

UNIVERSITY OF KWAZULU-NATAL



**An Assessment of the Role of Public-Private Partnership Models in the Delivery of Affordable Housing in South Africa: A Case Study of SOHCO Property Investments, Durban.**

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*A dissertation submitted in partial fulfilment of the requirements for admittance to the degree of Master of Housing in the School of Built Environment and Development Studies: University of KwaZulu-Natal, Howard College Campus.*

**JANUARY 2015**

**DECLARATION**

I, Nolwazi Lindelwa Blose hereby confirm that all the information contained in this dissertation is my own work and has not been previously submitted to the School of Built Environment and Development Studies or any other body for any purposes. Work and ideas that have been taken or adopted from other authors or sources are rightfully acknowledged.

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## **ABSTRACT**

Social housing is an instrument that is used to facilitate the production of effectively managed institutional housing. Social housing may take various forms and is managed by social housing institutions through public and private funding. A commitment towards social housing in South Africa was seen during the years between 1995 and 2000, with the establishment of the National Housing Finance Corporation which began initiatives in the country for social housing. However, as time went by, providing affordable housing became more of an issue than a solution for the South African government. The public sector realised that combating the issue of the affordable housing shortage would not happen with their limited resources and capacity. This brought about engagements with the private sector to assist in this regard. This is where the notion of public-private partnerships is formed in the delivery of affordable housing.

Theories such as Neoliberalism and the Enabling Approach support and illustrate the importance and the role of public-private partnerships in order for government to produce public services or infrastructure to a country. This dissertation assessed the role of public-private partnerships and its extent in the delivery of social housing in South Africa. The assessment was enhanced by evaluating and drawing comparisons between two main public-private partnership models used in South Africa, which are the Build Operate Own Transfer model and the Build Operate Transfer model. This study also evaluated which model is more commonly used in order to deliver social housing in Durban and the challenges that are experienced through this public-private partnership arrangement by the government and the private sector.

A social housing institute and one of its projects in Durban was used as a case study for this dissertation in order to evaluate how social housing institutions and the government come together in a public-private partnership arrangement to deliver social housing. Information was collected through interviews conducted with professionals in both the public and private sectors. The interviews were able to demonstrate interesting contrasts and similarities in public-private partnerships, with the build operate transfer model being of preference when delivering social housing. The main findings were that social housing institutions are seen as a vital factor; however they require better support and assistance from government in order to make

social housing more sustainable and to create more viable projects. This assistance can be done through more incentives, better funding, land availability, and restructuring of zones for social housing development. Government is faced with the challenge of the lack of social housing institutions in order to assist with social housing development. The study proposes recommendations on improving public-private institutions for delivering social housing by both the private and public sectors. These recommendations include the introduction of better incentives to attract more private sector involvement, more government funding, better understanding of procedure by social housing institutions and more engagement between both sectors, particularly by social housing institutions and private entities.

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## **Acronyms**

ANC	African National Congress
BASA	Banking Association South Africa
BNG	Breaking New Ground
BOO	Build Own Operate
BOT	Build Operate Transfer
BOOT	Build Operate Own Transfer
Cosatu	Congress of the South African Trade Unions
DBO	Design Build Operate
DBFO	Design Build Finance Operate
DBOT	Design Build Operate Transfer
GEAR	Growth, Employment And Redistribution
ICHUT	Inner City Housing Upgrade Trust
IDP	Integrated Development Plan
ISP	Intersectoral Partnership
JV	Joint Venture
KZN	KwaZulu-Natal
LED	Local Economic Development
LG	Local Government
LIHTC	Low Income Housing Tax Credit
LOO	Lease Own Operate
NASHO	National Association of Social Housing Organisations
NGO	Non-Governmental Organisation
NHFC	National Housing Finance Corporation
NURCHA	National Urban Reconstruction and Housing Agency
PFI	Private Finance Initiative

PPP	Public-Private Partnership
RDP	Reconstruction and Development Programme
SACP	South African Communist Party
SBC	Seven Buildings Company
SBP	Seven Buildings Project
SHI	Social Housing Institution
SHPA	Social Housing Performance Agreements
SPSH	support Programme for Social Housing
TUHF	Trust for Urban Housing Finance
UDZ	Urban Development Zone
UK	United Kingdom
USA	United States of America



# **Chapter One: Introduction to the Research Problem**

## **1.1 Introduction**

The inability of government to keep up with the demand for housing has resulted in more service delivery protests in South Africa. The existing housing backlog is a clear indication that government alone cannot keep up with the demand. This then brings the need and importance of investigating Public-Private Partnerships (PPPs) in the supply of basic services such as housing.

Ngcuka (2010) highlights that the Treasury regulation, which is the main legislative instrument in South Africa, defines two types of PPPs and facilitates their use as a procurement model . The first type is one that performs a government function or provides government services, the other being one that needs to make use of government assets for commercial commitments. This study focuses on the former. There are many benefits to government in using PPPs as a procurement model, such as leveraging private sector skills and resources for delivery of public goods and achieving efficiency from the private entities in order for public services to be delivered and in this case such a public services would be the delivery of housing.

According to Ngcuka (2010) PPPs tend to be more valuable as a procurement model at local municipal level because this is the service delivery agent of government and is often the area of government that has the challenge of inadequate capacity due to skills shortage. Therefore, PPPs within the social housing sector can be of benefit to government by activating private sector skills, knowledge, and resources in the provision of public services.

One of the most important and basic human rights is the right to housing, which has been recognised internationally. Section 26 of the South African Constitution even makes it clear in that South African citizens have the right to be provided access to adequate housing (Constitutional Assembly, 1996). Therefore, it is the responsibility of the South African government to ensure that this right is realised on a progressive basis. The post-apartheid era saw the South African government putting in place laws and policies, such as the Housing White Paper, that would allow the housing challenge to be dealt with. The challenge includes the South African government trying to provide

housing for low income groups through the development of numerous housing and urban development policies and programmes. However, according to Sobuza (2010), South Africa still faces the challenge of providing housing for these low income groups. Government alone does not have enough resources to address the housing issues in South Africa and this is proven through the continuous protests by people without adequate housing and basic services.

Government's efforts to deal with the problem of failing attempts to provide affordable housing has resulted in the creation of a housing finance gap as their solutions have excluded a group viewed as the middle income band, according to Dube (2011). This group includes people earning more than R3 500 but less than R7 500 per month. They cannot get funding through subsidies neither do they qualify for housing loans from traditional financial institutions. This group is known as the "gap market". As a result, there has been a need to make use of other options in order for this 'gap market' to fulfil their housing needs in South Africa. This includes the delivery of housing through the use of the social housing model so that sustainable human settlements are created. Social housing in South Africa can be described as "A rental housing option for low income individuals at a level of scale and built form which needs institutionalised management and is provided by accredited social housing institutions or in accredited social housing projects in designated restructuring zones." (NDHS, 2005).

Due to the lack of capacity and resources to be able to deliver affordable housing, it brought the need for government to contract private sector entities to assist. The South African government's social housing policy emphasised the idea of PPPs. The Canadian Council for defines PPPs as "a cooperative venture between public and private sectors that meets public needs through allocation of resources, risks and rewards" (Moskalyk, 2008).

Dube (2011) argues that the shortfall in affordable housing brings a challenge to both government and the private sector. This can be identified through the responsibility that government has to address such issues and ensure that all citizens are housed with adequate shelters. On the other hand, the challenge is also on the private sector as the homelessness, informality and decay of neighbourhoods has negative consequences on their investment. However, little attention has been given to the part

that PPPs have in the development of social housing and numerous contrasting views have been given on whether they are sustainable enough in social infrastructure sectors such as social housing. Therefore, it is critical for government and the private sector to work together to ensure housing issues are dealt with and this will result in better housing solutions. The important question is how much contribution has the private sector made in the delivery of affordable housing. This is significant as their contribution is seen as vital to the success and fulfilment of government policies. It is also important to know whether such an arrangement works for all parties.

For the purpose of this study, the terms Social Housing and Affordable Housing have been used interchangeably as they mean the same thing in the South African context. Hence the study consulted documents on social housing. This research explored the extent to which PPP models can play a part in the supply of affordable housing in the South African context. The purpose of the research was to determine the role of PPP models in assisting in the provision of housing through social housing. This chapter sets out the background and problem statement, as well as research questions, objectives, and research methods.

## **1.2 Problem Statement**

According to UN-HABITAT (2011) the PPP may be able to promote the delivery of sustainable housing and urban development for countries. However, when implementing this approach in the urban environment, governments around the world are facing a range of challenges such as population growth and the private sector and government not having the same goals, as Moskalyk (2008) points out. Therefore, the extent to which such arrangements can help in the development of social structures, such as social housing, needs to be tested and investigated.

The excessive levels of urbanisation have caused great levels of urban poverty and rapid growth of unplanned urban settlements (Sobuza 2010). Adding to that, Dube (2011) argues that the post 1994 government's restructuring policies have created their fair share of problems such as low income housing being placed on the outskirts of urban areas. This rapid growth of people is overshadowing efforts to deliver adequate housing. It also increases the gap between demand and supply for housing. Dube (2011) further explains that the solutions found in dealing with the displacement



of the poor from the inner city core from investments and housing subsidies were provided through social housing institutions and private developers.

According to Sobuza (2010), governments all over the world have made efforts to provide adequate housing with strengthened identification for new options and approaches like the use of PPPs to be able to deliver more affordable housing. Sobuza (2010) continues to explain that governments and stakeholders are concerned about the poor quality of housing delivery being practiced; therefore other options have been identified to promote alternatives in South Africa. This includes the promotion of social housing.

South Africa's Social Housing Policy proposed PPPs as a second element of the government's three-pronged strategy (Sobuza 2010). PPPs are seen as a vehicle to "fast-track" social housing delivery. Dube (2011) argues that the original housing policy states one of its aims as being to create an environment where the government supports and facilitates the delivery of housing by the private sector, rather than engaging directly in shelter provision. However, this has changed over time whereby the state has taken over the provision of affordable housing and reduced private sector involvement has occurred. This state-centred approach is seen in the Housing Act of 1994.

The "Breaking New Ground" (BNG) plan introduced in 2004 states that it envisages the extension of the partnership between government and the private sector and furthering such a partnership, as explained by Trusler (2009). He goes on to argue that although the plan acknowledges the private sector being part of the delivery of social housing, large construction firms have withdrawn in the state-assisted housing sector and this has meant that the circumstances for replicating PPPs for housing construction have been reduced.

Sobuza (2010) states that there are aspects of PPPs that are not clear to all involved and contrasting views on the suitability of such partnerships in "non-traditional" social infrastructure sectors including social housing delivery. With the recognition of PPPs as a possible option for social housing delivery in South Africa, this is a suitable time to ascertain whether this option is being fully utilised in the South African housing sector.

According to Ngcuka (2010), a PPP is the best procurement model which allows private sector resources and skills to be used to deliver social services. A growing use of PPP models has been seen in delivering and managing social housing. These include the Build Operate Own Transfer (BOOT) and the Build Operate Transfer (BOT) models. Even though South Africa has a well-defined, tried and tested PPP framework and the opportunities and challenges of PPP have been researched, little attention has been focused on the role of PPP models in social housing. PPPs have been successful in delivering social housing in other international countries such as the United Kingdom. With the recognition of the potential contribution of PPP models to the South African Social Housing Policy, it is the right moment to give more attention to this option being fully used in the South African housing sector and the changes that could be made in order to unlock such potential.

This research has, therefore, provided the framework regarding how commonly used PPP models in South Africa are involved in projects that are associated with affordable housing and whether such partnerships actually work on the ground. The research also provides a comparison between both models and recommends which model would be beneficial in the delivering of social housing in South Africa. The nature of the South African housing policy calls for assistance and support from government and the private sector in order for its success to be realized.

To be able to know whether such partnership models are being exploited fully in South African housing, this research was motivated by the need to determine which PPP models are being operated in the goal of assisting with the housing backlog in South Africa, especially in the delivery of social housing. Further investigation was conducted in order to identify whether companies, such as the First Metro Housing Company in Durban, use the common PPP models and whether they are receiving the attention and recognition that they deserve from government as they pursue the dream of delivering affordable housing.

### **1.3 Research Objectives**

- a) To assess the role that the BOOT and BOT PPP models have in the delivery of social housing in South Africa.
- b) To assess the extent that the BOOT and BOT PPP models have been used in the delivery of social housing in South Africa
- c) To explore both the international and local practices in the use of PPPs in social housing delivery.
- d) To assess the South African Social Housing Policy and how it informs the role of the PPP model in the delivery of social housing.
- e) To unpack the challenges that are experienced by institutions which use the BOOT and BOT PPP models in delivering social housing.
- f) To draw comparisons between the two models and recommend the one best suited for the delivery of social housing.
- g) Based on the literature and findings, the study will conclude and recommend the best practices on the use of the PPP models in the delivery of social housing in South Africa.

### **1.4 Main Research Question**

- a) To what extent has South Africa been able to make use of PPP models in the delivery of social housing?

#### **1.4.1 Subsidiary Questions**

- a) Which PPP model is utilised in social housing delivery?
- b) Which PPP model between BOOT and BOT would be beneficial in delivering social housing in South Africa?
- c) What success or failures have occurred with the PPP model in social housing in South Africa?
- d) What are the international best practices of the PPP?
- e) Which South African laws and policies emphasize the use of PPP in the delivery of social housing?
- f) What effect has the implementation of South African policies had on the use of PPP in delivering social housing?
- g) Who are the key role players in the delivery of social housing?
- h) What are the challenges that are experienced by role players in this model?

- i) What are the benefits of delivering housing using this approach for the government and the people of South Africa?
- j) Which milestones have been achieved using PPP models in delivery of social housing in South Africa?
- k) How can South Africa improve housing delivery by utilising the PPP model?

## **1.5 Hypothesis**

Given the challenges of meeting the housing demand for the gap market in South Africa, the PPP models can play a positive part in decreasing the housing backlog for the growing market.

## **1.6 Defining Key Concepts**

**1.6.1 South African Housing White Paper:** The South African Housing Policy was introduced in 1994 to try to provide housing for the previously excluded groups in the apartheid era. The policy states that the resources and the capacity from government in order to deal with the housing backlog are limited. It also recognises that it cannot address the challenge without the mobilising of collective resources, capacity, knowledge, and skills of the private sector.

The housing policy is directed at making use of state resources and those of the private sector. The White Paper has the concept of a broad partnership between government and the private sector in addressing the housing problem in South Africa, which is the main point in the government's approach. The policy highlights that the private sector finance withdrawal from low income communities is the root of more deterioration in physical and environmental conditions in these communities, which then leads to further withdrawal of investment.

**1.6.2 Breaking New Ground (BNG):** The Comprehensive Plan for the Development of Sustainable Human Settlements was sanctioned by cabinet and introduced in 2004. According to the Centre for Affordable Housing Finance in Africa (2012) the BNG plan was a key document that placed emphasis on formal recognition of social housing by government. It moved government's emphasis from providing quantity housing to creating sustainable human settlements, in a way which responds to demands of different segments of society and local conditions. Quantity housing was seen to be lacking in quality and was located on the outskirts of cities which impeded on the

citizen's ability to get to their work places as travelling costs were too high. It also illustrates that social housing is a key tool in attaining objectives such as densification, housing products that provide adequate shelter and incorporation of previously excluded groups into inner city areas and the benefits this offers.

Trusler (2009) also indicates that the BNG plan states that the amplified demand for housing, together with the removal of key hold-ups, will create new chances for the private sector to participate in the housing programme.

**1.6.3 Social Housing Policy:** The policy was approved in 2005. The policy has two main objectives. The first is to make a contribution to the restructuring of South African society in order for the economic, structural, social, and spatial dysfunctionalities to be addressed. This in turn contributes to the government's vision. The second objective is to improve and contribute to the functioning of the housing sector, more in particular the rental sub-component in as far as how social housing may contribute and expand housing options to the poor. "With regard to delivery, SHIs are seen to be key delivery agents of social housing units (either as SHIs or via PPPs). Adding to this, the possibility of the private sector as delivery agents of social housing via accredited projects will be introduced. Partnerships between SHIs and Local Governments (LGs) are key and SHIs and LGs should identify restructuring projects together." (Department of Housing, 2005).

**1.6.4 Social Housing Institutions:** Social Housing Institutions (SHIs) are legal entities that ensure the delivery of affordable and quality housing with maximum benefit for residents through public funding made available for rental housing (and other non-individual ownership tenure options). SHIs also focus on managing housing units over a long period of time (Ngcuka, 2010).

**1.6.5 Affordable Housing:** According to Shelter (2014) social housing is let at low rents on a secure basis to those who are most in need of housing. It is affordable housing, allocated on the basis of need, affordability, and owned and managed by registered institutions. Hopkins (2006) states that the main aim of social housing is to support the production of effectively managed institutional housing in places where the demand for managed housing of all types exists. He continues by stating that social housing can take various forms and it is important that technologies for social housing are hypothesized broadly to make sure that low to middle income groups are included.

Inclusionary housing relates to affordable housing utilising the PPP model. In South Africa, inclusionary housing is the joining of private development initiative (in its quest of delivering housing for middle/higher income households) to also provide affordable housing opportunities so that a better socio-economic balance is achieved in residential developments and makes contributions to the supply of affordable housing (Framework for an Inclusionary Housing Policy in South Africa, 2007; p 9)

**1.6.6 Public-Private Partnerships (PPP):** In the South African context, PPPs are defined as “A contract between a government institution and private entity, where: the private entity completes an institutional function and/or makes use of state property in terms of output specifications, substantial project risk (financial, technical, operational) is relocated to the private entity, and the private entity benefits through: unitary payments from government budgets and/or user fees” (National Treasury, 2007). Two commonly used PPP models in South Africa include BOT and BOOT. The BOT model is where a third party (government) delegates to a private sector entity to design and build infrastructures and to operate and maintain these facilities for a certain period of time. During this period, the private sector entity has to raise funds for the project and is allowed to keep all revenues that the project produces and is regarded as the owner of the facility (Kaiser Associates, 2005). In the BOOT model, during the concession period the private company owns and operates the facility with the main goal of recovering costs of investment and maintenance and trying to gain a higher margin of profit on the project (Kaiser Associates, 2005). This model makes it appropriate for infrastructure projects which have political importance for social welfare, but is not attractive for other types of investments.

## **1.7 Study Justification**

There are numerous advantages presented by the PPP models that justify their suitability of delivering social housing. The scope of this research was limited to the South African Social Housing sector as policies, laws and institutional frameworks differ in different countries. Although the South African Housing Policy states that it creates an environment where the government supports and facilitates the delivery of housing by the private sector rather than the government engaging directly with the delivery of housing, a state-centred approach is still mainly used in the country where the provision of low income housing is carried out by the state. The involvement of the

private sector would assist in funding, resources, expertise and creativity. However, their role in assisting the government with the provision of affordable housing has been limited and their participation has not been motivated enough.

Therefore, the significant role that PPP models have in the delivery of affordable housing is important to highlight, even though it may be limited in the context of South Africa. This study highlights the key policies and laws in South Africa that actually advocate for PPPs in the provision of housing, which indicates to some extent how vital these arrangements can be for the delivery of affordable housing. Although PPPs may have some challenges, this research indicates how beneficial these models have been on the ground and how their role should be shown as more significant in South Africa by government.

### **1.8 Research Methodology**

This research made use of the qualitative research method to conduct the study. According to the Qualitative Research Consultants Association (2014) qualitative research uses approaches which include participant observation or case studies. This results in a more descriptive version of a setting or practice. It makes use of in-depth studies of small groups of people to give direction and support the structure of a hypothesis. Qualitative Solutions and Research International (2014) also highlights the methods used in qualitative research. These include focus groups and in-depth interviews. The strength in this method of research is the capacity to give complex textual descriptions in the way people experience a given research issue, as explained by Family Health International et al (2005). Advantages of this approach include the making use of open-ended questions that give the participants a chance to respond in their own way. It also evokes reactions that are meaningful to the participant, not expected by the researcher, and rich in nature.

Housing deals mainly with people as it is a service that is given to citizens in a country, especially the delivery of social housing that is provided for people. Qualitative research was able to get responses that are more in-depth from participants on how the delivery of social housing is on the ground as well as the issue of the inclusion of the private sector or arrangements such as PPPs.

### **1.8.1 Primary Sources of Data**

There are two main sources of data which are primary and secondary. According to Henderson (2013), primary data deals with first hand evidence given by informants or observers at the time of events. These include personal journals, government documents and transcripts of legal proceedings, surveys and interviews. Henderson (2013) continues to explain that primary data is gathered by witnesses who have experienced the events being documented and is characterized by their content, regardless of whether they are available in original format, digital format or published format. The advantage with this form of data is the amount of control the researcher has and this allows him or her to determine the type of method to be used in collecting data and how long it will take. Primary sources have been used for the benefit of this research. The data tools used for collecting primary data include interviews, surveys and questionnaires

#### **1.8.1.1 Sampling**

According to the Hillingdon Hospital Education Centre (2006) a sample in research is referred to as a group of people, objects, or items that are taken from a larger population for measuring the effects of a particular phenomenon.

Purposive sampling was used to identify informants for the study. Purposive sampling, which is also known as judgemental, selective, or subjective sampling, is a form of non-probability sampling method. According to Laerd Dissertation (2012) it draws attention on sampling methods where the units that are investigated are based on the judgement of the researcher. The goal in this method is not to randomly choose units from a population to create a sample with the intention of making generalisations from that sample in the population of interest. This is research that is guided by a quantitative research.

During qualitative research design, more than one form of purposive sampling technique could be used. It can give researchers with the justification to make generalisations from the sample being used. However, it can also be highly prone to researcher bias as the sample created is built on the judgement of the researcher and this is not a good defence.

The informants were chosen due to their involvement in affordable housing by utilizing the PPP arrangement. They would be able to identify the opportunities and challenges



that such partnerships have and whether PPPs are a sustainable way of providing social housing in South Africa.

#### **1.8.1.2 The Project Administrator of the First Metro Housing Company**

The Project Administrator of the First Metro Housing Company was used as an informant. He would provide information on how they identify projects and whether government has assisted them over the years to produce affordable housing. He would explain how this company started and why they saw a need for the company to exist in Durban. Other information needed from this member is whether or not the company has made any difference in assisting with the housing backlog faced by the country. He would have knowledge and experience of how the PPP models have worked for them as a company and to know which model of PPPs they have opted to use in order to be able to deliver social housing.

#### **1.8.1.3 Representative of SOHCO Property Investments in Durban**

He would provide information on how they identify projects and whether government has assisted them over the years to produce affordable housing. He would have knowledge and experience of how the PPP models have worked for them as a company and to know which model of PPPs they have opted to use in order to be able to deliver social housing.

#### **1.8.1.4 eThekweni Municipality Social Housing Official**

Other informants included a professional from the social housing department in the eThekweni Municipality. This municipality is a stakeholder in the First Metro Housing Company and would have experience of how this particular partnership works. As stipulated in the definition of PPPs, it is an arrangement between government and the private sector so their input was vital as a sphere of government on how the arrangement is meant to work and whether it has been achieved on the ground using the policies and frameworks that have been approved by government.

#### **1.8.1.5 KwaZulu-Natal Department of Human Settlement Official**

A professional from the Provincial Department of Human Settlements was also used as an informant. This department is also a stakeholder in the First Metro Housing Company. The department would be able to give information on how they assist such partnerships and how they are able to fund projects carried out by private entities such as the First Metro Housing Company.

#### **1.8.1.6 Durban Regional Manager of Trust for Urban Housing Finance (TUHF)**

The last informant included the Trust for Urban Housing Finance (TUHF) as they are also a stakeholder in the First Metro Housing Company. This institution provides loans to purchase or improve residential property in South Africa's inner city areas of urban decline. Information on how they provide funding for such private entities would be vital. Information on whether such partnerships work or not would be important to gain from this institution.

#### **1.8.2 Secondary Source of Data**

Secondary data is any published or non-published work that is one step removed from the original source, usually summarizing or derived from primary source materials. Such sources of data can come in the form of textbooks, review articles, biographies, journal articles, government documents, and reports. Secondary data has been used for this study and the data collection tools that have been adopted for such data will be in the form of books, articles, journals and government documents.

#### **1.8.3 Data Analysis**

The Thematic analysis method was adopted for this research. This analysis is used to analyse, identify and report patterns or themes that are seen in collected data (Braun 2006). This type of analysis is flexible and useful, which makes the research rich and detailed yet easy to understand.

### **1.9 Limitations of the Study**

There are limitations that need to be acknowledged and addressed regarding this study. The first limitation was having difficulty in accessing data from SHIs due to confidentiality issues. This made it difficult to assess social housing typologies.

The second limitation was the limited number of case studies used for broad generalizations of social housing development in South Africa. The final limitation to this study was the time-frame allocated for its completion. This time-frame did not allow for more research to be completed on all issues that could have been part of the research. The time-frame also affected the interviews conducted. The research could only accommodate five sources, as gaining access to these sources to be able to interview them proved to be difficult. Emails were not responded to and if they were, many referrals were made, which reduced the time even more. The busy schedules

of these professionals made it difficult to get the interviews done and some of the interviews did not last long enough due to them not having enough time.

## **1.10 Structure of dissertation is as follows:**

### **Chapter One**

This chapter presents the introduction, research problem, objectives and the research method that was used to conduct the study.

### **Chapter Two**

This chapter provides the Theoretical Framework and Literature Review on PPPs and affordable housing internationally and locally.

### **Chapter Three**

This chapter provides the Historical Background of PPPs, their strengths and weaknesses, and the different types of PPPs.

### **Chapter Four**

This chapter presents the Historical background of eThekweni as a study area with SOHCO Property Investments used as a case study.

### **Chapter Five**

This chapter presents Research findings, data analysis, and interpretation.

### **Chapter Six**

This chapter presents summary of findings, conclusion and recommendations

## **Chapter Two: Theoretical Framework and Literature Review**

### **2.1 Introduction**

Shortage of affordable housing is a problem faced nationally and internationally. Many cities are faced with the issue of providing adequate affordable housing for their low to middle income residents. Various concepts, theories, and policies have been produced around the issues of affordable housing and PPPs in an attempt to explain these dynamics. This chapter will review the background of the South African historical housing policy, followed by an examination of the social housing sector. The chapter also explores PPPs, their theoretical underpinnings, and how such theories and their principles can be implemented in the South African context. In addition, it will examine PPPs in social housing, the challenges and opportunities that come with this, and international and national experience of social housing delivery using the PPP method. Two case studies (international and national) will be discussed and analysed to explore the theories and their implementation.

### **2.2 Theoretical Underpinnings**

#### **2.2.1 Neoliberalism**

The neoliberal ideology imposed in the 1970s and 1980s encouraged the undoing of the welfare state and decreasing labour principles by the re-implementing market initiatives which include privatisation and deregulation. This opens the public sector to opposition from the private sector.

From the period between the end of World War II and the late 1970s, Hearne (2009) argues that the main economic and political custom was Keynesian-type policies which promoted a state intervention tactic. The Keynesian theorists had disapproved of the classical economics' theory where society and the economy need to be sorted out through the decisions of the 'hidden hand' of the market. The Keynesian governments took into account key sections of the economy and society away from the market and prolonged the part of the state on an exceptional scale at central and local level. This created a welfare state that gives key public services and infrastructure such as housing and roads.

However, according to Hearne (2009), these Keynesian policies were blamed by free-market followers of “neoliberalism” for the fiscal crisis of the 1970s and 1980s. The belief was that the private sector is more effective and productive than the government in providing and managing the economy and society.

In the 1990s a move of welfare state policy had taken place as neoliberalism became the main political and conceptual form of capitalist globalisation (Hearne, 2009). The neoliberal state’s role was to encourage maximum participation of the private sector in providing public services as well as infrastructure.

#### **2.2.2.1. Neoliberalism and Affordable Housing**

According to Sandhu (2004), the late 1970s saw models of housing provision that had been idealised during the earlier decades under the state’s direct intervention policies being of little significance and producing small results. Therefore, due to this realisation of the state’s results, suggestions were made for the housing sector to be delivered more effectively. This included the private markets taking the function of producing and distributing housing stock. Subsidies were seen as monopolistic by neoliberals and unaccountable to users. They stated that they provide services with the smallest amount of investment and so the neoliberal agenda set a framework for the housing sector.

Sandhu (2004) explains that the greatest impact of neoliberalism in the housing sector is that demand would be the key for housing production under free market operations. So due to the positive expected results, the 1980s was marked by a shift in housing policy whereby the World Bank moved to a 1980s approach of promoting the creation of self-supporting institutions capable of making long-term mortgage loans to low and middle income households and reduce and restructure subsidies (Sandhu, 2004). This then saw the housing finance expansion. Other methods included removing barriers to rental housing subsidies and in turn rent control should be avoided. However, all these methods and the adjustment to policies led to a serious decrease in living conditions of the poor and squatter populations increased due to a decrease in incomes and inflated building costs. Many governments, including South Africa, initiated changes in their housing policies in line with the agenda of the World Bank.

The South African Policy favours neoliberalism, a market orientated housing approach with the role of the state reduced to being facilitative and social housing is in line with

this policy. The World Bank, which adopted neoliberal principles in policy guidelines, had a major impact on neoliberal housing policy assumptions in South Africa. In 1994, the tensions between advocates of a state-interventionist approach and the proponents of neoliberalism ran high in the historical debate regarding the direction that the housing policy should take (Marais, 2008).

In early 1994, the new democratically elected party, the African National Congress (ANC) in combination with the Congress of South African Trade Unions (Cosatu) and the South African Communist Party (SACP) formed the Reconstruction and Development Programme (RDP), which contained elements to end social and economic inequalities from the apartheid regime (Nathan, 2013). The RDP had a set of 'Keynesian' macroeconomic measures that specified how the state should take lead in delivering services, housing and infrastructure to the poor communities, which mainly consisted of the black population. Even though the RDP had brought forward the Keynesian theory, it did, however, contain some neoliberal elements. Nathan (2013) argues that the Housing White Paper brought neoliberalism forward, making it the basic framework.

The Growth, Employment, and Redistribution (GEAR) framework then replaced the RDP in 1996. GEAR encouraged a more aggressive neoliberal attitude to the state and market, combining the ANC's neoliberal angle (Nathan, 2013). It promoted the privatisation of 'non-strategic' state assets and services and also encouraged 'flexibility' in the labour market.

According to Nathan (2013), the post-apartheid government's promise of a massive production of service delivery in 1994 has been overshadowed by its long standing neoliberal method to providing services. Applying this neoliberal approach in South Africa has meant that where services have been provided by the private sector, the costs have been moved to poor communities who cannot pay for them. The cost of a neoliberal vision for the country is an image of a city with the rich walled off from the poor. Bearing in mind South Africa's history, this displays an overpowering racial form, with white residents walled off from black residents (Amandla Magazine, 2013).

The Housing policy was widely criticized for being neoliberal and for providing a housing product that was too small. The small housing products were associated with

macro-economic motivations (national budget constraints, savings on labour costs) and never with ideas of housing satisfaction and dweller control (Marais, 2008).

A genuine and united 'national interest' that is refined by the ruling class through the state is never fully accepted by the popular classes (Nathan, 2013). This can be seen through the policies that are produced by elites who do not live in poverty, are not oppressed, and have little grasp of the day-to-day challenges of the poor. According to Amandla Magazine (2013), as long as government continues its current form, informal settlements will always be a permanent aspect of South African cities, together with its counterpart, the gated community. There needs to be a movement influential enough to put together housing struggles across South Africa and probe the neoliberal system practiced by parties in the political sphere and that forces government to act.

### **2.2.2 The Enabling Approach and Housing**

According to Umoh (2012) the enabling framework for housing came out of the neoliberal push that began in the United States of America and the United Kingdom in the 1970s. In the late 1980s, international development agencies had to admit that for progress to be seen in the housing sector, it was essential to work closely with market actors and further decrease the participation of the government (Hassan, 2012). This then created the 'enabling' approach. According to Hassan (2012), the idea of this strategy was the best way to supply housing for all. The approach goes against past housing policies where the state was engaged with direct provision of housing and instead encourages reliance on the market actors for production.

The approach describes that government's role is to be decreased and reformulated to focus only on those activities which strengthen the abilities of the private sector, much like the neoliberal theory. Hassan (2012) explains that the approach illustrates that it is not government's duty to provide housing, but to generate an environment that allows the housing market to work effectively. Many governments around the world have made use of this approach. The Morocco government redeveloped squatter settlements into compact, successful housing neighbourhoods across the country. The country reduced its share of urban population living in squatter settlements from 11% to 4% over a 15 year period (Hassan, 2012).

According to Hassan (2012) government intervention can be effective in the following areas:

- ✓ Enabling housing markets by setting up a needed regulatory framework and reform government institutions.
- ✓ Enabling partnership: involving all actors in the process.

However, embedded in this approach are economic principles of decentralization, privatisation, deregulation and demand driven development. The approach does not consider affordability for low income individuals who may not survive the growing market and this is a direct threat to the main aim of housing provision (Hassan, 2012). Other criticisms of the approach are that there is an over concentration of the private markets and exclusion of alternative modes of housing provision and it may require restrictions to guarantee its success as an approach, which might not favour the poor who could fall under such restrictions. Numerous prerequisites may be necessary to ensure the right of housing, especially for the poor who may be unable to afford a housing unit within the housing sector.

The enabling approach is not just a strategy for housing provision, but it is a general reform, not only in the housing sector but also in the governing system. Setting a successful housing policy should be associated with several caring interventions in order to enable participation in housing markets (Hassan, 2012). Interventions should integrate these areas:

- Setting up a regulatory framework.
- Reforming government institutions.
- Improving partnerships.
- Ensuring availability of the components of housing supply.
- Enabling several mechanisms of Housing Finance and Land Assembly.
- Accepting the informal sector as a partner.

The approach should consider prerequisite actions to control and monitor the deviation of the policy and ensure the housing principles (housing rights, affordability, sustainability, etc.).



### 2.2.3 The Theory of Intersectoral Partnerships (ISPs)

Intersectoral Partnerships (ISPs) are an activity which includes the relationship between organisations in three sectors. These sectors include the state, the market, and civil society or non-governmental organisations (NGOs). Waddell (1997) argues that various issues, including affordable housing for the urban poor, require different resources and abilities and that ISPs are an important method to addressing such issues successfully. Such partnerships extend to two or more institutional sectors and work across the intersecting circles shown in Figure 2.1. The type of connection can differ with different issues and local resources given. The connections also differ in time and in the level of activity as well as form of organisation.



**Figure 2.1 The Sectors (Source: Waddell, 1997)**

Waddell (1997) highlights how partnering happens for various reasons and these include:

- Parties that want to grow the level of their activity.
- Parties wanting to adopt the strengths of another partner.
- Exchanging technologies and information in order to learn from one another.
- Produce undefined opportunities, based on knowing that active interaction makes new ideas and solutions to problems.

ISPs can reduce repetition of effort and activity which work at cross-purposes. Such partnerships are able to stimulate originality and creative solutions to problems. By combining parties who are stakeholders, ISPs can give better direction by more explicitly considering each other's values, goals, and activities. This implies the

inclination of one sector to permit other sectors to influence decisions that shape resource allocation, project goals, activities, and outcomes (Waddell, 1997). However, these partnerships often take time and effort, more than other forms of partnership.

According to Waddell (1997) ISPs go through five development stages:

- **Detecting preconditions for teamwork** – If an issue is large-scale and includes stakeholders from different sectors, ISP will be needed to address it. Any successful collaboration needs to be determined by real problems. This is seen through a speech made by the Minister of Human Settlements in South Africa, Lindiwe Sisulu, in the budget vote in 2006 where she states that the department (government) had indicated that they were seeking to mobilise all sectors, particularly the private sector around a social contract.
- **Convening partners** – Once the stakeholders identify the problem and research on the stakeholders is complete, they can further seek a plan for bringing the different sectorial representatives together. The speech made by the Minister of Human Settlements, Lindiwe Sisulu, in 2006 describes the collaboration of signatories (government, civil society, including banks and property developers) of the social contract for speedy housing delivery agreeing to a certain percentage of commercially driven housing developments going to inclusionary housing.
- **Setting shared directions** – A crucial quality of ISPs is the capacity to take a new method and adopting that method to old problems. This brings in a new energy and creativity to develop a vision. This is seen through the Social Contract that the South African government went into partnership with private developers, banks, and civil society. It gave a new strategy to be able to produce more housing and deal with the existing housing backlog.
- **Implementing action strategies** – Putting a plan into action can ignite many old problems and tensions. During this stage, differences are identified through the pressures that come about with operational realities. This gives space to test honesty and obligation of the different representatives of other sectors and form an understanding of the situation. A good example to indicate how this stage works is seen through the collaboration of government and financial institutions failing as these institutions failed to produce the

50 000 bonds that they had committed to and only produced 20 000. This gave government a sense of the level of trust they ended up having for these financial institutions. It also highlighted the pressures that existed with such an operation.

- **Institutionalizing and/or growing other successful ISPs** – The most successful ISPs are able to produce human, social, material, and financial investment to maintain or grow. Success could also involve increasing a programme's reach to more people and institutionalizing its provisions to ensure it endures after outside resources have been withdrawn or assigned elsewhere. The institutionalizing of an ISP in South Africa can be seen through the development of the Inclusionary Housing Policy drafted by developers, government and other stakeholders. This is part of the Social Contract which all stakeholders had signed.

A critical component to any partnering strategies is to realise the distinctive characteristics, histories and resources that come with specific locations (Waddell, 1997). Partnering needs for the parties to recognise, accept and respect their differences, but also recognise and focus on shared interests they may have. Such as the government being more for public interest and the private sector more profit driven but coming together to be able to deliver services such as affordable housing. The advantage of such arrangements includes the utilisation of many perspectives and resources to solve intricate issues, such as housing, where the funds and skills of the private sector are used to assist government to produce affordable housing for those in need of it. According to Waddell (1997), implementation programmes have to be designed to make use of relative advantages of the different participant sectors. The potential for ISPs in giving innovative and sustainable solutions to development problems are just being discovered and made use and can be seen through the implementation of ISPs around the world.

#### **2.2.4 The Principal-Agent Theory**

This theory became the main framework for investing complications that come from contracting in any situation (Kassim, 2003). Agency relationships are formed when one party who is the 'the principal' goes into a contractual arrangement with a second party, that being 'the agent'. The principal gives responsibility to the agent for performing a task or set of activities on its behalf (Kassim, 2003). The principal could

be an individual or an organisation that gives responsibility to another so that it can economize on transaction costs and to go after goals that would otherwise be too costly. Delegation is seen as a question of institutional design. Principals design institutions that would ensure favourable outcomes.

### **2.2.5 The South African Context**

An example of how the principal-agent theory and theory of Intersectoral Partnerships may be applied to South Africa is the use of Social Housing Performance Agreements (SHPA). According to Pagiso (2011) SHPAs are performance agreements that the municipality 'the principal' is required to enter into with its SHIs in terms of Section 5 (ii) of the Social Housing Act (Act 16 of 2008). Government acknowledges that it cannot deal with the housing backlog on its own but needs cross sectors and the SHPA provides that vehicle. These agreements are based on the PPP model for service delivery and it is a formal recognition agreement of the SHI by municipality in delivering social housing. SHPA stimulates aims, goals and objectives of the parties regarding the delivery of social housing (Pagiso, 2011).

SHPAs have numerous advantages, such as assisting officials and politicians to agree and standardize what is allowed or not during social housing delivery, giving SHIs the means to negotiate with various municipal officials for assistance and it illustrates commitment of the municipality and SHIs to delivery of social housing (Pagiso, 2011). The city enters into a five year partnership agreement between itself and accredited SHI. The city also provides leasehold land or buildings as well as provision of subsidies and then the SHI facilitates the development and management of social housing rental stock. SHIs also receive financial packaging with the city's support. The city has interlinking contractual agreements that provide for shared risk between the city and partners as well as freedom for SHIs to act as independent businesses (Pagiso, 2011).

### **2.3 Historical Background**

South Africa has an ever-growing population which is becoming more urban. However, many of the citizens still live in informal settlements with a lack of basic services such as sanitation and water. The housing crisis is an important aspect of the overall poverty problem in South Africa. These housing challenges can be traced back to the past political systems such as the apartheid era, which left a huge challenge of backlogs in housing delivery and unequal settlement patterns. The era caused the limitation of the

majority of non-white South Africans to specific areas which were usually placed on the peripheries of urban centres. These locations were excluded from service delivery, infrastructure and economic opportunities. Therefore it is imperative to go through the historical housing policy background post-apartheid and the evolution of this policy over the years.

### **2.3.1 The SA Housing White Paper**

After the 1994 elections, a policy was created in the 'new' South Africa to address the problems that resulted from the apartheid government policies. The first South African post-apartheid housing policy was the Housing White Paper and has since been amended and changed into a comprehensive policy which has numerous elements as highlighted by Dube (2011).

According to Dube (2011), one of the principles of the Housing White Paper was gaining the attention of private investment in housing delivery. This meant that housing would be supplied under market conditions. These conditions are allowing the market to work on its own, without involvement from government. This market centred approach calculates the value of property and studies the sales of similar assets. However, the market-centred approach had some negative aspects, such as the private sector developers' projects favouring people with higher incomes and not willing to develop in conflict-ridden areas, which had a greater need. Under market conditions, poorer households are not able to acquire decent homes as they are too expensive for them to attain. Subsidies were then introduced in order to be able to provide affordable housing under market conditions

The White Paper of 1994 states that the resources available from government are not enough for the provision of infrastructure and development needed in municipalities. In 1994, the policy also introduced social housing in a form of rental housing for low to middle income residents. However, even though social housing was introduced in this first housing policy, Dube (2011) states that it took a while to get off the ground and was delivered through partnerships and help from outside governments in the 1990s.

As the policy acknowledged that the government alone did not have enough resources to be able to tackle the housing backlog, other forms of delivery tools were instituted. According to Dube (2011), in 1996 the National Housing Finance Corporation (NHFC) was formed. This institution facilitated the involvement of banks in housing finance.

The corporation also acted as a second mortgage financier by buying existing debts from banks so that the banks were able to release more funds into their systems. The National Urban Reconstruction and Housing Agency (NURCHA) was also established as a delivery mechanism and the agency provided guarantees to institutions providing bridging finance to developers. Dube (2011) argues that regardless of the incentives that NHFC and NURCHA provided, the financial sector failed to provide the bonds which they had promised to provide in the affordable housing sector. This was due to the fact that they preferred higher income groups when compared to low income groups as the higher income groups provided better security when it came to repayment of bonds. These financial institutions desired to grant loans to applicants who came through private developers rather than mortgage loans to individuals due to lower operations costs associated with this.

The private sector dominated relationships and the people and communities who were meant to benefit from projects were side-lined and instead did not gain anything from the projects. Government, therefore, continued to adopt and develop other strategies due to the White Paper's failures and weaknesses.

### **2.3.2 Policy Shift: Breaking New Ground (BNG)**

As government attempted to amend the 1994 policy, the BNG policy was established and instituted in 2004. This new plan aims to transform the 1994 policy and ideologies towards a shift from quantity to quality. This new policy introduced the idea of sustainable human settlements. Dube (2011) argues that the new plan does not neglect past policy fundamentals. They are still relevant; however they had to be amended for better housing delivery.

The policy includes a new subsidy mechanism to ensure availability and access to mortgage finance instruments to include previously excluded people and middle income households who cannot qualify for either subsidised housing or housing in the private property market.

The plan also aims to shift from the so called matchbox uniform housing to the production of housing that responds to demand patterns. Most importantly, the new plan aims to increase the part of the private sector through developing and continuing partnerships among the public and private sector in creating sustainable human settlements, as asserted by Dube (2011). One of the housing instruments included in

the new plan is that of the social (medium density) housing instrument. “Government has recognised that the creation of acceptable and sustainable social housing can only be seen through sustainable social housing institutions and suitable private sector involvement.” (Department of Housing, 2003). This statement from government shows its view on the participation that the private sector should play in social housing development.

According to Trusler (2009), one of the prime objectives of the social housing instrument in the BNG policy is to aid the creation of successfully managed institutional housing in places where the demand for such housing exists. Other objectives include building institutional capacity within the sector and this embraces the understanding of having to increase the number of social housing institutions that will facilitate the expected scaled up delivery of social housing. Trusler (2009) argues that the extent of private sector involvement depends on financial feasibility and sustainability of the social housing projects. The BNG plan explains that the large construction firms which had withdrawn from the state assisted housing sector meant that the settings for reproducing PPPs for housing development in the primary market have been condensed and the degree of construction has consequently fallen. So in order to encourage the participation and input of the private sector in housing construction, the current three subsidy bands which were R0-R1 500, R1 501-R2 500, and R2 501-R3 500, have been removed to ensure households which are earning below R3 500 have access to an identical subsidy amount.

Housing finance is the main tool to the growth of the primary and secondary housing market. Therefore, the new plan included the intervention of funding social housing institutions through PPPs and/or special purpose vehicles (Trusler, 2009). In order to maintain the amendment to the 1994 policy, the state and the private sector, including banks and property developers, signed a social contract for fast housing delivery in 2005 so as to address the housing backlog. This contract binds the parties involved to work together to remove the bottlenecks in housing delivery and this has brought in players from financial and construction sectors and other stakeholders.

## **2.4 Social Housing**

### **2.4.1 Definition**

Social Housing as defined in the first chapter is a housing tool used to assist the assembly of efficiently managed institutional housing. It can take various forms and it needs to accommodate various housing product designs and tenure options (e.g. rental and cooperative housing) to satisfy spatial and affordability requirements. It is important that social housing technologies are conceptualised generally to ensure the addition of all income groups.

According to Moskalyk (2008), in Canada, social housing is referred to as supported housing owned and functioned by non-profit and cooperative housing organisations. It is a concept to refer to all forms of housing established under different government subsidy programmes in the private and public sectors.

The common legal forms of social housing initiatives internationally are not-for-profit housing associations, cooperatives and state or municipality-owned accommodation. Housing associations are most commonly known and are seen in the Netherlands, France and the United Kingdom. In South Africa, they are related to and modelled on this type of institution, receiving great technical assistance from the Dutch and British housing associations during the country's developmental time for social housing in the mid-1990s (Centre for Affordable Housing Finance in Africa, 2012).

Housing cooperatives are democratic institutions where the members cooperate to attain the aims of the organisation. These are popular in the USA, Canada and Scandinavia. There are few in South Africa, but far less than the housing associations and were mainly found in the 1990s than today. State or municipality-owned accommodation has a wider history and is still the larger sector in many countries. During the 1950s, this form of housing in South Africa was provided comprehensively as government acted out a plan of distinct development during the apartheid regime. However, governments are now decreasing publicly owned housing stock in favour of delivery through SHIs.



#### **2.4.2 Historical Background of Social Housing in South Africa**

During the years between 1995 and 2000, a national pledge towards social housing as a delivery method was taken according to the Centre for Affordable Housing Finance in Africa (2012). The establishment of the NHFC in 1996 started initiatives in the country for social housing. NHFC formed a development entity with the organisation to support SHIs that were trying to launch themselves. Eventually this entity became the Social Housing Foundation which then later became a detached entity.

In the mid-1990s, other social and cooperative housing initiatives emerged and between 2000 and 2005, government placed more focus on capacitation of the sector. During this time, the Support Programme for Social Housing (SPSH) was recognised by government with a grant of R200 million from the European Community. However, despite this effort, SHIs struggled to become sustainable. This was caused by high rates of non-payment among residents so that the financial capacity of institutions was compromised. Furthermore, there was an agreement on requests for the sector to expand and develop, which concluded in the creation of a Social Housing Policy in South Africa in 2003. This policy was later revised in 2005. The Social Housing Bill in 2007 was drafted and later circulated as the Social Housing Act 16 of 2008 (Centre for Affordable Housing Finance in Africa, 2012).

Fast-forward to the year 2010 where government decided on 12 outcomes as a significant area of focus. According to the Presidency of South Africa (2010) these outcomes are the following:

1. Better quality of basic education.
2. A long and healthy life for all South Africans.
3. All individuals in South Africa are and feel safe.
4. Improved employment through broad economic growth.
5. An experienced and capable workforce to upkeep a comprehensive growth path.
6. A capable, competitive and responsive economic infrastructure system.
7. Vibrant, equitable and sustainable rural communities with food security for all.
8. Sustainable human settlements and improved quality of household life.

9. A responsive, accountable, operational and efficient local government structure.
10. Environmental assets and natural resources that are well protected and continually enhanced.
11. Create an enhanced South Africa and add to a better and safer Africa and World.
12. An efficient, effective and development oriented public service and an empowered, fair and inclusive citizenship.

Out of these outcomes, housing falls under outcome 8 which focuses on sustainable human settlements and improved quality of life. Outcome 8 obligates the National Department of Human Settlements to the improvement of 400 000 households living in informal settlements on better located land over four years (Gordon et al., 2011). This outcome merges the policy shift in the revised Housing Code to a focus on informal settlement upgrading and facilitating the market to create affordable housing. All public units in the housing and social housing sector are required, and have associated all activities, to accomplish the targets which are found in outcome 8 (Centre for Affordable Housing Finance in Africa, 2012).

Outcome 8 comprises four outputs. According to Gordon et al. (2011) these outputs are:

- Fast-tracked delivery of Housing Opportunities.
- Providing access to basic services.
- Effective use of land for Human Settlements Development.
- Enhanced property market.

Social housing falls under output one which states the accelerated delivery of housing opportunities. Within this output, government's ambition is to provide 80 000 affordably priced rental accommodation units by 2014 with social housing having a target of 24 312 units by the year 2014 (Centre for Affordable Housing Finance in Africa, 2012).

### **2.4.3 Legislative Framework**

With the emphasis on social housing within the BNG policy introduced in 2004, policies and acts were created in order to support and enhance the role of social housing in South Africa.

#### **2.4.3.1 Social Housing Policy of 2005**

Following the introduction of the BNG policy and the emphasis placed on social housing, a social housing policy was created in 2003 in order to facilitate the sector. The policy was then later revised in 2005. According to the Department of Housing (2005) this policy was the key element in meeting the BNG's policy objectives. One of the objectives include using housing as a tool for the creation of sustainable human settlements in facilitating spatial restructuring (Department of Housing, 2005). This policy indicates the government's obligation to ensuring that the social housing sector works. The Department of Housing (2005) states the policy objectives which include:

- Contributing to the national's main concern of restructuring South African society so that structural, economic, social and spatial dysfunctionalities are addressed, and
- Improving and contributing to the complete running of the housing sector and in particular the rental sub-component, insofar as social housing is able to add to broadening the variety of housing options.

The policy contains features such as provision being made for a new Social Housing Act, institutional arrangements being clearly specified and a notion of performance agreements concerning SHIs and local government being presented. The Department of Housing (2005) lists several principles that underpin the Social Housing Policy. These include:

- The promotion of urban reorganisation through social, physical and economic combination of housing development into existing locations, likely to be urban or inner city areas.
- To endorse the establishing of well-managed, quality rental housing choices for the poor.
- Nurture the making of quality living atmospheres for low income persons.
- Promote the participation of the private sector where possible.
- Be facilitated, supported and/or driven by all spheres of government.

#### **2.4.3.2 Social Housing Act 16 of 2008**

According to the Government Gazette (2008) the Social Housing Act objectives are as follows:

- To create and encourage a sustainable social housing environment.
- To outline the roles of national, provincial and local governments in respect of social housing.
- To provide for the creation of the Social Housing Regulatory Authority in order to control all SHIs obtaining or having obtained public funds.
- To permit for the undertaking of approved projects by other delivery agents with the benefit of public money.
- To give legal recognition to SHIs.
- To provide for matters connected therewith.

#### **2.4.4 Targeted Market**

According to the Department of Housing (2005) the targeted market is defined in terms of the standard subsidy beneficiary criteria cited in the housing code, observing the market in terms of subsidy income bands. The criteria, together with an inadequate grant programme, has made social housing in South Africa to serve a contracted portion of the market close to the top of the R3 500 cut-off point. This is a small portion of low income households. Therefore, those earning less than R3 500, where the need and demand is much higher, are not able to gain social housing and in turn all this has affected SHIs conducting sustainable business as the beneficiaries are few. Therefore, many SHIs tend to look to those who are above the eligibility cut-off point so that they are able to survive and this has steered to numerous struggles between government and these SHIs (Department of Housing, 2005).

The contracted portion of the market means that social housing has not done an adequate amount to increase the choices for those in the lower band of the subsidy and this leads to the idea that social housing is developed for the small fortunate elite and does not do much to add to the housing challenge in South Africa (Department of Housing, 2005). To combat such challenges, the social housing policy introduced a new government tool which permits for a deeper spread into the market. This new mechanism was the Capital Grant. This mechanism was made to be used to fund a fraction of the capital cost, while the remaining portion could be financed by debt or

other ways of funding (Department of Housing, 2005). The grant has the potential to cover 100% of capital costs of targeted units in a social housing project; therefore it is possible to reach as far down the market as those who earn R1 500 per month. However projects should not only house uniformly low income individuals, as doing this gives rise to the average subsidies required by a substantial amount. Furthermore, the undesirable social penalties of focusing on uniformly low income households in social housing developments have been well-documented.

Another mechanism used was a shift from assessing incomes to assessing rents that are charged by SHIs or projects. This could have caused an escalation in rentals through a well-defined process done on an annual basis. This will ensure financial feasibility of projects and institutions and there is also a suitable rent level for units of similar quality through the sector. The upper income limit for access to subsidized units will make sure that the worst excesses of downward grading are avoided (Department of Housing, 2005).

#### **2.4.5 Social Housing Delivery Agents**

The Centre for Affordable Housing Finance in Africa (2012) defines a SHI as a legal body formed with the main aim of creating and managing social housing stock that is owned by the institution. They are seen as long-standing, maintainable institutions that could be private or municipality-owned, working on a profit or non-profit basis. An SHI can also be seen as a vital delivery agent of social housing units either as SHIs or via PPPs.

Ngcuka (2010) highlights three different types of SHIs:

1. An umbrella institution that provides property management functions to other smaller SHIs in return for money.
2. One that develops, owns, and manages its own housing stock.
3. Smaller entities that are established by tenant groupings that will manage their own housing stock, which are better known as Housing Cooperatives.

SHIs and projects have been operating since 1997 with the introduction of the institutional subsidy tool (Department of Housing 2005). SHIs use this subsidy with a loan from NHFC and rely on donors making a contribution and local authority grant funding to cover the institutional structure and operational costs. Private developers are also able to supply social housing on a turnkey basis for SHIs or private landlords.

The Centre for Affordable Housing Finance in Africa (2012) indicates that there are two units that offer backing services to delivery agents in the social housing sector. The first entity is SHIFT which is a section 21 company that has a goal to engage critically with the sector in South Africa by encouraging an integrated tactic to development and delivery. The second entity is National Association of Social Housing Organisations (NASHO) which is a membership-based association of 17 well recognised SHIs in South Africa. It represents the interests of its members by giving information, advocacy and capacity building (Centre for Affordable Housing Finance in Africa, 2012).

## **2.5 Public-Private Partnerships**

### **2.5.1 Definition of PPP**

A PPP can be defined as a partnership where private entities carry out certain programmes or projects in union with public or state agencies, sharing control and using private and public resources (Dube, 2011). The South African definition is known as “An agreement between a government institution and a private party, where: the private party completes an institutional task and/or uses state property in terms of output specifications, considerable project threat (financial, technical, operational) is moved to the private party and the private party benefits through: unitary payments from government budgets and/or user fees.” (National Treasury, 2007). In Canada, a PPP can be defined as “a cooperative endeavour between the public and private sectors, built on the knowledge of each partner that meets clearly defined public requirements through the suitable distribution of resources, risks and rewards.” (Moskalyk, 2008).

Many view PPPs as a way of shifting what should be government duty onto the private market. Ong’olo (2006) states that PPPs are an institutional relationship between state and the private sector where both parties participate in defining objectives, methods, and implementation of an agreement. It is a variation of privatisation where services which were run by government are given through a partnership between government and a private sector business. Their purpose is financing, designing, executing, and functioning public sector facilities and services (United Nations Economic Commission, 2008).

PPPs are a method used by government to contract with the private sector who then bring their capital and capability to supply projects on time and on budget; while the public sector has the responsibility to deliver these services to the public in a manner which will benefit the public and improves their quality of life. The United Nations Economic Commission (2008) argues that PPPs should not be confused with privatisation. Privatisation involves accountability moving across to the private sector unlike PPPs where accountability is retained by the public sector. PPPs are more intricate, greater in financing needs, and are long-term. They give developers the right to work over a longer term so that charge fees to the users may be applied and take on main responsibilities such as design, finance, construction and maintenance (United Nations Economic Commission, 2008).

## **2.6 Public-Private Partnership Models in Social Housing**

### **2.6.1 Introduction**

Government recognises that each sector has different challenges in each phase of the PPP life cycle. Therefore, PPP policies, methods, and political plans need to be custom-made to the characteristics of each sector. This section explores PPPs in social housing, the opportunities and challenges it poses, and how the BOOT and BOT models of PPPs are used in social housing delivery, paying particular attention to the South African context. International experience is highlighted in this area, its lessons and implications.

### **2.6.2 The Opportunities and Challenges of PPPs in Social Housing**

According to Dube (2011), service delivery approaches favour privatisation. This highlights the importance of PPPs in order to have efficient service delivery systems. Sobuza (2010) argues that the emergence of PPPs is rooted in the enabling approach where the focus shifted from direct provision of housing by government, to providing an enabling environment by government for low income housing provision by other parties. Housing provision for people in need has long been the responsibility of a combination of private sector forces and public initiatives. However, it has been over-powered by programmes that seek to leverage private sector resources and expertise for public goods (Dube, 2011).

PPPs in social housing have been practiced in Egypt, India, the UK and South Africa. PPPs in social housing can improve perceptions of it by the public and private sectors

and change the general public's perceptions (Dube, 2011). Such partnerships can increase subsidies and construction as success can boost the private sector's confidence and they would want to be involved in projects that increase funding and resources available for development (Dube, 2011).

The potential value of PPPs in housing is the increase in availability of funds for housing, which in turn increases the supply of housing (Sobuza 2010). Partnering of private entities or emerging contractors and government can also increase capacity and allow for the transfer of skills. However, there are challenges that such an arrangement poses in social housing development. One of the main challenges, according to Sobuza (2010), is contradictory commercial and social focus of the different parties. The challenge is to make sure there are enough revenue streams from social housing projects to attract private sector involvement.

Another major challenge is how social housing projects are seen as being smaller in scale than the economic infrastructure developments and how social housing projects tend to be more complicated in the sense that there is on-going involvement with tenants. Therefore, private sector buyers for social housing PPP projects are presented with a circumstance where financial rewards are fewer and operational burdens are more difficult (Sobuza, 2010).

UN Habitat (2011) highlights the following challenges that PPPs have in affordable housing:

- Public Acceptability – There may be substantial opposition to private sector contribution in delivering affordable housing. This urban service provides a basic human need to the world's poor who would not otherwise receive it. Therefore if it is undermined due to drive for profit, the result could be strong public resistance to a partnership and private sector involvement.
- A challenge in Governance for Sustainable Development – Environmental sustainability is a significant factor when looking at policy options for housing. In many countries, a large portion of the responsibility for the implementation of PPPs in the urban sector lies with finance and other infrastructure departments. Although these departments are fully capable of implementing, they are not well-briefed on important environmental considerations.



Therefore, many social housing PPPs do not integrate key principles of sustainable development into their planning and implementation process. According to Trusler and Cloete (2010), for the private sector to be involved in social housing projects, they have to become acquainted with certain elements surrounding these projects such as:

- Rental structures
- Variety of units
- Arrangement of capital grants
- Project approval
- Financial feasibility
- Building density and specifications
- Target markets
- Housing quality to suit target markets

### **2.6.3 BOOT vs. BOT Model in Social Housing**

A BOT model is where the private sector is accountable for the funding, design, building and operation of the project (Dube, 2011). The control and ownership is given to government upon completion. A BOOT model is similar to the BOT model. According to Kaiser Associates (2005) the service provider in this model is liable for design and construction, finance, operations, maintenance and commercial risks of the project. The service provider, in the form of an SHI or private entity owns the project throughout the concession period, with the property being moved back to government at the end of term.

Rouse (2009) indicates that the BOOT and BOT models are similar. The BOOT model involves a private entity conducting a huge development project under agreement with a public sector partner. The project is a way to develop a large public infrastructure project with private finance. The main difference between the two models is that BOT provides for a legal title from government to the private sector (Green, 2012). In the BOOT model, the public sector will also be paying for capital expenditure so more costs are incurred than in a BOT model.

In the Middle East, Creed (2012) states, the BOT model has now been extended for use in the housing sector, even though there are important differences that need to be realised and built into a housing concession. The social housing PPPs have now

moved up their agenda. However, there has been a shortage of willing developers, contractors, and host governments willing to undertake PPPs in affordable housing delivery due to the lending of banks for longer term structured financing deals being much more limited than it was three to four years ago (Creed, 2012).

In South Africa, the social housing programme is an initiative by the Department of Human Settlements to deliver housing to all South Africans by the year 2014. The main delivery agents who are able to develop and manage social housing projects is the private sector for profit companies. According to Trusler and Cloete (2010) social housing instructs precise incentives which are used to encourage the participation of the private sector. Such incentives include access to the Restructuring Capital Grant, liberty to give retained profits during the project, and using the BOT model which permits the private sector to withdraw from the project after 15 years and trade with housing stock in the market (Trusler and Cloete, 2010).

## **2.6.4 The International Experience**

### **2.6.4.1 The United States of America**

The method used to deliver affordable housing in the USA has been perused more aggressively on federal, state, and local levels (Moskalyk, 2008). According to Sobuza (2010) PPPs are the main source and have numerous examples of partnerships which have occurred in the housing sector. Many supportive financing tools have been put in place by governments that have encouraged the production of social housing through the PPP model. The partnership approach in social housing began in the early 1980s due to a significant reduction in new funding. Before this, federal housing subsidy programmes in the country were the main source of funding to develop social housing opportunities (Sobuza, 2010).

The most prominent source of government funding for social housing in the USA is the Low Income Housing Tax Credit (LIHTC). According to Moskalyk (2008) it gives tax credits to local non-profit housing authorities. These credits can be used to sell to private investors for cash. The private sector in turn uses the credits to decrease their taxable income. Sobuza (2010) argues that most partnerships in the country are rooted in the non-profit sector. The 'system-wide' PPP approach which involves widespread participation of corporations, foundations, lenders, financial investors, and the non-profit sector, has evolved. This has happened to the extent that this new

paradigm has become almost the sole approach used to produce affordable housing (Sobuza, 2010).

Historically, the USA used a widespread selection of programmes and subsidy tools to reassure local communities and partnerships to facilitate social housing. These include a housing block grant, effective interest rate subsidies, and mortgage insurance and guarantee programmes.

The introduction of tax credits in South Africa could be a great way to attract better private sector participation in the development of social housing. Even though South Africa is the second largest economy in Africa and is classified as a middle income country by the United Nations, it still continues to be the least equal economy in Africa (Centre for Affordable Housing Finance in Africa, 2014). According to the Centre for Affordable Housing Finance in Africa (2014) only 4% of the total mortgages in 2012 and 2013 were given by the private sector. Therefore incentives such as tax credits could enable the private sector to extent more funds to people in order for social housing to be developed at a faster rate. However introducing a mechanism such as tax credits could take a while to get started as lenders are still cautious about lending as high unemployment and low incomes continue to persist in South Africa.

#### **2.6.4.2 The United Kingdom Experience**

In the UK, social housing has depended on the private sector to enhance public funding. Since 1988, Moskalyk (2008) states, the housing association construction programmes financed by the housing corporation have gradually depended on private funds to increase subsidies by aiming at financial institutions. The UK then presented a housing Private Finance Initiative (PFI) which is an approach used by government to inspire partnerships between public and private sectors (Moskalyk, 2008). Under this initiative, local housing authorities grant a long term contract to a private contractor made up of a bank, housing contractor, and a housing association.

According to Sobuza (2010), the government in the country then decided to create pioneer projects to endorse PFI in social housing. In 1998, eight local authorities were carefully chosen as pioneers for PFI housing projects. Pathfinder schemes concealed a range of different forms and number of dwellings which included modern high rise tower blocks and incorporated refurbishment projects (Sobuza, 2010). Other aims of the PFI include providing an affordable means to attract investment for social housing

and to make the most of the value of public money by making sure a relocation of risks from public to the private sector took place. The private sector may be able to comprehend and manage short-term and long-term risks. (Moskalyk, 2008).

The Human Settlements Minister in South Africa has promised that her priorities in the first 100 days of her role would include establishing a credible affordable housing waiting list database. More importantly her priorities include signing a social contract with the Banking Association South Africa (BASA) to recommit private banking sector to the social contract concluded in 2004<sup>5</sup> (Centre for Affordable Housing Finance in Africa, 2014). This is a good initiative shown by the government in drawing in the private sector, especially the financial institutions in assisting with the development of social housing in South Africa. Like the UK, government also relies on private sector funds and this realisation has grown more over the years. Financial institutions are relied upon the most to be able to extend more loans to beneficiaries and even funds to SHIs in order to combine it with the subsidy that is received by that beneficiary. If such a social contract is agreed and signed upon, then SHIs are able to retain better funding to construct social housing for the gap market.

### **2.6.5 The South African Context**

According to Trusler and Cloete (2010) since social housing has been introduced in South Africa, there is no record of a private sector for-profit company being engaged in initiation, development, and management of a social housing project. This means that the private sector is not well informed about the social housing programme or the private sector is informed, but does not see the incentives enough to want to participate. Market related incentives which include positive reports on rental housing sector, vacancy rates and trends by making use of the Capital Grant which covers capital costs, and inefficient and expensive municipal services would influence the private sector's involvement (Trusler and Cloete, 2010). Other government incentives include the Urban Development Zone (UDZ) tax incentive. This allows for a faster depreciation allowance that relates to investments in refurbishing existing buildings or creating new buildings in inner city areas.

Despite this, the private sector does believe that they should take part in social housing development using the BOT model but are willing to have talks with government to develop mutually suitable grounds for participation. Governments should take the

initiative to request the private sector to work together in a process that would result in a formulation of a mutually beneficial model.

The Social Housing Policy makes use of the three pronged strategy and the second and third prongs involve government partnering with the private sector. The second prong relates to the use of PPPs for high impact projects in designated restructuring areas. The private sector is seen to take part in the design, construction, and management of PPP projects. The second prong goes on to explain that PPPs are only used in large scale projects due to the related transaction costs making them ineffective in small projects. The third prong relates to the facilitation of the development of private sector rental provision. This will be done by making use of grants in accredited projects which are developed and managed by the private sector rather than by accredited institutions (Department of Housing, 2005). The processes introduced to facilitate social housing should not push the private sector out, but rather facilitating their involvement in the sector.

The NHFC has also entered into a PPP with government in ensuring better funding for SHIs who are social housing delivery agents. This institution is structured to drive activities that demonstrate workable models for affordable housing finance and developments in the gap market. NHFC provides housing funding to intermediaries (SHIs, private developers) and supports and capacitates emerging housing intermediaries, through partnerships with other local and international organizations. The scope of NHFC's funding programmes, according to NHFC (2014), extends to deliver the following:

- ✓ Housing projects that benefit the housing and/or housing finance needs of the defined NHFC beneficiary target market (South African individual/household with a monthly income that ranges between R1 500-R15 000).
- ✓ Development of social housing and/or rental housing projects through SHIs or property developers.
- ✓ Retail home loans and small home improvement loans to the low end of the affordable housing market.

### **2.6.5.1 Case Study**

The Nedbank Corporate Property Finance (Affordable Housing) announced in 2008 the funding of the R2,6 billion PPP between Ekurhuleni Department of Housing, Calgro M3 Holdings Ltd, and the bank.

Calgro M3 Holdings Ltd initiated and secured the PPP residential housing project in Ekurhuleni for delivery of the first phase of 14 700 housing units. This PPP brought together Nedbank as the financier, Ekurhuleni Department of Housing as a development partner, and Calgro M3 Holdings as a developer (Nedbank Corporate Property Finance, 2008). This project consisted of 4 900 RDP units and most importantly 9 800 social housing or affordable housing units. This initiative indicates how committed government is in bringing a PPP arrangement with the private sector and having Nedbank which is a financial institution on board brings greater relief in the funding of projects such as social housing. It ensures that developers such as Calgro M3 Holdings are able to finance the development of social housing units and continued support by financial institutions in other social housing projects should be emphasized and practiced.

## **2.7 Implications of the International and National Experiences**

No example has fully gratified every success criteria, but the experiences of international countries suggest that success in terms of high quality, sustainable housing cannot rely on PPP strategies alone. Careful deliberation of the value for money drivers is likely to improve the likelihood of the PPP solution becoming a feasible alternative. The case study in the South African context indicates how PPPs are a key thrust in the delivery of housing in the country with the immense funding brought in by the financial institution in order to deliver affordable housing.

## **2.8 Summary**

The Housing policy in South Africa has called for PPPs in addressing housing issues and the provision of adequate and affordable housing. PPPs are not fully understood and different views have ranged from them meaning the passing of government tasks to the private sector. Today, PPPs call for shared distribution of resources, risks, and responsibilities amid the public and private sectors in order to achieve public private goals. There is a need to document what is happening in social housing in South Africa

and test the BOOT and BOT models in social housing in the country. Gaps do exist, hence the need to investigate this. Therefore, an opportunity exists to explore suitability of PPP models such as BOOT and BOT in social housing. The next chapter deals with PPPs in South Africa and around the world.

## **Chapter Three: Public-Private Partnerships**

### **3.1 Introduction**

In this chapter, PPPs are examined from their origin, principles, the strengths and weaknesses of the arrangement, and the different types of PPP models, highlighting the BOOT and BOT models and which model between BOOT and BOT is commonly used in the South African context. An International and national experience is explored in this chapter in terms of the effect of these arrangements and how such partnering can be of benefit especially in dealing with the challenge of the housing backlog in South Africa.

### **3.2 PPPs Introduction and Development**

PPPs have been in operation since the 18<sup>th</sup> century with the partnering of government and the private sector in supplying public services and facilities such as toll roads and railways (Dube, 2011). Cellucci (2010) explains that PPPs had occurred in North America prior to the Revolutionary War and the first person to implement the idea in the New World was John Winthrop Jr. One of the first instances of PPPs in the New World transpired when Benjamin Franklin formed the American Philosophical Society of Philadelphia in 1742. The society sponsored the University of Pennsylvania and this showed how the public and private sector could potentially collaborate amicably for the common good.

Hearne (2009) explains that PPPs were presented as part of the neoliberal process in 1992 in the UK by the conservative government through the PFI in the health sector and expanded across the world. Dube (2011) argues that there has been a regrowth of PPPs in development and practice and in policies over recent decades. Government has been faced with the stress to grow and advance public facilities and services and this has led to government turning to the private sector in order to make use of private funding and attain better value for money. This was seen as a better approach as public approaches to infrastructure provision posed issues such as political interference, lack of funds for new development, and lack of proper administration. However, it further resulted in the disintegration of urban governance and service delivery as the ideology behind it was that of transferring responsibilities and functions of government to the private sector (Dube, 2011). The common examples found today



in the world are the construction of transportation infrastructure such as roads and highways (Cellucci, 2010).

### **3.3 PPP Elements**

As previously stated, the use of PPP is an approach where the state goes into contract with the private sector to design, build, finance, maintain and operate a public service or infrastructure and such contracts last up to 25 to 30 years (Hearne, 2009). According to Dube (2011), most PPPs include elements such as participants, resourcing, sharing and continuity. It is hard to find general practice principles for PPPs as projects developed in partnership are designed differently in relation to their context. Therefore, it is vital to understand the context in which partnerships occur as the success of partnerships is context specific. Hearne (2009) describes how PPPs are categorised according to their several contractual types.

When considering the sustainability of Projects, Dube (2011) highlights the following three factors:

- Financial sustainability – One looks at the potential revenue sources and how costs will be recovered.
- Technical sustainability – An assessment of technological alternatives according to their sustainability in the provision of municipal services over the duration of the project is undertaken.
- Level of the amount of assistance – The amount must be a reasonable ratio of the total projected project cost. The amount should not exceed more than 3-8% of the estimated total project cost.

Ngcuka (2010) highlights three internationally applied basic tests to support implantation of PPPs as a procurement model. These include the ability for extensive risk to be shifted to the private sector, affordability of the project to government and whether or not the PPP option shows value for money. PPPs are seen as more valuable as a procurement model at local municipal level as they are service delivery agents of government and this is often the area of government hit the hardest by capacity constraints due to availability of skills.

### **3.4 Different Types of PPPs**

According to Dube (2011), there are various kinds of PPPs with the most common ones being BOT or Build Own Operate (BOO) arrangements, joint ventures (JVs), leasing, contracting and various types of public-private cooperation:

- BOT – The private sector is accountable for the funding, design, building and operation of the project. The control and ownership is given to government once completion is seen.
- BOO – The control and ownership of projects remains with the private entity and this entity is responsible for financing, building, owning and operating the project of infrastructure facility into perpetuity.
- Leasing – Such projects transfer a portion of the risk to the private sector. Such arrangements are also referred to as ‘affermage’ contracts. The private sector covers the design, construction and sometimes the operation of a project. It is mainly used in France and some ex-French colonies in Africa. Government takes on majority of the risks related to ownership and if an asset is being acquired by government through a financial lease, then government is the economic owner of the PPP asset.
- Joint Ventures (JVs) – The finance, ownership and operation are the responsibility of both the public and private sectors. This type of procurement method is used in urban regeneration schemes in the USA where local government buys and clears disintegrated areas for themselves or private entities to invest in new construction such as a new city hall or government offices.
- Operation and Management Contracts – The private sector has partial involvement where they deliver a service or management of a project. This allows the private sector to deliver infrastructure-related services for a definite period of time.
- Cooperative Arrangements – This is a contract arrangement between the public sector and the private sector in social housing development projects. Fiscal incentives are provided to entice private capital to low-cost housing associations for social housing projects.

The Housing Services Corporation (2012) also acknowledges different types of PPPs and these include:

- Design-Build – The private sector designs and builds infrastructure to satisfy public sector performance specifications, usually for a stable price, so the risk of cost overruns is moved to the private sector. However many do not view this within PPP.
- Build-Finance – The private sector builds an asset and funds the capital cost only throughout the construction period.
- Operation and Maintenance Contract – The private entity, under the agreement, functions a publicly-owned asset for a definite term. The ownership of the asset stays with the public sector.

Rouse (2009) states that the BOOT model is similar to that of the BOT and BOO models. BOOT is where a private entity conducts a large development project under contract with a public sector partner. A BOOT project is usually a way to create a large public infrastructure project using private finances. Green (2012) highlights the main difference between these models, stating that the BOT model provides a allocation of legal title from the public sector to the private sector. Under the BOOT model, the public sector will also pay for capital expenditure in relation to the asset. Therefore, more costs are incurred than the BOT model.

In the Social Housing Policy of 2005, part of the 3-pronged strategy that was adopted explained that PPPs will not be structured as a BOT arrangement (Department of Housing, 2005). This is where automatic transfer from the private sector to SHIs occurs after a period of time where the SHIs have not been participating. However, in situations where transfer of stock to SHIs may happen, SHIs should be involved from the design and development of the project so to ensure long-term sustainable management of stock (Department of Housing, 2005). Therefore, a BOT model is more prone to be utilised for the growth of social housing as stated in the Social Housing Policy of 2005. Lower costs are associated with the BOT model, which the public sector or government would prefer.

### **3.5 Strengths and Weaknesses of the PPP model**

Kaiser Associates (2005) state that the increased use of the PPP model lies in the private sector's financing capability. The major difference in using PPP models is that project finance helps ease investment risk and raise funds at a lower price to benefit the public and private sector. It increases the private sector investment and investor confidence through reduced risks, which can be summarised in the value for money formula (Kaiser Associates, 2005). According to Hearne (2009), PPPs can assist considerable public infrastructure and service deficits that have collected in recent decades. This is done by giving private finance to permit a greater level of public service and infrastructure delivery.

PPPs also present private sector innovation and management expertise and can result in enhanced speed of delivery, value for money and effectiveness through advanced productivity of labour and capital resources (Hearne, 2009). Dube (2011) also highlights various advantages that PPPs present and these include decreased costs and slight improvements in performance. A positive outcome of JVs is that they assist in mobilizing and developing a long-term and mutually beneficial relationship between different stakeholders (public and private) in projects.

The Housing Services Corporation (2012) states that PPPs can bring a wealth of experience in construction, design, real estate funding, marketing and management for the public sector. Ngcuka (2010) argues that PPPs assist in leveraging private sector skills and resources and also help in achieving private sector efficiency in delivery of public sector services. PPPs can offer well established networks on which to leverage additional fundraising resources and economics based on a long term relationship with suppliers and contractors. For the private sector, it will generate financial returns, develop a competitive edge and growth in experience, accessing funding that would otherwise not be available without the public sector, and enhance the company's reputation (Housing Services Corporation, 2012).

However PPPs do have a few flaws. Dube (2011) argues that they do not guarantee equity and fair access to services. This is seen as a major weak point of partnerships as this is always an issue and abuse is possible from both public and private sectors. Some other problems can range from vulnerable groups not being able to meet the purchase requirements and competing in normalized market conditions. They can also be seen to contribute to inequality and poverty, reduce public sector capacity, have

poor value for money, create a two-tier workforce and increase user charges (Hearne, 2009).

### **3.6 Examples of PPPs**

#### **3.6.1 Ireland**

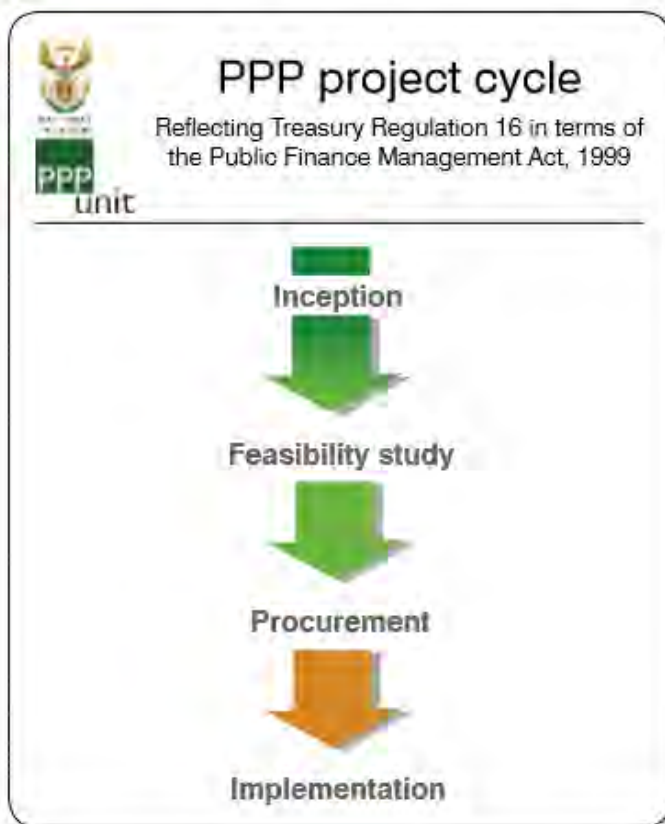
PPPs were introduced in Ireland on an experimental basis in June 1999 resulting in recommendations made by the private sector in a report on the potential of PPPs which was done by private consultants Farrell Grant Sparks in 1998 (Hearne, 2009). Since being introduced, these arrangements have been applied and expanded by government at central and local levels in the water/waste-water, social housing, road, and education sectors. According to Hearne (2009), the Irish government Budget in 2004 aimed at increasing PPPs from 3% in 2004 to 15% in 2008 of total capital investment. The only published empirical assessment of PPPs in Ireland is the Comptroller & Auditor General reports, which is the Irish government's main auditor of public spending.

While government and the Irish Congress of Trade Unions state that PPPs are not a method of privatisation, Hearne (2009) argues that concerns have been raised about the effects on quality of service in important areas of social infrastructure delivery such as schools, hospitals, and housing. Central government decided that projects regarding social infrastructure provision would only continue if done through the PPP route. The shortage of government funding for the establishment of such infrastructure also further inclined local actors to follow the PPP route. Given the long-term nature of PPP agreements and their financial and socio-economic influence on the Irish state in areas of public service delivery and policy-making, Hearne (2009) argues that a valuation of PPPs in Ireland is needed. This would be done on a public service perspective, placing emphasis on the part that PPPs play in the transformation of the Irish welfare state into a neoliberal one.

#### **3.6.2 South Africa**

According to Ngcuka (2010), the Treasury, which is the main legislative tool in South Africa facilitating the use of PPPs as a procurement model, defines two types of PPPs: one that performs a government function or provides government services, and one that acquires the use of government property for its commercial purposes, or a hybrid of both models. A number of municipal PPPs have been implemented in South Africa

for water treatment/purification works, mixed use property development and head office accommodation amongst others (Ngcuka, 2010).



**Figure 3.1 PPP Project Life Cycle (Source: National Treasury PPP Unit, 2007)**

In the speech given by the Minister of Human Settlements in the budget vote of 2006/7, Lindiwe Sisulu explains how an indication of seeking to mobilize all sectors led to a Social Contract being made (Department of Housing, 2006). The collaboration of government, civil society, banks, and property developers, who are signatories of the Social Housing contract for fast housing delivery, settled to ensure a certain percentage of the total project value in the housing subsidy category go towards inclusionary housing. A percentage of saving by the private sector could be put back in a mutual social responsibility which is housing. Lindiwe Sisulu's speech in the 2007/8 budget vote followed up on the social contract by stating that the department had negotiated with developers and other stakeholders to make sure they all collectively developed the Inclusionary Housing Policy. This policy was to be implemented in stages and would culminate in legislative measures by the end of that year (2007).

Fast-forward to the year 2014, where Lindiwe Sisulu has regained being the Minister of Human Settlements. In an interview conducted with her during the course of this year, the Minister explained how she wanted to persuade the Treasury to approve the introduction of incentives to inspire the private sector to take part in the delivery of social housing. This indicates in many ways how government still acknowledges that it does not have enough resources, skills and expertise to be able to deliver as fast as they need to. The minister referred again to her speech back in 2006, where she said she would like to see every private sector entity to put something into housing as part of their social responsibility obligations (Cokayne, 2014).

Minister Lindiwe Sisulu explained that private sector entities have made it clear that there had to be something “in it for us” for them to join and recommit to another social compact on delivery of social housing. “We have to make it eye-catching for them to come on board. Incentives exist in various other types for the private sector for various reasons. I think this one is very necessary.” (Cokayne, 2014). The department is to hold another Housing Indaba in September in Pretoria where they hope to get private sector entities to recommit to a housing social compact, similar to the one in 2004. The one in 2004 led to major banks obligating in terms of the financial services charter to deliver R42 billion towards loans for social housing. This illustrates how the South African government was able to tap into the private sector with regard to finance for housing through the PPP model.

The government would like to see banks concentrating on the delivery of mortgage finance for rental housing stock, which would help affordability issues in the housing market (Cokayne, 2014). The PPP developed with government and the private sector through the social compact had laid the basis for quicker housing delivery and 275 000 houses were provided in the human settlements department 2007/08 financial year (Cokayne, 2014). In order for the government to be able to tap further into the private sector resources in terms of skills or expertise, the department of human settlements would like to hear from the people involved in social housing about their achievements and challenges and how the department could support them.

### **3.6.2.1 PPP Models in South Africa**

The most common model applied in South Africa is the BOOT model. This is where the service provider is accountable for design and construction, finance, operations, maintenance, and commercial risks related to the project (Kaiser Associates, 2005). The service provider owns the project throughout the concession period, with the asset transferred back to government at the end of term, usually at no cost. The BOO and BOT models are also common models in the country, similar to concession, and used mostly for green field projects. According to Kaiser Associates (2005) the private sector obtains a fee for its service from the users, with the difference being that the service provider holds ownership of the asset in permanence. Government only agrees to buy the services provided for a static period of time.

Other models include Design Build Finance Operate (DBFO), Design Build Operate Transfer (DBOT), and Design Build Operate (DBO). The Lease Own Operate (LOO) model is not yet prevalent in South Africa according to Kaiser Associates (2005). However, it could emerge as a worthy model, similar to the BOO model, where an present asset is leased from government for a certain period of time. The asset may need refurbishment or expansion (Kaiser Associates, 2005).

### **3.6.2.2 Changes in South African PPP Models**

The development of toll roads initiated the use of PPPs and have since been used in other areas in the country (Kaiser Associates, 2005). The private sector is gaining more and more interest in PPP infrastructure and social services projects in South Africa to expand market presence and business volume. The managerial aspect of the private sector to projects run as PPPs is seen as essential. According to Kaiser Associates (2005), the National Treasury's division oversees partnerships across all three spheres of government, encouraging knowledge sharing and improving the level of ordinary services through private sector investment.

### **3.6.2.3 A South African case study for PPPs**

The Seven Buildings Project (SBP) was officially inaugurated in 1996 and was believed it would usher in a new era of city housing by serving as a model for future affordable housing projects. According to Russouw (2003) the project would transform poor residents of the combined 400 slum-style apartments in the inner city area of Johannesburg. These seven buildings included Argyle Court, Branksome Towers, Coniston Court, Manhattan Court, Margate Court, Protea Court, and Stanhope



Mansions. The residents of these buildings would be joint owners of their buildings in a collective housing scheme and these tenants became the first recipients of the institutional housing subsidy in South Africa. However in the year 2000, tenants of the five buildings overthrew the original board of directors of the Seven Buildings Company (SBC), the company created to own and manage the buildings. They fired the management team after the board proposed a 7% rent increase.

That was the fall of the project. In 2002 SBC was liquidated after the tenants defaulted on their R3.6 million loan from Inner City Housing Upgrade Trust (Ichut) in order to upgrade their rundown buildings. In 2003, Ichut cut their losses and sold the buildings at a public auction. Although the project was created to pioneer social housing, it was too big to sustain itself and cross-subsidisation signalled its end. On top of all that, the Gauteng Department of Housing as it was formerly called, had 2 of the former directors of one of the “illegitimate” boards convicted for fraud and corruption.

This case study is also able to show how government and the private sector need to focus on a common goal in order for housing to be delivered at a faster rate and the people are able to receive such housing. Protests and complaints will continue to be a feature in the country if the PPP model adopted for housing delivery is not structured with goals of the government as well as the private sector. As the case study indicates, the private developers are too profit driven. Therefore, the incentives the Minister of Human settlements had spoken about in an interview this year would go a long way in ensuring that the private sector supply housing that is of good quality and complies with all the regulations and laws, without causing loss at the expense of these projects.

### **3.8 Summary**

PPPs have proven to be an effective delivery method in infrastructure and services. However, a number of projects have still failed. There is a clear benefit through risk distribution and the participation of the private sector in infrastructure delivery. It is well accepted that PPPs are useful and essential for delivery. Although there are certain concerns raised on the long-term effects PPPs may have, partnerships are a worthy option to consider helping address housing shortages. While research on this topic may be restricted, there are many facts provided to believe that PPPs can propose a means forward in the delivery and management of social housing.

## **Chapter Four: Historical Background of eThekweni**

### **4.1 Introduction**

Housing backlog in Durban is still very intense with 700 000 houses that still need to be built and this is due to vast amounts of migrants coming in for work. These are people coming from different places within KZN and even as far as the Eastern Cape and they all demand housing. This gives a great burden on the housing demand in the city as there is a moving target of the number of people who need homes. Therefore it is vital to give a brief background of Durban and how PPPs can assist in meeting the housing demand, given the information of the city. A brief overview of Durban, its economic activities, the city's strategies and the state of housing in the city was included to highlight the context of the study. This chapter also uses SOHCO Property Investments as a case study, with its Lindar House (Port View) project as an example.

### **4.2 Background of Durban, KZN**

The city of Durban is situated on the far east side of South Africa in the province of KwaZulu-Natal (KZN), approximately 600km from the city of Johannesburg. Durban is the largest city in KZN and is one of the country's main seaside resort cities. It spans an area of 2 297km<sup>2</sup> and has 3,5 million people residing in it. Map 4.1 is a map showing the location of Durban in the context of KZN.

In 2011, the annual population growth rate was recorded at 1,08% for Durban (Stats SA, 2011). This is driven by the rapid influx of people from rural areas who are seeking employment in the city centre and few of whom have the means to build or buy any formal houses in the city. The population of the city makes up 956 713 households with an average size of three people per household (Stats SA, 2011). The households are distributed in different forms with 40% of these households being female headed and the remaining 60% being male headed. Out of the households in Durban, 79% are formal dwellings, 29,7% are rental with tenure status, and 12,8% are occupied rent-free (Stats SA, 2011).



Map 4.1 Map showing the city of Durban (Source: [www.cybercapetown.com](http://www.cybercapetown.com))

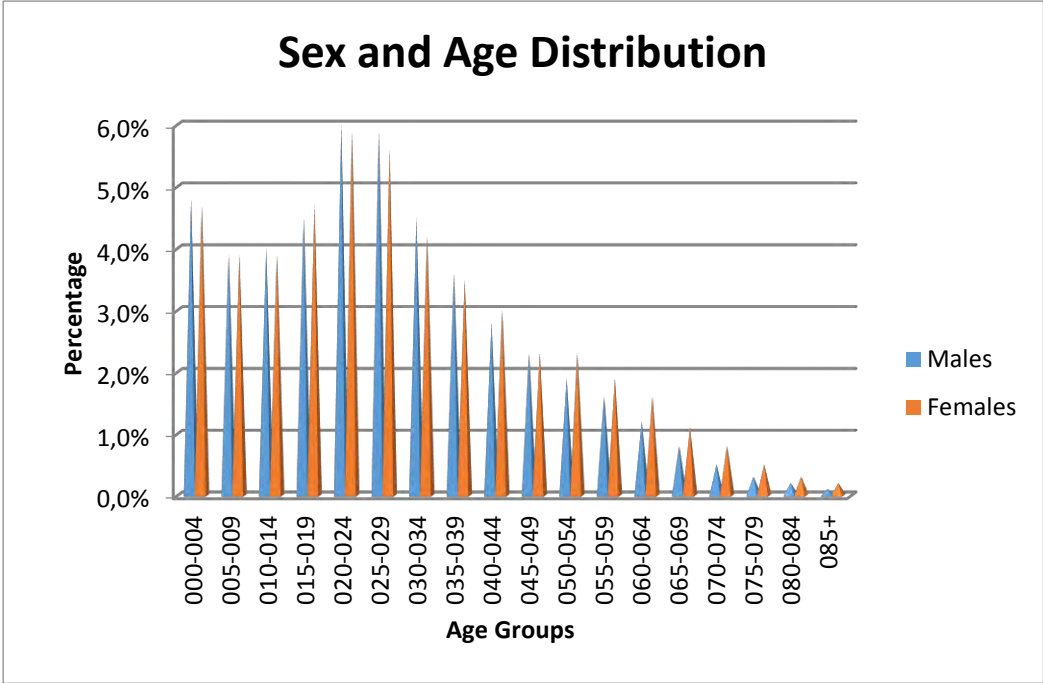


Figure 4.1 Graph Showing the Sex and Age Distribution of Durban. (Source: Stats SA, 2011)

The graph above (Figure 4.1) shows the city's age and sex distribution. This graph indicates that the majority of the population falls in the 20-24 as well as 25-29 age groups. The people in this age group are those who are seeking job opportunities in the city centre. Durban is made up of different variations in neighbourhoods. Some consist of low density suburbs with high income residents and others with high density informal dwellings that house the urban poor of the city. The city is divided into seven regions which ensure better governance and easy access to local communities (Dube, 2011). All regions have offices that provide the residents with better access to different services provided by the city of Durban. The map below (Map 4.2) shows the different regions which constitute the city centre, the north, the south, north central, south central, inner west, and outer west in Durban.



**Map 4.2 A map showing the seven regions in Durban. (Source: [www.roomsforafrica.com](http://www.roomsforafrica.com))**

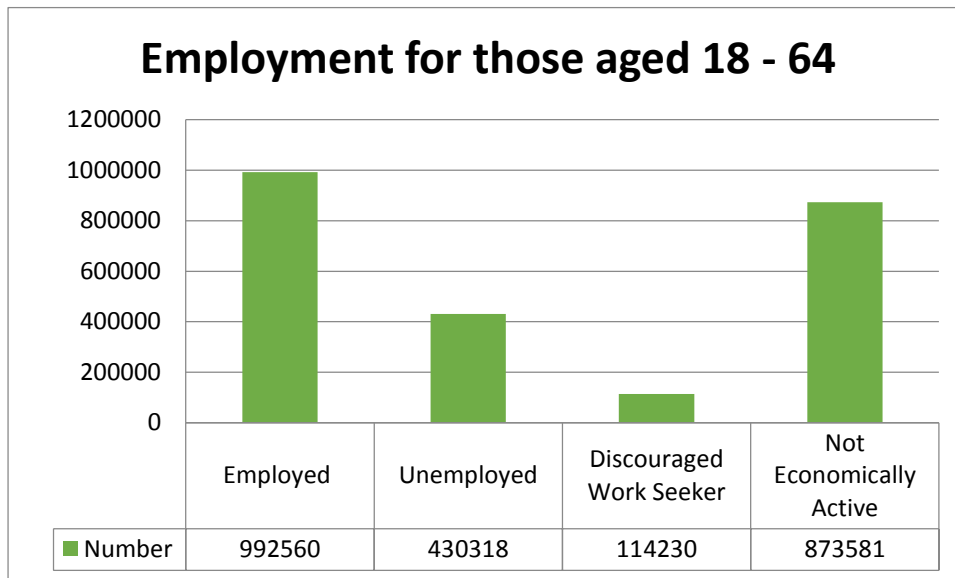
### **4.3 Economic Background of Durban**

From 1860 onwards, the Indians approached to Natal to work in sugar manufacture and in 1896 a railway link in the middle of the sugar growing areas and the port of Durban was formed (Southafrica-travel.net, 2014). The sugar terminal is now the largest in the world and became one pillar of the city's economy with the other being the tourism industry. "Durban has a number of economic prospects working in its favour. While the port and established industrial sector continue to be active economic contributors, tourism is also increasing at a remarkable pace." (BDO Southern African Co-ordination (Pty) Ltd, 2008).

According to the eThekweni Municipality (2011) Durban has four main economic sectors which are:

- Manufacturing – 23%
- Financial and Business Services – 22%
- Community Services – 19%
- Wholesale and Retail – 15%

Unemployment in the city is at 30,2% with youth unemployment at 39% (Stats SA, 2011). This is cause for concern as many residents of the city are not receiving an adequate income to be able to afford essential services such as food for the family and most importantly, housing. The graph below shows the employment for the working age (18 – 64) in the city of Durban.



**Figure 4.2 Graph showing the employment for the working age in Durban. (Source: Stats SA, 2011).**

#### **4.4 Durban Strategies**

“By 2030 eThekweni Municipality will relish in the reputation of being Africa’s most liveable city, where all citizens live in harmony.” (eThekweni Municipality, 2011). This will be attained by increasing the city’s economy and meeting people’s needs in order for all the citizens to relish a high quality of life with equal chances. According to eThekweni Municipality (2011), the city has a number of core values that it will use in order to achieve this vision. These core values include:

- Sustainability.
- Economically successful city.
- Caring city.
- Smart city.
- Poverty reduction and Democratic and equal city.

An important issue that the city needs to address is that of meeting people’s needs in order to eradicate poverty. There are current and proposed Local Economic Development (LED) activities on which the city has embarked. This has been accomplished through promoting LED beside economic corridors and in economic nodes in order to attain economic growth and job creation (eThekweni Municipality, 2011). If this is done, more people will earn an income so that they are able to cater

for their needs such as housing. The city also aims at improving service delivery and quality of education.

#### **4.4.1 Housing in Durban**

As mentioned in 4.4 above, the city has core values in order to accomplish the city's vision for 2030. One particular value relates to the delivery of affordable housing and this value is regarded as one of the tools which can be used to reduce poverty and also to create a democratic city. The urban poor are the ones who do not have access to resources to gain affordable housing. The low to middle income groups have difficulty in accessing decent housing due to their being unable to access loans or bonds from banks, while others do not qualify for subsidies from government.

According to eThekweni Municipality (2011), the aim of the city administration is to support the creation of sustainable and integrated human settlements as well as delivering housing opportunities to qualifying beneficiaries. Durban has 945 910 dwellings and 265 542 (28%) of these dwellings are informal structures or shacks (eThekweni Municipality, 2011). The housing backlog at the time was calculated at 400 000 units, which includes backyard informal units (48 975) and traditional homes in need of upgrade (97 266). According to eThekweni Municipality (2011), the important means of the city are creating quality housing opportunities which include the construction of new integrated human settlements and more particularly facilitating rental opportunities through SHI's and private developers.

Plan three of the Integrated Development Plan (IDP) states that the city needs to create a quality living environment (eThekweni Municipality, 2011). This is where the city's priority of informal settlement upgrading comes in. The criteria for upgrading these informal structures take into account the walking distance to public transport, proximity to essential social facilities and nodes of high economic activity, as well as the presence of bulk infrastructure (eThekweni Municipality, 2011). This goes hand in hand with the city's purpose of creating sustainable human settlements and the vision of meeting people's needs in order for citizens to enjoy a high quality of life with equal opportunities (eThekweni Municipality, 2011).

## **4.5 Case Study: SOHCO Property Investments**

SOHCO Property Investments is a section 21 non-profit company which develops and manages social housing in East London, Cape Town and Durban Metropolitan Areas. The company's main drive is the increase of quality, affordable residential property for the rental market. It mainly provides for low income households and more particularly, for formerly disadvantaged members of the community who are eligible for a government housing subsidy.

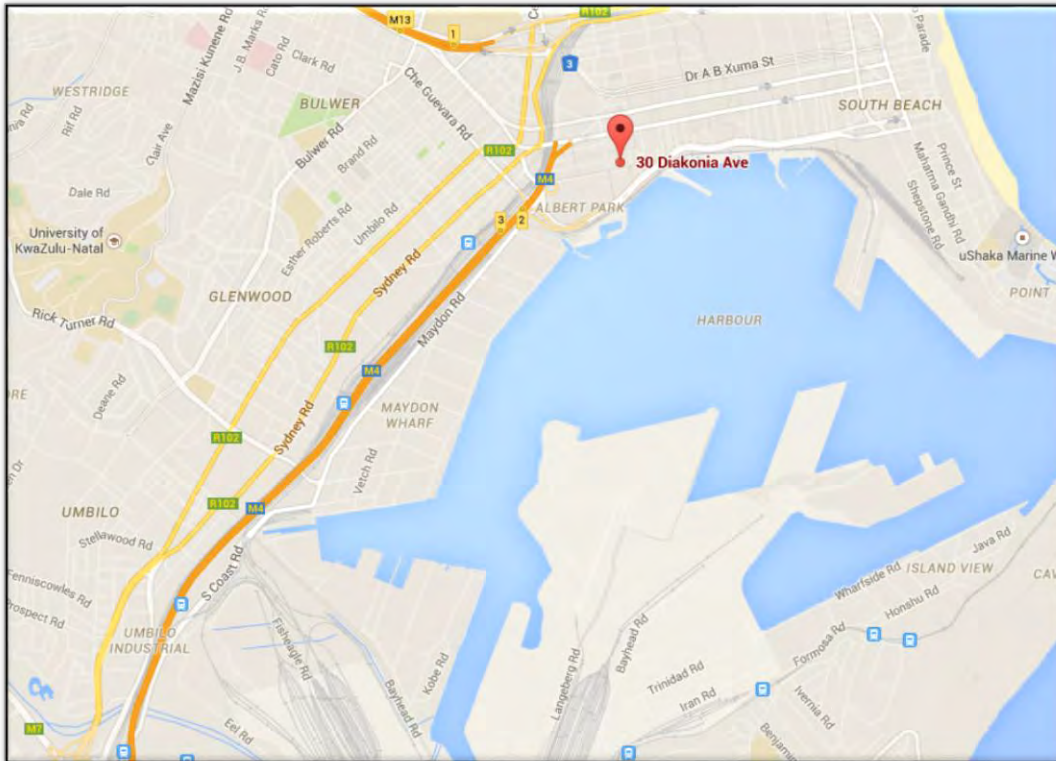
The development process that SOHCO utilises includes obtaining financial support from National and Provincial government and in some cases local municipalities. The remainder of the development expenses are obtained by the company as loan funding. This way of financing permits SOHCO to develop units for the social housing rental market and at the same time allows the units to be rented at lower than normal market rents.

The Lindar House (Port View) project developed by SOHCO is used in this chapter as a case study. It is a social housing project that was developed through a PPP or by the private sector as a way of assisting government to deal with the challenge of the shortage of affordable housing. It is used to illustrate how PPP projects operate especially in eThekweni Municipality.

### **4.5.1 Lindar House (Port View)**

Lindar House is an inner city development that was completed in 2009 and is situated on 30-34 Diakonia Avenue in Albert Park, Durban. In order for the development to take place, four buildings had to be converted, the biggest being a nine storey office building (SOHCO, 2009). These residential units are situated on a city block with two street frontages and a pedestrian lane. These buildings include residential units as well as ground floor commercial units.





**Map 4.3 Map showing Lindar House physical address (Source: [www.google.co.za/maps](http://www.google.co.za/maps))**

The units are located within 1km from a major station transport node, Berea station, and Warwick Junction. It is also situated in close proximity to recreational, health, shopping, and educational opportunities. Albert Park, 300 metres up the road in Diakonia Avenue, the Durban Music School, and a Museum are directly across the road. There are both primary and high schools within walking distance and major clinics and hospitals within a 3km radius (SOHCO, 2009).

#### **4.5.1.1 Project Funders**

The developer of this project is SOHCO Property Investments which is a section 21 company. Various organisations and bodies funded the project. The National Department of Human Settlements funded the project through the Restructuring Capital Grant with an amount of R8 576 800. The KwaZulu-Natal Department of Human Settlements also funded the project through the Institutional Subsidy with an amount of R5 613 004. The National Housing Finance Corporation gave a loan to SOHCO and this loan amounted to R16 784 253 (SOHCO, 2009).

#### 4.5.1.2 Housing Typologies and Rentals

The social housing development consists of 142 units. Out of these units, there are 11 bachelor flats, 22 one bedroom units, and 109 two bedroom units. Each floor has an open court, providing natural light and ventilation and space to dry washing and interact (SOHCO, 2009).

Rentals are charged according to the income of each household. The rent is also dependant on the type and size of the unit supplied. Below is a table showing the different household incomes and the amount of rental that will be charged per income bracket.

**Table 4.1 Table showing the rental charged per income bracket of households.**  
*(Source: SOHCO, 2009)*

Income of household	Rental (based on unit type and size)
R 7 500	Up to R2 250 maximum
R 5 500	Up to R1 650 maximum
R 3 500	Up to R875 maximum
R 2 500	Up to R625 maximum
R 2 200	N/A



**Figure 4.3 Picture showing the Lindar House development.** *(Source: Google Maps, 2014)*

## **Chapter Five: Research Findings, Data Analysis, and Interpretation**

This chapter displays the research findings, which have been collected using tools such as a case study which is outlined in chapter four and in-depth interviews. These interviews were carried out during the time of research. These interviews were conducted with public sector representatives (local and provincial spheres of government), Non-Profit Organisations, and private sector entities in order to address the research objectives and research. As stated in chapter one, thematic data analysis will be used to analyse data.

### **5.1 Research Findings**

#### **5.1.1 Case Study Analysis**

In the Port view project, government and the private sector entity (SOHCO) as well as government in the form of National and Provincial levels were able to come together in a PPP arrangement. Government played its role by providing funding through different funding mechanisms such as the Restructuring Capital Grant and the Institutional Subsidy. As the housing policy outlines, it is important for government to assist those who lack enough resources to get decent housing in the form of subsidies, which government has done in this project.

This project is also in line with the BNG Housing Policy as it states that there should be provision of rental options in the form of social housing units (Department of Housing, 2004). The involvement of the NHFC, which facilitated the funding of this Port view project through a loan taken by SOHCO, was important as its involvement helps facilitate the involvement of other non-financial institutions in funding of housing projects such as Port view.

The type of PPP model which was adopted for the development of this housing project was the BOT model. This is the model which is used as an incentive for the private sector where they are able to exit the project after 15 years and trade with housing stock in the market (Trusler, 2010). The SHI has the responsibility to source funding, come up with the design as well as operate the project. However, transfer of the building is not given to government; the SHI owns the building as per the contract. Transfer only occurs when the unit is given to the beneficiary once construction is complete. The only time where some sort of transfer with government occurs is if the

SHI has issues that escalate to a problem that is deemed uncontrollable, then the department of human settlements takes over that building. Transfer also occurs when government outsources the project to a private developer. Where the developer hands the project back to the department, the project is then distributed to an SHI to run and manage the rental units. This is further explained in the interviews in the appendix section.

### **5.1.2 Interview Analysis**

As stated in the first chapter (section 1.8.1), the data collection process includes conducting interviews with various informants from private sector entities as well as government bodies who have been involved in the social housing industry. These interviews were conducted to better understand the process used under PPP models and the role they play in the delivery of social housing.

#### **5.1.2.1 Interview Findings**

The main objective of this research was to assess the role and extent of the PPP models in the delivery of social housing in South Africa, specifically in Durban, as well as which PPP model between BOOT and BOT is commonly used when social housing projects are implemented. The findings of the interviews conducted are explored in detail in this section.

The main research theme:

- **The degree to which South Africa has been able to make use of PPP models in the delivery of social housing.**

From the empirical studies conducted, the extent of using PPP models in housing delivery in South Africa is seen to be improving. Although the idea of social housing had begun manifesting itself as early as 1995, it is only now that the importance of social housing has been realised. In order for social housing to be delivered, SHIs take on the responsibility of delivering social housing projects and this then forms the PPP arrangement. According to Hearne (2009), this arrangement involves the state contracting the private sector to design, build, finance, maintain and operate a public infrastructure and in this case, affordable housing. In this way, social housing is delivered at a quicker pace, rather than having government solely delivering social housing which government has increasingly realised is the better option, considering the housing back log they are faced with.

However, the importance of the contribution that these PPP arrangements have made in delivering social housing was only realised after the formation of the BNG policy. More emphasis on the role of PPP models in social housing has been placed by the Minister of Human Settlements, Lindiwe Sisulu, stating that they need more private sector involvement as government cannot deal with the housing backlog on their own due to lack of capacity and financial resources.

Other themes are as follows:

- **The PPP model utilised in social housing delivery.**

The interviews conducted with the housing professionals in the private sector and stakeholders such as government and financial institutions in developing social housing show that the common way of delivering social housing was by the SHI designing, building, owning the building and operating it through its management. During the interview conducted with a member from the First Metro Housing Company in Durban, he emphasised that no actual transfer occurs to government where the building is handed over to government after a certain period of time unless they purchase the building within the housing market once the company decides to trade it. This indicates that the BOT model is of suitable use in delivering social housing as the project don't through the BOT model may be traded in housing market after 15 years. However, the KZN Department of Human Settlements stated that the public sector does take over the buildings only if the SHI's go through problems such as legal battles over evictions. The social housing policy states that the common type of PPP model which is utilised for social housing projects and is used as an incentive for private entities is the BOT model.

### **The PPP model between BOOT and BOT, which would be of benefit in delivering social housing in South Africa.**

First Metro Housing and SOHCO believe that the BOT model works better for them, although it was difficult to establish as these institutions were not sure on what each model entails even after explaining the models to them. However they explained that with the BOT model they are able to trade the stock in the housing market after a specific period of time, which is usually 15 years, and from this they are then able to replicate similar projects. The public sector also uses the BOT model as a form of incentive in the arrangement between themselves and the private sector, which assists

them in gaining more SHIs on board. The provincial government also agrees that the BOT model is better as the private sector is able to assist in the backlog by sourcing out much needed funds and bringing in their management skills to better manage the social housing units.

- **The challenges which are experienced by role players in this model.**

There are various challenges that occur by different role players in the delivery of social housing through the PPP model. In the First Metro Housing Company, the interview conducted with a member from the company shed light on problems SHIs experience. These problems range from land availability, to the restructuring of zones for social housing development that take too long to be completed. This then slows down the process of developing social housing. He also emphasised that the building regulations that they need to adhere to make the building of these projects very expensive, such as having lifts constructed in the block of units if the building is four storeys or more. This then adds to their operational costs as lifts are expensive to construct and funds are needed for maintenance. SOHCO also experiences a range of issues. One of their major issues is the legal aspect of developing these projects. They emphasise that clarity needs to be present and constant in legal issues between the beneficiaries, government and themselves as private sector entities, especially when problems such as rental boycotts arise. Both social housing institutions also feel that one of their major challenges is developing these social housing projects in close proximity to RDP houses. This is a challenge as the end users of social housing start gaining the mentality that if those in RDP houses do not have to pay for their homes, then they too do not need to pay for the social housing units, forgetting that these are purely rental. This then causes conflict and rental boycotts start becoming a normal occurrence. The problems listed above indicate that utilising a BOT model could prove to be difficult as they have difficulty in being able to operate or manage these buildings and may eventually have to transfer them to government instead of trading them in the housing market. This then decreases their funds in being able to replicate similar social housing projects in other areas.

The regional manager in Durban of TUHF stated that their challenge as a private entity in the development of social housing is the income bands which make operating costs very tricky. The rentals for the beneficiaries of social housing are relatively low and

with 15 year loans taken by SHI from institutions such as TUHF, she explained that it frustrates the ability for loan funding as well as the ability to repay the loan.

Challenges that government (provincial and local) experience are a lack of adequate suitable SHIs, lack of funding from financial institutions and a slow process in the declaration of provincial restructuring zones for social housing development.

One other challenge that was mentioned was the new ruling that the Minister of Human Settlements had mentioned would be in effect this year. This addresses the objective of assessing the South African Social Housing Policy and how it informs the role of the PPP model in the delivery of social housing. Lindiwe Sisulu was quoted as saying “Anyone under the age of 40 will have to comprehend that they are not our main concern unless they are special needs or are heads of child-headed households” (Independent Online, 2014). Both the SHIs and the public sector agree that this could be a problem due to the country’s unemployment rate growing, which could mean more people without the resources to gain access to a home.

As shown above in 4.2, the population under the age of 40 in South Africa makes up the bulk of the population in the country. This could infringe on citizens to gain rental provision such as social housing as they may not be able to apply for any form of subsidy or grant. These subsidies and grants are the bulk of the funds that are provided for social housing. Therefore, it may prove difficult for SHIs to be able to sustain themselves as an entity as they may not receive these subsidies and grants as before and this makes the BOT model difficult to use. This ruling could also infringe on people’s human rights as the Constitution states that it does not prejudice against any race, age, or gender, and with Chapter 26 stating that all citizens (any race, age, or gender) have the right to access housing this would mean that the Constitution would then have to be amended if this ruling is put into action.

- **The benefits of delivering housing using the PPP approach for the government and the people of South Africa.**

The use of the PPP model in delivering social housing is seen as suitable for South Africa, not that it does not have any challenges or issues. However, in the interviews conducted it was clear that the private sector as a part of the process assists the government a great deal. First Metro Housing Company feels that the projects are managed better, the maintenance is better as there is less political influence in

decisions made concerning the management of social housing. TUHF also states that if the projects are packaged in the right way, regeneration could occur as the demand for the projects will continue to increase and this will in turn be able to assist in regenerating the city. This approach produces more creative ways to manage operational costs. The public sector feels that it quickens the pace that housing is delivered to the people which is one of their main objectives as the demand for housing increases as well as the backlog.

Government also provides the private sector with incentives in order to develop social housing. According to the eThekweni Municipality, the incentives come in the form of capital grants. The Social Housing Regulatory Authority states that this grant comes in the form of R125 615 per unit and is a substantial input to the capital cost of a social housing project. The grant is determined on a project-by-project foundation and will depend on the affordability mix of the units in a project (Social Housing Regulatory Authority, 2014). Operational support is also an incentive given to SHIs in the form of capacity and equipment. These also constitute accreditation and compliance with the provisions thereof.

- **The manner in which South Africa can improve the use of the PPP model to deliver housing.**

When asking the interviewees the question about measures that could be put in place to improve the effectiveness of the PPP model in social housing delivery, First Metro stated that perhaps more engagement needs to happen with government. This engagement needs to happen in areas of land availability so that it is easier for them to access land for developing affordable housing units as this is proving to be one of their major stumbling blocks. By engaging more with government, the government can assist the company in negotiations with private sector owners of good and suitable land to sell their land at reasonable prices to the SHIs so that the process of developing social housing could occur at a faster pace.

SOHCO feels that more financial and government support is needed for SHIs such as themselves in order to continue delivering. More clarity is also an important aspect and this needs to be seen in legal aspects as well as the rental tribunal, according to SOHCO. By clarity in the rental tribunal, they mean that the rents they receive are minor and the government subsidies that are received are not enough to cover costs.



Therefore, the rental tribunal needs to clarify this for beneficiaries when rent increases occur in order to avoid issues such as rental boycotts. They also stated that there needs to be better interdepartmental working between the public sector and private sector in order for clarity to occur.

The eThekweni Municipality uses the Social Housing Performance Agreements to improve the delivery of social housing using the PPP model. This performance agreement stipulates the specific areas of cooperation between the municipality and the SHIs. The performance agreement is based on the PPP model for service delivery. It also gives the delivery agents a way to negotiate with various municipal officials for assistance in terms of subsidies, land access and technical support.

They also highlighted how some SHIs in Durban were established during the last years of apartheid and had certain ways of doing business that were perhaps not ethically or morally correct. When the apartheid era was over, it proved difficult for the municipality to eliminate those ways or even be able to work with some of the SHIs and this is still a problem today. The municipality feels that SHIs need to operate their companies in a way that does not hamper them in being able to produce social housing as the municipality finds themselves taking over some projects and buildings at times. This then defeats the purpose of the partnership that private sector entities and the government have.

The overall consensus is on a policy shift and grant or subsidy increase. Interviewees felt that the costs for private entities to off-set rents are a lot more than the subsidies they receive. The KZN Department of Human Settlements states that the Discount Benefit Scheme needs to either be implemented for everyone or not done at all. This scheme allowed people in the past to take the transfer of social housing units into ownership. However, this does not occur in all schemes and creates conflict as those who do not benefit from this scheme start questioning the reason they are not allowed to own the social housing units like those benefiting from the scheme. Another overall consensus is on consumer education for the beneficiaries of social housing units. Although there are workshops in order for the beneficiaries to understand the process of gaining these units, more needs to be done in order for issues such as rental boycotts to be a thing of the past.

## **5.2 Conclusion**

The city of Durban goes through a rapid influx of people, mainly from rural areas, who are seeking job opportunities within the city centre. This then makes it difficult for the city to be able to supply quality services and infrastructure (housing, water and sanitation, etc) to all its residents as the demand for such services continues to grow. The city has emphasized on the requirement to create quality housing opportunities and this includes facilitating rental opportunities through SHIs and private developers.

The Port view project is developed in line with principles and theories of affordable housing as well as PPPs. It is also in line with the city's vision of facilitating rental opportunities and meeting people's needs. Residents who had no access to decent housing and basic services in Durban now had the chance to gain that access through this project. Other benefits were seen as well in the form of educational, social and economic facilities that are in close proximity of the building. The PPP elements were present in the project as the public sector was involved through funding and other forms of assistance and they ensured that the project delivered would meet government requirements and benefit the end users.

## **Chapter Six: Summary of Findings, Conclusion, and Recommendations**

### **6.1 Introduction**

This chapter presents a summary of findings on the research conducted. Recommendations are also given as to how PPPs in the delivery of social housing can be improved in order for such partnerships to work more smoothly and be of greater benefit. Recommendations on future research are also given. Lastly, the chapter will present concluding remarks and will highlight all the important issues that have been outlined in the research.

### **6.2 Summary of Findings**

#### **6.2.1 Research Objectives**

With regard to assessing the role and extent of the PPP models mentioned previously that are used to deliver social housing in South Africa, this was addressed through the review of literature in the form of journal articles, books, and research papers as well as the field study which was done. The main findings were that both models are closely related in theory and even in practice. Their role and extent are of great significance as it separates different projects and the procedures of those projects. This is particularly seen in one of these models, the BOT model, which comes in the form of an incentive according to the public sector and is seen in the Social Housing Policy of 2005.

Therefore, learning from both the international and local practices on the use of PPP arrangements in social housing delivery was important and was conducted through desktop studies and literature review. The findings in this regard were on the manner in which PPPs work differently in different contexts as each context has a unique situation, economically, politically and socially.

In addition, assessment on the South African Social Housing Policy and the manner in which it facilitates the role of the PPP model in the delivery of social housing was also conducted through desktop studies and literature review. The policies in South Africa have been greatly influenced by organisations such as the World Bank; however the Social Housing Policy applies itself to the situation in South Africa. The Social Housing Policy has placed great emphasis on PPPs and how vital they are or could

be in alleviating the housing backlog in the country. This emphasis has been taken from the Housing Policy of 1994 which also included PPPs as one of the mechanisms to assist curb the housing back log.

Regarding the challenges experienced by institutions that make use the PPP models in delivering social housing, this was seen through the interviews that were conducted with different professionals. Both the private sector and the public sector had a range of issues. The private sector listed problems such as land unavailability, lack of funding and incentives not being attractive enough. Rental boycotts was also a major stumbling block for SHIs. With the mission of having to cover their operational costs, rents collected from the beneficiaries are important to cover their costs and when this is omitted, it slows down the process of replicating such projects as well as repaying loans taken out. The public sector battles with issues such as not having a range of SHIs available for social housing development, getting financial institutions to assist with funding and restricting of zones being implemented at a slow pace.

That is why drawing comparisons between the BOOT and BOT models was imperative and recommending one best suited for the delivery of social housing was addressed through literature review and desktop studies. However, the main mechanism for addressing these objectives was through the interviews that were conducted for this research. The BOT model is the one mainly used in social housing development. This model is stipulated in the Social Housing Policy of 2005 as the main arrangement as well as an incentive for the private sector as it allows them to own and operate the social housing projects. It also enables them to trade the building in the housing market after 15 years. The main finding noted was that no form of transfer occurs to government when an SHI undertakes the social housing project. Government only takes over if an SHI is unable to maintain the building due to legal battles or rental boycotts by beneficiaries. It also transfers if government decides to buy the property from the SHI when they trade it in the housing market after 15 years upon completion of the development. The BOOT model, however, does occur as well as the BOT model.

These interviews were conducted with different stakeholders such as government, the private sector, and NGOs who are or have been involved in social housing projects. This was to uncover their experiences, challenges and lessons learnt by using the

PPP models. The main findings from these interviews were that the models are a good way of delivering social housing, with the BOT model being more predominant. From the interview responses, it was clear that although this method of social housing was working, there are various challenges that need to be addressed. Challenges range from better grants, clarity on legal procedures, to an overall policy review. Some policy programmes such as the Discount Benefit Scheme make it difficult to produce social housing without end users having some sort of issues. The public sector voiced concerns that more SHIs need to be established in Durban in order to assist with delivery as well as financial institutions being on board to assist with the heavy load of funding.

## **6.3 Recommendations**

### **6.3.1 Recommendations for the Public Sector**

From the interviews conducted, it was clear that the private sector or SHIs appreciate the amount of funding that they receive. However, they still felt that the availability of sufficient funds is still a problem. The consensus is that the public sector grants are not enough and it causes these private entities to take out hefty loans from financial organisations such as NHFC and these loans become a battle to repay as issues such as rental boycotts continue to grow. Therefore, the recommendation to the public sector is to increase the grants given to SHIs and make sure that such grants are actually paid on time to encourage better participation from the private sector entities.

Government understood that funding for social housing projects was a problem and entered into a partnership with the NHFC to assist SHIs. This institution is structured to drive activities that demonstrate workable models for affordable housing finance and developments in the gap market (NHFC, 2014). As a recommendation to government, they could introduce what the United States of America call Tax credits and this is one of the objectives of the study which is to learn from international practices on the use of PPPs in social housing. According to Moskalyk (2008) these credits are given to SHIs to sell them to private sector organizations for cash. This could allow for more funding for SHIs to cover their operational costs and the private sector entities such as NHFC which receive these credits are then able to use them in order to reduce their taxable income.

Recommendations also continue in the area of incentives. This recommendation is linked to the objective of assessing the South African Social Housing Policy and how it informs the role of the PPP model in delivering social housing as these incentives are seen in the Social Housing Policy. Although the Urban Development Zone tax incentive is there, the private sector, as well as financial institutions, do not feel encouraged enough to participate and it becomes unfeasible to participate in the delivery of social housing as the private sector is more profit driven. This could boost more active responses from such institutions to continue assisting in reducing the housing backlog. The introduction of tax credits as stated above can form part of the incentive for the private sector to utilize in order to gain more confidence in being actively involved in the delivery of social housing.

Another recommendation is for a change in policy. As stated in the interview analysis, there was mention of a Discount Benefit Scheme. This scheme, however, does not seem to benefit all the households in the low to middle income bracket as some beneficiaries highlighted this to the public sector as well as the SHIs managing the buildings. This then brought about rental boycotts as they felt that they were not given the opportunity to buy the units like those benefiting from the scheme. A change in policy could also occur in the amount of funding given towards SHIs for social housing development as the amount currently being given does not seem to be enough, according to SHIs involved in social housing. The restructuring of zones could also be altered in order for the process to be slightly shorter in time and for social housing development to occur at a quicker pace as the demand grows.

That is why the following recommendation for the public sector is a review on the process of declaration of provincial restructuring zones for social housing development. The Department of Human Settlements (2010) defines these restructuring zones as geographic areas that are identified by local authority and supported by province for focused investment. These areas accommodate medium density, multi unit complexes that require institutional management by SHIs. According to the NASHO, eThekweni has the most restructuring zones with a total of 18 (NASHO, 2013). The Department of Human Settlements KwaZulu-Natal (2014) states that engagements with the national department are being done on an ongoing basis and that high-level intervention is being sought concerning the declaration of restructuring zones.

The BNG policy emphasises a major push for integration of housing within the inner city areas (NASHO, 2013). The national and provincial departments of human settlements need to facilitate more support to local municipalities in this regard. NASHO (2013) argues that municipalities and the business sector and property owners have often initiated the process of urban regeneration strategies. These interventions have mainly concentrated on supporting PPPs for property owners to tackle crime and infrastructure investment as a method of pulling in increased private sector investment. The national and provincial departments need to create an enabling environment for affordable housing in inner city areas by encouraging more participation by private sector companies, enshrined in a policy framework, as housing associations struggle to give a long term perspective to their action.

Government could also host more projects such as the Benchmarking Municipal Social Housing Project. This recommendation is in line with the objective of exploring local practices on the use of PPPs in social housing. This benchmarking project was initiated by the Centre for Municipal Research and Advice, the South African Local Government Association, and the Association of Netherlands Municipalities. It was funded by the National Department of Human Settlements and the Ministry of Housing and Spatial Planning and Environment in the Netherlands and 13 municipalities were selected who had restructuring zones for social housing development (Centre for Municipal Research and Advice, 2011). According to the Centre for Municipal Research and Advice (2011) this project afforded municipalities a platform to evaluate their existing performance in social housing provision and advance through improved planning, facilitation and monitoring. Municipalities are then able to compare and exchange matters pertaining to the delivery of social housing. They are also able to tap into existing knowledge and good practices and adopt all this knowledge to their own local context (Centre for Municipal Research and Advice, 2011).

Hosting and facilitating such projects can allow for interdepartmental working and with municipalities gaining all this knowledge, they are able to implement better practices and enable a better environment for SHIs to assist in the housing backlog that faces them. This also goes back to SHIs stating that more engagement needs to occur and for better clarity in legal issues pertaining to rental boycotts.

### **6.3.2 Recommendations for the Private Sector**

The public sector acknowledges the contributions of the private sector in assisting with the housing backlog in South Africa. However, a recommendation for the private sector is that they should understand the public sector procedures and any other relevant information so that they comply with all policies and rules and incur less problems in future. This addresses the research sub-question of what challenges role players have in utilising the PPP model. Trusler and Cloete (2010) explain that the private sector needs to understand certain elements when undertaking social housing projects within a PPP arrangement. These elements include rental structures, structure of capital grants, financial viability, and building density and specifications.

As stated in the findings in chapter 5, one of the SHIs argued that the building regulations in place were too expensive for them. However, Trusler and Cloete (2010) explain that SHIs need to enter into projects having understood elements such as this one as well as their implications, specifically in the financial aspect according to the context stated. This will prevent fewer complications and issues arising when developing social housing.

For example, the issue on increasing grants can be difficult as it may not occur overnight. Grants can only increase if people pay taxes and this may take time to happen. If the private sector can understand the procedures better, then the PPP arrangement will yield improved results and the housing developments can be delivered through this arrangement.

The last two recommendations address the research sub-question of how South Africa can improve housing delivery by using the PPP model. One of the recommendations is for the private sector to develop a mechanism or way of working that can ensure them a good reputation. If this is done, projects will run a lot smoother and have fewer issues to deal with. With Durban having only two suitable delivery agents (First Metro Housing and SOHCO) it is important for them that issues such as legal battles do not cause blockages. If this is not done, the public sector will have to take over with the minimal capacity and resources they have which dissolves the purpose of a PPP arrangement.

The last recommendation is for the private sector to consider more engagement with the public sector. This engagement can be applied to land availability which SHIs



stated, in chapter 5 was one of their major issues. NASHO (2013) explains that the availability of suitably priced land is a significant aspect in the choice of a project's location and social housing is reliant on land available through the private land market. However, private developers are only willing to make pockets of land available in the outer suburbs where potential long term returns are lower (NASHO, 2013). This limitation is mainly related to the nature of the relationship between municipalities and SHIs, which is generally loose and informal, rather than a partnership to facilitate shared developmental objectives.

Elements of a PPP are that the public sector and private sector come together in order for delivery of social housing to occur. The private sector entities feel that management and running of social housing projects on their own is dealt with better. However, engagement with the public sector will assist these entities in knowing procedures and gaining more assistance from the government, if needed. Both sectors provide elements that are necessary for adequate and sustainable supply of social housing and these need to be realised more by the private sector.

Stronger structured relationships can be put into effect through mechanisms of effective release of land and buildings, and shortening of land transfer and approval processes to speed up delivery.

### **6.3.3 Recommendations for Future Research**

Future research needs to focus its attention more on the experiences of those who are involved in the delivery of social housing, and even those benefiting from such delivery through the PPP models. This may further assist in addressing one of the objectives of this study which is to unpack the challenges that are experienced by those using the PPP models in delivering social housing. Another recommendation is for future studies to pay more attention to the different PPP models and how they actually work on the ground. This links to the objective of drawing comparisons between the two models stated in this study and recommending the one best suited for delivering social housing. Not all PPP arrangements are conducted in the same way, especially in different parts of the world and this has to be realised fully with greater effort, especially in the context of South Africa.

## **6.4 Conclusion**

The housing backlog in South Africa is a major issue, especially in the affordable housing section; not only in South Africa but in the international context. This research was able to explore the method of applying a PPP in the delivery of social housing. It was also able to explore the literature surrounding affordable housing, its principles, and policies and how PPPs can be adopted to such principles in accordance with social housing policies. This was mainly done in the context of South Africa and is found in chapter 2.

This chapter outlined the findings of the research in relation to the delivery of social housing using the PPP models. This research was able to show that PPPs are an important aspect in the delivery of social housing as the housing backlog continues to grow. It was also able to indicate which PPP model between BOOT and BOT is best suited and more commonly used in South Africa in delivering social housing. PPPs are continuously growing in importance and the private sector is taking greater interest in participating with the public sector in order to deliver sustainable human settlements in the form of social housing. With this observation, certain issues still need to be reviewed as they have the ability to slow down the process of delivery.

Such issues range from the public and private sectors understanding each other better and the problems they each face in achieving the goal of social housing delivery, to better financial assistance for SHIs. Although the public sector contributes 70% of the funding, financial institutions still need to come on board as finances continue to be a stumbling block working against the delivery of social housing in South Africa.

The conclusion can be drawn that PPPs are one of the mechanisms that South Africa can use and further invest in to deliver social housing especially as the gap market continues to grow. This is why government and the private sector need to come together and engage to a greater extent in order for development to occur more rapidly than it is currently. The private sector needs to learn how to be more patient with the public sector in areas such as funding and restructuring processes. However, government also needs to attract more private sector investment by offering better incentives. With better incentives, the private sector will be more attracted and invest better in delivering social housing. This then enables the PPP mechanism to work well with added benefits being realised.

As stated above, government needs to host more workshops, together with the SHIs in order for knowledge and experiences to be shared. This could not only benefit these two sectors but it could also assist the beneficiaries in understanding the procedures of taking a unit in a social housing building, in order to avoid issues such as rental boycotts. The beneficiaries also need to be more educated in understanding what social housing is all about and this will cause less havoc for SHIs and the government to handle. With workshops being hosted by government, it could also assist them as well as SHIs in attracting funding assistance from NGOs or international donors as funding is a major stumbling block in the development of social housing in the country.

This funding, together with the funding from government will assist SHIs in covering their costs and the need for taking out hefty loans from private entities will slow down. This will in turn make the SHIs more sustainable and the use of the BOT model, which is best suited for delivering social housing, will be of more benefit. They will be able to trade in the housing market easier than usual, with fewer loans still hovering around for the SHIs. Trading in the market will then enable SHIs to create more viable projects in Durban and around South Africa and social housing will be one of the leading mechanisms of delivering housing by using the PPP BOT model approach.

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## Appendix 1



School of Built Environment and Development Studies

### Informed Consent Form

My name is Nolwazi Blose (student number 209508050). I am doing research on a project entitled: An Assessment of The Role of Public Private Partnership Models in The Delivery of Affordable Housing in South Africa. The subject was identified given the nature of the South African housing policy calling for assistance and support from government and the private sector in order for its success to be realized. Research will therefore provide the framework regarding how the private sector is involved in projects associated with affordable housing and whether such partnerships work. This project is supervised by Mr Vincent Myeni at the **School of Built Environment and Development Studies**, University of KwaZulu-Natal. I am managing the project and should you have any questions my contact details are:

School of Built Environment and Development Studies,  
University of KwaZulu-Natal  
8<sup>th</sup> Floor Denis Shepstone Building, Howard College Campus, ,  
Durban 4001  
Cell: 0820536155. Email: [nolwaziblose@yahoo.com](mailto:nolwaziblose@yahoo.com)

Thank you for agreeing to take part in the project. Before we start I would like to emphasize that:

- your participation is entirely voluntary;
- you are free to refuse to answer any question;
- you are free to withdraw at any time.

A decision not to participate will not result in any form of disadvantage. However benefits derived from this interview will assist in making recommendations to the housing policy. The interview will be kept strictly confidential and will be available only to members of the research team. Interview notes and questionnaire responses where possible will be stored in their original form for a period of at least five years from the completion of the research as stipulated by the UKZN institution. It will be important to maintain data in its original form particularly if published results are challenged by others. After this time data will be destroyed by shredding or incineration so as to ensure that your identity, which you may not wish to be made public, is protected. Written and audio recordings will be made during this interview.

Excerpts from the interview may be made part of the final research report. Do you give your consent for: *(please tick one of the options below)*

Your name, position and organisation, or	
Your position and organisation, or	
Your organisation or type of organisation ( <i>please specify</i> ), or	
None of the above	

to be used in the report?

Please sign this form to show that I have read the contents to you.

----- (signed) ----- (date)

----- (print name)

Write your address below if you wish to receive a copy of the research report:

**DECLARATION**

I.....(full names of participant) hereby confirm that I understand the contents of this document and the nature of the research project, and I consent to participating in the research project.

I understand that I am at liberty to withdraw from the project at any time, should I so desire.

**SIGNATURE OF PARTICIPANT**

**DATE**

.....  
 .....

**Additional consent, where applicable**

**I hereby provide consent to:**

**Audio-record my interview / focus group discussion YES NO**

**Video-record my interview / focus group discussion YES NO**

**Use of my photographs for research purposes YES NO**

**SIGNATURE OF PARTICIPANT**

**DATE**

.....

## **Appendix 2**

### **Questions for Project Administrator of First Metro Housing Company and SOHCO Amalinda Housing.**

1. How long have you been working in this company as well as the housing sector as a whole?
2. In your opinion, are Public Private Partnerships (PPPs) an appropriate and sustainable tool in delivering social housing? If not, why? If yes, why?
3. What are the necessary conditions for success in delivery of social housing through PPP model?
4. Which PPP model between BOT and BOOT has the company been using?
5. What are the benefits of using such a model?
6. Who are the major role players in delivering such a housing scheme?
7. Has the government been facilitating such a partnership as the PPP?
8. How do you finance such projects?
9. What challenges has the company been experiencing with such an arrangement as the PPP?
10. What lessons have you learnt in delivering housing using a PPP model?

### **Questions for the Social Housing Department in EThekweni Municipality.**

1. How long have you been working in this department?
2. In your view, are PPPs an appropriate and sustainable tool in delivering social housing? If not, why? If yes, why?
3. Is the private sector currently playing a positive role in this partnership?
4. Which PPP model between BOT and BOOT does the department adopt with the private sector in delivering social housing? Which benefits are seen through that model?
5. Are the current incentives enough for private sector involvement?
6. What are the challenges your department experiences in social housing delivery?
7. What are the main challenges that make the private sector hesitant to participate in this partnership?
8. Which policies advocate for the use of the PPP model in social housing?
9. What measures have been put in place to ensure that such partnerships work?
10. What measures have been put in place to improve the effectiveness of the partnership?

### **Questions for the Provincial Department of Human Settlements (Social Housing).**

1. How long have you been working in this department?
2. In your view, are PPPs an appropriate and sustainable tool in delivering social housing? If not, why? If yes, why?

3. Is the private sector currently playing a positive role in this partnership?
4. Which PPP model between BOT and BOOT does the department adopt with the private sector in delivering social housing? Which benefits are seen through that model?
5. Are the current incentives enough for private sector involvement?
6. How does the department fund social housing projects?
7. Is this funding enough to ensure delivery of the projects?
8. What are the challenges your department experiences in social housing delivery?
9. What are the main challenges that make the private sector hesitant to participate in this partnership?
10. Which policies advocate for the use of the PPP model in social housing?
11. What measures have been put in place to ensure that such partnerships work?
12. What measures have been put in place to improve the effectiveness of the partnership?

#### **Questions for the Trust for Urban Housing Finance (TUHF)**

1. What is the role of this institution in social housing delivery?
2. How involved is this institution in the delivery of social housing?
3. What involvement has the institution had in the First Metro Housing Company?
4. When did this partnership begin?
5. Why did the institution choose to be involved with First Metro Housing Company?
6. What are the main challenges this institution has experienced with regard to its participation in the delivery of social housing?
7. Are there any incentives the institution receives for funding such projects?
8. Has government assisted this institution in any way to be able to fund such projects?
9. How does the institution fund these projects? What are the criteria?
10. In your view, are PPPs an appropriate and sustainable tool in delivering social housing? If not, why? If yes, why?