlog of formal housing units stands at almost 1.5 million. This persistent unmet need for low-income and affordable housing is putting tremendous pressure on South African leaders to more efficiently implement the policies they have created and take a new approach to this decades old problem. The purpose of this thesis is to develop an understanding of the South African affordable housing market and the factors that are contributing to the chasm that exists between the demand for affordable housing and the limited supply of stock in this sector of the market. The study focuses on four major drivers – three can be considered conventional market drivers and are land reform, construction processes and technology and access to financing. The fourth driver is an unconventional but significant factor and that is, corruption and its economic and societal impact. Of these four issues the most critical are land reform, due to well-designed but poorly executed policies, and corruption due to its profound impact on the affordable housing market.

The seeming inability of the South African government to make effective progress in meeting the extreme shortfall in housing for lower income populations is leading to increased incidences of undeveloped, well-located land being informally settled, and is creating unrest in the population and political instability. This thesis discusses the discrete challenges within the land, construction and finance sectors, with special attention given to the industry-wide crippling force of corruption, which was uncovered during in-person interviews with South African developers, businessmen, educators and students. The author outlines potential solutions to mitigate corruption's impact through strengthened eradication efforts combined with economic approaches based on the concept of double marginalization.

Thesis Supervisor: Albert Saiz, PhD
Title: Associate Professor of Urban Studies and Planning

ACKNOWLEDGEMENTS

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ABBREVIATIONS

AFU	Asset Forfeiture Unit
ANC	African National Congress
BBBEE	Broad-based Black Economic Empowerment
BNG	Breaking New Ground
COPE	Congress of the People
COSATU	Congress of South African Trade Unions
DA	Democratic Alliance
DHS	Department of Human Settlements
FLISP	Finance Linked Individual Subsidy Program
GBCSA	Green Building Council of South Africa
IFP	Inkatha Freedom Party
KZN	KwaZulu-Natal
MK	uMkhonto weSizwe
NGO	Non-Governmental Organization
NHBRC	National Home Builders Registration Council
NHFC	National Housing Finance Corporation
QLFS	Quarterly Labour Force Survey
RDLR	Department of Rural Development and Land Reform
RDP	Reconstruction and Development Program
SACP	South African Communist Party
SAPS	South African Police Service
SIU	Special Investigations Unit
VAT	Value-Added Tax

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1 | INTRODUCTION

"Protection from the elements, privacy and security are fundamental for human survival, dignity and social stability. The history of forced removals, shack clearances, sterile dormitory communities, mass hostels and inadequate services ('toilets in the veld') helps to explain…the priority given to building houses after the end of apartheid."

~*Ivan Turok,* Towards Resilient Cities: The State of South African Cities 2011

The first fully democratic election held in South Africa 19 years ago, which resulted in Nelson Mandela becoming president, was an historic occasion not only because an African became president but because the transition to 'post-apartheid' went so peacefully – thanks in large part to the leadership of Mr. Mandela. To the world it marked the official end of apartheid and the dawn of an inclusive, non-race based society. In South Africa, the new leaders faced a very complex social situation: centuries of forced relocation and dispossession of Africans, which resulted in pronounced inequalities between races in terms of land ownership, income distribution, education, skills, and healthcare.

The Constitution of the Republic of South Africa guarantees the right to adequate housing for all South Africans. At the end of apartheid there was one formal house for every 3.5 Whites, while the ratio for Africans was one formal house for every 43. The population in 1996 was just over 40.5 million with 76% of the population African. (Knight 2001) That translates, roughly, to 717,000 formal homes for 30.8 million Africans. Using an average household size of five people (Ibid.), there was an approximate deficit of seven million formal housing units needed to meet the demand that existed in the mid-1990's.

Since 1994, approximately three million homes have been built for lower income households, but with population growth, immigration and increasing urbanization the backlog of formal housing units stands at almost 1.5 million, which puts the number of South Africans in need of formal housing at 7.5 million. ("Census 2011: Methodology and Highlights of Key Results" 2012) This persistent unmet need for low-income and

affordable housing is putting tremendous pressure on South African leaders to more efficiently implement the policies they have designed and take a new approach to this decades old problem. Since the end of apartheid, which created these inequalities, the political system and the policies implemented therein have not been effective in channeling resources toward housing for the poor, which, along with land reform, was and remains a top priority for South Africa's leaders.

The purpose of this thesis is to develop an understanding of the South African affordable housing market, primarily in the province of KwaZulu-Natal[1], and the factors that are contributing to the chasm that exists between the demand for affordable housing and the limited supply of stock and financing options in this sector of the market. The study focuses on four major drivers – three can be considered conventional market drivers and are land reform, construction processes and technology and access to financing. The fourth driver is an unconventional but significant factor and that is, corruption and its economic and societal impact. Of these four issues the most critical, in the author's view, are land reform, due to well-intentioned but poorly executed policies, and corruption due to its far-reaching impact on the housing market and the economy as a whole.

A BRIEF HISTORY OF SOUTH AFRICA AND APARTHEID

South Africa has a painful and complex history of clashes between its original populations (Khoikhoi, San[2], and Bantu-speaking groups that migrated from northern border areas) and European settlers (primarily Dutch and British), as well as violent battles between the British and Dutch-speaking Boers[3]. Acts of aggression and oppression visited upon native Africans by the Boers and British became progressively worse over the centuries.

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[1] I will at times make reference to South Africa as a whole; to the province of KwaZulu-Natal, which is one of the nine provinces that make up South Africa; and to eThekwini, which is the metropolitan municipality within KwaZulu-Natal that includes the major urban center of Durban and its shipping port.

[2] In regard to the Khoikhoi and the San, Clark and Worger state that "all are now viewed by scholars as having a common origin and are referred to as the 'Khoisan' peoples."(Clark and Worger 2011, 11)

[3] Battles and wars between the British and Dutch-speaking colonists and settlers were actually fought, on both sides, by all races. However, the treaties and unions that ended each conflict were written by and for the exclusive benefit of Europeans.

Beginning in 1652, the Dutch East India Company established a settlement in the Cape area and not long after began violently forcing the Khoi off of their land and claiming it for themselves. The land that was taken from the Khoi was turned into large commercial farms, staffed with slave labor from Angola and West Africa, and run by European settlers. The Khoi are now all but extinct having had their numbers greatly reduced by the wars waged against them and having fallen victim to epidemics of smallpox. These factors along with male European settlers procreating with Khoi women have eliminated most of these original South African inhabitants.

The ensuing years brought British occupation of the Cape, twice. In 1807 the British banned the slave trade, and in 1834 they emancipated the slaves in the Cape. Many of Dutch-speaking Boers, already frustrated by British policies, felt emancipating slaves was the last straw. Determined to establish their own settlements free from British rule, more than 12,000 Boers left the Cape and headed inland beyond the borders of British rule. This became known as The Great Trek and is considered a foundational moment in the history of Afrikaners. As the Boers moved inland they continued the violent taking of lands from the Khoisan. This had economic impacts for the native populations who had developed active among themselves "with cultivators and pastoralists developing complementary economies." (Clark and Worger 2011, 11)

Up until the early 1800's, South Africa was not a large economic power. The agricultural system was not producing lucrative export crops, but primarily crops for self-sufficiency. The historical shift in the South African economy, and a major economic driver for institutionalizing the oppression of non-Whites, came with the discovery of diamonds and gold in 1869 and 1886 respectively. Maximizing profits in the diamond and gold mines required ensuring a large, cheap and unskilled labor pool.

Those that had claims on land, known as Diggers[4], and were in search of diamonds found the cost of labor versus the productivity (i.e., the success rate of finding enough diamonds to at least break even) to be unsustainable. Since there was no formal way

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[4] A person that held a claim, or exclusive rights, on a piece of land in order to dig for diamonds was called a "Digger," even though the claim owners were not the ones doing the actual digiging.

to enforce the labor contracts between Diggers and laborers, the laborers would come and go from the work sites without notice. The unpredictability of the laborers, coupled with the laborer's ability to earn a living wage via agricultural pursuits back on their family- or tribe-owned land created a shortage of cheap, dependable (read controllable) laborers. The laborers were also accused of stealing some of the diamonds they found, which, from the Diggers' view, only created more of an imbalance in the labor versus productivity equation. These factors, the claim owners argued, drove up the cost of labor and they drafted what would become the first Pass Laws[5] in order to increase the supply (by restricting the laborers ability to leave the area) and control the movements of Black laborers within the mining area (there were curfews and any laborer could be stopped at any time and had to present his pass book for verification or be subject to fines, flogging and/or imprisonment).

The years between 1911 – 1945 saw a multitude of laws passed further entrenching race-based segregation and oppression, culminating in 1948 when a group of laws would be passed that made apartheid the law of the land. Africans, from the very beginning, protested these laws in every manner available – through attempted civil discourse, through the legal system, by organized political protests and eventually violence. Nelson Mandela became a major force in the anti-apartheid fight and in the 1963 Rivonia Trial, he and seven other ANC leaders were sentenced to life imprisonment for treason.

The violence escalated, as did the Afrikaner-led apartheid government's efforts to enforce ever more restrictions on the Black majority. While South Africa was throwing its weight into enforcing race-based oppression, the United States was moving in the opposite direction with the Civil Rights Movement. It would take another two decades, but international pressure and economic embargoes in the 1980s finally took a deep

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[5] The Pass Laws instituted in 1872 required migrant workers to register their work contracts at a newly established Labor Registry. There were three types of passes: A temporary pass issued to a worker searching for work, a pass for a worker under contract, a pass to leave the area only if the contract had been fulfilled and the worker searched to ensure they weren't stealing any diamonds. The enforcement of the Pass Laws could be violent as some infractions were punished with flogging.

enough toll on the South African economy that a move away from apartheid became a matter of survival.

Prior to Nelson Mandela's release from prison in 1990, then president J.W. de Klerk began secret negotiations to transfer political power and dismantle apartheid. A high-ranking White businessman, who was born and raised in the KwaZulu-Natal area and a lifelong anti-apartheid sympathizer, noted during an interview that there were deals made with Blacks – those considered elite – to transfer up to a 25% business share of some of the largest companies in South Africa. These deals were done to ensure that after the transfer of political power, these elite Black businessmen would ensure a 'favorable environment' for the White-owned corporations. There was a transfer of political power, but not economic power. This came up as a bone of contention and source of frustration among many of the college students interviewed.

By 1994, apartheid laws had been repealed and South Africa held it's first non-racial democratic election. Faced with the daunting task of righting the wrongs done over centuries, the governing ANC with Nelson Mandela at its helm crafted a new Constitution and set about enacting laws to move South Africa toward a more economically equitable society. In subsequent elections, Thabo Mbeki and then Jacob Zuma became president and their successes have been, some say, unevenly balanced with a slew of charges and allegations of corrupt and self-serving decisions.[6]

There is no doubt that the plight of many has been improved since 1994, especially when it comes to the relative and absolute numbers concerning education. The 1996 census indicated that >4 million people had had no schooling, which represented nearly 10% of the population. In 2011, that figure had fallen to 2.7 million, a relative drop of 4.8 percentage points. The housing figures are mixed – between 1996 and 2011 there was a relative drop in the percentage of South Africans living in what is defined as

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[6] For an in-depth, first-hand account of how the ANC changed beginning with the election of Thabo Mbeki, see "After the Party," by Andrew Feinstein, which details a massive and complex arms deal that was an international scandal.

informal housing[7], however, the absolute number increased: 16.6% down to 14.5%, but an absolute increase from 6.7 million to 7.5 million. These numbers can be explained by the rate of urbanization that occurred after the end of apartheid as illustrated in the chart below.

FIGURE 1.1
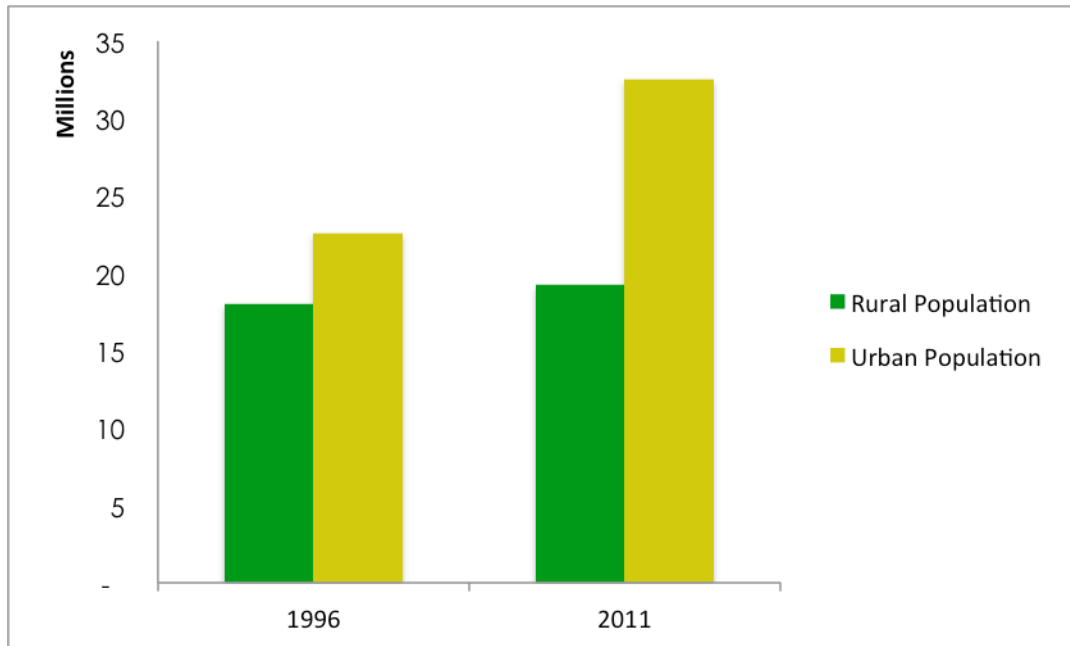
Even with the momentous event of South Africa hosting the World Cup in 2010, the country and its leaders still have a massive challenge on their hands. In 2011 there were 7.5 million South Africans still without formal housing, with almost one million of that number living in KwaZulu-Natal.[8]

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[7] "Informal Housing" is defined in the Census as a makeshift structure not approved by a local authority and not intended as a permanent dwelling. Typically built with found materials (corrugated iron, cardboard, plastic, etc. "Other" housing, which the author has included in the "Informal Housing" numbers, is defined as tents or caravans.("Census 2011: Methodology and Highlights of Key Results" 2012)

[8] Due to the legacy of apartheid's race-based laws that had White supremacy and benefit at their heart, it is common to discuss most challenges in South Africa in terms of race. However, the author has chosen not to break down housing, poverty or education statistics by race because it is, in the author's opinion, not material. Living in abject poverty with few, if any, opportunities for relief is inhumane regardless of race, gender, religious affiliation, etc.
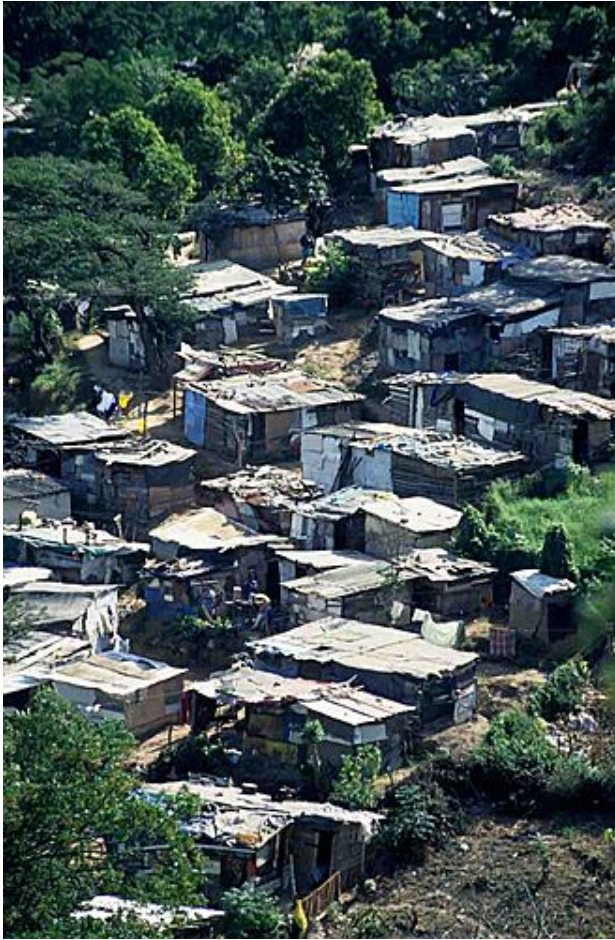
Photograph by: Thomas Ziegler 2 Feb 07. Informal settlement, KZN

This informal settlement is located in an area that used to be covered in vegetation but was cleared by the settlers. The settlement has no formal supply of electricity and any electricity in the shacks has been illegally obtained by splicing into nearby services.

There are likely little to no water or toilet facilities. Limited water facilities may be provided through a manual pump (limited number of pumps for the entire settlement). Toilet facilities, if any, could be rudimentary pit latrines, otherwise residents will use adjacent fields to relieve themselves.

The map image (from Bing.com and marked up by author) shows where the settlement is located and the surrounding, middle class single-family homes – in some areas, the shacks abut the fences of the formal homes.

The Structure of South Africa's Government

South Africa is officially the Republic of South Africa and is "a constitutional democracy with a government and independent judiciary, all operating under a parliamentary system." (Siyabona Africa 2013)

FIGURE 1.2
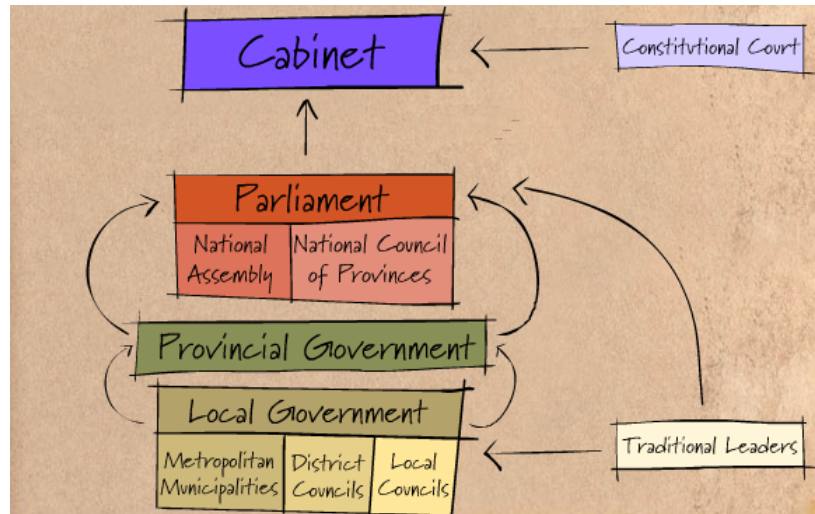
www.bbc.co.uk/scotland/education/ms/southafrica/political/constitution/structure.shtml

The Cabinet consists of the President, Deputy President and Department Ministers, such as the Minister for the Department of Human Settlements.[9] The Parliament consists of the National Assembly (400 members, elected by proportional representation) and the National Council of Provinces (10 members from each of the nine provinces, selected by the provincial legislative body). The scope of the National government is broad policy, legislation and inter-provincial issues.

Each Province has its own Provincial Government that consists of 30 – 80 members that are elected by proportional representation. KwaZulu-Natal has 80 members and is dominated by the ANC who holds 51 of the 80 seats. Provincial governments have the right to draft their own Constitutions, provided nothing in a Provincial Constitution conflicts with the country's Constitution. Provincial legislature is bound only by the national Constitution, as well as the Provincial constitution if it has one. Provinces have the power to pass legislation in regard to the functional areas outlined in the national

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[9] A complete list of the 34 Departments and associated Ministers can be found in the Appendices.

Constitution.[10] Provincial governments have the power to assign any of their legislative powers to a municipality within their area. (Grootboom 2000)

eThekwini is designated as a Metropolitan Municipality[11], which means it is not made up of a group of local municipalities but is a large district unto itself. The eThekwini Metro Municipality includes the major urban center of Durban and the large Durban shipping port. eThekwini's government consists of a 205-member Council, which is elected by proportional representation, a Mayor, Deputy Mayor and Speaker. The 205-member council elects the Mayor, Deputy Mayor and Speaker. The official website for the Municipality states that the Municipal government "serves to facilitate the provision of infrastructure, services and support to the people of eThekwini." (eThekwini Municipality 2013)

South Africa's efforts to include and represent its ancient tribes within a modern democracy are done so through Provincial and National Houses of Traditional Leaders. The Constitution of South Africa set up six Provincial Houses of Traditional Leaders, which are located in Eastern Cape, Free State, North West, Mpumalanga, Limpopo and KwaZulu-Natal and advise Provincial governments on matters affecting traditional laws and customs. Each Provincial House nominates three members to the National House, which advises the National Government "on the rights of communities in areas where traditional customs and laws still hold sway." (British Broadcasting Corporation 2004)

Politics

Since 1994, the political landscape in South Africa has been fairly consistent in terms of political parties with the major parties being the ANC, DA, SACP, COPE and the IFP. Since Nelson Mandela's retirement in 1999 the ANC, in particular, has undergone internal turmoil and, as Andrew Feinstein lamented, "has plummeted into a moral abyss" and is "[b]arely recognizable from the organization led by Mandela, Tambo and

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[10] Schedules 4 and 5 of the Constitution have lengthy lists of functional areas of concurrent and exclusive legislative competence for National-Provincial-Local governments. ("Constitution of the Republic of South Africa, 1996") These functional areas span from slaughterhouse oversight and animal control to infrastructure and climate change policy.

[11] The two other types of municipalities are District and Local, where a District Municipality is comprised of a group of Local Municipalities and they work together to govern.

Luthuli..." (Feinstein 2009). This seeming break with the stated guiding principles of the ANC has caused an increasing distrust of the ANC and pockets of political instability.

There are daily reports across multiple media outlets alleging the ANC's ineffective leadership, corrupt activities and overall dissatisfaction of the population that feel they are only slightly better off in a post-apartheid South Africa. And although the ANC is the dominant governing party, there are a multitude of political party options – and these groups are gaining ground on the ANC with each election. Following are the parties that are considered the major players in South African politics.

African National Congress (ANC): The ANC, originally called the South African Native National Congress, was formed in 1912 to unite South Africans in the struggle for freedom. On December 16, 1961 in response to rising violence against blacks, but especially the Sharpeville Massacre[12], the military wing of the ANC was launched, known as Umkhonto weSizwe (MK). Nelson Mandela was President of the ANC from 1991 to 1997. The ANC was the primary anti-apartheid political movement and it was the secret meetings between a still-jailed Nelson Mandela and then President of South Africa, F.W. de Klerk, that paved the way for the eventual dismantling of apartheid. The ANC still brands itself as "South Africa's National Liberation Movement" and features Nelson Mandela on its homepage. ("African National Congress" 2013) The ANC has been the governing party since the first democratic elections in 1994, although the percentage by which it wins each election has been steadily decreasing.

Democratic Alliance (DA): "The Democratic Alliance is the result of many parties and movements coming together over the years..." beginning in 1959 and culminating in 2000 with the official launch of the DA. ("About the Democratic Alliance" 2013) The DA is the official opposition party to the ANC.

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[12] The Sharpeville Massacre occurred on March 21, 1960 in the Sharpeville Township in Gauteng province south of Johannesburg. The government used lethal force to crush a peaceful protest against the Pass Laws. The result was 69 people killed and 186 wounded.

South African Communist Party (SACP): Founded in 1921, the mission statement of the party states that it is at the "forefront of the struggle against imperialism and racist domination." ("South African Communist Party (SACP)" 2013)

Congress of South African Trade Unions (COSATU): COSATU is a federation of trade unions with more than 20 affiliated trade union just over two million members. Although not a political party, COSATU is part of what is known as the Tripartite Alliance with the ANC and SACP. Through this alliance COSATU is able to wield political influence through affiliation and by putting up candidates for election via the ANC. ("About the Tripartite Alliance" 2013)

Congress of the People (COPE): Mosiuoa Lekota, Mbhazima Shilowa and Mluleki George, high-ranking ANC officials, split from the ANC and formed COPE in 2008 to contest the 2009 general election. The split from the ANC was a response to what can, in its most basic sense, be simplified as Thabo Mbeki supporters v. Jacob Zuma supporters.

Inkatha Freedom Party (IFP): In 1990 the Inkatha National Cultural Liberation Movement, which had been founded in 1975 by Dr. Mangosuthu Buthelezi, was transformed into the Inkatha Freedom Party, with Dr. Mangosuthu Buthelezi at its head. Dr. Buthelezi remains the head of the IFP today. The original incarnation of the IFP was started as, among many other reasons, the non-violent, anti-apartheid political movement within South Africa and had many former ANC "office-bearers and activists" in its ranks. [13] ("Inkatha Freedom Party" 2013)

Agang SA: Newly formed political party (officially launched in June 2013) and lead by Dr. Mamphela Ramphele. Agang SA is challenging the ANC and was borne out of frustration from, "Years of bad leadership, lack of imagination, the absence of accountability and rampant government corruption…" (Ramphele 2013)

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[13] By 1961 the ANC had been banned from South Africa and was operating in exile.

The leadership of Agang SA estimates they could take 1% of the vote in the 2014 general election. In a country where the dominant political party took the last general election with 66% of the vote, garnering 1% of the vote in its first general election showing will be a victory for Agang SA.

There are eight Metropolitan Districts in South Africa, including eThekwini, and the ANC has the political majority in seven of them – the DA controls the eighth, which is the City of Cape Town

Policy

With the advent of democracy in South Africa came the ratification of what is considered a highly progressive Constitution (The Constitution of the Republic of South Africa, 1996). The context within which national housing policy is framed is rooted in several major pieces of legislation in addition to the Constitution; the National Housing Act (1997), Breaking New Ground: A Comprehensive Plan for the Development of Sustainable Human Settlements (2004) and the Revised National Housing Code (2009). The Constitution of the Republic of South Africa provides rights specific to housing, including:

* Every citizen has the right to… reside anywhere in, the Republic (Section 21.3)
* Everyone has the right to have access to adequate housing. (Section 26.1)
* The state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realization of this right. (Section 26.2)
* No one may be evicted from their home, or have their home demolished, without an order of court… No legislation may permit arbitrary evictions (Section 26.3

The National Housing Act of 1997 expounds upon the rights to housing laid down in the Constitution. The Housing Act outlines the principles upon which national housing policy will be formulated and defines the roles and responsibilities of government in executing those policies. Some of the principles to which government must adhere are (a non-exhaustive list) ("National Housing Act of 1997"):

* Prioritize the needs of the poor

* Consult with communities and individuals

* Ensure a wide variety of housing options

* Ensure that developments are environmentally, economically and socially sustainable and based on Integrated Development Plans (IDP's)

* Developments must be administered in a transparent manner

* Promote the functioning of the housing market

With ten years of experience and housing delivery statistics to analyze, the South African government realized it needed to take a new approach to delivering on the housing rights afforded to all South Africans. This review led to a significant shift in policy from the *provision of housing* to the *development of sustainable human settlements*. It was within this environment that the Cabinet approved the Breaking New Ground (BNG)[14] plan in September 2004. The Plan has the following objectives for sustainable human settlements ("The National Housing Code: Part 2, Policy Context" 2009):

* Accelerate the delivery of housing as a key strategy for poverty alleviation;

* Utilize the provision of housing as a major job creation strategy;

* Ensure that land and housing can be accessed by all as an asset for wealth creation and empowerment;

* Leverage growth in the economy;

* Combat crime, promote social cohesion and improve the quality of life for the poor;

* Support 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's property slump, and;

* Use housing delivery as an instrument for the development of sustainable human settlements, in support of spatial restructuring.

The policies and strategies by which these principles are put into practice are found in

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[14] In current vernacular, BNG has replaced the use of RDP when referring to State-subsidized housing for low-income populations.

the National Housing Code, which is updated annually.[15]

There are two national departments that have primary responsibility for housing and land use: the Department of Human Settlements (DHS) and the Department of Rural Development and Land Reform (RDLR).

The Minister of DHS is Mr. Tokyo Sexwale and the following table provides an abbreviated list of the DHS's legislative mandates that provide the framework within which the DHS operates.

TABLE 1.1

Title of Mandate	Description
Constitution of the Republic of South Africa, Section 26.1 and 26.2	Enshrines access to adequate housing as a basic right for all South Africans. The State must take reasonable measures to work toward ensuring all South Africans enjoy this right.*
Housing Act, 1997	Requirement to determine national housing policy and programs and negotiate funding for such programs. Requires Minister to establish housing institutions.
Comprehensive Plan for the Creation of Sustainable Human Settlements (aka, Breaking New Ground or BNG)	Reinforces vision of the Department to promote the achievement of a non-racial, integrated society through the development of sustainable human settlements and quality housing. Requires vigorous engagement and participation of sector-specific stakeholders, which include the Presidency, Government Departments, the private sector and civil society.
Housing Consumers Protection Measures Act, 1998	Provides for the establishment of a statutory body for homebuilders – the National Home Builders Registration Council. Registers builders engaged in certain categories of house construction and regulated the home building industry. The Department is to monitor implementation of the Act continuously.
Housing Development Agency Act, 2008	Facilitate the acquisition and the holding of

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[15] At the time of this writing, the most recent publicly available update of the National Housing Code was for 2009. It is possible that annual updates are produced and distributed within government, but not published for public access via the government website.

	land and landed properties; facilitate the planning processes and coordinate funding for the land identified for sustainable human settlement development; fast-track housing development process. As of 2009, required to monitor implementation of Act continuously
Social Housing[16] Act, 2008	Establishes the Social Housing Regulatory Authority, which will regulate and invest to deliver affordable rental homes in integrated urban environments.*

In accordance with legislation enacted and as noted in the preceding table, the following institutions have been established by and report to the DHS:

TABLE 1.2

Name of Entity	Description
National Home Builders Registration Council (NHBRC)	Original primary mandate was to search for new and better ways to mobilize housing finance from sources outside the State in partnership with the broadest range of organizations. In 2010/2011 the core business of the NHBRC was refocused to facilitate increased and sustained lending and contributions by the private sector.
National Urban Reconstruction and Housing Agency (NURCHA)	NURCHA is a partnership between the South African Government and the Open Society Institute of New York. NURCHA is a development finance company that provides financing and support services to Contractors and Developers for subsidized and affordable housing projects, as well as infrastructure and community facilities' projects. NURCHA also participates in an 'emerging contractor incubator' program that focuses on building skilled capacity for future construction projects.
Housing Development Agency (HDA)	Established as per the Housing Development Agency Act, 2008, noted previously under legislative mandates.
Social Housing Regulatory Authority (SHRA)	Promotes development of social housing

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[16] In South Africa, Social Housing is "rental accommodation for low to medium income households which is developed and managed by a Social Housing Institution" (The Social Housing Foundation 2010) and targets populations with monthly incomes between R800 and R7,500.

	sector, regulates all social housing institutions obtaining public funds and gives statutory recognition to social housing institutions.[17]

The Minister for the Department of Rural Development and Land Reform is Mr. Gugile Nkwinti and the following table provides an abbreviated list of the RDLR's legislative mandates, which provide the framework within which the RDLR operates.

TABLE 1.3

Title of Mandate	Description
Upgrading of Land Tenure Rights Act, 1991 (Act No. 112 of 1991).	The Act provides for the upgrading and conversion of certain rights into ownership in respect of land, as well as for the transfer of tribal land to full ownership by tribes.
Provision of Land and Assistance Act, 1993 (Act No. 126 of 1993).	The Act provides for the designation of certain land, the regulation of the subdivision of such land and the settlement of persons thereon. It also provides for the acquisition, maintenance, planning, development, improvement and disposal of property and the provision of financial assistance for land reform purposes.
Distribution and Transfer of Certain State Land Act, 1993 (Act No. 119 of 1993).	The Act provides for the distribution and transfer of certain State-owned land, to persons or descendants of persons who were removed from such land and had, prior to 27 April 1994, submitted applications to the then Advisory Commission on Land Allocation, and the Commission had confirmed their possible entitlement to such land. The Minister is authorized to designate such land, and to appoint a Land Distribution Commissioner to investigate and make awards to such persons who are found to have legitimate claims to such land
Restitution of Land Rights Act, 1994 (Act No. 22 of 1994).	The Act provides for the restitution of rights in land to persons or communities dispossessed of such rights after 19 June 1913, as a result of past racially discriminatory laws or practices. To

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[17] A Social Housing Institution is one that has been accredited by the SHRA after passing seven assessment points: Appropriate legal form, not-for-profit, good governance, financial sustainability, effective tenant management, efficient property management and adequate property development plans. (Social Housing Regulatory Authority 2011)

	administer this task, the Act established a Commission on Restitution of Land Rights and a Land Claims Court. The Minister is authorized to purchase, acquire in any other manner or expropriate land or rights in land for the purpose of restitution awards.
KwaZulu-Natal Ingonyama Trust Act, 1994 (Act No. 3 of 1994).	The Act makes provision for certain land to be held in Trust and to be transferred to affected communities. The affairs of the Trust are administered by the Ingonyama Trust Board, which was established in terms of this Act.
Land Reform (Labour Tenants) Act, 1996 (Act No. 3 of 1996).	The Act makes provision for the security of tenure of labour tenants, and those persons occupying or using land as a result of their association with labour tenants. It also makes provision for the acquisition of land and rights in land by labour tenants.
Communal Property Associations Act, 1996 (Act 28 of 1996).	The Act enables communities to form juristic persons, to be known as communal property associations in order to acquire, hold and manage property on a basis agreed to by members of a community in terms of a written constitution; and to provide for matters connected therewith.
Extension of Security of Tenure Act, 1997 (Act No. 62 of 1997).	The Act makes provision for measures, with State assistance, to facilitate long-term security of land tenure, to regulate the conditions of residence on certain land, and to regulate the conditions on and circumstances under which the right of persons to reside on land may be terminated. The Act further regulates the conditions and circumstances under which persons, whose right of residence has been terminated, may be evicted from land.

A pivotal piece of legislation is currently under review, and has been in development for 12 years: The Spatial Planning and Land Use Bill. In a Parliamentary session to debate the bill on February 26, 2013, the Minister Nkwinti began by saying, "The Spatial Planning and Land Use Management Bill is premised on a transformative spatial vision, with clear proposals to achieve spatial equity, integration, sustainability, good land administration and efficiency." (Nkwinti 2013) The Bill would provide a comprehensive,

nation-wide framework to address spatial disparities that persist almost 20 years after the end of apartheid. The Bill also recognizes that Municipal governments are at the forefront of effectively implementing any legislature that results from this Bill and it will be the role of National and Provincial governments to ensure Municipal governments have the tools, funding and capacity to be successful.

An interesting stipulation on the Bill is that "a land use regulator [i.e., municipal governments] considering an application before it, may not be impeded or restricted in the exercise of its discretion on the ground that the value of land or property could be affected by the outcome of the application." (Nkwinti 2013) How this plays out in the real estate market will be interesting to observe as it implies that if a land use/project meets the goals set out in the Bill, but has the potential to decrease surrounding land values, that point cannot be taken into consideration when deciding on the application. And the reverse is true – if a project has the potential to increase surround land values, but doesn't meet the objectives of the Bill, that factor cannot be considered.

The Provincial Government of KwaZulu-Natal passed additional legislation in regard to land use and planning, which are the KwaZulu-Natal Land Administration Act, 2003 and the KwaZulu-Natal Planning and Development Act, 2008. Together these Acts cover issues of land acquisition, expropriation, relaxing restrictions on changes in land use and creating standards and norms for provincial land use and urban planning.

DEMOGRAPHICS: SOUTH AFRICA BY THE NUMBERS

During apartheid, the forced relocation of Black Africans to areas far from employment centers, services and infrastructure resulted in an inverse population density (Figure 1: Population Density). This inverse density distribution holds true at all major metropolitan centers (Durban, Johannesburg, Cape Town). The population was not only racially segregated, but the people in the densely populated townships were also the poorest and least educated in South Africa.[18]

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[18] There were rare exceptions to this 'rule,' Nelson Mandela being one of them. Mr. Mandela was born to the Thembu royal family and educated at Fort Hare University and then studied law at the University of the

Population Density Map: eThekwini
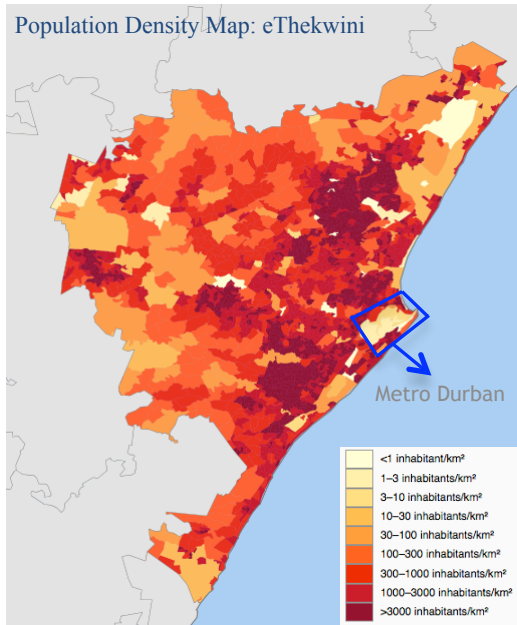
Adapted from: commons.wikimedia.org/wiki/
File:Ethekwini_2001_population_density_map.svg

FIGURE 1.3

Figure 1: Population Density
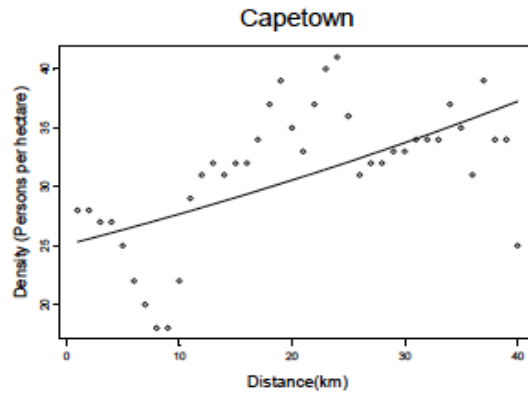
KwaZulu-Natal is home to 10,267,300 South Africans – almost 20% of South Africa's total population. The city of Durban is part of eThekwini municipality, is home to 3,442,361 people and is also where Africa's largest and busiest port is located. According to data gathered during the 2011 Census, 11% of adults in KwaZulu-Natal had no schooling and only 9% of the adult population had received education beyond high school (Table 1.4).

TABLE 1.4   **Distribution of persons aged 20 years and older by highest level of education completed and province (number)**

Level of education	WC	EC	NC	FS	KZN	NW	GP	MP	LP	SA
No schooling	102 242	375 754	76 861	115 380	621 199	248 516	301 311	325 540	499 073	2 665 874
Some Primary	401 362	653 118	116 115	262 576	784 305	353 753	612 990	271 726	334 189	3 790 134
Completed Primary	208 798	223 075	43 111	86 950	240 411	111 439	277 528	96 770	125 813	1 413 895
Some Secondary	1 430 909	1 300 491	236 956	563 698	1 802 050	697 908	2 714 950	726 904	1 007 709	10 481 577
Grade 12/Std 10	1 055 442	707 524	154 008	435 291	1 784 358	529 121	2 832 448	670 343	645 578	8 814 113
Higher	539 827	310 872	50 765	158 799	537 664	162 815	1 492 322	223 579	273 469	3 750 112
Other	18 304	8 815	1 746	4 762	16 097	5 256	45 418	6 270	6 918	113 586
Total	**3 756 884**	**3 579 649**	**679 562**	**1 627 455**	**5 786 084**	**2 108 808**	**8 276 967**	**2 321 133**	**2 892 750**	**31 029 291**

www.statssa.gov.za/Census2011/Products/Census_2011_Census_in_brief.pdf

In 2008, fourteen years after the end of apartheid, South Africa was the most unequal

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Witwatersrand. Fort Hare and the University of the Witwatersrand were key institutions for the education of Black Africans up until 1959 when they were subsumed by apartheid.

country in the world with an income GINI coefficient of .70.[19] (World Bank 2013, 38) In 2009 South Africa had nudged itself one spot better to be the second most unequal country in the world with a GINI coefficient of .631. ("GINI Index | Data | Table" 2013)

FIGURE 1.4
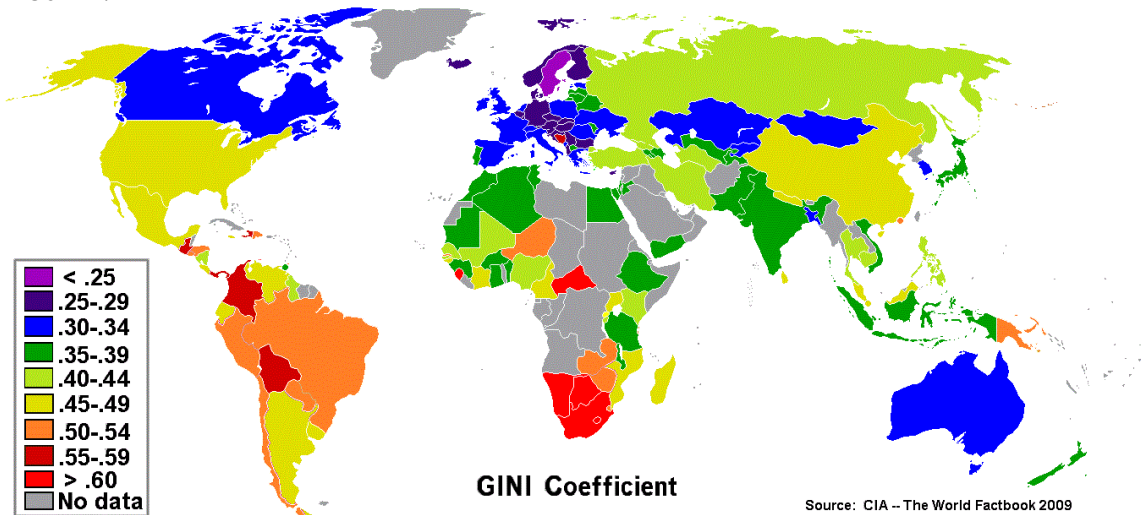
Durban Port, photo credit dukestradingza (Flickr)

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[19] GINI coefficient is commonly used as a measure of inequality of income or wealth with zero being perfectly equal and one being perfectly unequal.

Migration

For a period of 10 years, KwaZulu-Natal has been one of five provinces that have experienced an outflow of people. The Census 2011 report indicated that KwaZulu-Natal was one of four provinces that had net negative migration figures. (Statistics South Africa 2013a)
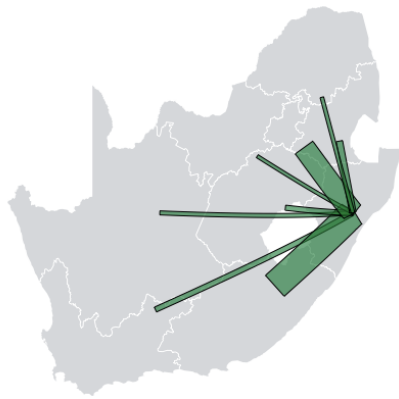
FIGURE 1.5   FIGURE 1.6
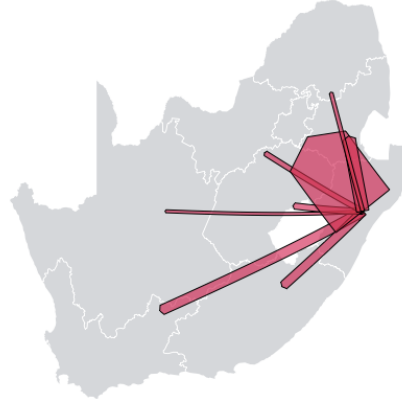
The net migration for KwaZulu-Natal was a loss of just over 30,000 people with the majority of those leaving the province going to Gauteng.

GDP and Employment Statistics

South Africa's economy is one of the largest and most developed in Africa and is one of the world's leading producers of platinum, gold, chromium and iron. "From 2002 to 2008, South Africa grew at an average of 4.5 percent year-on-year… However, in recent years, successive governments have failed to address structural problems such as the widening gap between rich and poor, low-skilled labour force, high unemployment rate, deteriorating infrastructure, high corruption and crime rates." (Taborda 2013)

The following chart illustrates a relatively robust annual rate of growth in GDP, which can reasonably be attributed to increased spending on infrastructure and related projects in the run-up to the 2010 World Cup for soccer. And the ensuing dip in GDP growth can then reasonably be correlated to the completion of those major projects without adequate increases in production from the economy as a whole to pick up the slack.

FIGURE 1.7

SOUTH AFRICA GDP ANNUAL GROWTH RATE
Percent Change in Gross Domestic Product

SOURCE: WWW.TRADINGECONOMICS.COM | STATISTICS SOUTH AFRICA

In regard to the calculation of labor statistics, the strict definition of the labor force is the number of people ready to work that fall in the 15 – 64 age group. The unemployment rate is thusly calculated as the percentage of the labor force that is unemployed. This strict calculation excludes those not "economically active and discouraged workers."[20] According to a Special Report in The Economist, the "official national unemployment rate is 25%, but the real figure is above 40%." ("South Africa: Cheerleaders and Naysayers" 2013, 15)   Between third quarter 2010 and first quarter 2013, the South African economy has added 646,000 jobs. This slow pace of economic growth has left South Africa short of gaining back losses sustained during the economic crisis of 2008.

FIGURE 1.8

Number of jobs

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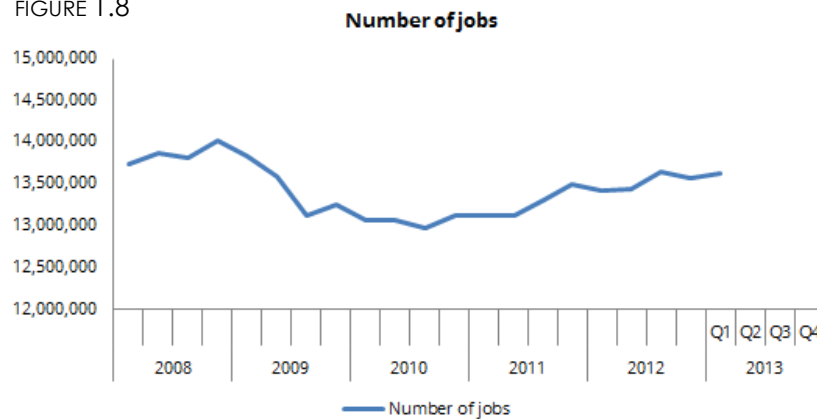
[20] These are defined as people who are not available for work, such as full-time scholars and students, full-time homemakers, those who are retired and those who are unable or unwilling to work. ("Census 2011: Methodology and Highlights of Key Results" 2012, 22)

FIGURE 1.9

Unemployment rate
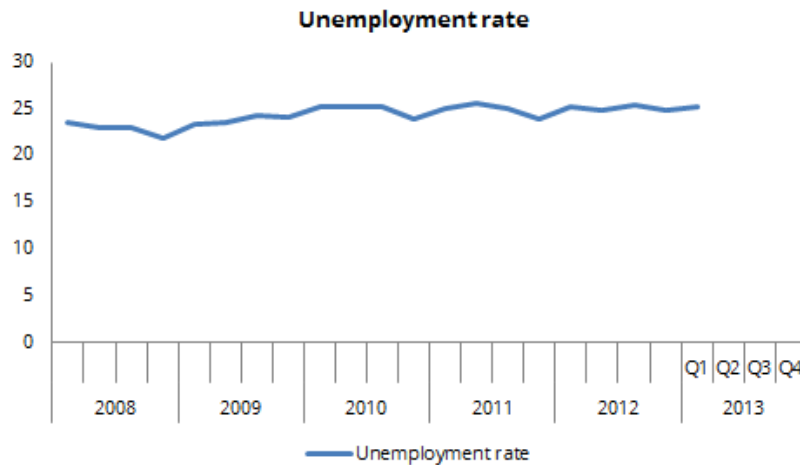
Census 2011 results show a lower employment than reflected in the Quarterly Labour Force Survey. This is largely due to the difference in the reference period used in Census 2011 (one week) compared with the reference period of three months used in the QLFS. Persons employed in short-term or casual jobs were more likely to be captured in QLFS than in Census 2011. This occurred specifically in provinces with a large share for the informal sector in total employment, such as KwaZulu-Natal, Eastern Cape and Limpopo." (Statistics South Africa 2013b)

The Census 2011 numbers also show major wealth disparities persist.

- GDP R100,788 per capita[21]
- From 2001 to 2011 average *annual* income for Black households (not individuals) increased 169% from R22,522 to R60,613
- The average White household has average annual income of R365,134

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[21] At the time of this writing, the exchange rate was approximately R10 = $1.00

* Unemployment numbers also show a large gap when broken down by race[22]
  - Nearly 50% of Black adults are unemployed
  - 10% of White adults are unemployed

Share of income in South Africa 1993 and 2008

%
- White
- Asian
- Mixed race
- Black

1993 2008
Source: SAIRR/Institute for Futures Research
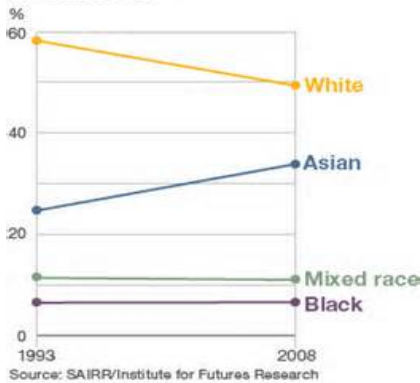
Income by racial group, 1917-2008
— White — Asian — Mixed race — Black
South African Rand per capita, thousands

1917 1936 1956 1970 1980 1993 2000 2008
Source: SAIRR/Institute for Futures Research
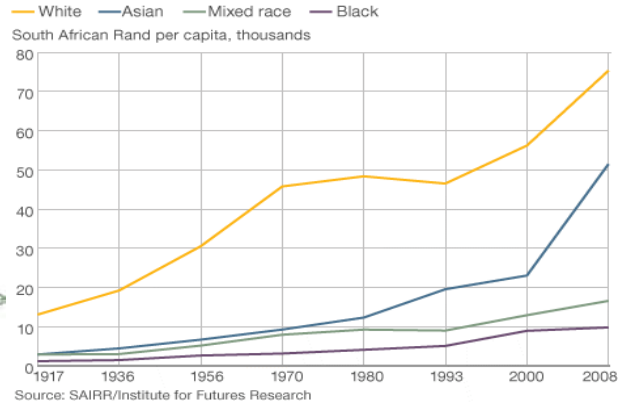
Why is it important to understand income trends based on race? In this case, it is important because almost 80% of South Africans are Black and the implications of stagnant upward income mobility for 80% of a country's population, or approximately 40 million people, has a direct impact on the housing sector.

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[22] Unemployment statistics broken down by race are provided as an example of how much work the South African government still has to do in terms of income and opportunity gaps between Whites and non-Whites (Black, Indian, Coloured, etc.). Overall unemployment is unsustainably high and should be attacked in a manner that affords access to education, secure housing, skills training and health care to everyone without regard to race. Reducing unemployment by way of creating a more skilled work force is beneficial to all… a rising tide lifts all boats.

PUBLIC TRANSPORTATION

Exacerbating the housing issue in KZN is the lack of a robust public transportation system outside of the Durban Metro area. In addition to the Durban metro area, there are at least three large employment centers (circled in red in Figure 1.12), but the most reliable public buses, known as the People Mover, only operate within the Durban metro area noted with the red triangle.   According to the eThekwini Integrated Transport Plan issued in 2010, there were "seven bus contracts covering approximately 70% of the metropolitan route system. Some 170 unsubsidised bus operators in thirteen associations, along with approximately 20 independent operators" covering the route system. (eThekwini Transport Authority 2010, 6.7)   There is also a rail system but, with the exception of the People Mover, ageing stock, unpredictable schedule delays, suspended service and safety concerns plague the rail and other bus routes.

FIGURE 1.12
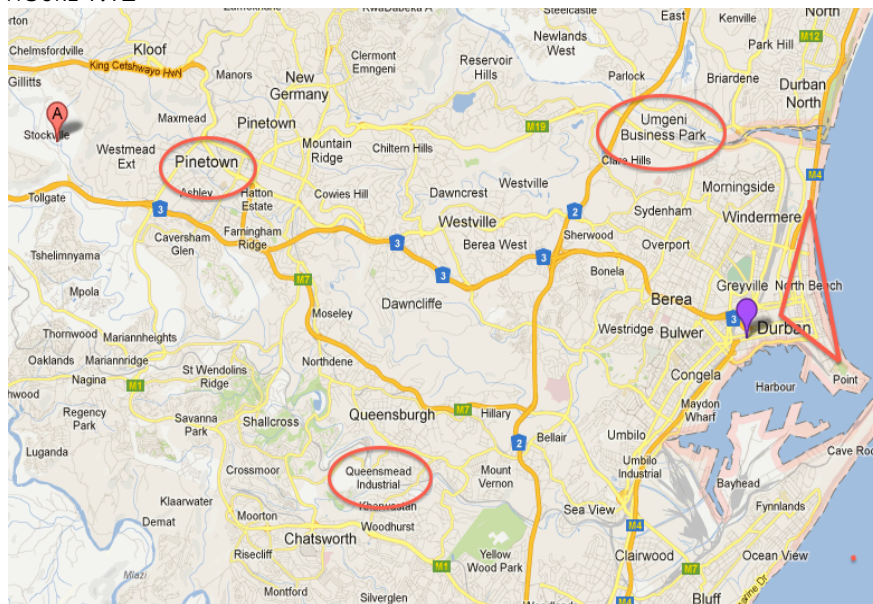
Due to the lack of a robust public transit system, those who cannot afford to own a car rely on minibus taxis.[23].   Figure 1.13 shows the extent of the public transport system, which includes minibus taxis covering most of the road-based routes.

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[23] It should be noted that the prevalence and use of minibus taxis is so overwhelming that the government includes them in 'public transport.'

FIGURE 1.13
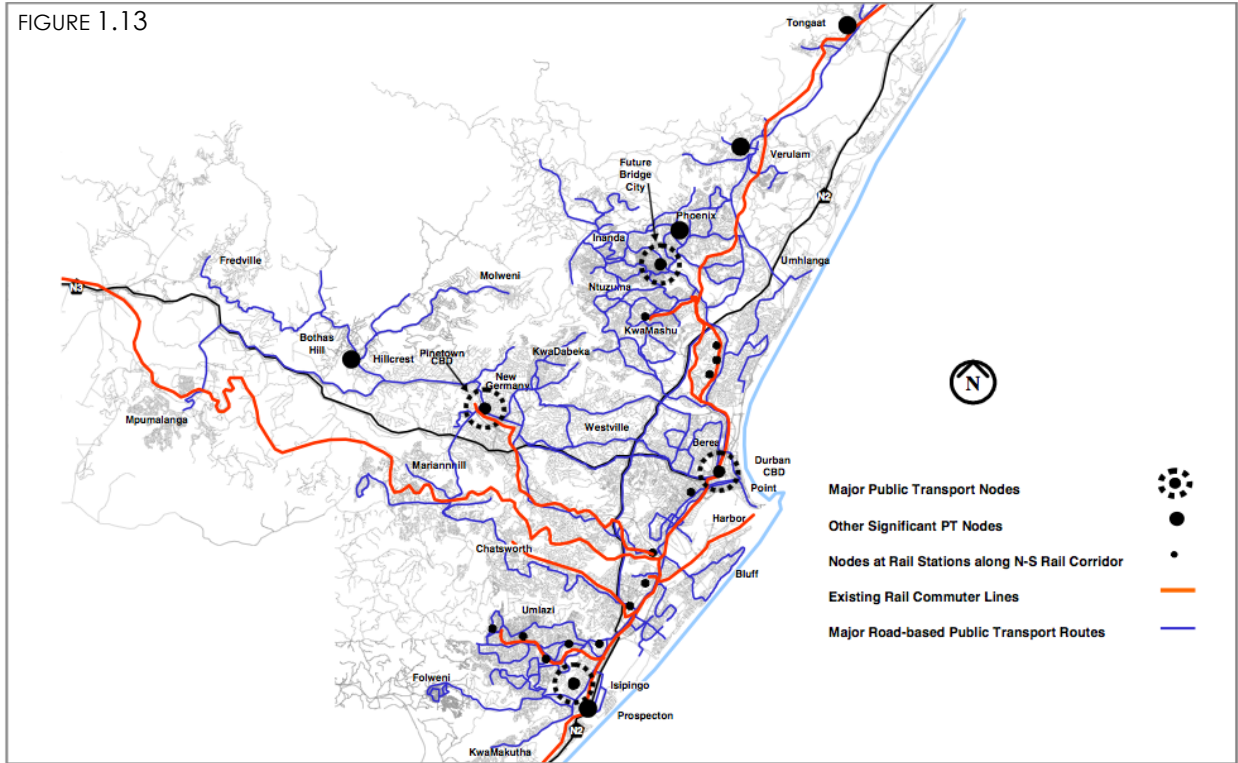
South Africa's affordable housing market is akin to the perfect storm of factors working against its success: a painful and not-too-distant past of race-based oppression, spatial dislocation, corruption, bureaucracy, land rights issues, obstacles to implementation of construction innovations, and limited financing for lower-income populations. A major contributing factor to many of the obstacles holding down overall economic growth in South Africa, although not a direct real estate market driver, is the availability of quality education beginning at the primary level. In her launch speech for Agang SA, Dr. Ramphele noted "only 10 percent of the born-free generation who passed matric in 2012 qualified to enter university." [24] Although outside the scope of the author's research, education reform warrants inclusion in this discussion because improved education opportunities have the ability to transform, for the better, multiple economic sectors.

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[24] In South Africa "matrics" are the equivalent of High School seniors in the United States. At the end of the 12th grade, matriculation exams are given. It is possible to pass the 'matric' exams but not earn a Matriculation Endorsement, which is the minimum required to attend college.

In order to effectively address the critical shortfall in the low-income and affordable housing market, all of these factors must be addressed. In terms of affordable housing, innovative reforms are required that take into consideration land, construction and financing costs at the same time instead of attacking each one in a vacuum. Overarching all of these factors is the need to effectively address the impact of corruption on affordable housing development, the overall growth of the economy and the people's ability to trust their leaders.

2 | Methodology

This thesis employs a qualitative analysis approach and is focused on understanding the major drivers contributing to the extreme deficit in affordable housing in South Africa, with emphasis on the province of KwaZulu-Natal, and positing potential scenarios to mitigate this shortfall. The primary contributing cost factors on which the author focuses are the costs of land, construction and financing, as well as the role of corruption within the development process. A qualitative analysis of the data gathered is used to propose potential economic solutions to any challenges identified.

One of the challenges inherent in gathering qualitative data in regard to corruption is determining the veracity of the source. Reports of corruption in South Africa are copious and enthusiastically covered in a multitude of media venues and anecdotal knowledge of corrupt activities was liberally conveyed during the author's interviews. The potential pitfall of this data lies in the question of, who stands to benefit? All reports of corruption are not accurate, and it is not entirely uncommon for political or business rivals to intimate corruption on the part of the other in an effort to undermine a population's or market share's perception of their competitor. However, the author uses the overabundance of reports of corruption, along with anecdotal accounts of first-hand knowledge of corruption, as the basis for the assertion in this thesis that a significant level corruption exists in and has a material impact on the development of affordable housing, and the economy as a whole.

Beginning with two referred contacts in South Africa who have direct and tangential experience in the real estate industry, a snowball sampling approach was used to identify and select additional respondents. Over a two-month period during the summer of 2013, the author conducted 15 semi-structured and conversational interviews with private sector industry practitioners, businessmen with experience interacting with public sector officials, as well as college students.

In order to obtain first-hand information in regard to development project experience, industry practitioner respondents were selected based on occupying a company position where they were a decision-maker on at least one housing development

project within the past two years, with preference for being currently engaged on at least one project. Business professional respondents (non-real estate sector) were selected based on their knowledge and experience interacting with public sector officials in a variety of capacities. College students were selected based on their experience as South African citizens that had spent at least ten years living under the apartheid government.

Formally scheduled interviews were conducted in person at locations convenient to the respondent. Both formally scheduled and non-scheduled conversational in-person interviews were conducted in KwaZulu-Natal, South Africa. Additional interviews were conducted via Skype audio or video call with follow up question and answer correspondence conducted via email.

Additional anecdotal data was gathered via conversational interviews with entrepreneurs (non-real estate industry) and educators. In total, nine (9) hours of qualitative data was audio recorded, with an additional 6 hours of qualitative data recorded by hand in the form of Field Notes.

Recorded interviews had a semi-structured format with sample questions as follows:
1. What is your role within your company/government branch?
2. How long have you worked in the real estate sector/for this branch of government?
3. What have been your experiences in regard to Affordable Housing developments?
4. Are there any government programs you feel are having a positive impact on the delivery of affordable housing? (If not, why not? And if so, how so?)
5. Thinking of Land, Construction and Financing as three major cost drivers, which one (if only one) is impacting the cost of affordable housing most?
6. Are there any other factors having a greater impact on affordable housing, which are not identified in the above noted cost drivers?
7. Please provide an overall assessment of the affordable housing market (what's working, what's not, etc.)

The industry respondents represent developers that are currently, or have within the past three years, overseen low-income, affordable, mid- and up-market projects in the KwaZulu-Natal province.

Other supplementary data included in this thesis are gathered from published reports from NGO's, various news media, the government of South Africa, and literature specifically addressing corruption in South Africa.

Due to the sensitive nature of certain aspects of this research, the names of the respondents and their employers are not referenced herein. Therefore, to protect their anonymity respondents are cited with reference to their industry or professional title only.

WHAT, WHERE AND HOW BIG

In South Africa, affordable housing "means rental or individual ownership tenure over fully serviced dwelling units by households with incomes from R3,500 to R15,000 per month." (Aiello Consultancy and McIntosh Xaba Associates 2012, 26)   Within this market are those that fall within the "gap" market – households that earn between R7,500 and R15,000. This sub-group has been named the "gap" market because, until recently, there were no subsidies available to this group, there was a significant lack of housing stock available that was affordable, and mortgage financing was scarce. Those in the gap market earn too much to qualify for a government subsidized home in the BNG program and usually earn too little to qualify for mortgage financing (or the means to amass the requisite equity to secure a mortgage). Affordable housing stock is generally defined as residential properties whose value is ≤R500,000, and an area is considered to be an "affordable housing area" is the average of home values in the area is ≤R500,000.

FIGURE 3.1

Figure 2: Orphan status of children living in child-headed households, 2006

Double orphans 8%

Maternal orphans 12%

Mother alive 80%

Paternal orphans 19%

Non-orphans 61%

Source: Authors' calculations from General Household Survey 2006
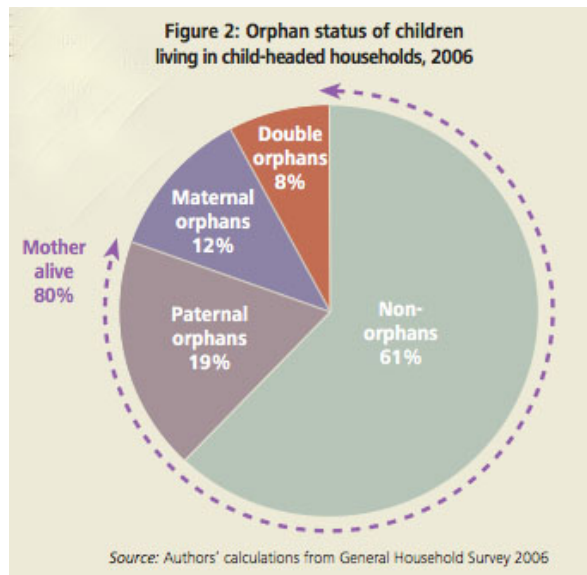
The average size of a household[25] varies and in South Africa, due to abandonment and high mortality rates from Tuberculosis and AIDS, some 122,000 of households are "child-headed" households (see Figure 3.1 for orphan status of child-headed households Meintjes et al. 2009), and the data also show that there are more women-headed households regardless of settlement type. Figure 3.2 shows 2011 average household size based on type of housing settlement and is further broken down by gender.

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[25] The Census defines a household as a "group of persons who live together and provide themselves jointly with food and/or other essentials for living, or a single person who lives alone."
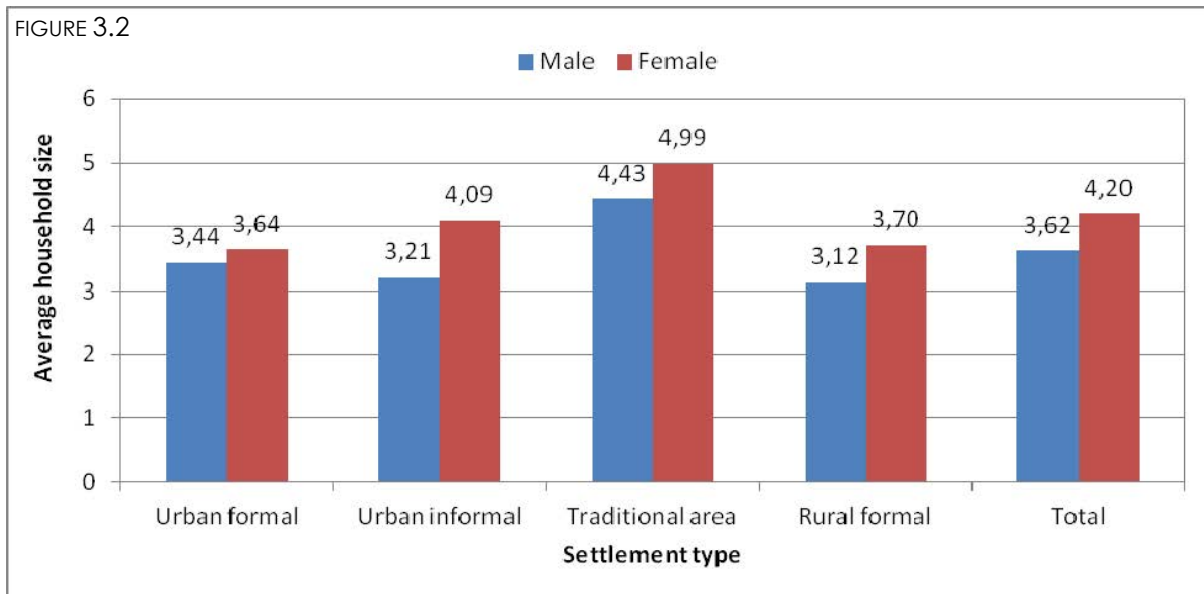
FIGURE 3.2

In 2010, it was estimated there were "between 600,000 and 800,000 homes needed for this market." (Wessels 2010) Ms. Soula Proxenos, Managing Partner at International Housing Solutions, also quoted the lower figure of 600,000 units during an online interview on Closing Bell in June 2012. Ms. Proxenos stated that there was a backlog of 600,000 units of affordable housing and that demand would likely grow due to increased urbanization and an expanding middle class. ("Private Equity Investment in Africa with Soula Proxenos" 2012) And according to a report issued in April 2013 by the Centre for Affordable Housing Finance and the Affordable Land & Housing Data Centre, 28% of South Africa's population fell within the income limits for affordable housing, which, based on the latest census figures, translates to more than 14 million people. (Affordable Land and Housing Data Centre and Centre for Affordable Housing Finance in Africa 2013)

Figures 3.3 and 3.4 indicate affordable housing (green and orange areas in Figure 3.3) is located away from urban centers and major infrastructure; it is also located at much greater distances from amenities and community services (blue dots in Figure 3.4).

FIGURE 3.3
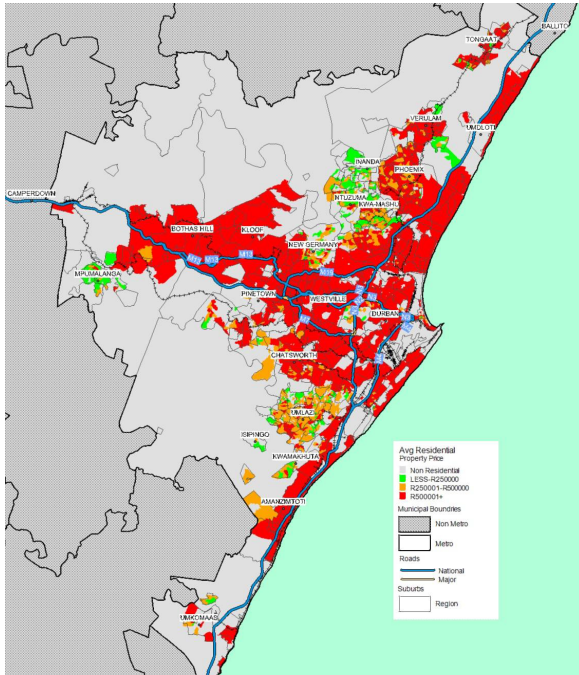
FIGURE 3.4
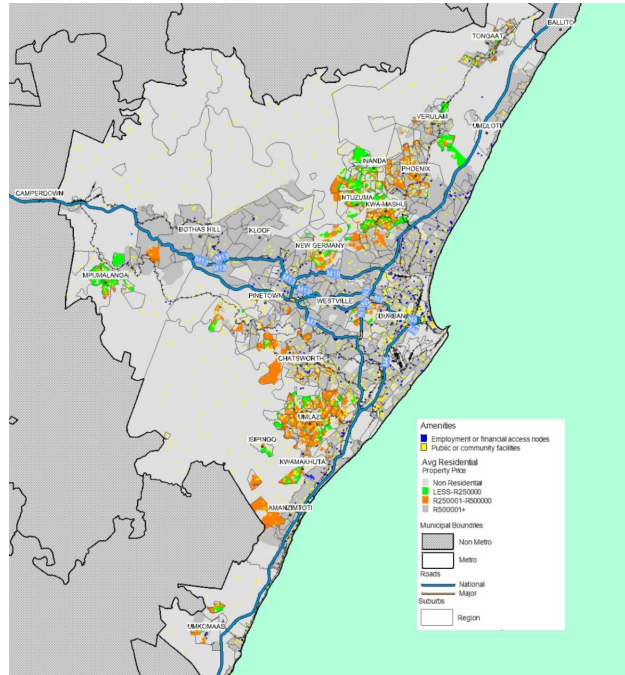
The national and municipal governments are trying to tackle the overwhelming demand for affordable housing with a multitude of programs, subsidies and policy reforms. Based on my readings so far, less might be more. In other words, there are so many different things going on that it might be more helpful to enact fewer programs, but ensure those programs are coordinated across multiple drivers and sectors (infrastructure, spatial disparities, housing subsidies, innovative financing structures).

One conspicuous deficit in the current approach to the affordable housing issue is the absence of strong public/private partnerships. This tide may be turning, but it's turning slowly. A major effort should be put forth to vet viable private enterprises with the appropriate experience and partner with them to address the need for affordable housing. Incorporating training programs for low-income workers and requirements for hiring/contracting with competent non-white enterprises might be a way to make these partnerships palatable to the current administration.

This market is distinct from the low-income housing market and the percentage of the population considered to be low-income earners. These are people earning below R3,500 per month, who make up a considerably large percentage of the population.

While the focus of this thesis is on the affordable housing market, it is worth noting the large swath of the population that fall within the low-income category because the government has a Constitutional obligation to provide "adequate housing." This has placed tremendous pressure on the government, which has not delivered to the extent expected, or promised, in 1994 and later ratified into the Constitution in 1996.

THE GLOBAL AGENDA

In 2000, the United Nations adopted the "Millennium Development Goals" (MDGs). The seventh goal (MDG 7) is to "ensure environmental sustainability," and one of its target goals – known as Target 11 - is "to have achieved a significant improvement in the lives of at least 100 million slum-dwellers." ("United Nations Millennium Development Goals" 2013) This goal is known as MDG 7 Target 11 and was subsequently interpreted by several countries, including South Africa, as total slum eradication. (Huchzermeyer 2011)

The KwaZulu-Natal Elimination and Prevention of Re-emergence of Slums Act, 2007 (the "KZN Slums Act") was a provincial law dealing with land tenure and evictions. The KZN Slums Act was a highly controversial Act ratified by the Provincial Government of KwaZulu-Natal and was touted as a response to housing conditions. Its first stated purpose was to "provide for the progressive elimination of slums in the Province of KwaZulu-Natal…" (KwaZulu-Natal Provincial Government 2013) In short, it authorized the eviction of "unlawful occupiers of slums." It forced private landowners to evict shack dwellers and when they failed to do so, the government would step in and execute the evictions. This program was meant as a beta test that would eventually be implemented across all of South Africa. The Act was widely criticized by many segments of society who said it was in conflict with the South African Constitution and Prevention of Illegal Evictions Act (PIE Act). The KZN Slums Act was also considered to be repressive and anti-poor legislation. (abahlali.org/files/KZN Slums Act.pdf)

In 2009 the squatters' movement, Abahlali baseMjondolo, challenged the constitutionality of the KZN Slums Act all the way to the South African Constitutional Court and in a stunning decision by the court, they won. The Court ruled that the Act would have allowed for the eviction of people without providing alternative housing

options, which violated the PIE Act. This was a victory for those living in informal settlements and provided at least a small bit of security in a tenuous situation. As with most situations, there is another perspective to be considered. The catch 22 that has arisen with large-scale rural-to-urban movement when there is no housing to accommodate the new influx is that, out of need and desperation, these informal settlements are established on land that is relatively proximal to transportation and potential employment. However, this is the same land, which if it were unoccupied, would likely be turned into low-income or affordable housing.

KwaZulu-Natal

To put some numbers to this issue, in March 2013 a news article reported that there were 636 informal settlements in KwaZulu-Natal and 484 of those informal settlements were in eThekwini alone. This translates to more than 410,000 people living in 150,000 shacks. An additional 11,000 families are living in government created transit camps[26], some for as long as five years, waiting for the homes promised by the provincial government. (Rondganger and Nene 2013) It would be incorrect to assume that everyone living in informal settlements falls into the "low-income" category. While it is true that the majority fall into this category, there are also those that fall into the 'gap market' that live in these areas. It is not uncommon for people to live in informal settlements even if they are making more than R3,500 per month. If a person has negative reports on their credit and cannot secure a mortgage for a home, or due to transportation needs must remain close to their job, some may very well have received a subsidized house from the government but are now renting it out for the income and have moved back into a shack settlement.

KwaZulu-Natal, with 19.8% of the total population of the country, is the second most

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[26] When the government moves forward on a housing or infrastructure project, on state-owned land, and informal settlers already occupy the land, they will relocate the residents into transit camps. The government is supposed to, usually within a year, find or build permanent housing for those moved into a transit camp. Due to government failure to comply with this condition, a group of 37 families took the eThekwini Municipality to court. The families had been moved into a transit camp with a court order stating they would have permanent housing in one year. More than two years later they were still in the transit camp with no information regarding when the Municipality would comply with the court order. In September 2012, the High Court ruled in their favor and ordered the Municipal government to comply. (De Vos 2012)

populous province in South Africa. The sheer number of people in this area along with the fraction of the population in need of formal housing, and those moving into a position to purchase or let a home in the affordable market provides the provincial and municipal governments with an opportunity to lead the way in facing these challenges head on with innovative thinking and integrity.

URBAN PLANNING AND ZONING

Over the past few years, South Africa has been making efforts to embrace a holistic approach to planning that encompasses short-, medium- and long-term planning and takes into consideration the varying needs of rural and urban populations as well as the apartheid-created inequalities that still exist on a large scale. These planning efforts are being taken at the National, Provincial and Municipal levels of government with a great deal of cooperation and input between the three spheres, private business stakeholders and impacted communities. Planning documents at the national level include the National Spatial Development Framework and the National Development Plan 2030, and as noted in *Context: Policy and Politics*, the Spatial Planning and Land Use Bill.

KwaZulu-Natal has passed two key pieces of legislation in regard to planning and land use: KwaZulu-Natal Land Administration Act, 2003 and the KwaZulu-Natal Planning and Development Act, 2008. "In KwaZulu-Natal all applications for development are considered by municipalities,…" (Roos 2012, 2) According to Schedule 5 of the Constitution, provincial planning, which includes provincial roads and traffic, are an exclusive competency of provincial governments, and regional planning is a concurrent functional area of both the provincial and national governments.

eThekwini Municipality has municipal planning as an exclusive functional area, insofar as the municipality is responsible for creating urban planning schemes that facilitate achieving the goals laid out by national and provincial planning policies and that do not interfere with other municipalities. Municipalities are also responsible for the delivery of services to their communities, which includes municipal roads, water, and refuse removal, etc.

As part of the eThekwini Integrated Development Plan, eThekwini designated an Urban Development Zone (UDZ) that is 771 hectares in total (see map below), within which building owners and developers that are turning a profit and are involved either in the new build or renovation of residential or commercial property may apply for tax incentives. The area demarcated in the below map includes the greater Durban CBD and as of a press release on August 10, 2011, the UDZ has generated R1.6 billion of investment from developers and property owners and the Municipality has invested R5 billion to improve public infrastructure, including the People Mover inner city bus system.

ETHEKWINI MUNICIPALITY
URBAN DEVELOPMENT TAX ZONE

eThekwini is moving to a digital system such that anyone is able to access the municipal GIS service and find out the current zoning of a specific property.

Should a developer, or property owner, wish to pursue a change in current land use then, initially, they must contact the rezoning division of the municipality to discuss the proposed changes.

After this discussion if the developer wants to move forward then they must draft a "motivation" statement, which must answer the following questions:

* Is the rezoning good for the city?
* Will the rezoning impact on others?
* Is there a need for the intended use?
* Is the intended use desirable at this specific location?

The statement is then submitted with a rezoning application and the appropriate fee. Straightforward rezoning applications can take up to four months to process.

The following flow charts (Gordon, Nell, and Di Lollo 2011, 7–8) provide a generalized overview of the development process (single use residential) from site identification and purchase through to a completed development with issuance of individual deeds for homes. This process would vary depending on the type of development being pursued – residential only, commercial, mixed-use, etc., and becomes more complicated with larger parcels and multiple uses.

A developer, whose family has been in the industry for more than a decade, indicated that they typically employ an agent or broker network for site identification and will only consider land that has no outstanding claims[27] on it in order to reduce cost and risk.

FIGURE 3.5
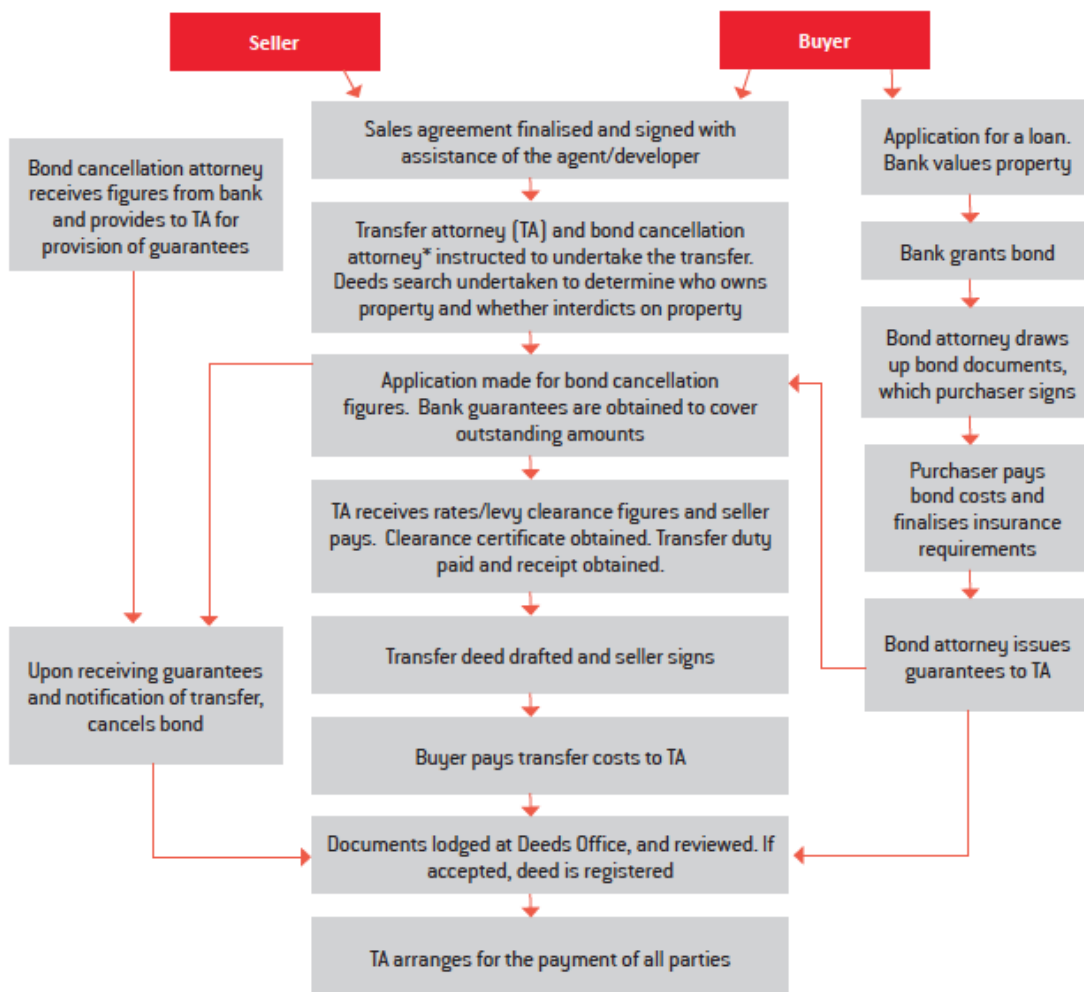
*The transfer attorney and bond cancellation attorney are both conveyancers

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[27] Land claims are discussed further in Chapter 4: Land Reform.

As in the United States, the development of project plans may overlap with the acquisition of the land, and so the below development process can be seen as something that takes place as soon as is reasonably possible depending on the acquisition of land. In the "Layout Plan" phase below, it is not necessary for a private developer to use a town planner to prepare the project plans. However, the local authority must approve the plans and the process moves forward accordingly.

FIGURE 3.6

Layout Plan	• A layout plan is prepared by a town planner and **approved by the relevant local authority.** • This plan must indicate the proposed land use (zoning) as well as provision for movement and circulation.
Detailed Survey Plan	• The land must be surveyed (pegged & calculated) and cadastre established in line with the Land Survey Act. • This usually indicates the main boundaries and a land description. • The survey plan must be **approved by the Surveyor General.**
General Plan	• The survey plan, once approved by the Surveyor General, becomes the General Plan. • This needs to occur in line with township establishment laws, i.e. LEFTEA, DFA and Ordinance or applicable provincial legislation
Township Register	• The land constituting the township must be **consolidated into a single piece of land** and underlying restrictions on the land must be **cancelled/removed in the Deeds Registry.** These include mining and mineral rights, historical servitudes such as aqueducts, rights of way, commonage rights, etc. • The Township Register is then **opened in the Deeds Registry** in terms of which each of the individual sites is shown on the General Plan.
Individual Title	• Freehold title is then granted through the registration of individual sites in the names of their owners in the Deeds Registry.

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This process is known as the township[28] establishment process. In some cases, as in taking agriculturally zoned land and rezoning for residential or other use, the entitlement process can take 2 – 3 years.

FRAMING THE PROBLEM

Thus far we have discussed, in broad terms, the socio-economic and socio-political context of the affordable housing market, as well as a basic overview of the development process. In the ensuing chapters, we will gain an understanding of the land market, construction sector and finance sector along with the major challenges presenting themselves in each of these markets. We will also delve deeper into the issue and impact of corruption, especially in the land market and construction sector

The challenges and opportunities presenting themselves in the affordable housing market are legion. There are the usual cost challenges of land, construction and financing that are compounded by the dualities created during apartheid, but corruption must be given its due as a cost driver on at least equal footing with the other major drivers noted. Corruption is certainly starting to get much more attention at all levels of government, but, as I will demonstrate, it will take consistent application of the law and enforcement of consequences to materially reduce the incidences of corruption, and therefore its undermining of the economy and especially the housing market.

The strength of South Africa's housing market will be negatively impacted if corruption is not checked. Earlier this year Tokyo Sexwale, Minister of Human Settlements, stated, "Regarding public servants in all three spheres of government who committed housing subsidy related misconduct and fraud, more than 290 have been arrested, over 240 found guilty, and over 220 are facing internal disciplinary action. Nearly R30 million lost through corrupt activities has been recovered." (Sexwale 2013) The lingering question is,

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[28] The term 'township' has a legal definition, apart from the historical meaning of where non-Whites were forced to live before and during apartheid, which is "a group of pieces of land, or of subdivisions of a piece of land, which are combined with public places and are used mainly for residential, industrial, business or similar purposes, or are intended to be so used." As defined in the Land Survey Act, 1997

how much was lost in total? And how much more has been lost to corrupt activities that have not yet, and may never be, uncovered?

Table 3.1 is taken from the eThekwini Municipal Medium-Term Budget[29] covering the period 2010 to 2013 and indicates the backlogs in critical areas concerning housing, basic services and infrastructure. These numbers continue to rise due to high levels of rural-to-urban movement, costs and complications in the land market, construction and finance sectors, and widespread corruption.

TABLE 3.1

Basic Service	Existing Backlog (households)	Timeframe to address based on current funding levels *
Housing	368 894	23 Years
Water#	85 326	11 Years
Sanitation	148 417	16 Years
Electricity#	225 504	22 Years
Solid Waste	50 000	1 Year
INFRASTRUCTURE		
Stormwater	751 properties	3 Years
Roads (Gravel)	1 162 km's	68 Years
Sidewalks, pedestrian bridges & footpaths	R 131m	10 Years

As will be noted frequently in the following chapters, the way forward in crafting a viable plan to meet the challenges posed by low-income and affordable housing demand in South Africa requires political will, broad-based planning, and critical and creative thinking. These new approaches should at least include diversifying and increasing economic output in rural areas, improving access to quality education and healthcare, a paradigm shift in density and housing typologies, stepping up efficiencies in basic service delivery and public transportation and a multi-faceted attack on corruption. No small task, to be sure, and much credit must be given to those in the public and private sector that accept this responsibility with passion and integrity and continue to find a way forward toward a South Africa that lives up to the Constitution's principles of total inclusion for everyone that calls South Africa home.

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[29] Timeframes are based on the rollout of anticipated subsidies from the National Government. Electricity timeframe is dependent on achieving housing delivery goals.

4 | THE LAND MARKET

In 1994, when Nelson Mandela became President, whites owned an estimated 87% of commercial farmland while blacks owned only 13%. The 1996 Census indicated that the make-up of the population was almost inverse to land ownership with 77% of the population made up of Black Africans, 11% White, 9% Coloured, and the Indian/Asian population at 3%. (Statistics South Africa 1998) The imbalance of land ownership between Black and White farmers was compounded by the difference in the quality of the land – commercial farmland owned by Whites was of much higher quality than the mostly non-arable land allotted to Black Africans.

THE CORNERSTONE OF APARTHEID

The Natives' Lands Act of 1913 was the first definitive piece of legislation that canonized the large-scale dispossession of Black Africans from their native lands and institutionalized the massive inequality of land distribution that continues to plague South Africa today. The motivations behind the implementation of this Act were varied, but three drivers loom large: the desire to restrict what Whites saw as African encroachment on 'their' farmland and grazing lands; White politicians needs to severely limit African's ability to own land and, therefore, qualify to vote in certain provinces; and to force more Africans into the labor market. The Natives' Land Act provided a solution to all of these issues, which were beginning to feed a growing panic among Whites that Africans were becoming too populous in areas of coveted agricultural land, too politically aware and more self-sufficient – i.e., able to choose to stay out of the discriminatory, low-wage labor market – than was convenient for White-owned enterprises.

The Act made it illegal for Blacks to own, buy, sell or lease land outside of the areas designated for Blacks (called 'scheduled areas') except from other Black Africans and Whites could not own, buy, sell or rent land within the scheduled areas. Blacks who had been leasing land, as sharecroppers[30], from White-owned farmers were not forced to leave the farms. However, their status was changed from sharecroppers to laborers,

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[30] A sharecropper is a tenant farmer that gives the owner of the land a share of the crop as rent.

which had a devastating impact on their ability to be self-sufficient. The Act, a cornerstone of apartheid, forced Black Africans, who made up close to 70% of the population, to live and farm on little more than 7% of South African land.

One hundred years after the Natives' Land Act was passed and 19 years since its repeal and the fall of apartheid, "80% of blacks own only 17% of the land." (Commey 2013) Land reform, thus far, has fallen woefully short of the goals outlined almost 20 years ago.

THE DENATIONALIZATION AND CONTINUED DISPOSSESSION OF AFRICANS

The passage of the Natives' Land Act in 1913 was the beginning of a long series of laws[31] passed that progressively pushed Black Africans further and further to the periphery of society and the economy, and eventually stripped them of South African citizenship altogether.

The Native Urban Areas Act, 1923, established separate urban locations for Africans. Blacks were not allowed to own land in these areas but were permitted to remain quartered in the designated urban areas only for so long as Whites employed them.

The Native Administration Act, 1927, set up a separate legal administration for the areas that had been designated for Blacks only. The Administration Act, in short, subjected Blacks to rule by Proclamation and not by Parliament, which limited the court's power to intervene in African affairs and limited African's access to justice. The Act also established the power of the traditional Chiefs based on territory and not traditional jurisdiction.

The election of 1948 that elevated the Afrikaner's National Party into power was followed by an onslaught of race-based laws that was apartheid. One of the first was the Population Registration Act, 1950, which officially created race categories to which

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[31] A more extensive list of laws can be viewed at the website titled, "The Heart of Hope: South Africa's Transition from Apartheid to Democracy (http://www.nelsonmandela.org/omalley/index.php), which is a collaboration among University of the Western Cape, Robben Island Museum Mayibuye Archive and the University of Massachusetts – Boston.

every South African had to be assigned – White, Native (Black), and Coloured. The determination of Black or Coloured was based on physical appearance, social acceptability and linguistic skills.[32] The social and spatial impact of this law was that the manner in which people were classified could split families apart[33] where some were classified as Black and some as Coloured, which would require them to live in different areas regardless of social or economic ties.

Laws that followed in quick succession racially segregated urban areas where only a designated race was allowed to live or work[34]; suppressed any activity or association whose aim was to change the doctrine of the Union of South Africa; allowed the demolition of informal settlements and the forced removal of the inhabitants; restricted Africans' abilities to move to another urban area; required all non-Whites to carry 'reference books' that contained their photograph, where they were born, employment and tax records and any police encounters. The government established separate, and profoundly unequal, services and public areas for Whites and non-whites. This covered everything from taxis to parks to schools and more.

In 1959 the Promotion of Bantu Self-Government Act set up ten "Bantu Homelands" (Bantustans) that were made up of the existing land reserves where Blacks were forced to live. By 'granting' the eventual self-government of these 'independent' homelands, the South African government was laying the groundwork to disenfranchise Blacks from South African citizenship. The Bantu Laws Amendment Act, 1965, gave sweeping powers to authorities to limit the number of Blacks allowed to work in a White-designated area, in a particular industry and the power to prohibit any further use of

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[32] The determination of what race to assign a person that was not 'obviously' White brought about a still infamous practice called the 'pencil test.' In this 'test' a pencil was pushed into the hair of the person being 'tested,' if the pencil fell out freely, they were 'white,' if it did not then they were 'black.' A person having been determined 'black' via the pencil test could 'appeal.' The pencil would again be pushed into their hair and if the pencil fell out when the person shook their head, then they could be reclassified as Coloured.

[33] In a famous case, about which a movie was made titled *Skin*, Afrikaner parents, one or both of which were carrying a recessive African gene from generations back, gave birth to a little girl with brown skin and kinky hair. The father passed a paternity test but at the age of 11, Sandra Laing was removed from her all-White school, her parents were shunned and she was reclassified as Coloured. A news article about Sandra can be read at http://www.guardian.co.uk/theguardian/2003/mar/17/features11.g2.

[34] There were strict rules on who was allowed to remain in the urban areas for more than 72 hours. i.e., a Black person that had been born in and lived continuously in an urban area would be allowed to stay, but could be forcibly removed if an authority deemed him/her 'idle or undesirable.'

Black labor in an area, sending the 'extra' laborers back to the Bantustans. In 1970 with the passing of the Bantu Homelands Citizen Act, Blacks were finally stripped of their citizenship. This Act required that all Black Africans be assigned to one of the Bantustans[35], regardless of whether they had actually ever lived in the area. The intent of these laws was summed up by the Information and Interior Minister in 1970 when she said "No Black person will eventually qualify [for South African nationality and the right to work or live in South Africa] because they will all be aliens, and as such, will only be able to occupy the houses bequeathed to them by their fathers, in the urban areas, by special permission of the Minister." Connie Mulder, South African Information and Interior Minister, 1970. (Boddy-Evans 2013)

With Blacks now officially 'assigned' to a 'homeland,' and with those areas set to be self-governing, the apartheid government had no reason to invest much in those areas and so they were bereft of bulk services (water, electricity, sewer), schools, public amenities and health facilities. In terms of population numbers versus land area, the below map illustrates the land set aside for the Bantustans (shaded areas) – where approximately 35 million Africans were assigned to live – and the remaining land was for Whites, who numbered about 4 million.
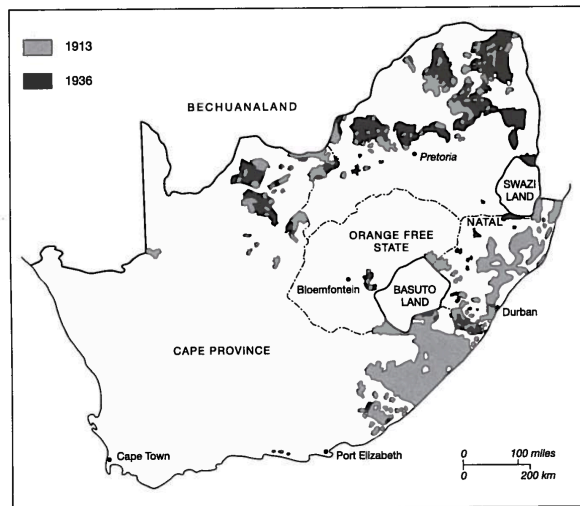
FIGURE 4.1

In aggregate, by 1936 approximately 13% of land was allocated to the Homelands.

Swazi Land and Basuto Land (now Lesotho) are not part of South Africa.

Map 1 Land 'reserved' for Africans, 1913 and 1936
Source: Redrawn from official 1: 250,000 topo-cadastral maps, various dates, Pretoria: Government Printer. Reproduced under Government Printer's Copyright Authority No. 11153, dated 1 September 2003.
Map used by permission of publisher, Taylor & Francis Group

[35] The Homelands were set up based on ethnic groupings, i.e., Xhosa, Zulu, Northern and Southern Sotho, Swazi, etc. The assigned Homeland became a person's place of citizenship.

LAND REFORM

The monumental task of overcoming hundreds of years of dispossession, segregation and developmental neglect is what faced the ANC when they won the election in 1994. The ANC laid out an ambitious goal from the outset: redistribution to Blacks of 30% of agricultural land by 1999. This date was subsequently pushed to 2014. To date about 7% of agricultural land has been redistributed and the target date has been pushed out again and is now set at 2025.

The new government took a three-pronged, market driven approach to land reform that included restitution, redistribution and tenure reform. Restitution for urban land claims usually takes the form of financial compensation to approved claimants, while claimants on rural land either have land returned to them, or are provided land of similar quality that is located, as much as possible, in proximity to the land claimed; Redistribution is/was executed using a Willing Buyer/Willing Seller model with the government purchasing agricultural land for transfer to low-income blacks; and Tenure Reform, which provided security for tenant laborers (on farms) to remain without threat of arbitrary evictions and provided a process by which they could acquire the land upon which they resided and farmed.[36]

LAND CLAIMS AND TENURE REFORM: WHOSE LAND IS IT?

South Africans who had been forcibly relocated from their land under the Native's Land Act, 1913 and under various governmental policies in the decades that followed, were given the opportunity to file a land restitution claim with the new government up until the end of 1998. Rural and urban land claims took on an implicit difference: rural land claims were almost exclusively made by large communities sometimes numbering in the thousands of people under one claim, while urban land claims were "usually subject to scores of individual land claims." (Beyers 2013, 969) There were so many claims filed that even though the deadline passed almost 15 years ago, some larger claims have

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[36] These are broad descriptions of the reforms and their intent. The laws governing these three approaches to land reform are, as most laws are, lengthy and complicated. But, for those interested in reading the actual language of the laws, you can find links to them here: http://www.justice.gov.za/lcc/legislation.html.

not yet been settled, e.g., Blythedale Coastal Resort, which will be discussed later in this chapter under *Urban Land Issues*.

The issue of tenure reform within the context of post-apartheid land reform, which deserves in-depth unpacking but which cannot be done in the scope of this thesis, involves tenure vs. titling. Tenure, in this context, references the *use* of land that is held in tribal trust or communally held, as in the Ingonyama Trust in KZN, where inhabitants have traditional or negotiated tenure rights, but do not own the land. Titling refers to the demarcation and registering of specific land parcels and the associated title deed issued to the individual owner of that parcel.

There is much debate about the pros and cons of tenure and titling. As Pauline Peters discusses in her 2007 working paper for the Center for International Development, "The long-standing notion that customary tenure rights are insufficiently secure to promote optimal levels of investment in land use" (Peters 2007, 10) has been bolstered by the popularity of Hernando de Soto's book, The Mystery of Capital. The general argument is that by providing individual's title to their land it can be used as an investment, e.g., as a tool to gain access to collateralized loans. Critics fear that this approach will result in "'accelerat[ing] market-based land transfers, with potentially negative consequences for poorer holders of land rights more prone to distress sales' (Chimhowu and Woodhouse 2006: 363)" (as quoted in Peters 2007, 11) In regard to the assumption that traditional tenure structures will function efficiently and fairly, Pauline Peters includes the following: "On the contrary, writes Jean-Philippe Platteau (1996, 2000) among others, many existing customary or local sets of land tenure embody considerable inequality, intra and inter-group conflict, illegal sales by traditional leaders, and appropriation for private use by representatives of the state." (Peters 2007) All of these issues present themselves in the land market in South Africa.

Working in its favor, South Africa has a robust deeds registry system, commonly known as the Deeds Office, which is an independent entity under the Department of Rural Development and Land Reform. The Deeds Office is "responsible for the registration, management and maintenance of the property registry of South Africa… providing

the maximum protection of property due to the strict processes that are followed in registering a property within the Republic of South Africa." (www.mydeedsearch.co.za) The Deeds Office can be accessed online with available search covering, inter alia, the registered owner of a property, property encumbrances, purchase price, and sectional title rules on the property.[37] The government is also in the process of rolling out an eCadastre system, which will incorporate the cadastral databases of the Provinces with the deeds information and allow for electronic land transactions.   In a May 2013 presentation by Oracle representative Sarel Coetzer in reference to South Africa's eCadastre system, he included the following outcomes:

* Consolidated national Cadastre
* Government will have a single spatial repository to perform spatial queries and get monthly feedback
* Standardization of all addresses and coordinates in a consistent format
* Nationwide association of title deeds documents to land parcels
* Manage South Africa's cadastre from a centralized managed platform

However, regardless of how advanced or robust are available tools and systems, if there is a lack of capacity and/or skill to use these tools, then a breakdown, or bottleneck, in the system is bound to happen. To that point, in early 2012 a report from the Centre for Affordable Housing Finance in Africa estimated that "between 1,1 and 1,4 million subsidy beneficiaries" still did not hold the title to their properties. (Gordon, Nell, and Di Lollo 2011, 12) If certain estimates are correct, that approximately 3 million subsidized homes have been built since 1994, then almost half are not officially registered with a proper title.   A property without a properly registered title has implications for both the owner and the municipality within which it is located. In the instance of the municipality, property that is registered allows for the enforceable collection of property taxes and fees for service delivery. Without a deed, to whom

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[37] What you will not find in the Deeds Office database is the race of the property owner. I am not advocating for race identification to be included on deeds, but mention this point as it is important when considering a very particular question: How will the government know when it has reached the goal of redistributing 30% of agricultural land to blacks? Since the Deeds Office does not record the race of a property buyer or seller, then the government cannot track changes in ownership of agricultural land that happens in the private sector – it can only base its statistics of agricultural land transfer on *government-facilitated* land transfers. I find this an interesting point to keep in mind where statistics on redistribution are concerned.

does the municipality send the bill for these taxes and services? An accurate accounting of a municipalities' revenue base is foundational to efficient governing and provision of services.

The lack of proper deed registration restricts economic growth on several fronts – by limiting the property owner from entering the secondary market[38] (selling the property on the open market) and also, without proper title, an owner cannot use his/her property to collateralize a loan. In both of these instances the capital infusion from a home sale or loan could be used to purchase another home in a more well-located area, or, in the case of a loan, for incremental expansion of the property or to fund an entrepreneurial venture.

The national government is currently in the process of creating a standardized, four-tier tenure system: (Department of Rural Development and Land Reform 2011b, 6)
  * State and public land: Leasehold;
  * Privately owned land: Freehold, with limited extent;
  * Land owned by Foreigners: Freehold, but Precarious Tenure, with obligations and conditions to comply with; and,
  * Communally owned land: Communal Tenure, with institutionalized use rights

Due to the complexities involved in communal tenure and the need to engage traditional leaders in this process, this tenure type has been assigned to a designated task force to pursue.

The streamlined tenure system along with the roll out of the eCadastre will be effective tools in the process of understanding the scope of how much land is held by whom and in what tenure scheme – all critical pieces of information to properly formulate integrated planning and reform policies.

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[38] Subsidized homes through BNG cannot be sold or let for eight years. FLISP subsidized homes can be sold, but a pro-rata portion of the subsidy must be paid back to the government if the home is sold within the first eight years of acquisition.

RURAL LAND REFORM: THE FAILURE OF WILLING BUYER/WILLING SELLER

The focus of South Africa's land reform policies has been heavily geared toward rural land redistribution. "This is consistent with the prevailing understanding within development studies that land reform is primarily a rural phenomenon—indeed, that developmental 'land' is rural." (Beyers 2013, 966) The presumption behind this focus is that an effective way of achieving a more equitable distribution of economic resources and opportunities for self-sufficiency is to promote the expansion of agrarian production and the creation of sustainable rural livelihoods. (Ibid.)

The manner in which the newly elected government chose to go about acquiring the land for redistribution was market-based. When it comes to redistribution, the government is the sole "willing buyer," which puts the sometimes willing/sometimes unwilling sellers in a unique position. With the government as the major buyer, a seller can potentially demand what they consider to be above-market prices for their land – the government, wanting and needing to make good on its promises, and the spirit of the Constitution, is put in a position of having to make acquisitions at the prices demanded by the sellers in order to ensure a sufficient amount of land is acquired for the redistribution targets. Alternatively, it is also feasible that the sellers are demanding a price that they consider to be the fair market value of their land, and it is the government that considers the price to be above-market. This scenario is quite possible because the way the government had been calculating the value of agricultural land differed from an open market-based valuation approach. The government used a net present value model that discounted future cash flows of a commercial farm based on the farm's expected production. This method did not take into consideration externalities in the open market that can influence pricing, such as proximity to new infrastructure projects, increased demand for the land by other commercial farming entities and whether the land was at its highest and best use and, therefore, might command a higher price from developers speculating on a change in future land use. (Kirsten 2012)

In areas, such as Limpopo (a Province north of KZN), which at one point had a high-volume of redistribution efforts taking place, simple supply and demand forces could

drive land prices higher. Consider the situation where willing sellers wish to remain in the agriculture industry and so, with the capital received from the government on the sale of their land, they enter the land market as buyers and increase demand for a shrinking supply of arable land, which in turn drives up prices. (Dagut and Bernstein 2008, 29)

Multiple unwilling sellers (or sellers capitalizing on their ability to demand higher prices even if they would have been willing at a lower price) plus a dominant buyer is not the only thing that has potentially skewed the land market and retarded the ability of the government to make progress on land redistribution. Corruption is known to be playing an influential role as well. A published report from the Africa Research Institute noted, "Collusion between sellers, land valuers and government officials - and instances of corruption - have inflated market prices and made purchases prohibitively expensive." (Cieplak 2013)

Of particular interest is the government's acknowledgement that these issues, including corruption, are indeed a significant hindrance to using the tools they have to meet their mandate for land reform. As it pertains to the creation of a new national position of Valuer-General, a 2011 Green Paper on Land Reform issued by the RDLR, stated the following, inter alia, as problems in the valuation of land as regards land reform: (Department of Rural Development and Land Reform 2011b)

* South Africa lacks a nationwide comprehensive, reliable and collated hub of property values
* The *probity*[39] of some of the valuation is questionable
* Conflict of interest and *malpractices*

This discrepancy in valuation models, as well as a miscalculation in the complexity of nation-wide land reform, may very well have played a role in the underfunding and inefficient staffing of departments overseeing the varied aspects of land reform. To combat these issues, the office of Valuer-General will "be responsible for issues such as the provision of fair and consistent land values for rating and taxing purposes and

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[39] Emphasis on what the author considers politically correct words that reference corruption and/or fraud are the author's.

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determining financial compensation following expropriation under the Expropriation Act or any other policy and legislation which is in compliance with the Constitution." (South African Government News Agency 2012b)

Yet another factor that is hindering the redistribution efforts lies in the agrarian structure that is overlaid on these reforms. The historical structure of agriculture in South Africa was based on smaller farms with higher productivity and the movement of herds to different grazing lands so as not to deplete one area. When Blacks were forcibly relocated, much of their land was consolidated into large, White-owned commercial farms with established boundaries between farm owners. Africans had been relocated to land that was much less favorable to farming and so most had to abandon their agricultural pursuits and enter the low-wage market. With this shift over time in the size and manner in which farming was done, the post-apartheid government "…prioritised grafting redistributed land onto existing commercial units." (Cieplak 2013) One of the major shortcomings of this approach is that many of the beneficiaries of the redistributed land did not have the skill or capital to either maintain or improve the productivity of the land and now "much of this land has been deemed "no longer productive" by RDLR." (Cieplak 2013) In fact, as reported in a 2009 article in The Economist, the "government admits that about half the farms taken over by blacks have failed... Some put the failure rate at 70%. Since 2007 the country has been a net importer of food, after decades of self-sufficiency." ("Land Reform in South Africa: Hurry Up" 2009) This approach to rural land reform is clearly not working, which was noted by Dr. Edward Lahiff, a recognized expert on South African land reform, when he said in a PBS interview, "The state agencies must get over their obsession with large-scale, commercial production and accept the need for a radical restructuring of current land units. The strategy of settling large groups of relatively poor and inexperienced people on large commercial farms and expecting them to manage those farms effectively has clearly failed." (Lahiff 2010)

Rural Development and Land Reform Minister Gugile Nkwinti summed it up best when he said, "It is government's view that the willing buyer-willing seller has frustrated efforts to fast-track land reform, distorted the market, made land price negotiations

excruciatingly prolonged and increasingly making land reform financially untenable for the state..." (South African Government News Agency 2012a)

URBAN LAND REFORM: MISSED OPPORTUNITIES FOR URBAN DEVELOPMENT

As previously noted, the majority of urban land claims have been settled by financially compensating approved claimants. This is because "most urban land subject to restitution claims has been redeveloped or purchased by private owners subsequent to [forced] removals [of black], and it is often difficult to locate suitable alternative land and expensive to obtain and develop it." (Beyers 2013, 970)

The preponderance of settling urban land claims financially does not achieve the purported democratic goal of eliminating spatial segregation, nor does it provide a means for sustained improvement in the quality of life for the beneficiaries. Urban land restitution has the potential to provide a wider community benefit; especially if urban land claims are handled in aggregate in the way rural land claims are processed.

Christiaan Beyers uses Port Elizabeth (Eastern Cape) as a specific example in his paper, *Urban Land Restitution and the Struggle for Social Citizenship in South Africa*. In 1993 with the anticipation of the land restitution process, the Port Elizabeth Land and Community Restoration Association (PELCRA) was established. In short, Port Elizabeth chose to aggregate urban land claims and develop well-located urban land in lieu of financial compensation to claimants. (Ibid. 982)

PELCRA went through a long process of community engagement, working with third-party experts on legal matters, urban planning and project management. They proceeded with the goal of creating a diverse mixed-income[40], mixed-use community that included land for commercial businesses, open space and recreation facilities.

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[40] Black Africans were removed from urban areas many years before the 1913 Act, and were not eligible to submit claims, or had passed away due to old age. And, due to the highly restrictive laws passed beginning in 1913 that all but banned Black Africans from living or owning land in urban areas, the few non-Whites that were able to own land tended to be, but were not exclusively, relatively speaking, more privileged and were Coloured or Indian. This has somewhat skewed the ethno-diversity of those able to make viable urban land claims. The exception being in KZN, where about a third of the urban land claims came from those living in the Cato Manor Township, who are primarily Black Africans. (Beyers, 2013)

The plan included serviced plots of land in varying sizes, which required the beneficiaries to have the means to build a home. "To offset the direct loss of opportunity to claimants who are unable to build upon the land, an endowment fund is being created in the local university that will serve as a source of bursaries for first year students from disadvantaged backgrounds." (Ibid. 983)

While the Port Elizabeth project is not perfect, it is a creative example of how urban land claims can be approached in a way that is community-inclusive, promotes economically sustainable land use patterns, creates employment centers and provides well-located housing, secure tenure, access to amenities and improved quality of life for previously disadvantaged groups.

At the moment, land restitution and land redistribution in urban areas takes two primary forms: government-subsidized housing (in lieu of redistribution) or financial compensation (in lieu of restitution of land). This is unfortunate and South Africa is missing out on the chance to effect profound community and economic changes in its urban areas.

A BUMPY PATH IN LAND REFORM

Land reform is a necessity in South Africa. Although the challenges and shortcomings of South Africa's land reform programs are many, there are positive results as well that should not be overlooked. In "Who's Land Is It?" it was noted that an estimated 1.4 million subsidy beneficiaries have not yet received the title deed to their property. But the flip side of that coin is that if we assume that three million subsidized homes have been built, then about 1.6 million subsidy beneficiaries *have* received the title deed to their property. In a post-apartheid world, that goes in the "win" column. Whether those that have received the title to their property have used it to take out a collateralized loan toward education, incremental building or for business purposes is another question, which deserves answering but which cannot be addressed here. The fact is that more than a million people, who did not have secure title to their homes, now have it and with it, at the very least, a sense of security that previously did not exist.

Another statistic noted was that at least half of the farmland redistributed to previously disadvantaged groups has failed to become productive. Again, the flip side to that story is that up to approximately half *have* become productive and improved the lives of the beneficiaries. An example of how the private sector can support government initiatives to improve the chances of success for beneficiaries of land is seen in the efforts of Kwanulu, which is the agricultural union in KwaZulu-Natal. Kwanulu is "funding 147 projects on 6,551 hectares aimed at rehabilitating failed land claim sugar cane farms." (Dardagan 2012) Private sector efforts such as these are vital not only for the success of land beneficiaries, but to free up government funds that are now being spent on rehabilitating failed or failing enterprises of land beneficiaries. Figures given in a 2012 speech by Minister Nkwinti showed 25 percent of the national department of agriculture's budget in 2012 was spent on recapitalizing 595 farms owned by land beneficiaries, which amounted to R900 million." (Dardagan 2012)

Yet another kink in the already winding path of land reform is that there are those that are eligible to be beneficiaries of land under the redistribution program, but prefer cash. And as President Zuma noted in his 2013 State of the Nation address, this preference for cash does not help the South African government change the patterns of land ownership in the country. (South African Press Association 2013a)

"The municipality, faced with substantial housing and servicing backlogs has been placing a greater burden on private developers to pay for all new infrastructure that serves their developments. There is an increased occurrence of this due to the poor alignment between development and infrastructure plans. Determining what infrastructure is required occurs mostly on a project basis and this has led to increasing animosity between municipal departments and developer…" (Breetzke 2009, 14)

As if there weren't already enough obstacles on the path to land reform, there is the unrelenting issue of corruption. In a March 2011 press release, Minister Nkwinti announced that joint efforts of his Department along with the SIU and Asset Forfeiture Unit (AFU) had taken action in KwaZulu-Natal to seize approximately R14 million worth of farms and assets that were linked to on-going investigations into the abuse of the land

reform program. (Department of Rural Development and Land Reform 2011a) Additionally, in February 2013, the Hawks Commercial Crimes Unit[41] arrested three public officials and one KwaZulu-Natal businessman on fraud and corruption charges in relation to "the irregular awarding and administration of land reform grants, totaling R36 million. The Asset Forfeiture Unit has also frozen property to the value of R36 million in the case." (Department of Rural Development and Land Reform 2011a) But even this elite unit of investigators known as the Hawks is not immune to corruption – in May 2013, the head of the Hawks in Mpumalanga province, Major General Simon Mapiane, was arrested for allegations of corruption related to falsified travel expenditures. (South African Press Association 2013c)

The instances of corruption have persisted almost since the inception of the land reform program. The following, in addition to what has already been noted, are just a very small tip of the corruption iceberg:

* A report to the Department of Human Settlements by the SIU noted that government subsidized homes that are intended to go to the poorest and those with the most need are sold by corrupt Ward Councilors to unqualified beneficiaries. Houses are sold for between R6,000 - R25,000. (Special Investigations Unit 2010)

* During the same meeting with the SIU, Mr. Royith Bhoola, a member of the national Parliament, described corruption in the housing program that was perpetrated by public officials and private sector professionals: "municipal officials…often entered into a deal to evict innocent people and then a few hours later, they would sell that very same home. He said that when one heard of attorneys and conveyancers being struck off the court roll, and when he heard of officials, contractor and engineers all involved in this type of corruption, he actually empathised with the Department as they had a mammoth task at

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[41]The Directorate for Priority Crime Investigation (DPCI), known as the Hawks, is a specialized unit under the SAPS, and has been "tasked to prevent, combat and investigate national priority offences such as organized crime, corruption, economic crimes as well as any other crime referred to the Directorate by the South African Police Service's (SAPS) National Commissioner." (South African Press Association 2009)

hand in trying to rule out this type of corruption." (Parliamentary Monitoring Group 2010)

* Mr Thabane Zulu, Director-General (DG), Department of Human Settlements (NDHS), stated that the "matter of syndicates[42] was very sensitive, complex and life threatening and that people could lose their lives if they became whistle-blowers and informers. He added that some informers had in fact already lost their lives and that it was a very serious matter." (Parliamentary Monitoring Group 2010)

A major retooling of land reform is already underway as there are two bills and one amendment that are close to being passed: The Expropriation Bill, Restitution of Land Rights Act Amendment and the Valuation Bill. However, there is widespread concern over these new laws as they will, among other things, reopen the land claims process that was closed in 1998, which, as Dr. Dr Anthea Jeffery, Head of Special Research, South African Institute of Race Relations (SAIRR), notes in a media briefing: "Re-opening the land restitution process could stir up a 'a hornet's nest', especially as land already transferred to black South Africans could be claimed again by others. It will also unsettle title to land for at least another two decades, while putting pressure on an overburdened fiscus." (South African Insurance Times & Investments News 2013) Reopening the land claims process will also be highly disruptive to new development, as it will present a level of uncertainty and risk that cannot be managed by developers. Even when a large land claim has been "settled" there is, apparently, still the possibility that the settlement can be undone or challenged, which is the case in a current land claim involving a large developer, the eLan Group, and the Dube Community, located on the coast near KwaDukuza north of Durban.[43]

In this case, the Dube Community, which represented 680+ families, filed a claim on just over a thousand hectares of land that, at the time, was commercially farmed with sugar cane. A deal was struck between the eLan Group, the commercial farmer and the Dube Community whereby the commercial farmer would lease ~135 hectares of

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[42] 'Syndicates' in this context is referring to the organized behavior of multiple individuals and or contractors that are defrauding the housing or land reform programs.
[43] eLan Group employees were interviewed regarding this case on condition of anonymity.

land to continue farming and the Dube Community will be paid ~R200 million (when the project is complete) and becomes a 20% stakeholder[44] in the large-scale, mixed-use, mixed-income R1.95 billion eLan Group development, known as Blythedale Coastal Resort. Due to the size of the claim and the complexities of the deal, it took years to get it finalized, but it was completed and development of the resort was given the green light in 2007.

In real estate, development timing is critical and the delays in settling the land claim pushed the start of development out far enough to coincide with the global financial crisis, which put the brakes on the development. Fast-forward a few years, and the Dube Community has now challenged the claim that the developer thought was settled. They want to cancel the agreement and renegotiate. Development has stalled and the issue is pending court resolution, which is expected in October 2013.

There is speculation that something untoward is afoot in the unexpected disintegration of the deal with the Dube Community... Is it possible that another developer went to the Community with promises of more money? Is it possible that some very high up politicos saw how valuable the land would become and now they are in cahoots with another developer and have manipulated the Dube Community into this challenge? Jabulani Mbaso, the representative hired by eLan Group to facilitate the original deal with the Community suddenly switched sides, after the deal was done, and is now advocating on behalf of the Community to get the deal canceled. And, in another plot twist, Mr. Mbaso is currently on trial for corruption charges in an unrelated business matter. ("Bitter War in Paradise - City Press" 2013)

The Blythedale case is as a cautionary tale for developers entitling land that is part of a land claim and underscores the continued uncertainty in the efficacy and validity in land claims process. The impending October decision will be scrutinized for its implications going forward. This case, along with the potential reopening of the land claims process could have a crushing effect on new development.

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[44] Members of the Dube Community, or Clan, would also be first in line for jobs created by the development and would benefit from the low-income and affordable housing that would be built in the development.

Another concern is that although the Expropriation Bill allows the courts to make the final decision on what is "just and equitable" as compensation for expropriated land, Dr. Jeffery points out that neither compensation nor a full vetting of whether all constitutional requirements have been met needs to happen prior to expropriation by the State. (South African Insurance Times & Investments News 2013)

Given the level of corruption already present in the land reform system, the potential reopening of land claim applications – and the associated broadening of the pool of potential claimants – and the ability to expropriate land prior to constitutional vetting or compensation presents and environment conducive to exploitative or fraudulent activity.

5 | CONSTRUCTION SECTOR

From 2007 to 2011, the "South African construction industry increased in value at a compound annual growth rate (CAGR) of 15.54%... This was supported by the 2010 FIFA World Cup, which acted as a catalyst to the growing South African construction industry. The infrastructure market was the largest beneficiary of the World Cup, as most construction activity involved road, public transport and other infrastructure-related developments." (Research and Markets 2013) Business Wire's Research and Markets group is forecasting a construction industry CAGR of 9.61% from 2012-2016. This reduced growth is attributed to the "continuing euro-zone crisis, which is dampening global business sentiment." (Research and Markets 2013) If this forecast is accurate, then the growth is further off on the horizon as projections for 2013 are sub-3% with Business Monitor International noting "World Cup excesses, heavy bureaucracy and continuing political wrangles" putting a damper on the industry. (Business Monitor International 2013)

At the same time, and in contrast to this somewhat bleak outlook, First National Bank's Bureau for Economic Research reported that construction confidence was at a 4-year high. "'Confidence increased even though the slower growth in construction activity continued for the second consecutive quarter,' the report said." (SouthAfrica.info 2013)

"As a percentage of real GDP, the construction sector contributed approximately 3.8% as of first quarter, 2013. (Packirisamy 2013) Statistics SA data also show a downward trend in the average size of dwelling units from 141 m^2 to 108.8 m^2.

"This smaller average size has been achieved through more rapid growth in the category dwelling houses smaller than 80 square metres which grew by 20.8 percent y/y in terms of the number of units completed in Q1 2013." (Mhlanga 2013)

FIGURE 5.1

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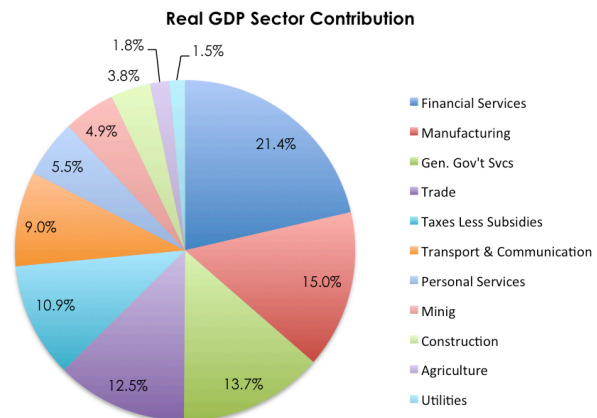
John Loos, and FNB Bank household and consumer sector strategist, says this uptick in the number of constructed units under 80 m² indicates "solid growth in the Affordable Housing market and the flats and townhouses category." (as quoted by Mhlanga 2013)

"Mr. Loos anticipates that 2013 will see single-digit growth in overall residential building activity and with the drive towards a smaller average home size expected to continue, that would translate into a slightly more rapid growth rate in the number of units completed." (Mhlanga 2013) An important pricing issue that is not discussed in trending reports for the Affordable Housing market is what percentage of these new units that have come online or are in the pipeline will be priced such that they are qualified for the FLISP program (≤R300,000). Stagnant income growth for the largest sector of the population (Blacks at 80% of the population), anticipated rising interest rates by 2015 and continued high debt levels of consumers contribute to a sub-optimal growth trend in the housing market.

FIGURE 5.2
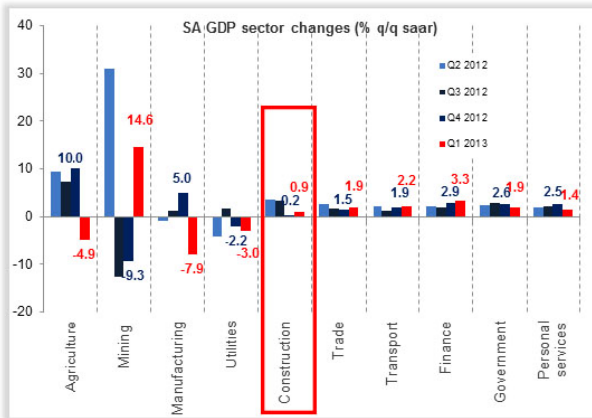
FIGURE 5.3
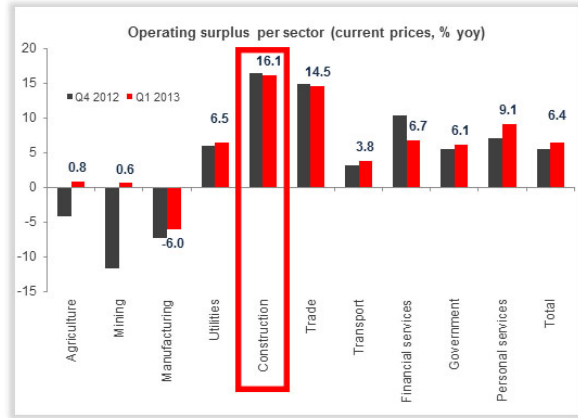
While the growth of the construction sector is constrained, as illustrated in Figure 5.2 above, and according to Joe de Beer Deputy Director-General, economic statistics at Stats SA, profits have been significantly curtailed since the boom leading up to the World Cup, the Construction Sector has the highest operating surplus of the ten major GDP sector contributors noted in Figure 5.3.

CONSTRUCTION TECHNOLOGY

"Building materials have recorded prices well above inflation with reinforcing steel up 38.9%, ceiling material up 10.8%, hinges by 9% and bricks by 8.6%. Transportation and labour costs in the building industry have also gone up. For 2012 the BER forecast for building costs is 12.1% rising to 16.3% in 2013" (Pillay 2012) With such drastic increases in building materials, innovations in construction technology become even more important in reducing project costs and maintaining margins the market can tolerate.

Even with the costs of materials rising at an alarming rate, there is still a slow slog to incorporate new and more cost efficient technologies. The predominant building typology is 'brick and mortar' single-family homes. When asked about the predominance of this low-density/higher cost typology the Development Director for a large South African developer said that there is an unspoken notion that "a house isn't a real house unless it's built from brick and mortar." And, added a local businessman, "the mindset is that drywall is for ceilings. If the walls can't stop a bullet from an AK, it's not a real house." The historical experience that has created this, arguably understandable, perception is that under apartheid wealthy Whites had homes built of brick and mortar and to try and provide something other than that for low-income or affordable housing is akin to providing sub-standard housing.

Since brick and mortar is the dominant building typology, it is no surprise that concrete is in high demand in the South African construction sector. At the 2007 CBM-CI[45] International Workshop in Karachi, Pakistan, Dr. Yunus Ballim noted the following in regard to South Africa's concrete industry: "…the challenges facing the cement and concrete sector in South Africa are largely focused on its capacity for supply of materials (raw and processed) and development of high-level human resources skills… The country faces an increasing sophistication in the technology and application of cement-based materials that is becoming increasingly less tolerant of poor manufacturing practices. A strong base of high-level human resource skills will be necessary to maximize the benefits of these developments." (Ballim 2007) Dr. Ballim touches on a critical point that ties back into the need to improve the education

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[45] CBM-CI: Cement Based Materials and Civil Infrastructure

system in South Africa – the pool of unskilled workers is voluminous but what this industry, and all other industries, needs are semi-skilled and skilled workers. No matter how innovative the construction technology applied to a project, if it is poorly executed the result is still a sub-par product that will require future capital inputs to correct the issues.

Understanding the history from which the 'brick-and-mortar-only' perception springs, but knowing forward progress is a necessity, the South African government and building industry professionals are forging ahead with programs and initiatives to encourage innovative construction methods and technologies, as well as promoting the promulgation of sustainably designed 'green' buildings.

To that end, in 2007 the Green Building Council of South Africa (GBCSA) was formed as a non-profit to "lead the greening of South Africa's built environment." (www.gbcsa.org.za) The GBCSA's rating system is known as Green Star and is based on Australia's Green Star rating system. Similar to the LEED system in the United States, the Green Star system has tailored standards and criterion for different types of building uses, which currently include office, retail, multi-unit residential, public and education buildings. There are others that are in development like interiors and existing buildings performance. (www.gbcsa.org.za)

There are not yet any legislative mandates to adhere to prescriptive energy or 'green' design standards, but the Minister of Public Works, Geoff Doidge, recently made a public appeal for a greener built environment. (Cairns 2010) By the end of 2012, South Africa had 30 Green Star rated buildings with two dozen projects in the application stage.

Continued and increased encouragement from government at all levels to build 'green' will go a long way toward stimulating interest and acceptance of green building with the potential of this burgeoning sector of the industry to be seen as "a nation-building opportunity, wherein jobs are created and gross domestic product is increased..." (Cairns 2010)

The national government is also working to encourage the use and acceptance of non-standard construction technologies via its agency, Agrément South Africa. Agrément SA's stated objective, inter alia, is "facilitating the introduction, application and utilisation of satisfactory innovation and technology development…" And is the "centre for the assessment and certification of innovative non-standardised construction products, systems, materials, components and processes, which are not fully covered by a South African Bureau of Standard standard or code of practice." (http://www.agrement.co.za/)

DENSITY

The preponderance of low-density developments hinders the large-scale delivery of affordable housing units that are desperately needed. Figure 5.4 is a 2012 density map for eThekwini that also illustrates a tendency toward the separation of economic uses and residential uses, which means it is unlikely that you live close to where you work.

FIGURE 5.4
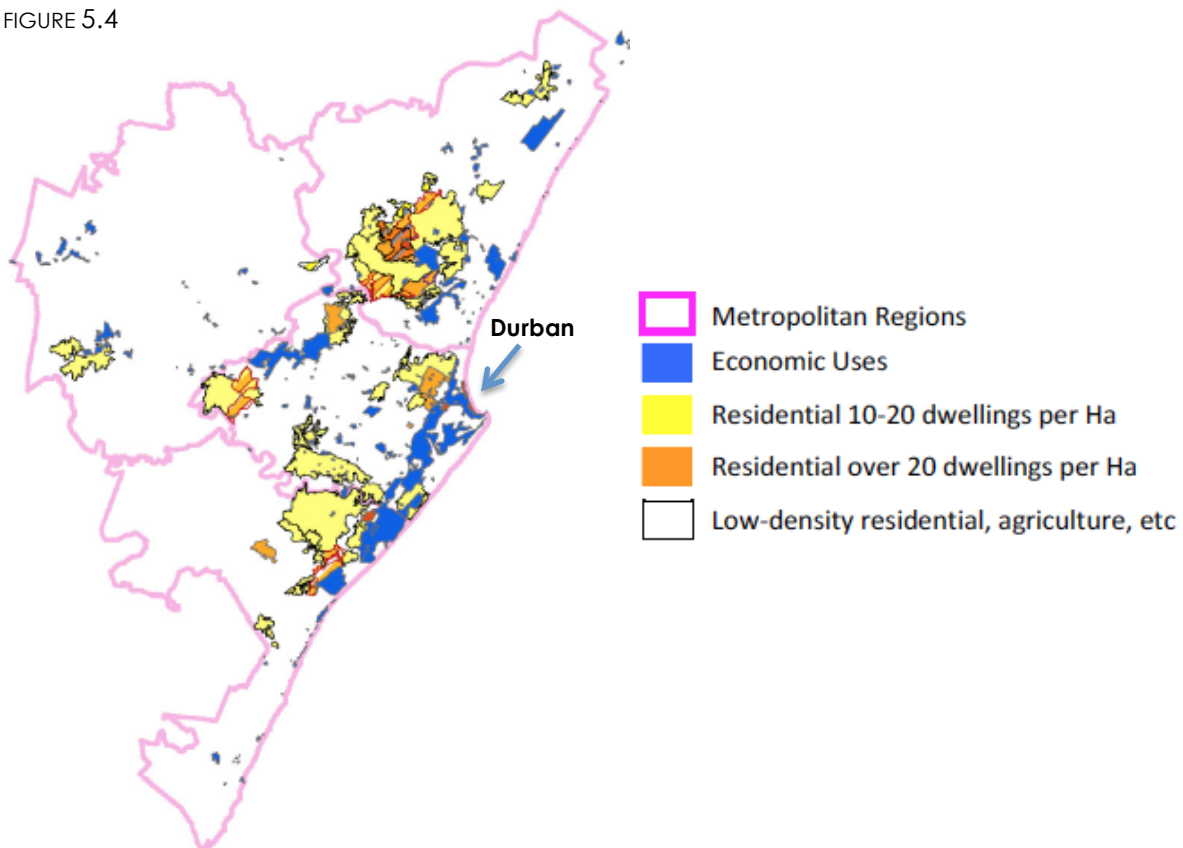
There are many projects that can be classified as affordable (they contain units that are selling for no more than R500,000) that are not single-family homes, for example Fleurhof, Johannesburg, (Gauteng province), Walmer Links, Port Elizabeth (Eastern Cape province), and The Mews in Umhlanga, an up market suburb of Durban in KZN).[46] But even these typologies only increase vertical density up to five stories. (See Photos)

Cornubia a much-touted government sponsored development project that, when completed, will provide 24,000 housing units of which 15,000 will be for the poor (those eligible for a government subsidized home earning <R3,500 per month). Based on the figures from the Cornubia website (http://www.cornubia.co.za/about-cornubia/development-profile/) there will be 1.3 million square meters of 'residential bulk' on 620 hectare (or 14M s.f. on more than 1500 acres). This translates to an overall FAR of less than one.[47] A representative from the Developer was contacted for clarity and confirmation on these figures and, indeed, they confirmed that the subsidized housing had an average FAR of .4 while the residential areas considered to be high density had an FAR of 2.4.

The eThekwini Housing Sector Plan 2012 begins to acknowledge the issue of low-density development and is incorporating minimum density standards and reassessing restrictions "pertaining to minimum plot sizes, maximum plot coverage, height restrictions, sub-division laws, building regulations, etc."   But if "high density" is considered an FAR below three, then there is still quite a ways to go in the area of increasing densities to the point of delivering units in the quantities that are needed.

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[46] Photos of Fleurhof and Walmer Links projects are from the photo gallery on the website of the Department of Human Settlements, South Africa. Photo of The Mews is from International Housing Solutions at http://www.ihsinvestments.co.za/TheMews.aspx.

[47] The website notes the following figures: 1,200 ha total development with 80 ha for industrial and 500 ha for open space, wetlands, etc. This leaves, at most, 620 ha for residential development. The site also notes that there will be '1.3M square meters of residential bulk.' By calculating FAR as total square meters of residential floor space divided by total square meters of land area, this comes to an FAR of less <1.

Images from selected affordable housing developments in South Africa.

Walmer Links, Port Elizabeth

Fleurhof, Johannesburg

The Mews, Umhlanga

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

The website for the National Home Builders Registration Council (NHBRC), which was established in 1998, states that its mandate is "to protect the interests of housing consumers and to ensure compliance to regulated building industry standards. In South Africa, anyone, individual or company, that builds homes must be registered with and certified by the NHBRC. The website further state, "The NHBRC certifies builders who meet regulated industry criteria for technical, construction and financial capabilities. Your home enrolment with the NHBRC insures you against poor building practises. Our quality building inspections ensure that your home is not exposed to structural failure."

In its mandate to ensure against "poor building" practices and "structural failure" they are coming up short to the tune of billions of Rands.

* Homes were being built of such poor quality that they had to be demolished and rebuilt. (Parliamentary Monitoring Group 2010)
* "Signs of waste and fraud are everywhere. Pipes that were supposed to bring clean drinking water to parched, impoverished communities were laid improperly and burst, requiring the whole job to be done again…" (Polgreen 2012)
* A major concern of the Department of Human Settlements was the significant number of housing units provided by the State that required repair because of shoddy construction. The estimated cost of rectification was R20 billion. (Parliamentary Monitoring Group 2011)
* "An inspector came to my site to inspect the foundations. She showed up to a muddy site in heels and didn't want to walk in the mud. I pointed to the trenches where the foundations had been poured, but since it had been raining the day before, there was water on top of the concrete. She said, "what's that?" and I had to tell her that I was pointing at the foundations. She should have walked over to confirm there was concrete under the water and not more mud. She just said 'OK' and signed off on the inspection and left. Shameful." Interview with KZN developer who has a degree in engineering.

* "If you want to be registered with the NHBRC, you have to go down there and take a test that shows you understand the building regulations. But the test has questions on it like, "if you have a 1-inch board and you're nailing it to a 2-inch board, what length nail should you use?" It's ridiculous. And if you fail the test, you can just go back the next day and take it again... the same test! Same questions every time! Just take it until you pass it. It's a joke." KZN home builder

The money the State spends paying contractors for sub-standard houses and then tearing down those same houses negatively impacts the government's ability to efficiently manage the budget allocation for housing subsidies, as well as hampers their ability to form strong public/private partnerships. The government's inability to maintain standards and ensure transparent processes discourages the private sector from partnering with public sector departments.

THE TENDER[48] PROCESS

The national Department of Treasury has set up guidelines for all government offices regarding how and when to receive quotes and competitive bids. If a project, VAT included, is less than R10,000, then multiple quotes and competitive bidding is not required. For project values between R10,000 and R500,000, "government departments are required to invite and accept written quotes from registered prospective suppliers. For procurement above R500 000, they are required to invite competitive bids." (Joubert 2012)

eThekwini has established an online procurement system, Focused Procurement Lite or FP Lite, for viewing current requests for quotes and submitting quotes online. The tender process has not yet been migrated to an electronic system, however current tenders are listed on www.govpage.co.za.

The construction sector is home to some of the most rampant abuses in the real estate sector. Inflated material pricing, collusion between bidding contractors, bypassing of

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[48] What we in the States refer to as a "bid process," South Africans call a "tender process."

mandated tender procedures to award contracts to friends, political allies or relatives (regardless of qualifications), bribes for inspection sign-offs, and falsifying documents to receive payment for work not completed. Many aspects of the construction industry seem to have been operating outside the law for decades.

"The awarding of government tenders to connected individuals, which often…results in shoddy work, is one of the most common forms of corruption in South Africa." (England 2012) The tender process is elaborate and tedious, and includes different committees to verify the tender specifications before they are released to the public, to scrutinize the tenders received and award projects based on a variety of factors: cost, expertise and experience, financial stability and capacity to name a few. So with so many eyes on this process, how is it possible for so many contracts to be awarded to fraudulent or incompetent contractors? The answer is something called "Section 36."

Section 36 is part of the Supply Chain Management regulation and allows for the bypassing of the standard tender process in emergencies.   KwaZulu-Natal, and specifically eThekwini, would appear to be rife with emergencies.

An online news report in June 2013 estimated that Section 36 awards in eThekwini would top out at R2 billion by the end of the year. According to the previous City Manager, Michael Sutcliffe, that is a fourfold increase in Section 36 awards since he left the office two years ago. The Mayor, James Nxumalo and current City Manager, Sbu Sithole, say these awards were necessary and point to several large projects that fell under Section 36 (drainage projects, housing completions and a court ordered settlement with a contractor). (Mbanjwa 2013)

The Mayor also noted a new procedure by which all Section 36 awards have to be brought to the Executive Committee of the municipality before being awards, instead of being informed ex post. The DA caucus leader said the Executive Committee is "just being used to rubber stamp decisions that are already taken." (Mbanjwa 2013) As such, the DA abstains from participating in the Executive Committees approval of Section 36 awards.

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In regard to the issue of collusion, the South African Government News Agency posted an article on 24 June 2013 regarding a landmark corruption scandal in the construction industry: "The Competition Commission has reached a settlement with 15 construction firms, who have agreed to pay fines to the tune of R1.46 billion for collusive tendering… While over 300 instances of bid rigging were revealed through this initiative, the settlements were reached only with respect to projects that were concluded after September 2006, before which transgressions are beyond the prosecutorial reach of the Competition Act." (South African Government News Agency 2013)

Some of the projects these companies worked on included two stadiums related to The World Cup, Nelson Mandela Bridge and Soccer City in Johannesburg. The contracts in question are estimated to be "worth more than R47 billion. Around R28 billion of that amount came from public funds." (Essop 2013) The process by which more than a dozen major construction companies colluded in the price-fixing schemes is illustrated in the graphic, "10 steps to rigging a tender" on the following page.

What happens to a contractor that was found to have been part of corrupt or fraudulent activities? Or who was found to be lacking the requisite certifications or training to complete an awarded project? Or any of the other major offenses that take place in this sector? Some are blacklisted – their name and their company name are put on a national list so they can never again win a government tender. Or can they? During a briefing by the SIU on fraud and corruption in the housing sector, the Deputy General of the DHS stated he "was concerned about issues revolving around the blacklisting of contractors… that sometimes when a contractor was blacklisted, that contractor could very easily just open up another company under a family member's name." (Parliamentary Monitoring Group 2010)

FIGURE 5.5

10 steps to rigging a tender

Affidavits to the police describe how construction bosses allegedly rigged tenders worth billions

1 The state, or a major private player, invites tenders for a project, often worth hundreds of millions of rands and of interest to the dominant players in the construction industry

2 A meeting would be called between the top executives of major construction companies like WBHO, Group Five, Murray & Roberts, Stefanutti and others. Prior to the early 2000's these meetings were formal affairs chaired on a rotational basis by one of the executives, called a "coordinator"

3 The meetings were secret and no minutes or records were kept. The participants called these "customer-allocation practice"

4 More recently, the arrangements were more informal but essentially operated the same way

5 At the meeting, they would agree which company would get a particular tender. A schedule of "project allocations" was maintained by the coordinator on the basis of market share

6 Once the project was allocated to a company, they would agree on a so-called "cover price". This was the amount the potential winning bid should be. The other companies would submit bids that would ensure the agreed party was the most competitive, but would ensure that the "losing" companies were still perceived as players

7 Unbeknown to the client, "tender fees" were added to the bid. The successful contractor would then pay back the costs of tendering, sometimes as much as R5 million each to the "losing" bidders

8 One tactic was to add 12.5% to bids to cover these "fees" among other expenses

9 The "losing" companies would regain the costs for their "dummy" tenders by billing the winning company for items like "plant hire" and other fictitious invoices for the money to be laundered back to them

10 The Competition Commission estimates tenders worth R30 billion were affected by this

Graphics24

REBUILDING THE CONSTRUCTION SECTOR

"Public works contracts showed evidence that they had been manipulated, the Treasury Department said, to increase the cost of projects — and presumably the profits of the contractors. Consulting fees ate up a quarter of the infrastructure budget. Big contracts tended to go to a small handful of companies, many of them run by close associates of the province's top politicians, according to provincial government documents." (Polgreen 2012)

A dichotomy exists in the construction sector – on the one hand there are strong and sincere efforts to innovate and build sustainably, and increased efforts into investigating and prosecuting corruptions, and on the other hand there is corruption that spreads wide and deep through both the public and private sector.

The examination of this sector brings up many questions: Are there creative multi-stakeholder schemes that could be aimed at cross-incentivizing innovations in capacity building for supply of concrete, access to special financing and use of land in urban centers that have fallen into disrepair? Can training programs be set up as joint ventures between the large concrete manufacturers and the local universities and colleges in order to train the "strong base of high-level human resource skills" that will be required to best leverage the new innovations in concrete technology and delivery? How can public and private sector individuals be incentivized to not participate in corrupt and fraudulent practices?

In Chapter 7, Corruption: An Unconventional Issue, I discuss different approaches to this complex and emotive issue.

South Africa has a booming and well-regulated financial market. The JSE, South Africa's stock exchange, has 400 listed companies and as of November 2012, a market capitalization of USD $929 billion putting it in the top 20 exchanges in the world. "The World Economic Forum ranks South Africa first out of 142 countries for its regulation of securities exchanges." (England and Wallis 2012) And for international and local investors in the property market the JSE, as of 1 April 2013, implemented a REIT structure that "is in line with international best practices" and has "a globally understood structure…" – and "once South African listed property funds convert to this system, South Africa will be the 8th largest REIT market." (England and Wallis 2012)

Combined impacts of the global financial crisis, the boom leading up to the World Cup and the prolonged Euro Zone crisis are evident in the ratios of mortgages to GDP and residential buildings to Gross Fixed Capital Formation (GFCF)[49] trends from the late 1990's to the end of 2012. While the GFCF as a percent of GDP looks to be on a slight upward trend, residential buildings as a percent of GFCF are trending downward.

FIGURE 6.1

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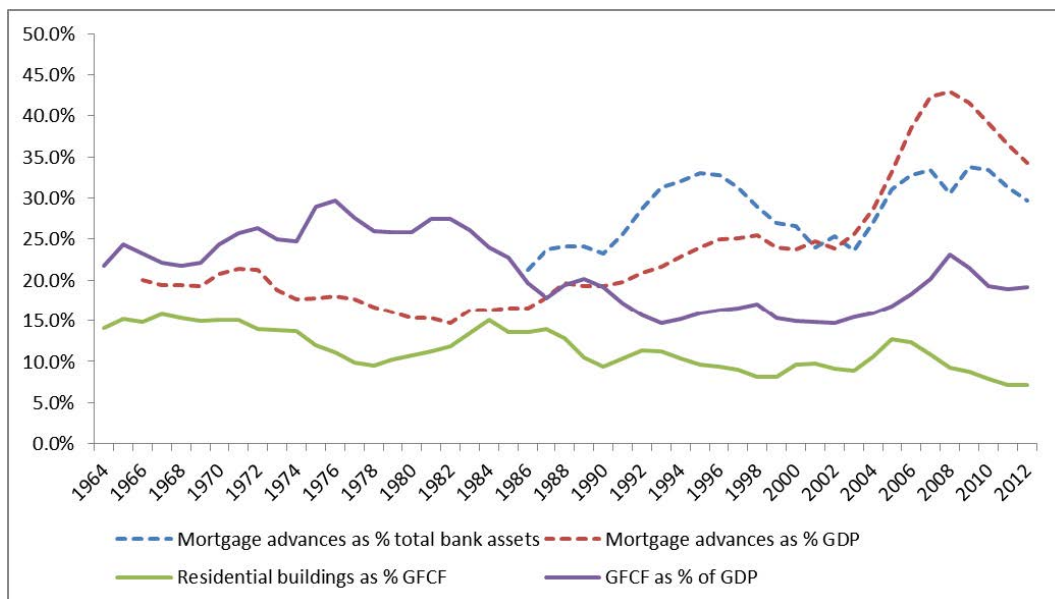
[49] Gross Fixed Capital Formation, as defined by the World Bank, includes land improvements (fences, ditches, drains, and so on); plant, machinery, and equipment purchases; and the construction of roads, railways, and the like, including schools, offices, hospitals, private residential dwellings, and commercial and industrial buildings.

HOW AFFORDABLE IS AN AFFORDABLE HOME?

One of the many approaches the government has taken to address the economic inequalities the country faced after the end of apartheid was to institute a sweeping affirmative action plan, commonly known as 'Triple B-Double E,' or Broad-Based Black[50] Economic Empowerment (BBB-EE). In South Africa, as here in the United States, this plan has staunch supporters and detractors. The latter criticize the program saying it is causing a 'brain drain' by forcing qualified, skilled workers to go to another country for employment because they cannot get work in South Africa due to not qualifying as 'previously disadvantaged.'[51] Proponents support the effort as a way to

The crux of the issue in affordable housing finance can be understood by looking at a real-world, current example. The restrictions in the fairly new Finance-Linked Individual Subsidy (FLISP) program from the government, compared to what the affordable housing market is spontaneously offering leaves the lower half of the gap market still in the gap. The following are the eligibility requirements to qualify for the FLISP program:

* The applicant must qualify for a mortgage
* Applicant can never have owned another home
* Applicant cannot have ever received any other government subsidy for housing

If an applicant qualifies for the FLISP program, the subsidy can only be applied to the purchase of the following:

* A new home
* A home for sale in the secondary market
* A home to be built on an already-owned and serviced plot of land (a building contract must be provided)
* A vacant and serviced plot of land (the construction of the house would be the responsibility of the property owner)

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[50] In this context the term 'Black' refers to Black Africans, Indians, Coloureds and Chinese.
[51] "Previously disadvantaged" is the term used to describe the populations that were oppressed under apartheid.

* The subsidy does not apply to sectional title transactions
* The cost of any of the above qualifying properties cannot exceed R300,000, which is inclusive of VAT at 14%.

The subsidy amount is determined on an income-based sliding scale, with those at the lower end of the income bracket (R3,500) receiving the maximum subsidy of R87,500, while those at the top end of the bracket (R15,000) receiving R10,050.

Data from Census 2011[52] show that South Africans spent almost a third of their income (32.1%) on housing costs, which includes the cost of basic services (water, electricity, gas, etc.). The chart below illustrates average percent of income expenditure for 12 major categories:

FIGURE 6.2
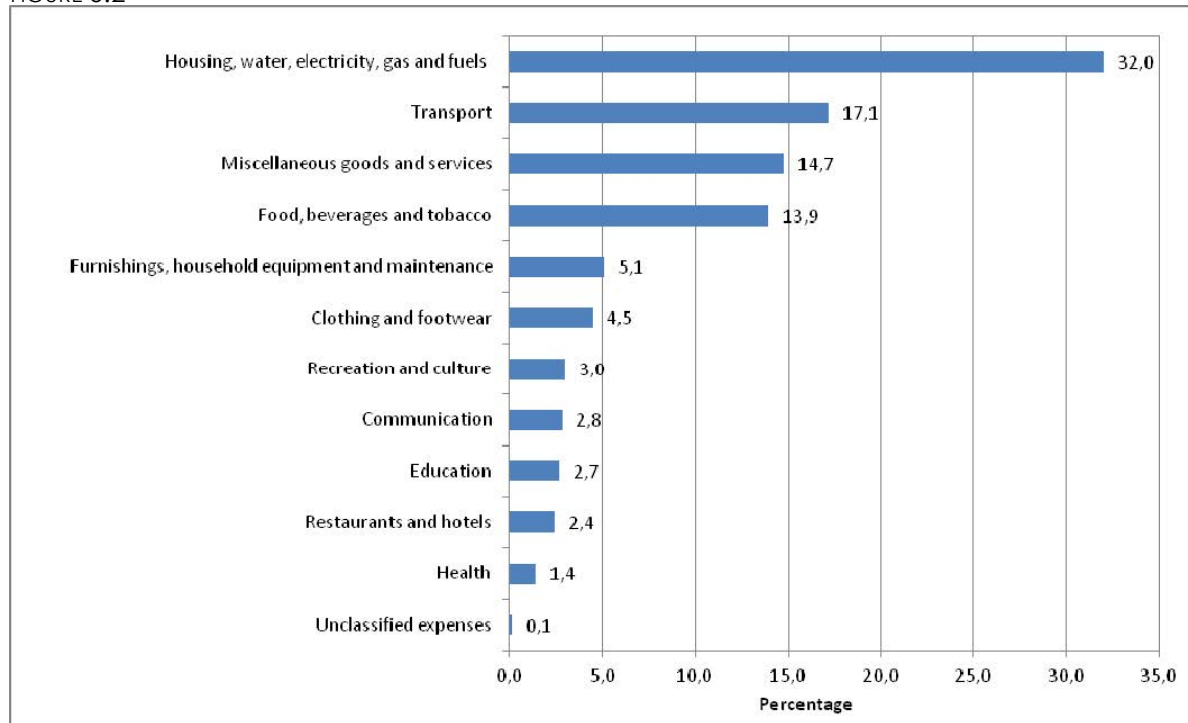
However, the Census 2011 data is not parsed further in order to distinguish the cost of

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[52] Interestingly, the Census 2011 data did not provide a breakdown of expenditures based on income without the further parameter of race (See Appendix: Additional Demographic Information). Therefore, there were no statistics provided to indicate, for example, what percent of income was spent on Transport by those earning <R3,500 per month regardless of race.

electricity from rent. In order to achieve a rough estimate of service cost separate from rent, data presented in a study conducted by the Department of Energy in 2012 was combined with Census 2011 data. The Department of Energy study data concluded that for lower income populations a minimum threshold of 10% of household expenditure went toward electricity. This figure was used to reduce the percentage of household income spent on housing. The adjusted percentages, which are used in the ensuing budget scenarios illustrating access to financing by income level, are as follows:

* Housing: %22
* Electricity: 10% (Molomo, Roberts, and Struwig 2012)
* Transport: 17.1%
* Miscellaneous, including medical and insurance costs: 14.7%
* Food and non-alcoholic beverages: 13.9
* All remaining expenses: 23.4%

FIGURE 6.3
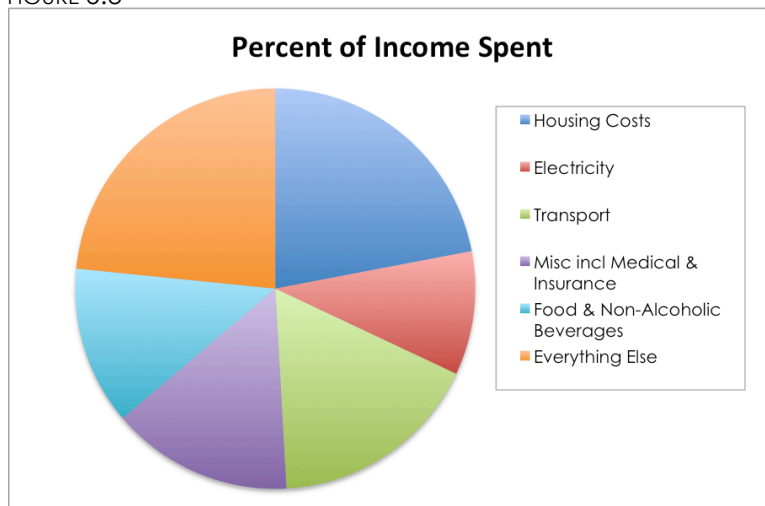
Using the average percent of income spent in major categories, the following "household budget scenarios" illustrate how those in the gap market continue to struggle to access financing, even with the FLISP subsidy.

The following assumptions are used in the example that follows:

* 2% has been added to the current prime rate of 8.5% to account for borrowers that have minor infractions in regard to their credit history
* R300,000 has been used as the maximum value of a home, including VAT, to stay in line with the requirements of the FLISP subsidy.
    o VAT in South Africa is 14%, which means the home cannot cost more than ~R263,000
    o Assume property is in move-in condition and requires no further capital outlay for repairs
    o Additional scenarios are run using a lower home value, but a search of property listings in the Durban metro area indicates that little to nothing is available below R200,000, excluding VAT
* Subsidy amount has been changed based on sliding scale.
    o R3,500 monthly income receives R87,500 in subsidy funding
    o R7,500 monthly income receives R60,000 in subsidy funding
    o R15,000 monthly income receives R10,050

TABLE 6.1

Expense Category	Income and Expenditures/Mo (Rands)		
	3,500	7,500	15,000
Housing	770	1,650	3,300
Electricity	350	750	1,500
Food	448	960	1,920
Transport	599	1,283	2,565
Misc, incl medical costs & insurance	515	1,103	2,205
Everything Else	819	1,755	3,510

TABLE 6.2

Monthly Income	R3,500		
Amount of Subsidy	87,500	87,500	60,000
Amount of Mortgage (Rands)	212,500	77,000	105,000
Total Cost of House (incl VAT)	300,000	164,500	165,000
Interest Rate (Monthly)	0.9%	0.9%	0.5%
Repayment Period (Months)	240	240	240
MONTHLY PAYMENT	($2,121.56)	($768.75)	($767.47)

TABLE 6.3

Monthly Income	R7,500		
Amount of Subsidy	60,000	60,000	60,000
Amount of Mortgage (Rands)	240,000	165,000	227,000
Total Cost of House (incl VAT)	300,000	225,000	287,000
Interest Rate (Monthly)	0.9%	0.9%	0.5%
Repayment Period (Months)	240	240	240
MONTHLY PAYMENT	($2,396.11)	($1,647.33)	($1,659.21)

TABLE 6.4

| Monthly Income	R15,000
Amount of Subsidy	10,050
Amount of Mortgage (Rands)	289,950
Total Cost of House (incl VAT)	300,000
Interest Rate (Monthly)	0.9%
Repayment Period (Months)	240
MONTHLY PAYMENT	($2,894.80)

We can see that the lower income range cannot take advantage of the FLISP subsidy unless the price of the home with VAT is no more than R190,000, and the middle income bracket can only take advantage of the subsidy if a home is found that is less than the R300,000 cap, VAT included. It is clear that the FLISP program works best for those that are at the very top end of the income continuum for the gap market.

A further scenario was run to test at what interest rate the program would work for populations in the R3,500 and R7,500 income groups. Highlighted in green is the interest rate at which the program becomes affordable to these two groups, which is 6% per year (including the estimated 2% add-on for moderate credit risk). This means the Prime Rate would need to be more than halved from 8.5% to 4% in order to make the numbers work. The assumption that a mere 2% margin for credit risk is likely just as unrealistic as halving the loan rate given that 9.53 million "credit-active" consumers had "impaired credit records" in the first quarter of 2013." (Coastal Roy 2013)

These conclusions are illustrated in Figure 6.4, which clearly indicates the bulk of mortgages issued are going to those at the higher end of the affordable market income group.

FIGURE 6.4

Mortgages granted by income
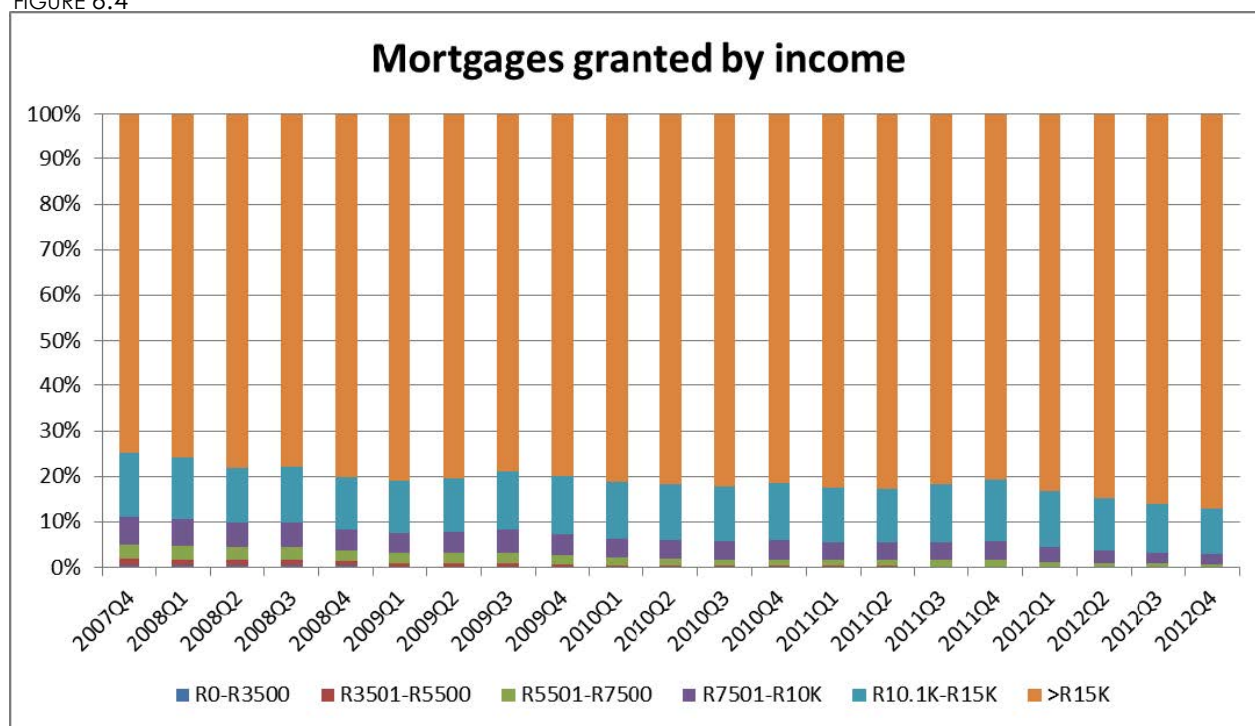
Even so, there is much excitement around a new "affordable housing" development going into a highly sought after up-market area of Durban called Umhlanga. Many of these units are, by government definitions, affordable because they are priced at R500,000 or less. However, the least expensive unit in this development sells for R450,000. So that means this entire development is disqualified from being considered in the FLISP program.[53]

THE GOOD NEWS IN FINANCE

Increased efforts to create access to affordable financing further down market are clearly in order. South Africa's economic ties to the Euro Zone mean that it is negatively impacted by the global recession more than other African countries and, as such, the banks have maintained a tight grip on issuing debt, especially to the more risky affordable market borrowers. But whereas the previous two market drivers' obstacles we have thus far discussed – land and construction – are also rife with corruption, the

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[53] As of the writing of this thesis, the application process for the FLISP subsidy had been closed because the number of applications received exceeded the budget allocation. The application process will not reopen until April of 2014.

finance sector is not quite so. This makes sense due to the high level of international and internal scrutiny that is placed on South Africa's financial system.

One such group of requirements to which South Africa's financial institutions adhere is contained in Basel III. The new Basel III requirements "introduced a global liquidity standard and compels banks all over the world to institute higher liquidity levels to safeguard against liquidity disruptions." (Nyandoro 2012) South African banks are already hesitant to issue debt to an untested and, what is seen as, a risky market and the tentative pipeline of finance to the gap market has a significant chance of constricting further with the impending implementation of the Basel III requirements.[54] In order to meet the new standards, South African banks will incur increased costs in acquiring additional liquid assets as well as a significant upgrade in technology in order to meet reporting requirements of liquidity and stress testing.

Faced with the realities of Basel III requirements, South Africa's financial institutions have also signed on to do their part to create more access for the 'unbanked'[55] population, as well as drill further down into the gap market in terms of mortgage lending. The Financial Sector Charter is a voluntary charter signed by the country's largest financial institutions, including the JSE, and was borne out of the BBB-EE Act. The Charter is primarily concerned with fostering greater equity in the sector and providing accessible financial products that meet the needs of lower income consumers. With regard to housing finance the sector committed to originating R42 billion in the FSC target market between January 2004 and December 2008. The FSC target market was defined as households with an income of between R1,500 and R7,500 measured in 2004 Rands indexed to CPI.

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[54] Basel III is a "global regulatory standard on bank capital adequacy, stress testing and market liquidity risk agreed upon by the Basel Committee on Banking Supervision. Basel III requirements were mainly introduced to ensure that banking systems are more resilient to shocks in the market." (Nyandoro 2012)
[55] Unbanked groups are those that do not use banking institutions in any way. As of July 2013, an estimated 67% of South Africans were considered unbanked. (Yurcan 2013)

FILLING THE GAP IN AFFORDABLE HOUSING FINANCE

Not having to contend with corruption is a bright spot in the struggle to create financing solutions for the affordable housing market. South Africa's leaders quickly realized at least one crippling limitation of FLISP – that it only applied to newly constructed homes. To address this shortcoming, the national government took steps to make the FLISP program more accessible by opening up qualified purchases to include properties sold in the secondary market, as well as vacant serviced land (as long as there is a contract in place to build a home, which is not included in the subsidy). However, this is still not enough to reach the mid- to lower-end of the affordable market income spectrum. The cap on home value needs to be raised above the current R300,000 and consideration should be given to setting a variable cap based on regional market prices for homes instead of a nationally applicable home value.

The national government also recognizes that there is considerable reluctance to extend credit further down into the affordable housing market due to higher risks associated with this group. To compensate for this risk, the government is currently setting up Mortgage Default Insurance Company (MDIC), which will be capitalized with R1 billion of government funds. The MDIC was initially slated to come online late 2012/early 2013, but based on stress testing of its original business model and additional recommendations by PricewaterhouseCoopers (PwC) the business model was revamped. The government, PwC and the four largest financial institutions in South Africa – ABSA, First National Bank, Standard Bank and Nedbank – are working together to ensure the long-term viability of the MDIC when it finally does roll out.

"The Washington research group, Global Financial Integrity said in a report that South Africa had suffered an illegal outflow of R185-billion due to corruption in both the public and private sectors between 1994 and 2008." (Corruption Watch 2013)

"Graft and wasteful spending have sapped the government's ability to tackle inequality. Only three of 39 government departments were pronounced clean in audits by South Africa's Auditor General last year, and only seven of 237 cities passed muster the year before." (Polgreen 2012)

"Britain announced this week it is ending development aid to South Africa in 2015. British aid this year amounts to $29.5 million — slightly more than the government has spent on Zuma's private residence." ("Report: South Africa Losing Battle Against Corruption" 2013)

"National Treasury is currently scrutinizing 76 business entities with contracts worth R8.4 billion which we believe have infringed the procurement rules, while SARS is currently auditing more than 300 business entities and scrutinizing another 700 entities." ("Budget Speech 2013" 2013)

In reviewing the land, construction and financing sectors in regard to their influence on the slow delivery of affordable housing, we can see that there are clearly issues within each sector that must be addressed. Most schemes or reforms have been focused on either the financing side of housing or land reform, which tends almost exclusively to mean rural land reform. While financing and land reform are critical elements of stimulating a robust market in the affordable housing sub-sector, they seem to function in a semi-vacuum. And, to date, there have been no policies or initiatives focusing on increasing the supply of affordable housing projects by incentivizing innovations in building technologies or the overall construction process, which could reduce costs, increase efficiencies and make affordable housing delivery more attractive to developers.

In the land market, the government's program of redistribution would be tremendously helped by a shift in the scale of the land transfers. The common practice is to take

large parcels of land and transfer it to large groups of beneficiaries. Most of the beneficiaries have neither the skill nor the desire to run large-scale commercial farming enterprises, and so the land becomes non-productive and the economic state of the beneficiaries is hardly improved, if at all. There are rare cases where the transferring owner (typically a white South African) will work with the new beneficiaries to transfer skills to aid in successfully maintaining the farm operations. More often than not, however, the transferring owner will take the payment for the land and, as far as that particular farm is concerned, walk away feeling at best conflicted (they've worked the land for decades but know their ancestors came to own the land by taking it from indigenous inhabitants of South Africa) and at worst angry (they weren't the ones that took the land and they're the ones that have worked it for most of their lives). This is an understandable human response.

THE CONSEQUENCE OF A POINTILLISM VIEW OF CORRUPTION

There is one issue that weaves through these reforms, through the development process, indeed through politics and the overall economy – corruption. This is not news. In fact, corruption of all manner and kind is reported on a regular basis on talk radio shows, online media outlets, in newspapers and on televised news broadcasts.

If you've ever looked at a pointillist painting up close, you see the dots but they're just dots. Step back a bit and maybe you discern the shape of a tree or a house. Step back further yet and, aha!, all of those individual dots have coalesced into a full landscape with trees, houses, cars, schools, children, etc. What does this have to do with corruption in South Africa? Discrete instances of corrupt activity in land transactions, education, health services or awarding of tenders – these are reported with numbing regularity. This is standing up close and seeing just the random dots. Take a step back and we have instances such as was noted in Chapter 5 regarding corruption in the construction sector. Many dots of corrupt activity came together in a collusive scheme to fix contract awards worth billions of Rands. This is the tree that can be seen while the rest of the landscape is still obscured. What is seen when one takes a giant step back? What is the landscape of South Africa's economy when all of the dots, from all of the sectors, come together to form a panoramic view? From this

vantage point, the impact of corruption can be seen everywhere from the stifling impact it has on economic growth, the way it hinders better educating the populous, providing healthcare, undermines political stability, erodes trust and stokes the fires of division, as well as constraining foreign investment in South Africa – all of which impacts the affordable housing market by deterring developers (severely reduced profit margins), constricts access to financing to the gap market (stricter underwriting terms due to perceived increased risk), and high unemployment and reduced labor mobility, (keeps potential buyers out of the affordable housing market).

After delivering a lecture at the University of Johannesburg in April of this year, Pravin Gordhan, Minister of Finance was speaking with reporters and said, "Corruption is now becoming a social phenomenon. ...It (corruption) is becoming a cultural problem in South Africa..." (South African Press Association 2013b) The issue of corruption is one fraught with emotion for all South Africans with each person's view of it filtered through a myriad of personal experience, family history, livelihood, and political or professional affiliations.   Pointing the finger at one group or person and saying "remove them/him/her" and the issue of corruption will be solved, is simplistic. Corruption is not the singular purview of only one political party, or one race, or one sector (public or private) of the economy. The truth is that corruption is a dance that requires at least two participants, and it matters not their race, gender, political affiliations or education level. Insofar as it is possible, approaching the issue of corruption objectively is, in the author's view, most effective.   Understanding this is easier said than done, and the author has attempted to do just that, at least within the realm of housing development.

THERE ARE THREE SIDES TO EVERY STORY...

In the process of researching the affordable housing market, the seemingly unchecked prevalence of corruption kept coming up as one the most significant drivers of cost and uncertainty in the market. What also became clear within the respondent group was that there were, for the most part, two camps when it came to the question of how to deal with corruption.   On the one hand, there were those I interviewed that felt eradicating corruption was the only way to move forward as a society and as a way to improve the economy and the lives of all South Africans. And on the other hand, there

were those that believed corruption could never be eliminated and so the prudent approach was to find a way to, for lack of a better word, accept it and figure out how to work with it as an inherent part of "the system."

These two approaches brought to mind the well known quote by Robert Evans, which says, "There are three sides to every story: your side, my side and the truth. And no one is lying…". The spirit of this quote – that between two perceptions of a situation lays the truth of both – is used as the basis of the ensuing analysis where three 'sides,' or proposed approaches, to the problem of corruption are discussed. For the purpose of the analysis, "your side" and "my side" have been changed to reflect the two primary themes of the respondents – "reluctant acceptance" and "eradication" – and "the truth" is presented as the author's position on how to approach the issue of corruption.

Castles on the Rhine River, between Bonn and Mainz, Germany

RELUCTANT ACCEPTANCE

Corruption as an Issue of Double Marginalization

The concept of double marginalization shows that with a minimum of two vertical monopolies, end-product prices are higher and profits for all in the vertical chain are lower. Let's look at this by using the Rhine River, during the Holy Roman Empire, as an analogy of corruption in the housing sector in South Africa.

If we think of the Rhine River during the time of the Holy Roman Empire and understand that a ship traversing the Rhine had to pay a toll to each castle along the way in order to pass, and each castle was operating independently of all other castles without knowledge and/or consideration of what the other castles were charging for a toll, then each castle was, in fact, a monopoly. This example equates quite nicely to the development process and, for this example, the official

approvals that must be obtained at various stages of a development project in order to reach completion. Each official whose job it is to provide approval is akin to a toll-exacting castle, operating independently of all other officials and without consideration to market forces.

In the course of delivering a housing project, a developer needs signatures from various inspectors to approve the foundations, water systems, fire and safety systems, electrical, etc. Each approval can be considered a monopoly with the potential to require a 'fee for passage,' or a 'facilitation fee' as developers that were interviewed called them. The amount of this fee *is not known until it is levied* and *is not coordinated* with any of the other 'toll takers,' and is thus contributing to the effect of double marginalization.

Consider the developer of an affordable housing project, whose product is affordable housing, as a "retailer," and the individual inspectors providing inspection approvals as "wholesalers." Figure 7.1 shows the profit-maximizing price and output production for a single monopoly retailer (developer) whose inputs (inspections) come from a competitive market. The grey-shaded area of deadweight loss indicates demand that the retailer is unwilling to meet because doing so would require lowering prices, which would reduce profits. Figure 7.2 illustrates the changes that take place when there is a double monopoly. The inputs are no longer competitively priced, prices increase, output decreases and overall profit is reduced, while deadweight losses are dramatically increased.

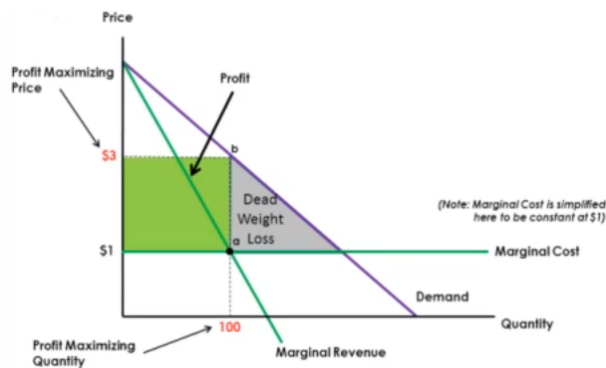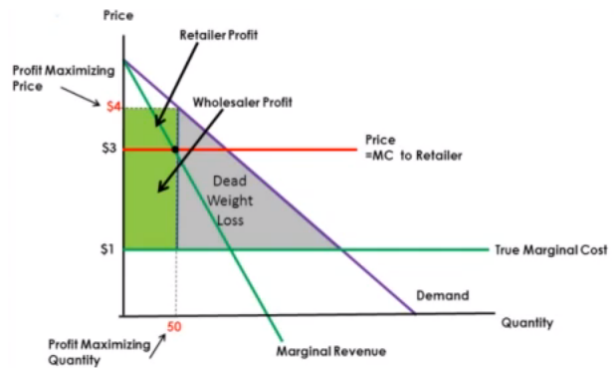FIGURE 7.1   FIGURE 7.2

In a development project where a string of approvals are required to achieve a Certificate of Occupancy there is the potential for multiple input monopolies, and it is reasonable to extrapolate the double marginalization effect and see how corruption increases the cost of housing, reduces the production of housing, increases deadweight loss and simultaneously reduces the corrupt officials potential personal profit.

In economic terms, the best way to attack the issue of double marginalization in housing development, short of removing all monopolies completely, is to consolidate the monopolies into as few as possible monopolies, preferably a single monopoly.

How can we apply this theory to the assessing of 'facilitation fees' in the development process in South Africa? By applying the same solution: consolidate the monopolies into a single entity. In plain terms, create a position of "Facilitation Manager" within each district whose job it is to levy a single 'facilitation fee' against each development project. The Facilitation Manager will have the responsibility of distributing the fee among the previously independently functioning monopolies – the inspectors.

In order to reduce the uncertainty of development costs, and as a way to ensure more affordable housing projects are completed, the 'facilitation fee' can be calculated on a sliding scale based on the target market of the project. Up-market developments will pay a higher facilitation fee than mid-market projects, and affordable housing projects will pay a much lower fee. In this way, there is a cross-subsidizing effect that both enables and encourages development across target markets.

Centralizing and organizing corruption in this manner removes the uncertainty and risk of unknown fees in the approval process that can strip profit margins or prevent projects from getting off the ground altogether. The centralization process of facilitation fees will subsequently provide a level of transparency in the development process that will promote market competitiveness between districts. Market inefficiencies will not be eliminated, but it is reasonable to project that fees charged will trend toward

oscillations around an equilibrium point instead of unpredictable fees at suspected, but unknown, points in the development process.

The seeming omnipresence of corruption in South Africa, and the decades of lackadaisical enforcement of consequences, belies efforts to uncover and systematically root out corruption in South Africa. In 2012 the Basel Institute on Governance – International Centre for Asset Recovery issued a report titled *"South Africa Anti-Corruption Architecture."* It listed 19 different coordination units (5) and commissions (14) at the national level that are tasked, in one way or another to prevent, investigate and/or prosecute cases of corruption and fraud. A few of these units are noted below:

The Public Protector: The Public Protector is an independent institution established under the Constitution (Section 182). It receives reports from anyone who has a complaint of corruption that involves government departments, agencies or officials. Any criminal cases are referred to the Hawks.

Hawks (SAPS): An elite investigation unit that is part of the South African Police Service. Cases of corruption that involve criminal offenses are reported at any police station and are then handed over to the Hawks for investigation.

Special Investigations Unit: The SIU's "primary mandate is to recover and prevent financial losses to the state caused by acts of corruption, fraud and maladministration." (www.siu.org.za) It is a public entity, which investigates and can take civil action against those under investigation and/or convicted of corruption including the seizure of assets and compelling perpetrators to pay back any wrongfully obtained financial gains. The SIU also works with relevant departments to cancel contracts that were obtained outside of mandated procedures.

Highlights from a 2010 presentation by the SIU to the DHS: (Gaesale 2010)

* In 2010 the SIU completed investigations into more than 4,400 cases of fraud or corruption in the housing sector from 2006 (cases had been handed off to it by the Auditor-General). The SIU found sufficient evidence to proceed on 2,162 cases.

* In the same year it completed investigations into 5,440 cases of fraud or corruption in the housing sector from 2008 and found sufficient evidence to proceed against 1,632 cases.

* Between 2006 – 2012 found almost 15,000 ineligible government employees had placed themselves on the list to receive a government-subsidized home.

If an investigation uncovers criminal activity, the SIU refers the matter to the Hawks, who operate as an elite investigative unit of the South African Police Service.

Asset Forfeiture Unit (AFU): The AFU functions as part of the National Prosecuting Authority and focuses on the seizure of criminal's assets especially as it relates to organized crime.

* In KZN, the AFU and the Hawks have seized or frozen an estimated R140 million in assets of Ms. Shawn Mpisane on charges of corruption in regard to tenders and inflated procurement invoices. This is estimated to be one of the largest cases of the AFU, who is working closely with the Hawks on the case.

Anti-Corruption Task Team Anti (ACTT): The ACTT is an advisory commission that derives its powers from its members, who come from the SIU, AFU, the Hawks, SAPS and the National Prosecuting Authority (NPA). The ACTT's current goal is to ensure the "prosecution of at least 100 persons by 2014, who have accumulated at least ZAR 5 million through illicit means." (Pereira et al. 2012, 54)

* Joint operations, as of 2012, have resulted in 116 accused persons appearing in court in relation to 42 cases with R579 million in frozen or seized assets.

* The ACTT investigates cases involving its own member organizations – it is currently investigating the procurement department of the SAPS

* The ACTT has investigations underway in the Department of Rural Development and Land Reform in regard to contracts awarded to build low-income housing and abuses in the housing subsidy programs. (Radebe 2011)

The Justice, Crime Prevention and Security Cluster (a cluster of national ministries) investigated its member ministries as well, resulting in 362 cases being investigated and arrests of 167 public officials and 124 private citizens, which have resulted in 155 convictions so far. (Ibid.)

High profile investigations and prosecutions are becoming more common, which is a hopeful sign in the push to deter and ultimately eradicate corruption. However, there are, at least, two things that would enhance these efforts:

* A single national entity, or policy, whose mission is to coordinate the efforts of the 19 various organizations responsible for some form of anti-corruption activities, and to provide training for public sector employees on the prevention of corruption (Ibid., 90)
* A more robust protection system for whistle-blowers, who many times are putting their lives in danger if they report corruption

BETWEEN RELUCTANT ACCEPTANCE AND ERADICATION: POTENTIAL SOLUTIONS

Full disclosure… at the outset of this research, I was rooting for 'team eradication.' Over the course of this study it has become clear that the best way to reduce corruption to the point where it becomes the exception and not the rule is to employ tactics that embrace the pragmatism of working within the current system while continuing all available avenues toward eradication.

The author proposes that the workable solution to the issue of corruption lies between the quest for complete eradication and reluctant acceptance of corruption. Efforts underway to eradicate corruption should continue along with increased consistency in enforcement of consequences for engaging in corrupt activities, and could be enhanced by the points noted in the previous section. But eradication efforts can be

bolstered and made more effective with the acknowledgement that corruption will likely persist in some manner no matter how vigorous is the effort of eradication.

Combining a sustained effort to eliminate corruption with consistently applied impactful consequences, both in the public and private sectors, along with reducing corruption's impact on the delivery of affordable housing by implementing consolidation efforts noted in the discussion of corruption as a problem of double marginalization, is a more viable approach to addressing the economic and moral quagmire caused by today's rampant corruption.

Concurrent to this dual approach on the issue of corruption should be new and cross-sector initiatives that address the cost of land, construction and financing In order to increase the supply of much-needed affordable housing in well-located areas. The following are suggested areas of further research into their potential feasibility as cross-sector initiatives:

* Discounted financing costs and tax incentives for affordable housing projects in urban areas where the development incorporates adaptive reuse of existing buildings, or energy efficient building envelopes/mechanical equipment, or innovative construction technologies;

* Fast-Track of projects for companies that agree to, and fund, annual audits by reputable third-parties to ensure best practices and reduce instances of corruption;

* Tax incentives or Fast-Track status for established developers or construction companies that partner with emerging developers/contractors on affordable housing in order to increase skills and capacity for future projects;

* Preference for projects built at much higher densities than is current practice, with tax breaks to buyers or renters to incentivize the adaptation of living in higher densities;

* A national position akin to an Affordable Housing Director who is tasked with ensuring projects are fast-tracked, especially in urban areas where the project is a mixed-use and mixed-income development;

- o This position would also oversee the implementation of District Facilitation Managers as a way to ensure top-down centralization of existing corruption and the reduction of too many 'toll takers' at the point of intersection between public official and developer. As Olken and Barron (2009) state, "...tackling corruption at the top of an organization could actually lead to increases in bribes if the number of bribe takers on the ground remains the same..."

* Scaling up the model used in the Port Elizabeth Land and Community Restoration Association – aggregating urban land claims, identifying abandoned or dilapidated buildings for purchase or expropriation (if necessary) in urban areas and implementing diverse stakeholder working groups, with third party expertise for planning and engagement, to create economically sustainable urban communities that are socio-economically integrated, and;

* Proactive governmental efforts to create transparent public-private partnerships focused on affordable housing delivery and integration of mixed-uses in the urban core.

The provision of housing for lower income populations in South Africa is profoundly complex and will require a multi-faceted approach to the issue of corruption and innovative thinking and risk-taking on the part of the government and the private sector in executing higher density projects that take advantage of underutilized properties in the urban core.

8 | SUMMARY

This thesis looked at four major drivers contributing to the extreme supply shortfall of affordable housing in South Africa: land reform, the construction sector, financing and corruption. Land, construction and financing can be considered conventional cost drivers to development, while corruption is an unconventional driver. Through publicly available information and anecdotal evidence provided during interviews, the author sought to present an understanding of how and where corruption appears in the housing development process. Rigorous quantitative calculations on the impact of corruption are difficult, and sometimes dangerous, to produce. Qualitative indices point to the possibility of corruption accounting for up to a 30% loss in spending power for local governments due to the private sector inflating costs or colluding on contract bids. And there is the unquantifiable cost of projects that never get started because the uncertainty of corruption costs makes them too risky to pursue.

The prevalence of corruption, in both public and private sectors, is evidence that the consequences of being caught are not sufficient to prevent corrupt or fraudulent behavior. The economies of corruption, as discussed in Chapter 7, Corruption as an Issue of Double Marginalization, have not been acknowledged and this, in turn, is severely hindering the government and the open market from meeting the overwhelming demand for affordable housing. By not addressing corruption in a systematic way of combined eradication and efficient incorporation methods, the government is getting in its own way and failing in its Constitutional obligations, namely:

* Every citizen has the right to… reside anywhere in, the Republic (Section 21.3)
* Everyone has the right to have access to adequate housing. (Section 26.1)

Although the interviews I conducted were semi-structured, there were two questions that were posed to each respondent. The first was, "What do you think needs to happen to meet housing needs in South Africa?" Surprisingly, there were almost exclusively three answers:

* Massive political upheaval
* Revolt or uprising by the poor
* I just don't know… the problem doesn't seem solvable

In regard to the first of these responses, my second question was, "With so many corruption cases allegedly involving public figures, up to and including President Zuma, why do politicians that are perceived to be corrupt continue to be re-elected?" Respondents replied that a vote [by Black South Africans] for any party opposing the ANC was a vote against Black South Africans, "like putting a knife in the heart of your own people" said one respondent; and a vote for the DA [by anyone other than a White South African] was a vote for putting Whites back into power. This play by politicians on the racial differences in South Africa started long ago. "Apartheid president PW Botha regularly tried to silence his and the National Party's detractors by labeling them 'communists.' Former president Thabo Mbeki likewise called all critics of the ANC under his leadership 'racists.' Zuma, too, when he has come under fire on legitimate grounds, has cried that such criticism is 'un-African.'" (Mazibuko 2013)[56]

The potential solutions presented in this paper require political will and a level of integrity that seems to be fluid where it needs to be solid. And while massive political upheaval is not likely, the numbers of those moving away from the ANC into existing or newly created opposition parties is on the rise. It is unlikely that the ANC will come away with 65% of the vote in 2014 and this may well be because "…a new generation of South Africans will vote next year – those born after the first democratic election in 1994 who have less emotional attachment to the ANC and its liberation credentials…" (Pretoria 2013)

Increasing the supply of affordable housing in metropolitan areas may be an effective tool in promoting upward income mobility, which circles back to improving lower income populations' ability to enter the housing market. A new study conducted in the United States, which has some applicability in South Africa based on similar spatial-income divisions, concluded that "geography can hinder upward mobility. …researchers identified four broad factors that appeared to affect income mobility, including the size and dispersion of the local middle class. All else being equal, upward mobility tended to be higher in metropolitan areas where poor families were more

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[56] It should be noted that Lindiwe Mazibuko, the author of the column in which these quotes appeared is the Parliamentary leader of the Democratic Alliance, which is the ANC's official political opposition.

dispersed among mixed-income neighborhoods." (Leonhardt 2013) One of the cities used in this study was Atlanta, Georgia, which is distinguished by it's sprawling, low-density housing outside of the CBD and deep spatial divides that run along income lines. eThekwini and, more broadly, KwaZulu-Natal, share these characteristics and it bears further research into whether the findings in this US-based study could be more directly applied to the urban planning initiatives already being considered that address these very spatial dislocation issues in South Africa.

Based on information presented in this paper, it is clear that in order to make meaningful progress toward meeting the staggering current and anticipated future demand of affordable housing units, an "all hands on deck" effort is required by the government – national, provincial and local – as well as the private sector in the efforts to materially reduce the incidence and impact of corruption and to create innovative cross-sector incentives and initiatives to reduce costs and stimulate development.

"Corruption is not an issue that can be tackled with one solution, but 40." (Professor Albert Saiz 2013) The same is true of the affordable housing supply shortage and the many factors that feed into this industry. In "Potential Solutions," the author is providing ideas that can become the basis for further consideration and research.

APPENDICES

## SOUTH AFRICAN NATIONAL GOVERNMENT: FULL LIST OF DEPARTMENTS AND MINISTERS IN CABINET[57]

NATIONAL GOVERNMENT

Position	Department(s)	Minister	Deputy Minister(s)
President of South Africa	-	Jacob Zuma	-
Deputy President of South Africa	-	Kgalema Motlanthe	-
Agriculture, Forestry and Fisheries	Agriculture, Forestry and Fisheries	Tina Joemat-Peterson	Pieter Mulder
Arts and Culture	Arts and Culture	Paul Mashatile	Joe Phaahla
Basic Education	Basic Education	Angie Motshekga	Enver Surty
Communications	Communications	Dina Pule	Thembisa Stella Ndabeni
Cooperative Governance and Traditional Affairs	Cooperative Governance and Traditional Affairs	Richard Baloyi	Yunus Carrim
Correctional Services	Correctional Services	S'bu Ndebele	Ngoako Ramathlodi
Defence and Military Veterans	Defence, Military Veterans	Nosiviwe Mapisa-Nqakula	Thabang Makwetla
Economic Development	Economic Development	Ebrahim Patel	Hlengiwe Mkhize
Energy	Energy	Dipuo Peters	Barbara Thompson
Finance	Treasury, Stats SA	Pravin Gordhan	Nhlanhla Nene
Health	Health	Aaron Motsoaledi	Gwen Ramokgopa
Higher Education and Training	Higher Education and Training	Blade Nzimande	Mduduzi Manana
Home Affairs	Home Affairs	Naledi Pandor	Fatima Chohan
Human Settlements	Human Settlements	Tokyo Sexwale	Zou Kota
International Relations and Cooperation	International Relations and Cooperation	Maite Nkoana-Mashabane	Ebrahim Ismail Ebrahim, Marius Fransman
Justice and Constitutional Development	Justice and Constitutional Development	Jeff Radebe	Andries Nel
Labour	Labour	Mildred Oliphant	
Mineral Resources	Mineral Resources	Susan Shabangu	Godfrey Oliphant
Police	Police, ICD	Nathi Mthethwa	Makhotso Sotyu
Public Enterprises	Public Enterprises	Malusi Gigaba	Gratitude Magwanishe
Public Service and Administration	Public Service and Administration, PSC, PALAMA	Lindiwe Sisulu	Ayanda Dlodlo
Public Works	Public Works	Thembelani Nxesi	Jeremy Cronin
Rural Development and Land Reform	Rural Development and Land Reform	Gugile Nkwinti	Lechesa Tsenoli
Science and Technology	Science and Technology	Derek Hanekom	
Social Development	Social Development	Bathabile Dlamini	Maria Ntuli
Sport and Recreation	Sport and Recreation	Fikile Mbalula	Gert Oosthuizen
State Security	State Security Agency	Siyabonga Cwele	
Minister in the Presidency for the National Planning Commission	National Planning Commission	Trevor Manuel	
Minister in the Presidency for Performance Monitoring and Evaluation as well as Administration in the Presidency	The Presidency, GCIS	Collins Chabane	Obed Bapela
Tourism	Tourism	Marthinus van Schalkwyk	Thozile Xasa
Trade and Industry	Trade and Industry	Rob Davies	Thandi Tobias, Elizabeth Thabethe
Transport	Transport	Ben Martins	Sindiswe Chikunga
Water and Environmental Affairs	Water Affairs, Environmental Affairs	Edna Molewa	Rejoice Mabhudafhasi
Women, Youth, Children and People with Disabilities	Women, Youth, Children and People with Disabilities	Lulu Xingwana	Hendrietta Bogopane-Zulu

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[57] This table is available at http://www.info.gov.za/aboutgovt/dept.htm with live links to each department.

CONTROL OF CORRUPTION AND EFFECTIVENESS IN GOVERNMENT IN
COUNTRIES OF SUB-SAHARAN AFRICA, 2010
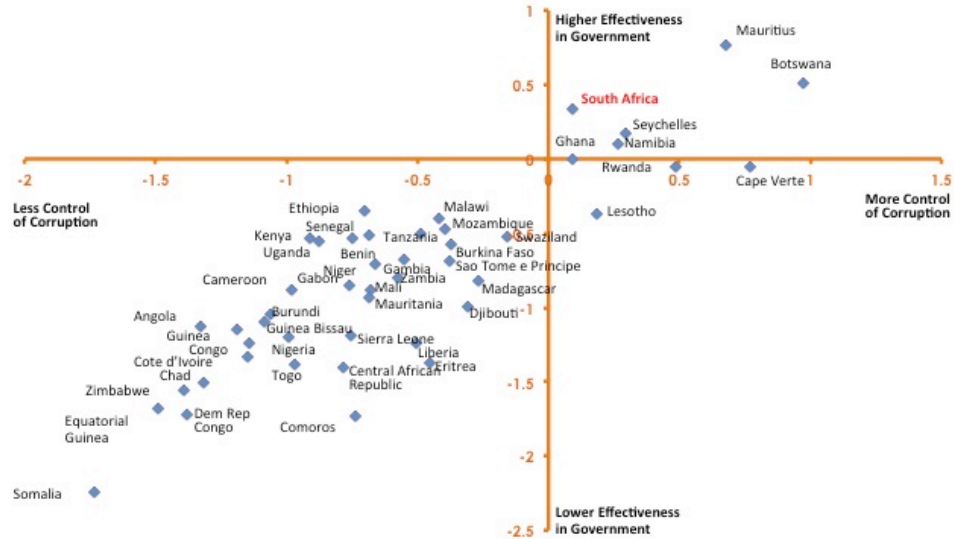
SOURCE: Roberto Villarreal, Inter-Regional Advisor, UN Department of Economic and Social Affairs. Prepared with data from the World Bank, public governance indicators database, http://info.worldbank.org/governance/wgi/pdf/wgidataset.xls . The "**Control of Corruption**" indicator corresponds to perceptions of the extent to which public power is excercised for private gain, including both petty and grand forms of corruption, as well as ´capture´of the State by elites and private intersts. The "**Government Effectiveness**" indicator reflects perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.

VOICE AND ACCOUNTABILITY, AND CONTROL OF CORRUPTION IN
COUNTRIES AROUND THE WORLD, 2010
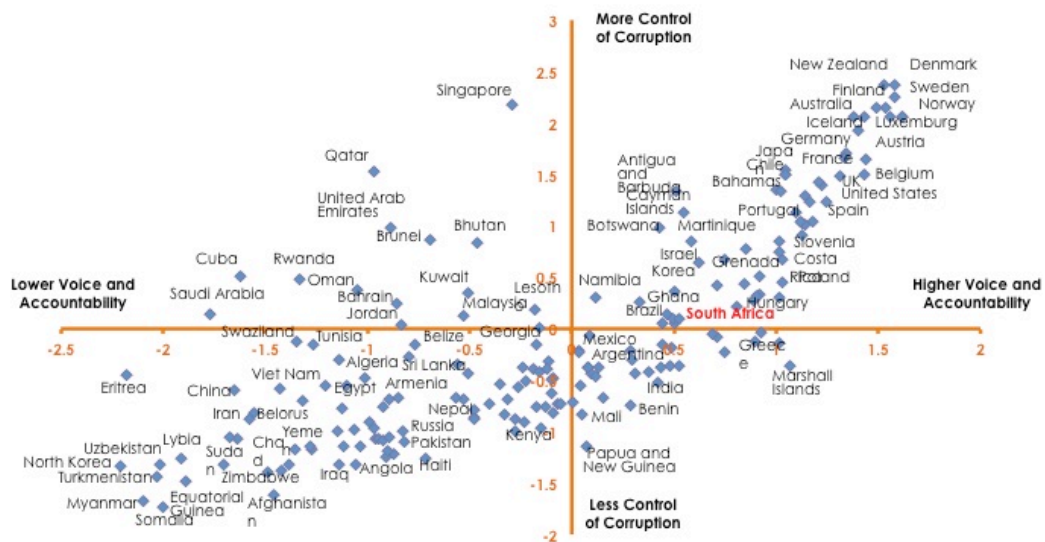
SOURCE: Roberto Villarreal, Inter-Regional Advisor, UN Department of Economic and Social Affairs. Prepared with data from the World Bank, public governance indicators database, http://info.worldbank.org/governance/wgi/pdf/wgidataset.xls . The "**Voice and Accountability**" indicator reflects perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as fredom of expression, freedom of association and free media. The "**Control of Corruption**" indicator corresponds to perceptions of the extent to which public power is excercised for private gain, including both petty and grand forms of corruption, as well as ´capture´of the State by elites and private intersts.

STRUCTURE OF SOUTH AFRICAN COURTS
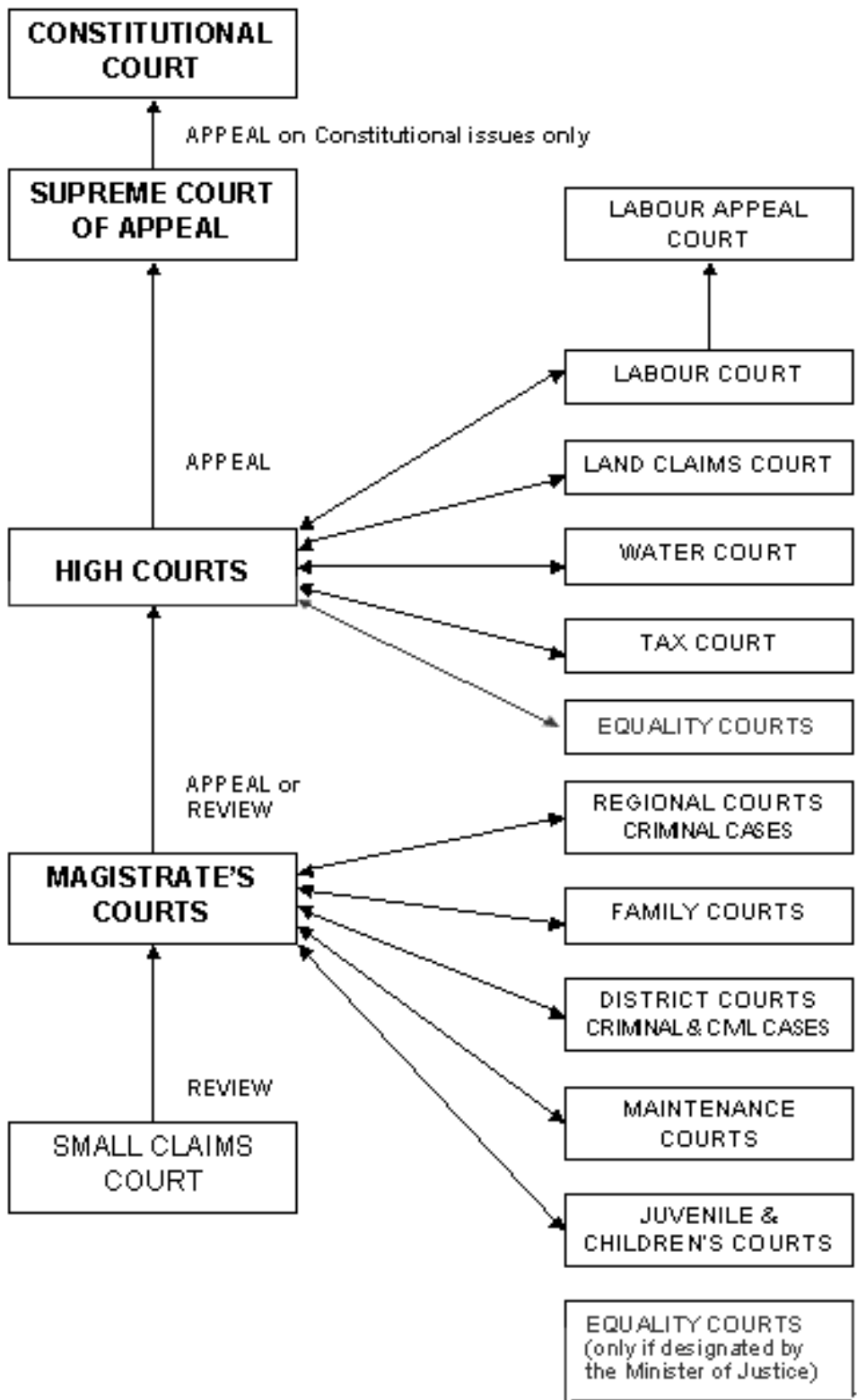
Original chart available at www.paralegaladvice.org.za

Chronology

110,000BCE	Earliest evidence to date of *Homo sapiens* in South Africa
1652	Dutch East India Company established settlement at Cape Town
1658	Slaves from Angola and West Africa arrived at Cape
1795	First British occupation of the Cape
1806	Second British occupation of the Cape
1807	Britain banned slave trading
1834–8	Emancipation of slaves in Cape Colony
1835	Beginning of Great Trek as Dutch farmers known as voortrekkers left eastern Cape in search of more land
1839	Voortrekker Republic of Natalia established
1843	British annexed Natalia as colony of Natal
1852	Britain recognised independence of the South African Republic
1854	Britain recognised independence of the Orange Free State
1860	First indentured Indian workers arrived in Natal
1869	Diamond rush began near present-day Kimberley
1872	Pass law introduced in Kimberley to control African labour in the diamond mines
1886	Gold discovered on Witwatersrand near present-day Johannesburg
1899–1902	South African War
1903–5	South African Native Affairs Commission (SANAC) supported segregation
1904–7	Chinese workers imported into South Africa to work in gold mines
1906	Bambatha Rebellion. Gandhi began passive resistance campaign against application of pass laws to Indians
1910	Union of South Africa
1911	Mines and Works Act restricted skilled jobs in mines and railways to whites
1912	South African Native National Congress (SANNC) founded
1913	Natives' Land Act limits African ownership of land to 7 per cent of the country, designated African Reserves
1914	National Party formed by J.B.M. Hertzog
1918	Formation of Afrikaner Broederbond (AB)

1919	Jan Smuts became prime minister. Clements Kadalie established Industrial and Commercial Workers' Union (ICU)
1920	Native Affairs Act created separate 'tribal'-based administrative structures for Africans in Reserves. 20,000 African mineworkers went on strike
1922	Rand Revolt, white workers went on strike in support of workplace segregation
1923	Natives (Urban Areas) Act established segregated living areas in cities. SANNC changed name to African National Congress (ANC)
1924	Hertzog's National Party formed government in alliance with the Labour Party. Hertzog became prime minister (until 1939)
1924	Industrial Conciliation Act excluded Africans from definition of 'employee'
1927	Native Administration Act consolidated all policies dealing with Africans under one government department (Native Affairs, later renamed Bantu Affairs)
1929	Hertzog's National Party won national election. Formation of Federation of Afrikaner Cultural Organizations (FAK)
1934	Hertzog and Smuts allied National and United parties to form 'Fusion' government. D.F. Malan broke away from National Party and established Purified National Party (GNP)
1936	Representation of Natives Act abolished Cape African franchise and limited Africans to voting for white representatives
1936	African land ownership extended in theory to 13 per cent of South Africa
1938	Centenary of Great Trek. Formation of Ossewabrandwag (OB, Ox-wagon sentinel)
1939	Hertzog resigned over South African entry into the Second World War on the side of the British. Jan Smuts became prime minister. Hertzog joined with Malan in Reunited National Party (HNP)
1941	Formation of African Mineworkers' Union
1944	Formation of ANC Youth League
1946	Strike by 100,000 African mineworkers, crushed by police
1948	HNP won election and Malan became prime minister. HNP renamed as National Party (NP)
1949	Prohibition of Mixed Marriages Act. ANC Youth League successfully proposed Programme of Action for ANC
1950	Population Registration Act, Immorality Act, Group Areas Act and Suppression of Communism Act
1951	Separate Representation of Voters Act
1952	Natives (Abolition of Passes and Co-ordination of Documents) Act. ANC launches Defiance Campaign. ANC membership rose from 7,000 to 100,000
1953	Reservation of Separate Amenities Act and Bantu Education Act

1953–61	Mandela banned from speaking in public
1954	Dutch Reformed Church declared that biblical justification exists for apartheid
1954	J.G. Strijdom succeeded Malan as prime minister. Bantu Resettlement Act
1955	Sophiatown removals of Africans to Soweto. Freedom Charter adopted at the Congress of the People
1956	Tomlinson Commission report recommended establishment of Bantustans. Federation of South African Women march on Union building in Pretoria
1957–61	Treason Trial of 156 signatories of Freedom Charter
1958	Hendrik Verwoerd became prime minister
1959	Promotion of Bantu Self-Government Act and Extension of University Education Act. Pan-Africanist Congress (PAC) formed by Robert Sobukwe
1960	21 March, shootings at Sharpeville by police of demonstrators supporting a PAC-organised protest against the pass laws. ANC and PAC banned. Albert Luthuli, president of the ANC, received Nobel Peace Prize
1961	South Africa became a republic and left the Commonwealth. ANC and PAC began armed struggle. Mandela went underground to organise sabotage and resistance
1962	Mandela arrested and sentenced to five years' imprisonment for inciting unrest
1963	Ninety-Day Act (General Laws Amendment Act)
1963–4	Rivonia Trial. Eight ANC leaders, including Mandela, sentenced to life imprisonment for treason
1966	Prime Minister Verwoerd assassinated in parliament. B.J. Vorster became prime minister. Botswana and Lesotho declared independent states by Britain. United Nations deemed apartheid 'a crime against humanity'
1968	Swaziland declared independent by Britain
1969	South African Students' Organization (SASO) founded by Stephen Biko. Establishment of Bureau of State Security (BOSS). Sobukwe released after nine years in prison but prohibited from leaving country and subjected to internal banning
1972	Establishment of State Security Council (SSC)
1972–3	Wave of wildcat strikes by African dock workers in Durban
1973	Afrikaner Weerstandsbeweging (AWB, Afrikaner Resistance Movement) founded by Eugene Terre'Blanche. Biko banned
1974	Military coup overthrew Portuguese dictatorship
1975	Angola and Mozambique declared independent with Marxist governments. South Africa invaded Angola. SASO banned
1976	16 June, schoolchildren in Soweto protested inferior education. Hundreds killed by police. Government declared Transkei the first 'independent' Bantustan, followed by Bophuthatswana in 1977, Venda in 1979, Ciskei in 1981 and KwaNdebele in 1984

1977 Biko killed in police detention. Seventeen anti-apartheid organisations banned. United Nations established mandatory international embargo on trade in arms to South Africa

1978 Sobukwe died in Kimberley while still under banning order. 'Infogate' scandal. Vorster resigned and P.W. Botha became prime minister

1979 Industrial Conciliation Amendment Act. Formation of Koevoet (Crowbar). Vlakplaas established

1980 Zimbabwe declared independent

1982 Ruth First assassinated in Mozambique by letter bomb sent by South African government agents. Right-wing Conservative Party (CP) formed by Andries Treurnicht after his expulsion from the NP

1983 White referendum approved new constitution to include separate parliamentary representation for Coloureds and Asians, but to exclude Africans. United Democratic Front (UDF) formed as multiracial opposition to new constitution

1984 New constitution came into force. International businesses and banks began divesting from South Africa. Bishop Desmond Tutu awarded Nobel Peace Prize

1985 Congress of South African Trades Unions (COSATU) formed. Government Declared State of Emergency in 36 magisterial districts

1986 Mandela met secretly with the minister of justice. Repeal of Pass Laws and Prohibition of Mixed Marriages Act. State of Emergency extended to entire country. South Africa launched military raids into Botswana, Zambia and Zimbabwe. US Congress passed Comprehensive Anti-Apartheid Act imposing mandatory sanctions on trade with South Africa. Dutch Reformed Church declared apartheid an error

1987 Three-week strike by 250,000 Africans. Government covertly bombed headquarters of COSATU. Establishment of Civil Co-operation Bureau (CCB)

1988 Government covertly bombed headquarters of South African Council of Churches. South Africa withdrew military forces from Angola in anticipation of defeat by Cuban troops. COSATU and UDF banned

1989 Botha suffered stroke, later met privately with Mandela. F.W. de Klerk succeeded Botha as leader of the NP and later as State President

1990 Namibia declared independent. February ANC, PAC, SACP and 31 other anti-apartheid organisations unbanned. Mandela and other political prisoners released from jail. NP renounced apartheid. Sebokeng massacre

1990–1 Repeal of Natives' Land Act, Population Registration Act, Separate Amenities Act, Group Areas Act

1991 ANC declared end of armed struggle. Beginning of formal negotiations through the Convention for a Democratic South Africa (CODESA) to establish a multiracial government

1992   National referendum of white voters supported de Klerk's political initiatives. Boipatong massacre. Bisho massacre. Goldstone Commission concluded that the government used covert forces against its enemies. De Klerk and Mandela agreed on 1994 as the date for the first national election

1993   Assassination of Chris Hani, leader of Umkhonto we Sizwe, by a white right-wing politician. Death of Oliver Tambo. Killing of Amy Biehl by black extremists. De Klerk, Mandela and leaders of most other political parties endorsed an interim constitution. De Klerk and Mandela awarded jointly the Nobel Peace Prize

1994   March, failure of AWB invasion of Bophuthatswana. April, ANC won first non-racial election. Mandela sworn in as President and formed Government of National Unity with de Klerk as one of his deputy presidents

1996   First public hearings of Truth and Reconciliation Commission (TRC). National Party withdrew from Government of National Unity. Enactment of new South African Constitution giving equal rights to all people irrespective of race, gender, sexual orientation, etc.

1997   National Party renamed as New National Party

1999   Nelson Mandela retired. Second democratic election is won by the ANC with an increased majority. Thabo Mbeki became president

2003   South Africa had more HIV-positive individuals than any other country in the world

2004   ANC won a two-thirds majority in national election. Mbeki received another term as president of South Africa

2005   New National Party disbanded as result of precipitously declining electoral support

2008   Mbeki lost support of ANC and resigned as president

2009   ANC won national election with just under two-thirds majority of votes. Jacob Zuma became president of South Africa

2010   South Africa hosted soccer World Cup, the first time that the tournament has been held on the African continent. Continued to have more people living with HIV/Aids than any other country in the world

Phase 1: Construction of government-subsidized homes. These homes will be given to those earning <R3,500 per month. Due to restrictions within the current program, these homes must be freehold title – sectional titling is prohibited, which keeps density low.

Exterior and interior images of the low-density, government-subsidized homes that will be given to qualified low-income households.

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