

**COMPARING THE USE OF HOUSING AS A
FINANCIAL AND ECONOMIC ASSET IN RDP AND
BNG HOUSING PROJECTS: A CASE STUDY OF
DUMISANI MAKHAYE VILLAGE, UMHLATHUZE
MUNICIPALITY**

Mbusi Conrad Jali

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KwaZulu-Natal.*

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Declaration

I, Mbusi Conrad Jali, declare that:

- The research reported in this dissertation, except where otherwise indicated, is my original work.
- This dissertation has not been submitted for any degree or examination at any other university.
- This dissertation does not contain other persons' data, pictures, graphs or other information, unless specifically acknowledged as being sourced from other persons.
- This dissertation does not contain other persons' writing, unless specifically acknowledged as being sourced from other researchers. Where other written sources have been quoted, then:
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- This dissertation does not contain text, graphics or tables copied and pasted from the Internet, unless specifically acknowledged, and the source being detailed in the dissertation and in the References section.

Signed: _____

Dedication

To my parents, Judith ‘Qhiki’ and Msikelwa ‘Mgqomo-gqishi’ Jali.

Acknowledgements

This study would not have been successfully completed without the support and dedication of those who participated in it. In that respect, I would like to acknowledge:

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Table of Figures

Figure number	Description	Page number
Figure 1	The Housing Asset Triangle	15
Figure 2	The Housing Ladder	35
Figure 3	The location of Dumisani Makhaye Village in Empangeni	58
Figure 4	Different phases in Dumisani Makhaye Village	58
Figure 5	Picture of a BNG house with improved aesthetic quality	68
Figure 6	Site improved with recycled bricks	69
Figure 7	Landscaped site and use of recycled materials (bricks)	69
Figure 8	A backyard garden in which bananas, corn and sweet potatoes are grown and sold to the community	72
Figure 9	Extension of BNG housing to establish a spaza shop	73
Figure 10	A BNG property that has aesthetic qualities which attract rental opportunities	73

List of Acronyms

ABSA	Amalgamated Banks of South Africa
ANC	African Nation Congress
ASGISA	Accelerated and Shared Growth Initiative for South Africa
BNG	Breaking New Ground
CAHF	Centre for Affordable Housing Finance
CBD	Central Business District
DOH	Department of Housing
DOHS	Department of Human Settlements
DFI	Development Finance Institutions
FEDUP	Federation of the Urban Poor
FSC	Financial Sector Charter
GEAR	Growth Employment and Redistribution
HWP	Housing White Paper
HMF	Housing Micro-Finance
IDT	Independent Development Trust
MIF	Mortgage Indemnity Fund
NHBRC	National Home Builders Registration Council
NHF	National Housing Forum
NHFC	National Housing Finance Corporation
NURCHA	National Urban Reconstruction and Housing Agency
RDP	Reconstruction and Development Programme
ROU	Record of Understanding
SA	South Africa
SMME	Small Medium and Micro Enterprises
UF	Urban Foundation
UN	United Nations

Abstract

The provision of low-income housing in post-apartheid South Africa has been one of the tools of reversing the effects of discriminatory apartheid planning and policies. The immense demand for low-income housing by those who were denied such by the apartheid government, coupled with the financial constraints of meeting said demand, shaped how housing would be provided post-apartheid. The provision of core/starter low-income housing units that would be improved by beneficiary households through the incremental process to make them ‘adequate’, depending on beneficiary household’s needs and circumstances, was the method of housing delivery adopted by the post-apartheid government. The incremental process of achieving adequate housing therefore had intrinsic expectations that low-income housing beneficiaries would use their houses as assets to access finance or start home-based businesses in order to facilitate the process. As an asset, housing could also be used as a tool to address the poverty and low income of its recipients.

Starter houses provided in the Housing White Paper (HWP) policy era were termed RDP houses. Failure of the HWP as the first post-apartheid housing policy to explicitly emphasize and facilitate the use of RDP starter houses as assets by beneficiaries in order to achieve adequate housing contributed greatly to their constrained ability to perform as financial and economic assets. The second post-apartheid housing policy introduced in 2004, which was the Breaking New Ground (BNG) whose low-income housing units were termed BNG houses, is explicit and emphasizes facilitation of the performance of low-income housing as a financial and economic asset in its era, while retrospectively enabling the same performance of RDP housing that failed to perform as such in the HWP era.

This study was undertaken to determine whether low-income housing has performed more as a financial and economic asset in the BNG era than it did in the HWP era, as envisaged by the BNG housing policy. Data gathered through interviews, a household survey and observations was thematically analysed to present comparative findings, in which it was determined that some of BNG housing attributes like its size and design have enabled it to perform ‘better’ as an asset than RDP housing. However, despite the demonstrable ‘better’ performance of BNG housing, it has not performed as such to the fullest extent possible, as envisaged by BNG

housing policy. This is despite the state's attempts to encourage such use by beneficiary households through operating small businesses and/or its use as security for a loan, among other things.

Reasons for the sluggish performance of RDP and BNG housing as a financial and economic asset range from lack of knowledge by beneficiary households about how to use low-income housing to access finance or start small home-based businesses, to the packaging of low-income housing projects that did not inspire the performance of housing as an asset. The research concludes that the packaging of housing projects needed to conceptualize how housing units would be attractive to lenders and /or how they can be used to generate household income, among other things. It is also recommended that there should be partnership between sectors, the financial and business sectors for example, and the municipalities to ensure low-income housing's performance as an asset can be improved.

Table of Contents

Declaration	i
Dedication	ii
Acknowledgements	iii
Table of Figures	iv
List of Acronyms	v
Abstract	vi
Chapter 1: Problem Statement and Research Objectives	1
1.1 Introduction.....	1
1.2 Background and Study Justification	2
1.3 Objectives of the Study	3
1.4 Questions asked	4
1.4.1 Main Research question	4
1.4.2 Research Sub-questions	4
1.5 Hypothesis.....	4
1.6 Limitations of the Study.....	5
1.7 Structure of the Dissertation	5
1.8 Conclusion of the Chapter.....	6
Chapter 2: Methodology of the Research	7
2.1 The Approach to the Research	7
2.2 Data Sources	7
2.2.1 Primary sources.....	7
2.2.1.1 Interviews with Key Informants	7
2.2.1.2 Physical Environment of RDP and BNG Housing Units.....	9
2.2.1.3 Household Survey	10
2.2.2 Secondary Sources	11
2.3 Data analysis	11
2.4 Conclusion of the Chapter.....	13
Chapter 3: Theoretical Framework and Review of Literature	14
3.1 Introduction.....	14
3.2 Definition of Key Terms	14
3.2.1 Housing as an Asset.....	14
3.2.2 Housing as a Financial and Economic Asset	15
3.2.3 Subsidized Low-income Housing	16
3.2.4 Reconstruction and Development Programme (RDP) Housing.....	17

3.2.5	Breaking New Ground (BNG) Housing.....	17
3.3	Theoretical Framework	18
3.3.1	The Keynesian Theory	18
3.3.2	The Neo-liberal Theory.....	19
3.3.3	Neo-Marxist Theory.....	20
3.4	Post-apartheid Housing Policy and Low-income Housing Assets.....	22
3.4.1	Building the Foundation for the Post-Apartheid Housing Policy	22
3.4.2	The Financial Sector and the Low-income Housing Market	24
3.5	The Financial Sector Reforms.....	26
3.5.1	The Record of Understanding (ROU) of 1994.....	26
3.5.2	The Mortgage Indemnity Fund (MIF).....	26
3.5.3	Servcon Housing Solutions.....	27
3.5.4	National Housing Finance Corporation (NHFC)	27
3.5.5	National Urban Reconstruction and Housing Agency (NURCHA).....	28
3.5.6	Non-Bank or Non-Traditional Lenders.....	28
3.6	The Housing White Paper (HWP) (1994).....	29
3.6.1	Low-income Housing Asset and the RDP	30
3.6.2	Low-income Housing Asset and GEAR	32
3.6.3	Popularised Recognition of Low-income Housing as an Asset in South Africa.....	32
3.7	RDP Housing Unit's Performance as a Financial Asset	36
3.8	RDP Housing Units' Performance as Economic Assets	37
3.9	Failure of RDP Housing as an Asset.....	39
3.9.1	Failure of RDP Housing units as Financial Assets	40
3.9.2	Failure of RDP Housing units as Economic Assets	44
3.10	The 'Missing Middle' and Dysfunction of the Housing Ladder.....	45
3.11	Breaking New Ground (BNG) (2004)	46
3.11.1	The Implementation of AsgiSA and its Impact on Housing as an Asset	48
3.11.2	Opportunity for Households to get Housing Micro-Finance (HMF)	51
3.12	Precedents on the use of Housing as an Asset and its Ability to Attract Finance.....	52
3.12.1	Unsecured Lending to Low-income Households by Build-It	52
3.12.2	Small-scale Landlordism as a Means of Income Generation.....	53
3.12.3	Loan Guarantees by FOGARIM	54
3.13	Conclusion of the Chapter.....	55
	Chapter 4: Presentation and Analysis of Research Findings.....	56
4.1	Introduction.....	56
4.2	Background of Dumisani Makhaye Village.....	56

4.3	Perspectives of Low-Income Housing as an Asset	59
4.3.1	The Municipality's View	59
4.3.2	The Financial Sector's View	60
4.3.3	The Households' Views	62
4.4	The Performance of Low-Income Housing as an Asset.....	64
4.4.1	Housing as a Financial Asset:	64
4.4.1.1	Formal Ownership of Property and Access to Finance	64
4.4.1.2	Potential of a Vibrant Low-income Housing Market.....	67
4.4.1.3	Education Programmes about the use of Housing to Access Finance	70
4.4.2	Housing as an Economic Asset:.....	71
4.4.2.1	Home Ownership and the Use of the House for Income Generation.....	71
4.4.2.2	Impact of Demand and Supply on Home-Based Enterprises	74
4.4.2.3	Education Programmes about the use of Housing for Income Generation	77
4.5	Synthesis of Research Findings	78
4.6	Conclusion of the Chapter.....	80
	Chapter 5: Recommendations and Conclusion of the Study.....	81
5.1	Introduction of the Chapter	81
5.2	Recommendations of the Study	81
5.2.1	Better Packaged Projects.....	81
5.2.2	Prioritization of Consumer Education Programmes	82
5.2.3	Strengthening Cross-sectoral Collaboration	83
5.2.4	Refinement of the Housing Policy	83
5.3	Reflection on the Study Objectives and Empirical Findings	84
	References	87
	Appendixes	91
	Annexure A: Interview Questions for the Municipal Project Manager.	91
	Annexure B: Interview Questions for Loan Managers	93
	Annexure C: Household Questionnaire	96
	Category One: Consisting of Households Who Have Used Their House as an Asset	97
	Category two: Consisting of households who are not interested to use their house as an asset.	100
	Category Three: Consisting of households who would like to use their house as an asset.....	102
	Annexure D: Structured Observation Guide	105

Chapter 1: Problem Statement and Research Objectives

1.1 Introduction

A study of the use of low-income housing as an asset by beneficiaries is a compelling research that is needed to draw conclusions on whether or not policy is making progress regarding the performance of low-income housing as an asset. When tracking the first South African post-apartheid housing policy, it is evident that mass provision of housing to offset the apartheid era's spatial patterns and housing delivery deficiencies were prioritised. Central to this approach was the need to provide low-income housing to the previously disadvantaged black communities to address remote location, access to basic needs, job creation, land ownership and access to shelter/housing.

Post-apartheid South Africa has experienced major policy shifts starting from the Housing White Paper (HWP) of 1994 to the Breaking New Ground (BNG) policy of 2004. The notion of providing core housing units to satisfy a large demand resulting from a huge housing backlog incurred in the apartheid era, rather than providing fully finished housing to a few beneficiaries, was the approach of the HWP. The fundamental view of the role that housing plays for low-income households in terms of providing more than just shelter but also offering sustainable human settlements is an important thrust of the BNG. Both these policy approaches embody the notion of households' use of their low-income housing to access finance or start home-based businesses, which was always envisioned by post-apartheid South African housing policy. Therefore, over the years since 1994, there have been attempts by the state to improve the performance of low-income housing as an asset through policies, strategies and programmes.

This study was not only aimed at uncovering if the implementation of policies and programmes was successful in making beneficiary households of RDP and BNG housing recognize the asset potential of their housing units, and use it to improve their livelihoods. It was also devised to discover if the use of housing as a financial and economic asset specifically has been better achieved in the BNG era than it was in the HWP era. The study was also intended to find out whether BNG policy has retrospectively improved the performance of RDP low-income housing as an asset, as envisaged by such policy.

1.2 Background and Study Justification

The recognition of the ability of low-income housing to perform as an asset has always been conceptualized in the formulation of all the South African housing policies. It can be added however, that the notion of low-income housing performing as an asset is more discernible in the post-apartheid housing policies in South Africa than it was in the apartheid era. Such argument is based on an understanding that state-provided low-income housing of the apartheid period was meant to perform as an economic asset at a macro level through its input to the national economy. Such input by state-provided housing was through its performance as a tool for a stable labour pool, especially for businesses located in the Central Business Districts (CBD) whose profits contributed directly to the Gross Domestic Production of the country.

Wilkinson (1998), Dewar (1999) and Adebayo (2011) for example do acknowledge that the controlled and systematic location of state-provided low-income housing units, also known as compounds, of the black African working class was conducive towards the economic productivity of the apartheid capitalist economy. However, the role played by low-income housing as an economic asset through labour production and productivity in this regard was of national benefit and was not concerned about the ability of such housing to be used by households for income generation. In any case, whether or not such housing was intended to perform as an asset for economic growth, one cannot neglect the fact that low-income housing of the apartheid era did perform, to some extent, as an economic asset especially in relation to employment through the multiplier effect in housing provision, among other ways (Grimes, 1976; Arku, 2006).

The end of the apartheid era, officially through the proclaimed democratic election of 1994, produced changes in the planning, conceptualization and provision of housing for the low-income households. The unstable residential environments created and the housing backlog accruing from the apartheid era burdened the South African government with big expectations to be fulfilled in post-apartheid South Africa, such as the provision of ‘four-roomed houses’ among other (Huchzermeyer, 2000). In its response to low-income housing expectations specifically, the government acknowledged the fiscal constraints that impeded on providing

four roomed fully finished houses as promised during the 1994 elections manifesto, and also admitted the inadequacy of ‘starter’ housing units provided through a once-off capital subsidy (Adebayo, 2011). The first post-apartheid policy era of the HWP focused on providing shelter in the form of core housing through a once-off capital subsidy, on which beneficiaries would improve to achieve adequate housing. The focus was on providing incremental housing in large quantities but the process of improving from the core-housing unit, which mainly entails its use as a financial and an economic asset to facilitate such improvements, was not emphasised by the policy.

The end of the HWP era was confirmed by the introduction of the BNG housing policy, which was a refinement of the former housing policy. Before the introduction of the BNG policy there was a review of the HWP, which amongst other things, revealed that the low-income housing units produced over a decade from 1994 failed to function as assets for beneficiary households. The Department of Housing in fact, despite its tacit vision of housing’s performance as an asset, acknowledged that low-income housing did not function as an asset for its beneficiaries, as it envisaged (DOH, 2004). In the BNG policy this omission was addressed, and the notion of low-income housing that performs as an asset is expressed explicitly. The BNG policy era initiated a variety of mechanisms to enable such use of housing by beneficiaries.

To establish if more low-income housing beneficiaries have used their housing units as financial and economic assets in the BNG era compared to the HWP era, requires one to compare different ways in which housing performed as such in both policy eras. Furthermore, after establishing ways in which housing performs as an asset, a comparison of the HWP and BNG housing products is required in order to draw conclusions on whether success has been achieved more in the latter than in the former, as envisaged by the BNG policy.

1.3 Objectives of the Study

To further uncover the issues regarding the use of housing as a financial and economic asset in both the HWP and BNG policy era, the study seeks:

- To determine the objectives of the HWP and BNG policy in respect of the use of low-income housing as a financial and economic asset by beneficiaries.
- To establish if more households in the BNG era use their housing units as financial and economic assets relative to the RDP era.

- To find out if the ideas in respect of the use of the house as a financial and economic asset, as envisaged by the BNG housing policy, have had any impact on the RDP beneficiaries' use of their units as such.
- To discover if BNG and RDP housing beneficiaries in the Dumisani Makhaye Village use their housing units as financial and economic assets in both housing settings.
- To suggest measures that can be used to enhance the use of housing units as financial and economic assets in both BNG and RDP housing projects.

1.4 Questions asked

1.4.1 Main Research question

To what extent have the beneficiaries of RDP and BNG housing used their housing units as financial and economic assets as envisaged by the BNG housing policy?

1.4.2 Research Sub-questions

- What are the objectives of the HWP and BNG policy in respect of the use of low-income housing as a financial and economic asset by beneficiaries?
- Are more households in the BNG era using their housing units as financial and economic assets relative to the RDP era?
- Have the ideas in respect of the use of the house as a financial and economic asset, as envisaged by the BNG housing policy, had any impact on the RDP beneficiaries' retrospective use of their units as such?
- How does the use of BNG housing as a financial and economic asset in the Dumisani Makhaye Village compare to the use of RDP housing as such in the same setting?
- Given the benefits of using housing as financial and economic assets to households, how can such use be enhanced in RDP and BNG housing projects?

1.5 Hypothesis

The performance of RDP and BNG housing as an asset has not yielded the expected results envisioned by the housing policy because the potential of such housing to perform as a financial and economic asset is overlooked by beneficiary households, who tend to prioritize only the social asset value of their low-income housing.

1.6 Limitations of the Study

The research encountered only minor problems regarding the data collection and project information of the case study. The unwillingness of participants to respond to household questionnaires was a problem which was addressed by looking for other participants in the same housing setting. Insufficiency of project information on the internet about the study area was addressed by obtaining hardcopy information and project documents from the municipality.

1.7 Structure of the Dissertation

Chapter 1: Introduction to the Study

This chapter provides an introduction and outlines the study objectives and questions posed by the study. The background, context to the research problem and limitations of the research are also presented in this chapter. Justification of the research topic and the contribution to be made by the research are also highlighted in chapter 1.

Chapter 2: Research Methodology

This chapter contains the research methodology and the motivation for using a mixed methodology approach to the research. The data sources, data collection tools and techniques used to sample the empirical enquiry informants are also presented in this chapter, together with themes that were established to enable data that was gathered on the field to be adequately analysed. The method of data analysis is also presented in this chapter.

Chapter 3: Theoretical Framework and Review of Literature

This chapter contains the conceptual and theoretical frameworks of the study. The key concepts are defined and explained. The theoretical framework, entailing theories that are related to the use of housing as a financial and economic asset, is also found in this chapter. Bodies of literature on the housing-as-an-asset debate are also explored in this chapter, with their relevance to the study elaborated. Precedents studies of the use of housing as an asset are also included.

Chapter 4: Research Findings, Analysis and Synthesis

The findings from the empirical enquiry are presented in this chapter. The data collected from the field is also outlined, analysed and synthesized in this chapter.

Chapter 5: Conclusion and Recommendations

This chapter revisits the study objectives and research questions, and also reflects on the study hypothesis. A summary of the whole research is provided in this chapter, together with a reflection on the objectives of the study set in chapter 1. Recommendations in respect of improving the performance of low-income housing as a financial and economic asset, together with the conclusion of the study, are also found in this chapter.

1.8 Conclusion of the Chapter

In this chapter, the motivation and background to the study of low-income housing's performance as a financial and economic asset across both South African post-apartheid housing policy eras were introduced. Furthermore, the chapter contained the objectives and questions of the study, and the hypothesis that would be verified through the empirical enquiry. The structure of the dissertation was also outlined in this chapter, showing chapters and a brief description of their contents.

Chapter 2: Methodology of the Research

2.1 The Approach to the Research

This study adopted a mixed methodology of both the qualitative and quantitative approaches. The said methodology to mainly focuses on interpretative findings and explores the reasons why phenomena occur in an environment or case study (Creswell, 2014). Therefore, the use of a mixed method approach to this study aimed to uncover and give explanations regarding the extent to which RDP and BNG households have been able to use their housing units as financial and economic assets. One of the advantages of using said method is its ability to exhaustively interrogate, through interviews and household surveys among other tools, the phenomena that are unfolding on the field. Such is done to generate understanding for the occurrence or prevalence of certain phenomena.

Using a mixed method enabled the researcher to establish whether the BNG policy objectives regarding the use of housing as a financial and economic asset have been more effectively met in the BNG policy era, in comparison with those of the HWP policy. The data gathered provided an in-depth understanding of the ways in which low-income housing beneficiaries in RDP and BNG housing settlements in Dumisani Makhaye Village have used their housing units as collateral for accessing finance, and/or used them to derive economic gains from home-based enterprises and rental income, among other uses. The primary data was obtained through use of in-depth semi-structured interviews, a household survey and observations of the housing units and settlements where they are located.

2.2 Data Sources

2.2.1 Primary sources

2.2.1.1 Interviews with Key Informants

Four semi-structured interviews were conducted with purposively selected key informants. Purposive sampling was ideal because the researcher knowingly selected interview respondents that had data which addresses specific study objectives. The key informants, as data sources, were approached through scheduling of interviews, and they responded via email. The agreed time and place for the interviews was communicated between the researcher and key informants, and thereafter interviews were conducted at the place and time agreed upon. The

use of semi-structured interviews enabled the researcher to probe responses given when necessary and inspired more complete and better explained responses. The interviews also enabled respondents to describe in detail what they understood regarding the low-income housing asset phenomenon. The key informants interviewed were:

- **The Municipal Project Manager**

The project manager had useful data about how low-income housing projects in Dumisani Makhaye Village were conceptualized, planned and implemented to encompass the policy objective of low-income housing that performs as a financial and economic asset for its beneficiaries. The uMhlathuze municipal project manager was therefore selected because RDP and BNG projects in said case study were low-income housing project delivered by the municipality, with the project manager being one the municipal officials who packaged, managed and supervised the implementation of said projects. The projects were funded by the government through the municipality as its implementing agency. The enquiry from the project manager intended to explore whether and how the projects had been packaged to respond to and acknowledge the policy objective of delivering low-income housing units that perform as assets.

- **The Financial Institutions' Loan Managers**

The financial institutions' loan managers were selected because they had data on how financial institutions view the use of housing as collateral for accessing finance. The chosen financial institutions' loan managers assisted the researcher to understand how housing is used as collateral for loan accessibility from banks, and to establish whether or not RDP and BNG housing specifically had been used as such by beneficiary households. The financial institutions approached are ABSA, Capitec Bank and S.A Home Loans. These institutions were not necessarily directly involved in lending to households of Dumisani Makhaye Village per se. Nevertheless, the loan managers from said financial institutions provided data useful in evaluating the extent to which households of the RDP and BNG housing sub-market specifically are able to use their units as collateral to access loans from these institutions. The loan managers also explained the conditions under which a low-income housing unit is considered attractive collateral for accessing a loan from a financial institution generally.

2.2.1.2 Physical Environment of RDP and BNG Housing Units

The physical environment in this study refers to the physical structure of the RDP and BNG housing units in the study area of Dumisani Makhaye Village, and broadly the settlements where such housing units are situated. The observations of the physical environment were directed at consolidated/improved housing units, seeking to find out if such consolidation was the result of access to finance and/or facilitated by use of housing for income generation. The observations that were made mainly focused on the following aspects that would enable housing to perform as an asset for household beneficiaries:

- a) Observing the improvements on the site on which the units are situated. The researcher regarded improvements such as landscaping, fencing the site and rental opportunities on site as having the potential to improve the value of the property and income of the household.
- b) Observing the physical structure of the housing unit itself. This included aspects such as the alteration of the unit (extensions by room addition, or converting a room for use for income generation) which could be the result of accessibility to finance. Where such observations were made, questions about whether additions/improvements made were the result of access to finance, or whether such improvements had elevated the value of the property were asked through the household survey described in section 2.2.1.3.
- c) Observations of the study area itself, which included the settlements' attributes that could stimulate the performance of housing as an asset for household beneficiaries. Attributes that were observed included the location of the units and settlements (RDP and BNG), potential tourism attractions in the settlements and the proximity of the major transportation routes to the settlements, among other things. These elements present opportunities for the use of housing as an asset for income generation by households, and could improve the value of the units, making them more attractive to finance lenders.

Based on the above-described observations, the researcher was able to determine the housing units that had been improved on, and noted economic activities and physical alterations of such RDP and BNG housing units that had potentially performed as assets for households. The data obtained from this source was mainly captured in the form of notes made on the observation matrix (see annexure D, on page 104) and photographs taken on site. During the observation

exercise and household survey respectively, local people and households were asked about observed activities and alterations to confirm if such observations are indicative of the performance of RDP and BNG housing as a financial and economic asset in Dumisani Makhaye Village.

2.2.1.3 Household Survey

A household survey was undertaken in the RDP and BNG housing projects in Dumisani Makhaye Village to solicit data which unveiled ways that beneficiary households of such housing used it as leverage to access loans and/or used it to operate home-based enterprises, among other related uses. The survey also interrogated the constraints faced by some households who would have liked to use their housing as a financial and economic asset but could not. The data obtained from households was useful in determining whether the BNG housing beneficiaries have more effectively used their units to access finance and generate income than RDP households. RDP and BNG housing beneficiaries were sampled by using the stratified random sampling technique in the following way.

The first step of this sampling technique was to divide the study population into groups that differ in housing settings, that is the BNG housing settlement and the RDP housing settlement, resulting in two strata viz. beneficiaries of BNG housing and RDP housing. The second step of the procedure was the stratification of households in the two strata into three substrata. These substrata were:

- a) Households who used their housing as an asset.
- b) Households who had no interest in using their housing as an asset.
- c) Households who would have liked to use their housing as an asset but were constrained from doing so.

It was determined that an overall sample size of 90 households would be sufficient for the case study to represent the views, perceptions and experiences of households in their interaction with their housing units as assets. The researcher reasoned that the sample size would suffice for findings to reach saturation, which means that 90 households would enable data collection tools to be fully exhausted to the extent that answers given by respondents become repetitive. This meant that a sample size of 45 households from each stratum (RDP and BNG housing

settlements) and a 15 households sample size for each categorised substratum would be used to satisfy the overall case study sample size of 90 households. Potential survey respondents per category were determined using a pre-survey set of questions as explained below.

The first part of the questionnaire was generic, seeking to capture the demographic and other characteristics of the households, as well as uncovering their history in the settlement. The second part of the questionnaire was varied to seek information specifically from each of the three substrata described earlier. To assess which category a potential respondent fell into, the researcher asked pertinent questions about whether the household had used its housing as an asset in any way, and if not, whether they were interested in doing so or whether they were prevented from doing so by any limitations. Their responses to these questions placed them in the appropriate substrata, after which the specific questionnaire prepared for each substrata was administered. The process was repeated until 15 households per category were surveyed in each of the RDP and BNG housing settings.

2.2.2 Secondary Sources

Secondary information obtained from publications formed a large part of the literature review, and also the theoretical and conceptual framework for the study. Definition of concepts relevant to the housing asset debate were obtained from these sources. The use of publications and critiques of different perspectives of the low-income housing asset phenomenon was necessary to portray different perspectives in which the housing asset debate is understood generally, and specifically in the RDP and BNG housing context. Municipal documents, HWP and BNG and other housing policy documents, relevant legislative documents and journal articles were used to build knowledge about the beneficiaries' use of low-income housing as an asset to access finance and generate income. Documented precedents of projects in which housing was used as a financial and economic asset by beneficiaries in South Africa and internationally, the opportunities, constraints, and how they have been overcome were also used in order to draw useful lessons.

2.3 Data analysis

Findings of the research were thematically analysed in order to respond to the objectives of the study. The themes that were used as a basis for the analysis were determined based on the definition of housing that functions as a financial and economic asset, and the preconditions of

low-income housing to perform as such for beneficiary households. The themes that were established to capture the financial aspect of the housing asset focus on the sale of the unit, accessibility to finance and the willingness of lenders to invest in low-income RDP and BNG units. Such themes are:

- a) Formal (legal) ownership of housing units.
- b) Impact of socioeconomic conditions on households' access to finance.
- c) Potential of a RDP and BNG housing market.
- d) The impact of the design of RDP and BNG housing on its sale and use for finance accessibility.
- e) Availability of post-delivery programmes and their impact on the use of housing to access loans from banks or sell in the market.

The themes that were established to capture the economic aspect of the low-income housing asset mainly include the use of the dwelling unit for income generation. Such themes are:

- a) House ownership and entrepreneurial opportunities.
- b) The demand and supply of goods and services offered in RDP and BNG settlements.
- c) Impact of finance availability on home-based entrepreneurship.
- d) Competitive businesses environment for home-based businesses.
- e) Availability of post-delivery programmes and their impact on the use of housing for income-generation.

The data collected from the household survey, interviews with key informants and the observations was interpreted to respond to the established themes. The data was then presented in two sections covering the two housing settings under review, viz. the RDP housing findings and the BNG housing findings. This was done to establish the success or otherwise in the use of low-income housing as an asset in the BNG policy era relative to the HWP era. The presentation of the findings produced a comparative analysis of the use of low-income housing as a financial and economic asset by beneficiaries. A synthesis of findings was then made in order to draw conclusions and make recommendations on how projects can be packaged to better achieve the policy vision of low-income housing that performs as a financial and economic asset, and how households can harness the asset value of low-income housing units more easily.

2.4 Conclusion of the Chapter

The chapter explored the use of a mixed method of data collection, and explained its advantages to underscore its importance as the approach to the study that explores the extent to which low-income housing has been used as a financial and economic asset by beneficiary households. Interviews, a household survey and the observation matrix were selected to administer data collection from the case study area. The motivation for the use of such tools, the sample size for the household survey and the sampling techniques that were adopted in this study is also described in this chapter. The process and structure of data analysis was also presented in this chapter.

Chapter 3: Theoretical Framework and Review of Literature

3.1 Introduction

This chapter attempts to uncover how low-income housing units were conceptualized to function as assets across the two post-apartheid housing policy periods, namely the Housing White Paper (HWP) era (1994-2004) and the Breaking New Ground (BNG) housing policy era (2004-present date). The concepts of a financially and an economically functioning low-income housing asset and the applicability of these concepts in the South African context are also examined in this chapter. The role of the financial sector in enabling low-income housing to function as a financial asset is also unveiled in this chapter, by tracing the involvement of said sector in the South African housing policy and low-income housing delivery. The debates and challenges faced by households regarding their use of housing to access loans from banks and/or use to start small businesses are also presented. Before such information is presented in this chapter however, theories that have influenced the policy debates and approaches in the context of providing low-income housing that functions as a financial and economic asset for its beneficiaries in the market are explored.

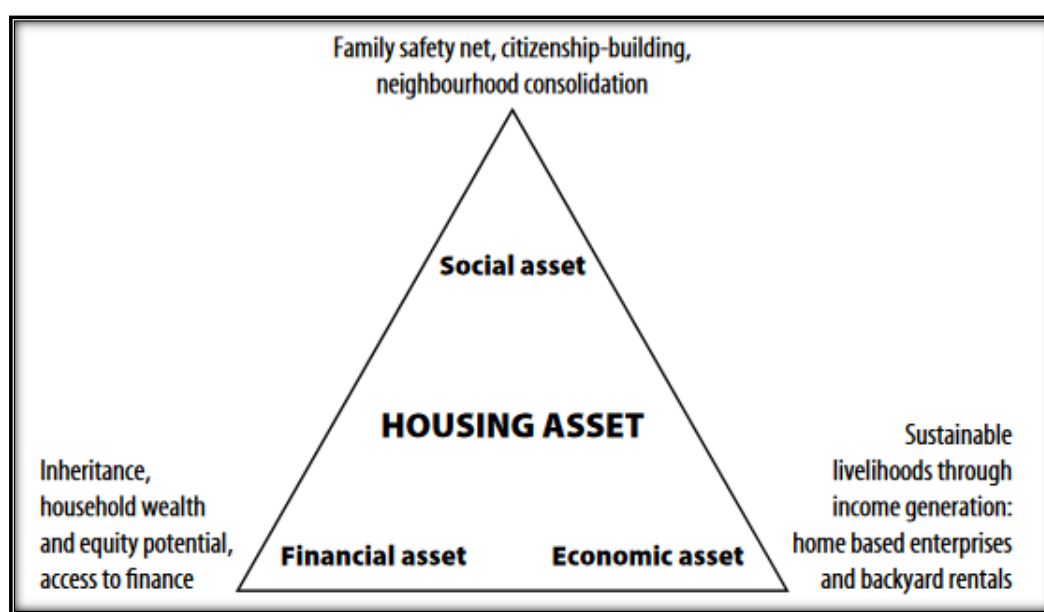
3.2 Definition of Key Terms

3.2.1 Housing as an Asset

The definition of an asset suggests that it is an item of property owned by a person or company, regarded as having value and available to meet debts, commitments or legacies (Stevenson, 2010). This position of understanding what an asset is fits in with how the notion of housing as an asset is understood. Therefore, a house or dwelling unit can be categorized as a durable asset, as it has a longer life span than other assets, such as business machinery, whose life span is usually shorter. The concept of a house as an asset requires consideration of the variety of ways in which a house is understood to function as such. In this regard, Rust (2008) interprets the concept of the housing asset using a triangle (see figure 1), whose three corners are facets of the housing asset values. The three corners represent the financial, economic and social asset value of a housing unit which can be harnessed and benefit household (Rust et al, 2008). The

study investigates only the financial and economic values of the asset triangle in order to establish if RDP and BNG housing beneficiaries have benefited from said values, as they have benefited from the social asset value, i.e. the performance of housing as shelter among other social benefits of owning a house.

Figure 1: The Housing Asset Triangle.



Source: Rust (2008)

3.2.2 Housing as a Financial and Economic Asset

A house performs as an economic asset through its use for income generation. This encompasses the use of a house as the venue to operate home-based enterprises and for rental (Adebayo, 2011). In this respect the economic benefit of owning a dwelling unit is recognized and harnessed by the households. A housing unit is therefore considered an economic asset due to its envisaged use that yields economic gains for those residing in it. As a financial asset, a house is used to derive finance through its sale, inheritance, or its use as leverage to access finance (Adebayo, 2011). These uses are explored in this study to determine if the beneficiaries recognize the asset value of low-income housing, and the extent to which their low-income housing may have performed as a financial and economic asset.

3.2.3 Subsidized Low-income Housing

This concept refers to housing delivered by the state through a programme to assist the poor to access housing as a basic need, who without such assistance would have difficulty in accessing it. The government, through financial assistance, ensures that eligible potential beneficiaries get access to housing by way of subsidy schemes that are devised to reduce the cost of accessing housing by the poor who would have difficulty accessing a house from their own financial means without said assistance. Subsidized housing differs depending on the developmental context of a country, with some developed countries like England viewing it as subsidized rental housing for the poor, and some less developed countries like South Africa viewing it as ‘free’ starter housing for the poor (Bredenoord et al. 2014), among other examples. In the South African context, the subsidy schemes have the same function of lowering the costs of access to housing for low-income households, as explained below.

At the beginning of the HWP era, the project-linked subsidy programme was used to facilitate access to basic housing by the poor. This subsidy format was aimed at ensuring the principle of vertical equitability of the subsidy assistance. The main target of said subsidy programme was low-income people who earned up to R3 500 per month. Such households received varying subsidy amounts depending on their income on a sliding scale, meaning that those earning closer to R3 500 received a reduced subsidy amount and vice-versa. The HWP policy required beneficiaries to contribute financially to top up the subsidy amount in order to access a complete housing unit (Tissington, 2011). In 2004 however, the BNG policy stipulated that all low-income households should get the same subsidy amount to address the problems that had been created by the ‘financial contribution’ requirements of the HWP. The BNG envisioned that this would facilitate the immediate access to housing by low-income households through subsidy programmes like the individual subsidy, credit-linked subsidy and informal upgrading programmes, among other programmes (Moroke, 2009).

Dumisani Makhaye Village is a subsidized low-income housing project, whose beneficiary households are low-income earners. Households benefitted through the project-linked subsidy programme. Housing units found in the case study areas are starter houses on which beneficiaries would carry-out incremental processes to achieve adequate housing by using units as financial and economic assets, as envisaged by the BNG housing policy.

3.2.4 Reconstruction and Development Programme (RDP) Housing

The first post-apartheid housing policy, namely the HWP, used a number of programmes to provide subsidized housing, the most prominent of which was the RDP. The RDP was the African National Congress (ANC)'s manifesto and approach aimed to reverse apartheid policies (Huchzermeyer, 2001). The HWP, implemented by the first democratically elected post-apartheid ANC-led government, was influenced by the RDP which was arguably superimposed on the housing policy's delivery mechanisms by the said government. Such was done to ensure that the objectives set by the ANC in its electoral manifesto were met, such as the delivery of 'free' low-income housing for the poor, among other things. Furthermore, the parallelism of the RDP's implementation and the implementation of the HWP by the ANC-led government resulted in the appellation of subsidized low-income housing delivered in the HWP era (1994-2004) as 'RDP housing'. The term is coined from this relationship, and was casually used to refer to the low-income housing units of that period. The use of RDP housing as an asset by beneficiaries is compared with BNG housing units, which are defined below.

3.2.5 Breaking New Ground (BNG) Housing

The concept of 'BNG housing' stems from the Breaking New Ground (BNG) policy response to housing, and is a relatively new concept in the post-apartheid housing delivery era, and remains somewhat overshadowed by the RDP housing term. It is a similar notion to the RDP housing concept, in that it refers to low-income housing units that are state-provided, albeit under the BNG housing policy (Bredenoord et al, 2014). In other words, it basically refers to starter low-income houses that are delivered by the state under the BNG housing policy era. The difference from the RDP housing concept is that these houses are designed to respond to the policy objectives of the BNG, of creating human settlements rather than mere shelter, effectively producing an arguably superior product to RDP housing. The difference then is intended to be seen in respect to size, interior design, building materials and location, among other housing aspects.

3.3 Theoretical Framework

3.3.1 The Keynesian Theory

John Maynard Keynes founded the Keynesian theory to interpret development on a macroeconomic scale (international economies) in the 1920s. It was pioneered to address the shortcomings and gaps of the classical theories to development, which argued for development to be governed by market principles. Keynes advocated for the state intervention in the market to regulate and cater for those “marginalized” by it, and recommended the increase in state investment to influence economic growth that would ultimately result in development of the society (Peet & Hartwick, 2015). Keynes argued that the state has to intervene through national monetary and fiscal policies, which meant manipulation of interest rates and increased government spending to favour the poor (Willies, 2011 and Peet & Hartwick, 2015).

The South African economy and housing policy mirrors certain traits of the Keynesian economic model due to government interventions into markets in order to address the inequalities between the poor and the rich. In the housing market specifically, subsidies are provided to the poor to access housing and participate in the housing market. Introducing mechanisms such as the Financial Sector Charter (FSC) and the Small Medium and Micro Enterprises (SMME) programmes also benefits the marginalized black community and the low-income housing beneficiaries by enabling them to use housing as a financial and economic asset. These government interventions enable the use of housing as collateral and for operating home-based business, thus enabling the marginalized to benefit, which is akin to the response by the government called for by the Keynesian model.

The Keynesian theory is used to interpret the state’s interventions in the unequal housing market of South Africa’s dual economy, which is an economy where one end is modern and well-developed and the other is underdeveloped and incapable of generating growth as a result of the disconnection between the two (Royston, 2007). Looking at the housing sector through the Keynesian lens, one is able to identify the government’s institutional interventions that were developed to create a link and bridge the gap between the first and second economy. The former comprises of households who are able to use their units as financial and economic assets and the latter comprises of the low-income households who struggle to participate in the market

without assistance, but who with subsidies among other forms of assistance should ideally be able to use their housing units as assets through sale in the market and/or as collateral for access to finance.

3.3.2 The Neo-liberal Theory

The neoliberal theory is the contemporary form of liberalism. This suggests that liberalism was once an influential political ideology that, at some point, lost some of its significance, which was revived by neoliberal theorists (Thorsen & Lie, 2010). There is scepticism regarding the origins of liberalism but events that led to its recognition are documented in development literature. Liberal theorists maintain that liberalism is the result of the collapse of feudalism, the emergence of the enlightenment period (1685-1815), and the philosophical contributions made by development scholars such as John Locke and Adam Smith, among others (Thorsen & Lie, 2010 and Willies, 2011). The liberal thinkers argued for the freedom of individuals to make rational decision, based on their needs and wants, to maximise gain/profits and minimize pain/loss. Decisions taken by individuals in the liberal state are for the satisfaction in the utilization of factors of production. Critiques and contestations of liberalism as a development ideology produced theories which opposed the “laissez-faire” ideology of liberalism, and opted for regulated or governed development. Since its inception over the years, liberalism has not perished as it is constantly brought up in political discussions that advocate for freedom and democracy which, according to Harvey (2005), are strong elements of liberalism. Liberalism needed to evolve to adapt to modern interpretations of development, thus neoliberalism emerged.

The initial rise of neoliberalism was associated with the neoliberal regime shift in Britain and the United States of America in the late 1970s as the result of political and economic rearrangement post-World War Two. Neo-liberalism is also founded on an assumption about the nature of human beings. Von Mises, an Austrian economist whose interest was on human choices and rationalism in economic choice defined such nature as “egotistic and self-interested” (Peet & Hartwick, 2015). The theorists of Neo-liberalism view it as “imbued with freedom” to maximise one’s gains (Peet & Hartwick, 2015). This view is elaborated further by the notion that choices are made by rational, freedom-loving, self-interested individuals whose

objectives are to maximise gains, and that markets can harmonize these selfish choices to achieve a perfectly competitive market (Peet & Hartwick, 2015).

In South Africa, the ideology of the ANC towards housing provision to the previously disadvantaged prior the 1994 government elections was through the socialist lens, for example through a redistributive approach of providing housing to those who had been denied such by the apartheid government. In contrast however, the implementation of the housing policy and its housing delivery processes were through a neoliberal lens that was mainly influenced by the involvement of market oriented entities like the Independent Development Trust (IDT) and the use of profit-driven private developers to construct housing units (Habib & Padayachee, 2000 and Gilbert, 2002: Narsiah, 2002). In this context the developers took profit-maximizing decisions such as locating low-income housing projects on cheap land in urban peripheries to minimize construction costs and maximize their profits (Gilbert, 2002). The understanding of the Neo-liberal theory in this regard is however broad and requires to be interpreted on a household economy level.

The Neo-liberal theory is used in the context of housing as an asset to interpret how households rationalise their use of housing to access finance and how they rationally make use of their units to maximize gains through income generation. The application of the theory in this regard resonates with the notion of “maximizing one’s gains” as households use their units freely to attain economic and financial gains. The use of housing as a financial and economic asset ideally elevates the value of the unit, thus enabling the households to participate in the ‘pure’ property market asserted by neo-liberal theorists. In such a market, improvements in terms of housing conditions are envisaged to take place as households sell their RDP and BNG housing and use proceeds from sale as down-payment to purchase better housing at a higher level of the housing market.

3.3.3 Neo-Marxist Theory

Karl Marx, the founder of Marxism, criticized the liberal ideology by stating that the system exploited the poor that had to work for themselves and the owners of the factors of production. What liberal theorists regarded as the ultimate point of development where individuals are able

to make decisions to maximize gains Marx considered as merely a stage necessary to achieve social development, which he deemed as socialism. In the socialist state, Marx advocated, means of production are communally owned and individuals would work according to their abilities and needs (Willis, 2011). The interpretations and critiques of liberalism by Marxist theorists were questioned in the 1960s because capitalism persisted even though theorists of Marxism presumed that it would collapse as the result of the fall of colonialism in African, Asian and Caribbean countries (Preston, 2012). Paul Baran and Paul Sweezy reinterpreted the Marxist theory to adapt to world conditions, from which the outcome was neo-Marxism.

The neo-Marxist theory argues that modernity, referring to contemporary approaches to economic and social development, yields high material standards of living for a few at the expense of the majority (Peet & Hartwick, 2015). This implies that inequality causes poverty and the poor will be affected by the actions of the rich who have the power to manipulate the factors of production. The Marxist approach to development is based on socialist ideologies, which promote communism. The ideal approach is to rationally control the development process through collective ownership, public control, planning, and democratic reasoning (Peet & Hartwick, 2015).

This theory conceptualises the communal ownership of resources as an approach that governments should implement, and recommends state intervention to counter social and market inequalities. In this study then, land as a resource and factor of production is accessed by the poor through provision of subsidized low-income housing by the state. The intervention by the state in this regard is the issuing of title deeds, among other things, to low-income housing beneficiaries which gives them legal ownership to the land and property they occupy. Legal ownership of the land by low-income households enables them to use their housing units and/or their sites to run home-based businesses which addresses income inequality without fear of eviction and legal actions against such use the property. To establish how the state has intervened in the market to ensure that low-income housing performs as a financial and economic asset for beneficiary households, the study explores attempts that have been made by the government to ensure that housing performs as such in the post-apartheid era.

3.4 Post-apartheid Housing Policy and Low-income Housing Assets

3.4.1 Building the Foundation for the Post-Apartheid Housing Policy

The establishment of the post-apartheid housing policy in South Africa was driven by three main developments namely the socio-political consensus-building of the National Housing Forum (NHF), the commitment embodied in establishing the new national Constitution, and the economic strategy of the Reconstruction and Development Programme (RDP) (Van Der Byl, 2014). Housing policy analysts like Mackay (1999), Huchzermeyer (2001), Dewar (2008) and Tissington (2011) maintain that the major event that led to the establishment of the post-apartheid housing policy in South Africa is the NHF. The events that led to the establishment of the first post-apartheid policy which would intervene in the skewed housing market of the apartheid South Africa were based on principles of equity, non-racialism and non-sexism. The way in which policy would incorporate all these principles was discussed in the NHF.

The NHF was a multi-party non-governmental assembly of politicians, business people, and the development and civic movement organizations that began in 1992 to 1994 (Tissington, 2011). This forum was held with the motive of establishing a new post-apartheid housing policy that was to be implemented after the apartheid policies had been abolished by the state. All the organizations that were part of the NHF discussions, according to Huchzermeyer (2001), fell within three main sectors. The first sector was the democratic movement sector/political movement, which mainly focused on democratisation and redistribution of assets such as right to land and housing to the poor. The second sector was the social movement sector/civic society, which focused on the creation of black home-ownership as a means for political stabilization, the provision of housing to enhance social capital, and use of housing as a tool for producing a stable labour pool. The third sector was the profit-making sector or business sector, which viewed housing as a tool that would encourage the poor to mobilise their own economic resources through housing ownership and the creation of workable credit mechanisms for the poor through involvement of banks in low-income housing delivery.

The business sector would benefit through the creation of a new housing niche market, which presented investment opportunities that would be created through provision of low-income housing assets. Implicit in the discussions of the sectors mentioned above was the notion that low-income housing is capable of performing as an asset. The debates could be argued to encapsulate the concept of the housing asset triangle identified by Kecia Rust (2008). For example, the profit-making sector's argument sees housing as an economic asset through its potential to generate economic gains, and recognizes its potential to perform as a financial asset that would be harnessed by devising credit mechanisms affordable to the poor. On the other hand, the redistributionists of the social movement sector see housing as a social asset, an asset of redress for those who were previously denied housing rights (Rust et al, 2009).

The overarching questions posed in the NHF were whether the state or the market should provide housing, and whether the standard should be a completed four-room house or a "progressive" (incremental) housing unit (Huchzermeyer, 2001, Adebayo, 2011, Van Der Byl, 2014). The latter question, indeed, suggested the prospect of beneficiary ability to use housing as an asset to facilitate the incremental housing process. The discussion of the NHF in response to these questions shaped the post-apartheid housing delivery mechanisms based on a government subsidy instrument, to enable the poor to have a foothold in the housing market through subsidized starter houses. Furthermore, such mechanisms emanate from ideas passed onto the NHF through the involvement of the Independent Development Trust (IDT) and Urban Foundation (UF) in said forum. These two institutions had previously experimented with the sites and services approach funded through a once-off capital subsidy, from which beneficiaries would build their own houses (Huchzermeyer, 2001 and Adebayo, 2011), hence the approach of the NHF to provide 'incremental housing'.

Post-apartheid housing delivery was also influenced by advice from the World Bank and the United Nations (UN) to South Africa, maintaining that the post-apartheid housing policy should not provide complete dwellings because that approach had proven to be inefficient worldwide regardless of the development context (Dewar, 2008 cited in Adebayo, 2011). The theory of neo-liberalism and the concept of self-help housing entrenched internationally by the multilateral organizations such as the World Bank and the United Nations required the state to be an enabler and supporter of housing provision, by means of providing subsidies to low-

income households which would encourage such households to carry out incremental housebuilding (Mackay, 1999 and Adebayo & Adebayo, 2000). Resultantly, this would create an environment where RDP housing beneficiaries would use their housing units and site as an asset to improve their housing conditions, among other ways.

The outcome of the NHF deliberations was also the consensus about priority on the speedy provision of low-income housing to meet the backlog accruing from the apartheid era, and to massively provide housing to the poor under the fiscal constraints (Adebayo, 2010, Tissington, 2011). In this regard the concept of breadth over depth was adopted, which suggested that the delivery approach should focus on providing starter (core) housing to as many people as possible instead of a complete dwelling units to fewer people (Huchzermeyer, 2001, Tissington, 2011, Van Der Byl, 2014). However, the premature end of the NHF, according to Bond & Tait (1997) and Huchzermeyer (2001), impeded some perspectives which would have positively altered the housing policy approach towards low-income housing provision. One of such perspective was the emphasis on the asset potential of low-income housing, and ensuring that such asset potential is recognized and harnessed by the state as well as beneficiary households.

It can therefore be argued that the performance of low-income housing as a financial and economic asset for beneficiary households was not accentuated during policy formulation. The researcher argues that while the vision of housing that performs as an asset was not entirely absent during policy formulation, it was not emphasised in the NHF. As the NHF deliberations informed the establishment of the HWP, it follows that such lack of emphasis justifies why the ‘housing asset value’ aspect is implicitly rather than explicitly expressed in the HWP. The involvement of the financial sector during the NHF is presented below to demonstrate the expectation of housing to perform as an asset by the state, through unlocking credit accessibility so that the poor could use their RDP housing as collateral, among other ways.

3.4.2 The Financial Sector and the Low-income Housing Market

The apartheid era had a negative impact on the South African banking sector with respect to lending to households who resided in townships, which were located on urban peripheries as a

function of the settlement planning of that era. The banks perceived and experienced difficulty in lending and facilitating loan repayment in townships because of the unstable political environment where residents used loan repayment boycotts in the late 1980s and early 1990s, amongst other things, to fight for a democratic South Africa (Van de Byl, 2014). The volatility of the township environment, coupled with other aspects such as design of township units and high unemployment and underemployment in townships, convinced the banking sector that lending and facilitating loan repayment would be difficult in such places (Rust, 2006 and Tissington, 2011). In cases where some low-income households, of which most are black South Africans, were employed and could afford a loan, constraints in accessing it were presented by restrictions on property ownership by blacks and therefore the absence of title deeds that are required if an asset is to be used as collateral (Tomlinson, 2006 and Van de Byl, 2014).

Beyond the political instability in the transition to the democratic South Africa, the business impracticality between the banking sector and low-income earners was always paramount. In this regard Tomlinson (2006) states that the banks' costs of lending, comprising of loan administration costs, surpassed the returns on investment, which comprise of loan amount repayment and the payable interest loan. Moreover, the legal implications of the Usury Act, which sets interest rate ceilings that banks should charge its clients, also impeded on commensurate adjustments of interest rate with perceived risk and cost of administering small loans to low-income earners (Tomlinson, 2006). Such limitations perpetuated the culture of non-lending to low-income households by the banks.

The new era of a non-discriminatory housing policy of the post-apartheid sought to encourage banks to resume lending to the low-income housing market. The commitment to the objective of lending to low-income households by the banks was seen in their involvement in the NHF. The reform of the housing sector towards the democratic era (post-1994) meant that the financial sector and the government had to invent initiatives that would ensure that credit allocation is extended to the lower-end of the housing market through mobilization of major South African banks. These efforts were meant to create an environment in which low-income homeowners could use their housing to facilitate borrowing, much like middle and high income households have always done.

3.5 The Financial Sector Reforms

3.5.1 The Record of Understanding (ROU) of 1994

The ROU was signed in 1994 between the Department of Housing (DoH) and the Association of Mortgage Lenders in order to persuade the financial institutions to resume and extend lending to low-income housing borrowers (Tomlinson, 2006). This ROU emanated from discussions in the NHF on how to encourage re-entry of the financial institutions into the low-income housing market after nearly exiting this market in the late 1980s. The discussions, it can be added, were sought ways to enable low-income housing units to perform as assets that would be used as collateral for access to finance. Such finance would then be used to progressively improve housing conditions of beneficiary households, among other things. The availability of loans to low-income housing beneficiaries would be ensured through commitment to the ROU of extending finance to said households by the banks.

Even though the financial sector agreed to lend to the low-income housing market and contribute towards the new policy change, difficulty in doing so was experienced in the first post-apartheid housing policy era. Reasons for such difficulty range from the banks' experience of historic bond repayment boycotts and risks associated with lending to low-income households, to high unemployment rates of households residing in low-income housing settlements or 'townships' (Adebayo, 2011). In addition, the financial institutions expressed their constrained ability to re-enter the low-income housing market because they were unable to repossess housing units whose owners had defaulted on loan repayment (Tomlinson, 2006, Gordon et al, 2011, Kihato, 2014). This called for innovative mechanisms channelled towards overcoming these constraints which made banks reticent to resume lending in the low-income housing market.

3.5.2 The Mortgage Indemnity Fund (MIF)

This institution was established in 1995 with the aim of providing 50 000 mortgages to low-income housing households within its first year of founding (Tomlinson, 2006). It was established to radically encourage financial institutions to lend to the low-income housing market. The MIF was mandated to financially cover all the politically associated risks of lending to low-income areas which were redlined as 'no lending' zones as the result of loan

repayment boycotts (Nsibande, 2014). Through such coverage, household would then be deemed as creditworthy and access to finance would be possible (Tomlinson, 2006).

The MIF was founded as an interim approach that would run for three years from its inception until the loan repayment situation stabilised. However, even after the loan repayment boycotts ceased and indeed even in eleven years of its functionality, by 2006 mortgage lending had not significantly penetrated the low-income housing market (Tomlinson, 2006). Failure for mortgage lending to extend to low-income households means that low-income housing did not perform specifically as a financial asset for beneficiaries for about ten years of the MIF's operation. Failure of mortgage lending to be accessed by low-income households implies that a large number of RDP housing beneficiaries were constrained from using their RDP units as financial assets.

3.5.3 Servcon Housing Solutions

This institution was founded simultaneously with the MIF through an agreement made by the government and the Council of South African Banks. Its aim was to address the problem of properties in which bond repayment had ceased, where it offered mortgage rehabilitation, rescheduling of loan repayment period and rightsizing, referring to the relocation of households to housing units that they could afford (Parliamentary Monitoring Group (PMG), 2001 and Tomlinson, 2006). Extending loan accessibility to low-income settlements and boosting the financial sector lenders' confidence to continue investing in the low-income housing market was the major objective of this institution. If the objectives of Servcon were met, low-income households would have been able to get credit clearance and therefore enable the use of housing as an asset. Moreover, meeting the objectives would have boosted the banks' confidence that returns on investments made in the low-income housing submarket would be attained due to the solutions offered by Servcon.

3.5.4 National Housing Finance Corporation (NHFC)

This is a parastatal company, established in 1996 by the DoH. Although the government founded it, it operates on market principles. NHFC is one of several Development Finance Institutions (DFIs) created by the South African government to improve the socio-economic

challenges of the country by inventing workable models of affordable housing finance for low-income households. NHFC is a wholesale financier that sought to mobilize funds from contractual saving institutions and directed finance and other assistance to intermediaries that served the low-income housing market (Tomlinson, 2006 and Tissington, 2011). Over the years, the NHFC has provided debt capital to intermediaries targeting Housing Micro-Finance (HMF) by sourcing funds to serve the low-income housing market (Kihato, 2014). Funding sourced from contractual savings institutions would then enable institutions that serve the low-income housing market to have funding for their target market, thus households would access it by offering their houses as collateral.

3.5.5 National Urban Reconstruction and Housing Agency (NURCHA)

This is a non-profit company established to facilitate the access to finance by subsidy-linked housing projects (Tomlinson, 2006). It was established to share the financial risks of doing business in the low-income housing market with housing developers and financial institutions (Tomlinson, 2006). This is another financial institution that was established to encourage the involvement and reinvestment by financial institutions into the low-income housing market through mortgage finance. It mainly provides capacity building grants, loan guarantees and bridging finance to low-income housing households and developers (Tomlinson, 2006). It also facilitates the flow of finance from financial institutions to low-income housing development, and administers savings or rotating credit schemes for low-income housing (Jones & Datta, 2000 and Tissington, 2011). Its achievements are acknowledged as it has produced surpluses over its recent financial year-end reports (PMG, 2016). The approach by NURCHA does not only demonstrate the commitment to ensuring credit accessibility by low-income households, but to also encourages the establishment of group savings schemes to ensure affordable credit for low-income households, much like non-traditional lenders.

3.5.6 Non-Bank or Non-Traditional Lenders

These lenders are not governed by the Banks Act, and target low-income housing households. These institutions offer loans up to R6 000 (Tomlinson, 2006). The non-traditional lenders are able to adjust their interest rates to cover the risks of lending to low-income earners and cover the administration costs of lending and managing bonds. Low-income households would be

likely to approach such lenders because of less bureaucratic procedures involved in loan accessibility. To reform the financial sector required the change of normative practices of said sector, especially regarding the accessibility of finance by low-income households, to ensure that finance was actually extended to low-income households. As is well known, low-income households who have not received title deeds to their property would be constrained from getting a loan from a traditional lender. However, innovative lending mechanisms through non-bank lenders or non-traditional lender who may not require title deeds might enable the accessibility of finance by such households. Low-income households easily access money or capital lent by these institutions because it is sourced from private and public sector donors (Tomlinson, 2006). More often than not, unsecured finance accessed from these institutions is channelled towards improving housing conditions, among other household needs (Higenbottam, 2017).

The above discussion leads one to conclude that the development of the policy did in fact envision that low-income housing would be used as an asset by beneficiaries, and the participants of the NHF ensured that the finance aspect of the housing asset triangle was recognized in the early stages of housing policy development. Leading to the 1994 government elections were expectations of a new housing policy era, where low-income households would have an opportunity of being integrated in the urban areas from which they were previously excluded. However, the ability of low-income earners to use low-income housing to progressively improve their housing and economic conditions that was envisioned during the policy discussions, became no more than a 'dream' as low-income housing did not yield the expected result of functioning as an asset for beneficiaries (Gordon et al, 2011), as elaborated below.

3.6 The Housing White Paper (HWP) (1994)

The objectives of the HWP were aligned with a pragmatic approach to delivering housing to a large number of beneficiaries in an attempt to reverse the apartheid spatial patterns of poor location of the black communities on peripheral land, racial segregation and spatial disjuncture between work and housing areas (Adebayo, 2010). Even though not thoroughly elaborated on, the policy envisioned that the beneficiaries of low-income housing would use it as an asset.

This is implicit in the policy's objectives, especially those about (Department of Housing, 1994):

- a. Stabilizing the housing environment in order to attract the private sector lenders.*
- b. Establishing community support in order to enable beneficiaries to incrementally improve their housing conditions.*
- c. Mobilizing housing credit and simultaneously protecting consumers.*

The HWP envisioned that for beneficiary households to have an adequate house there needed to be incremental improvements to the initially provided house. One of the ways in which improvements or consolidation of housing can be achieved by beneficiary households is by using it as an asset to access finance from the banks. Finance accessed through use of housing as an asset may also be channelled towards starting home-based businesses, among other things, which would improve the household income. Improvements made on the housing unit would enhance its value, which can be used to access more funding from financial institutions.

The first decade of post-apartheid era mainly focused on reconstruction and normalization of the economic, social and financial imbalances of the apartheid era. Key strategies formulated to address such imbalances were the RDP and the Growth, Employment and Redistribution (GEAR), which were particularly influential in shaping policies, including housing policy. The impact of these economic strategies on low-income housing's performance as a financial and economic asset is elaborated on below.

3.6.1 Low-income Housing Asset and the RDP

The Reconstruction and Development Programme (RDP) conceptualized housing as a basic human right, and also conceived housing to play a crucial role in social transformation and reducing social imbalances of the apartheid regime (Wessels, 1999). The concept of a "people's contract" was used by the state to provide basic needs to the poor as an objective of the RDP. One of such needs is indeed housing. The mutual position of the 'contract' between the state and citizens was the focus on poverty reduction, tackling unemployment and ensuring social justice (Van Der Byl, 2014). The RDP was endorsed cross-sectorally in the post-apartheid period by order of the ANC as the first democratically elected political party, and it was adopted

as a framework under which policies would be formulated (Van Der Byl, 2014). The housing sector was no exception. Consequently, the compliance by the HWP with the RDP principles resulted in the delivery of low-income housing which was termed “RDP housing”, also because RDP was exhaustively used as a manifesto by the ANC prior the 1994 elections (Huchzermeyer, 2001, Adebayo, 2010).

The ANC echoed the promise of four roomed houses in the election manifesto but delivery did not produce such housing. The government was aware of the inadequacy of the RDP housing units, with size (30 M²) being smaller than the four room houses promised by the ANC in its manifesto. However, additions were envisaged to be undertaken by household beneficiaries to improve their units and achieve adequate housing (Adebayo, 2011). The improvements on starter housing would be made possible by access to finance from lenders through use of RDP housing itself as collateral or through use of such housing to generate income that would be channelled towards consolidation, among other things (Rust, 2008).

The RDP houses delivered in the first year of the apartheid era were valued at R36 000. Housing of slightly better value, which might have been affordable for purchase by households earning between R1500 and R2500, or indeed between R2500 and R3500, was never developed (Rust, 2006). This implied that even those who were willing to purchase slightly better houses than RDP housing were limited by the shortage of affordable housing options offered in the market. To meet the high demand for housing and housing product with an improved value, all subsidised housing delivery methods conformed to the national minimum norms and standards, which essentially produced a 30m² unit with one room and a toilet, on a 250m² plot of land (Huchzermeyer, 2001). However, the inferior size of the housing units and sites, among other things, was unfavourable to the financial sector and thus detrimental to its use as an asset by beneficiary households. The constrained ability of low-income housing to perform as a financial and economic asset was also the result of the RDP’s narrow view of housing provision as mainly a tool for redistribution and addressing social imbalances. RDP housing units were not envisioned to primarily function as financial and economic assets, but their delivery was significant in demonstrating the distribution of tangible assets to the poor by the democratic government (Adebayo, 2011).

3.6.2 Low-income Housing Asset and GEAR

The introduction of the Growth Employment and Redistribution (GEAR) economic strategy in 1997 was a turning point in government perception of housing. It changed from viewing housing based on a socialist perspective to viewing it as increasingly based on neoliberal principles (Lemanski, 2011, Van Der Byl, 2014). GEAR initiated mechanisms such as tax incentives, small business development, and skills and development programmes. It also focused on stabilizing the economy under difficult circumstances of recession post-1994 towards 2000. It set out what became known as “targets” for growth and employment, and conceptualized housing as primarily a capital-accumulating asset that contributes to the economy of the country and has great potential for wealth creation for the poor beneficiaries (Lemanski, 2011).

GEAR emphasized and focused on improving the Gross Domestic Production (GDP) (Edigheji, 2006 cited in Van Der Byl, 2014). In this regard, Edigheji (2006) further argues, the state stressed the commitment to the objective of achieving the annual economic growth of six percent. Even though GEAR provided a crucial perspective of viewing low-income housing as an asset, its view of housing was interpreted broadly by said strategy and did not specifically give emphasis as to how low-income housing beneficiaries would harness the potential asset value of such housing. This omission notwithstanding, GEAR’s recognition of low-income housing as an asset was a big leap towards a popularized understanding of low-income housing as an asset for beneficiary households in South Africa.

3.6.3 Popularised Recognition of Low-income Housing as an Asset in South Africa

The gradual recognition of the potential of low-income housing to perform as an asset for its beneficiaries was an important policy progression towards understanding ways in which adequate housing can be achieved by low-income households. The realization that the notion of incremental housing embodies the use of low-income as a financial and economic asset by beneficiary households attested to the policy’s implicit intentions of enabling such housing to improve livelihoods and economic well-being of beneficiary households. Scholars and policy analysts have been influential in the realization of the potential of low-income housing to perform as an asset. One of the most influential thinkers in this regard is Hernando De Soto, a

Peruvian economist and one of the world's most prominent think-tanks of the use of property by the poor to combat poverty. His visit to South Africa sparked a focus on the potential for low-income housing to performance as such (Davies et al., 2007, Pillay, 2008, Lemanski, 2011).

In his book, entitled "*The Mystery of Capital: Why capitalism triumphs in the West and fails everywhere else*", De Soto demonstrated a linkage between formal title to property, including housing, and access to finance. He asserted that capitalism could be made to work for the poor through formalising their property rights to houses, land and small businesses (De Soto, 2001). Kingwill et al (2006) further state that part of De Soto's work aimed to discover the reasons why property ownership and wealth creation through property ownership thrived in developed countries compared to developing countries. His ideas are popular in developing countries due to a common history of colonialism and unequal land ownership, and also the need for economic growth and vibrant housing markets.

De Soto's proposition that the formalisation of land tenure can bridge the gap between the informal and the formal economy by bringing "dead capital" to life speaks to the first and second economy, which was an important enough characteristic of the South African economy to draw the former President Thabo Mbeki's attention. According to Cousins et al (2005), Mbeki stated that the South African housing market has two economies, the first being modern and well-developed, and the second being underdeveloped and incapable of generating growth because of its disconnection from the first. De Soto declared that South Africa resembles other developing countries, asserting that despite migration towards cities, most people are excluded from the legal system of land ownership. He added that property was the genesis of the rest of the market economy, and that without property titles the integration of the first and second economies would be impossible (De Soto, 2001 cited in Davies et al, 2007). De Soto also firmly asserted that the poor are poor because they lack access to property title deeds that would enable them to use housing as a financial asset to source finance or/and, indeed, use it as an economic asset for income generation (Tomlinson, 2007, Boudreaux, 2008 and Meinzen-Dick, 2009).

Despite De Soto's optimistic and oversimplified ideology of property ownership 'magically' leading to poverty alleviation, criticism regarding the feasibility of his ideas has risen over the

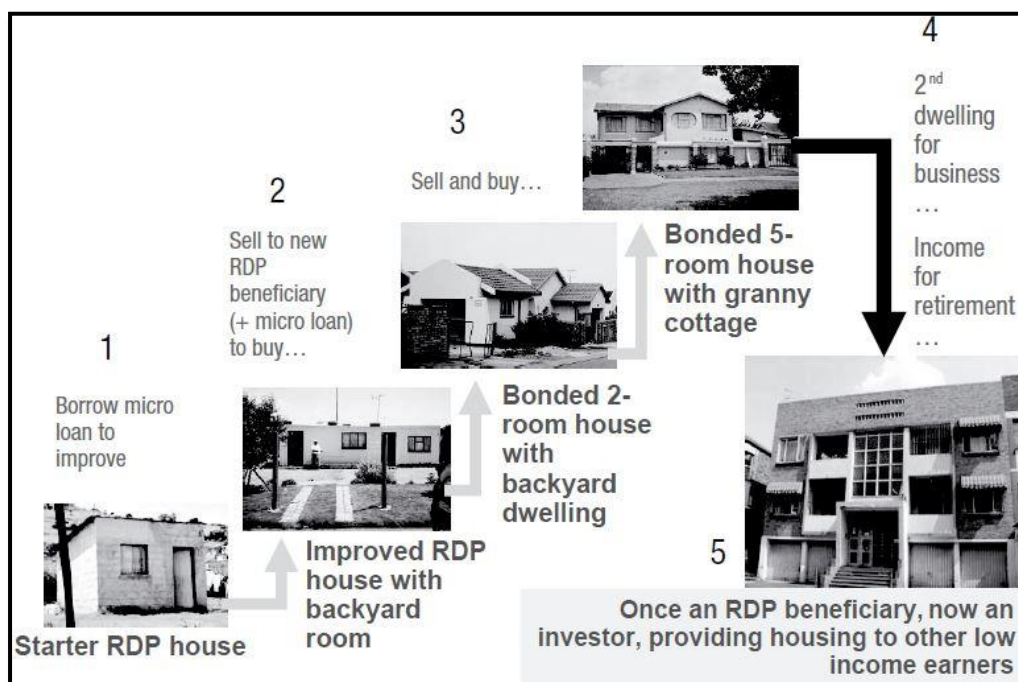
years. Gilbert (2002), von Benda-Beckmann (2003) and Royston (2004) for instance, note the absence of precedents regarding De Soto's theory since his theory has not been tested nor has it worked before. Tomlinson (2007), Rust (2007), McKinney (2007), and Royston (2007) further criticise specifically the feasibility of De Soto's ideas in a South African context, noting that it ignores the history of the country and the context of the South African housing market, in which formalization of low-income housing property usually takes long, thus hampering the use of low-income housing as an asset. Despite criticism of De Soto's assertion regarding property ownership and access to finance, there is not much to dispute the possibility of such a phenomenon to unfold (Meinzen-Dick, 2009). The importance of title deeds to trigger low-income housing to function as an asset for beneficiary households was also acknowledged by Lindiwe Sisulu, the Minister of Human Settlements, who in 2005 asserted that title deeds give people complete ownership and enable them to use their property as an asset (Sisulu 2005, quoted in Cousins et al 2005 & Lemanski, 2011).

To this end, South African housing delivery has underscored the notion of the housing ladder that is envisaged to be triggered through low-income housing consolidation and use of such housing as a financial and economic asset. The incremental housing processes facilitated by harnessing the financial and economic asset values of low-income housing among other things, trigger the function of the housing ladder which represents the advancement in the housing conditions of households. There are various ways in which the housing ladder is initiated, and in whichever way upward mobility is assumed to take place. The notion of the housing ladder is well championed and documented by Rust (2006, 2007, 2008), Royston (2007), Adebayo (2010, 2011), and Lemanski (2011), among others. The steps of the ladder are sequentially elaborated on below (also see Figure 2).

- 1) The first step of the housing ladder is envisaged to be initiated by low-income housing beneficiaries' improvement of their housing unit. For example, this would be done by adding a room, as a result of access to finance or household savings.
- 2) The newly improved housing unit with added value would be used to get bigger-sized loans or sold in the market.
- 3) If sold, the proceeds from the transaction would be used as down-payment for a better housing unit in an integrated neighbourhood.

- 4) The last rung of the ladder consists of households participating in largescale landlordism, from which gains may be invested in rental housing for other low-income households looking for houses.

Figure 2: The Housing Ladder



Source: Rust (2007)

The functionality of the housing ladder is dependent on the recognition and the willingness by beneficiary households to harness the asset potential of housing. Such potential is depicted by the housing asset triangle, as explained in section 3.2. Noteworthy is that the use of the house for any one asset value by a household does not prevent the household's ability to simultaneously use the other asset values of the same house (Rust, 2007). To demonstrate, households may use housing to access a loan from a bank, and use the money to start a home-based enterprise or add a room for rental. Income gained from the home-run business may be used to service the loan. These functions of housing as a financial and economic asset would unfold in the context where such housing functions, over and above, as shelter. In order to establish if BNG housing's performance as a financial and economic asset improved compared

to that of RDP housing, one first needs to establish how or indeed whether and to what extent RDP housing units performed as such.

3.7 RDP Housing Unit's Performance as a Financial Asset

RDP housing as a financial asset was envisaged to perform a traditional role of any housing structure that performs as an asset, which entails being used as collateral to access finance, being used as a tradeable asset in the housing market, and mostly providing a foothold for housing beneficiaries in the property market (Rust, 2008). When traded, the value of the transaction would contribute towards a household's actual wealth which could then be re-invested in better quality or more appropriate housing for the household's individual circumstances (Gardner, 2008). De Soto emphasized the potential of using housing as security against a loan and suggested that this was an important strategy for low-income households to improve their overall wealth (De Soto 2001, cited in Gardner, 2008, Rust, 2008, Lemanski, 2011 and Kihato, 2014).

For an RDP housing unit to function as a financial asset there are conditions that had to be satisfied by both the household, and the environment in which the housing unit is envisaged to perform as such. Some of these conditions, according to Adebayo (2010), are:

- Households need to have access and long-term affordability of the credit that the house could leverage.
- Neighbourhoods should be of a quality desirable by potential buyers and attractive to lenders.
- The RDP environment must present a vibrant secondary housing market of many willing buyers and sellers, with the notion that the more transactions made the more the price will reflect the economic value of the property.
- The households must have title deeds to facilitate formal sale or borrowing transactions.
- The households must desire and afford credit.
- There should be affordable and sufficient housing stock up the property ladder to satisfy the demand by households disposing of RDP housing and seeking property on the next rung of the housing ladder.

- There should be information to households on how to harness financial value of their housing units and the advantages thereof.

The financial asset value of RDP housing is therefore not realisable until it is either sold formally and legally, or used to leverage access to finance. When the market is ‘thin’, or when households are reticent to take on mortgage finance and risk losing their homes, the performance of housing as a financial asset is little more than merely a concept (Adebayo, 2010). When traded, the proceeds contribute towards the household’s actual wealth and can then be re-invested in the housing unit.

3.8 RDP Housing Units’ Performance as Economic Assets

Housing is also capable of performing as an economic asset when it is used to generate income for the household. Research into the activities of small scale landlords and home based enterprises in South Africa found that the home is commonly used as a base from which economic activities are established (Gardner, 2008). In such cases, overlaps identified in section 3.6.3 about the performance of housing as an asset are discernible, where the establishment of home-based businesses is dependent on the availability of finance as a result of the use of housing as collateral. In that scenario, RDP households would use the finance as capital to start a home-based business (Rust, 2008). For low-income housing to perform as an economic asset there are also conditions that need to be fulfilled, and according to Adebayo (2011), these are:

- Business education programmes to households and a flexible design to enable housing consolidation in order to accommodate the use of the unit for economic purposes.
- Housing units that are capable of taking advantage of small-scale landlordism.
- Availability of information to households on how to harness the economic asset value of housing.

A survey undertaken in Gauteng in 2006 found that one in six households operate a small business, and that 69% of small businesses are home-based, whether in the house itself, the garage, or the back yard (Gardner, 2008). Most of the home based businesses include Spaza

shops, crèche or day-care facilities and small-scale landlordism (Rust, 2008). Looking specifically into the activities of small-scale landlordism and home based entrepreneurs, research conducted by FinMark Trust in 2006 found that small-scale landlords are offering well located, affordable rental housing to over 1, 8 million low income people with an average income of R1800 per month (Gardner, 2008). This is an indication of a growing and vibrant low-income housing rental market which is neglected by the housing policy that has proved not to be adaptive to cater for low-income earners. Small-scale landlordism therefore serves those who do not qualify for subsidized RDP housing and also cannot afford rental housing that is offered in the next rung of the housing ladder above the starter housing rung.

Low-income households may start with an expectation that their housing fulfils their social and economic ambitions, and only develop an expectation that the house also performs as a financial asset over time. On the other hand, the state may aspire to support the development of sustainable human settlements in the first instance, and see job creation or household economic growth in relation to the housing policy as secondary. In reality however, the state focuses on national economic growth with an expectation that benefits of such will trickle down to reach the poorest of the poor (Willis, 2011), and as a result does not necessarily prioritize the function of housing as an asset with which households can address poverty themselves. When policy makers understand the housing asset in such perspectives, both as a private and a public asset, they can better formulate interventions to relate to the specific deficits that exist in the housing provision system.

The approach by the state of providing low-income housing mainly for its social asset potential, such as social and political stability, was ultimately detrimental to households' recognition of other asset potential of housing. This is mainly because such housing was handed to the poor without any comprehension on how beneficiaries could harness all its asset potential to improve livelihoods and housing conditions. Considering how housing performs as an asset for its occupants is instrumental in devising a policy that responds and facilitates the harnessing of the asset potential of such housing by beneficiary households. Therefore, according Gardner (2008), the failure of the HWP to acknowledge and respond to all facets of housing as an asset meant that the potential of RDP housing to perform as such was squandered, or worse, undermined.

3.9 Failure of RDP Housing as an Asset

The HWP policy gaps in conceptualizing low-income housing that is capable of performing as an asset, specifically a financial and economic asset, which can be used by beneficiary households to achieve adequate housing are the weaknesses that led to the failure of said policy to facilitate the performance of RDP as such. Notwithstanding the ‘core-housing’ thrust of low-income housing delivery, emphasis was not given by the policy regarding the use of such housing as a financial and economic asset to initiate its incremental process that was envisioned by the policy. The vision of RDP housing that performs as an asset was always latently present in the HWP policy era but the process of ensuring that beneficiary households actually realize such value, and therefore harness it, was ambiguous and side-lined during said policy era.

The shortfall in policy formulation to fully conceptualize ways in which beneficiary households could harness the asset value of low-income housing immensely contributed to its inability to perform as an asset. The effects of these shortfalls are seen in some of the strong points of housing delivery, like subsidy schemes, where the subsidy amount was not inclusive or adaptive to incorporate technical requirements like design to enable housing to function not only as a social asset, but also as a financial and economic asset (Adebayo, 2011). Huchzermeyer (2003) and Gilbert (2004) further note limitations of the capital subsidy amount for core housing, which resulted in the location of low-income housing on urban peripheries where less money would be spent on land acquisition for instance, and resultantly profit for the private developers. Moreover, limitations like bad location constrained beneficiaries of RDP housing from exhausting economic opportunities presented by locating closer to the Central Business District (CBD). Business opportunities in the CBD include, for example, running a spaza shop where the consumers’ buying power is relatively stable due to employment opportunities in places closer to or in the CBD. In contrast, households living further from the CBD have limited opportunities in operating home-based businesses like spaza shops because the disposable income of households in such areas is usually low, thus the consumer buying power is unstable.

The costs of home ownership, which consist of the municipal services, rates, maintenance and household expenses, all decrease the disposable income of households, in which case the affordability of housing consolidation is challenged (Adebayo, 2011). Furthermore, towards the end of the HWP era, the National Department of Housing (DoH) stated that the inexperience of low-income groups with ownership of housing limited their view of units' potential use as financial and economic assets (DoH, 1994 cited in Adebayo, 2011). In elaboration of the severity of the failure of the HWP in conceptualizing housing's performance as a financial and economic assets, the following section highlights the failure of RDP housing to perform as such.

3.9.1 Failure of RDP Housing units as Financial Assets

3.9.1.1 The Dysfunctional RDP Housing Market.

The RDP housing market's smooth operation of "willing buyer-willing seller" principles under the market forces of demand and supply was constrained by a number of issues, ranging from the design of the housing units to the registration of the RDP dwelling units. Other issues are in relation to the 'secondary market', which did not develop in the RDP housing submarket as anticipated by the state (Gardner, 2008 and Adebayo, 2011). The failure of the RDP housing to function as a financial asset can be attributed to a number of reasons, some of which are:

i. Delayed registration of Township Establishments

A title deed is required for housing to be legally sold in the market, and indeed have its value recognized and commanded. The presence of a title deed not only demonstrates that the property which is sold belongs to the seller, but is also useful in the administration of transfer of ownership from seller to buyer. The delay in the registration and issuing of title deeds of newly established RDP housing settlements had a negative impact on the performance of such housing as a financial asset for household beneficiaries, especially with regards to sale of such housing. One of the effects of the prolonged registration process was that RDP households that could not cope with costs of home ownership, who otherwise could have used their title deeds to solicit finance if they were timely issued, were forced to illegally sell their houses (Rust et al, 2009). Houses that were sold in such cases were undervalued and the transfer of ownership was not legally indicated. Findings of the 2004 Township Residential Property Market research revealed that of 25% of RDP households that had sold and bought their units, only 3% reflected

in the deeds registry (Rust et al, 2009). From the given statistics, 22% houses were illegally sold. Such transactions constrain the vibrancy of the RDP housing sub-market.

ii. The Pre-emptive Clause

The pre-emptive clause was initiated by the Housing Act as a response to illegal sales in the RDP housing market. The clause was introduced after research into the new housing market, created by the provision of RDP housing, yielded evidence that beneficiaries of such houses were trading them informally in the low-income housing sub-market. Such sale sometimes took place immediately following receipt of the housing unit. The sale of said housing led to an amendment being made to the Housing Act in 2001, restricting sales within a period of eight years from the date on which the property was acquired (Van Der Byl, 2014). This implied that the RDP housing beneficiaries were constrained from using their units as financial assets in the market, through sale, for a period of eight years from acquisition. The implementation of the clause in the policy however yielded unintended results because it further promoted informal sale of low-income RDP housing units in the market (Rust et al, 2009 and Adebayo, 2011).

iii. Physical Quality of the Units

The indistinguishable design as well as structural defects of RDP housing units was detrimental to its sale in the market and its performance to secure a loan for households. The poorly constructed RDP housing units by the private developers, to maximise profit while simultaneously meeting the target of one million houses per year that was set by the state, negatively impacted the quality of such housing. Furthermore, the poor physical quality of RDP housing sparked bad reception from recipients of such housing, with some labelling them as marginally better than shacks and some calling them RDP boxes (Khan & Ambert, 2003 and Irurah & Boshoff, 2003). To address concerns about the quality of RDP housing, the state founded the Consumer Protection Measures Act and the National Home Builders Registration Council (NHBRC) to protect consumers from profit maximizing developers of low-income housing, and also set building standards that improve the quality of houses (Department of Housing, 1997 cited in Rust, 2006). The stigmatization of RDP houses as ‘defective’ and the settlements as the ‘new ghettos’ translated to such housing not being attractive to potential buyers and not desirable to lenders as an asset that could be used to secure a loan.

iv. Location of RDP Units

The location of RDP housing units has also played a role in the dysfunction of the low-income housing market. Remote location of RDP units by private developers, to avoid contestation from neighbouring communities in suburban settlements (Rust et al, 2009), has negatively affected the value of said units. The integration of the RDP units within the urban settings would have been conducive towards improving their value. When such housing is sold in the market by household beneficiaries, the value of such units would have been key to initiating upward movement on the housing ladder (Irurah and Boshoff, 2003, Rust, 2004, 2007). Peripheral location of RDP housing was not desirable to potential buyers because of its remoteness from the CBD, which presents job opportunities. Resultantly, RDP housing turned out to be 'dead capital', a term which refers to assets held by the poor that cannot be turned into capital or traded outside of low-income housing settlements (De Soto, 2001 cited in Gilbert, 2002). In as much as households could not sell their remotely located housing, the unwillingness to purchase such housing, for example by people who did not qualify for the individual subsidy but also could not afford housing options upmarket, created a market that was overlooked by the housing policy, as explained below.

v. The Gap Market

This is a market consisting of households who are ineligible for subsidized housing because they earn more than R3 500, but cannot afford other housing options on the market (Rust et al, 2009). To demonstrate such scenario, in 2009 the cheapest house on the market was valued at around R 380 000, which required a household income of R 13 500. This meant people earning between R 3 500 and R13 500 could not afford to buy a newly constructed house on the open market, while all households earning less than R 15 000 struggled to afford the cheapest newly built house (Rust et al, 2009). This gap in the market has continued to constrain the smooth movement by households up the housing ladder because housing options for the middle and high income groups are too expensive for low-income households, even if they sell their housing units and use the proceeds for down payment. There is a need for cheaper housing options to bridge the gap between the low and middle-income housing market in order to prompt the initiation of the movement up the housing ladder.

3.9.1.2 Unattractiveness of RDP Housing Units to the Financial Sector

Low-income housing units have long been neglected by the financial sector because of historical events such as use of loan boycotts as weapons of the political struggle in the 1980s (Tomlinson, 2006). These boycotts entailed the non-payment of housing loans, services payment boycotts etc., and resultantly, lenders became reluctant to lend to low-income families. The impact of this conflict is immense to the extent that to date many low-income families are still unable to access housing loans, even if they could afford to. This problem was made worse by the phenomena of redlining and discrimination against low-income housing settlements and poorly designed credit instruments (Tomlinson, 2006). Furthermore, the realisation of RDP housing's financial asset value was challenged by the reticence of many households to take up credit, and reluctance by banks to lend in the RDP market, which both constrained the ability of such housing to perform as an asset (Adebayo, 2008, Rust, 2008).

As has been already indicated, the inception of the HWP saw the efforts of the state to prompt the re-entry of the financial sector into low-income housing market. Any of the attempts to induce downmarket lending did not materialize because of the banks' perception of RDP housing as an unattractive asset and the risk of political instability in settlements where such housing is located (Rust, 2006 and Tomlinson, 2007). The banks' reluctance to lend to low-income households was also influenced by the view that such households did not have a stable source of income. In instances where some did have a stable income, banks were not willing to endure the risk of default on loan repayment by RDP housing beneficiaries, nor did they device mechanisms that target RDP households specifically to prevent default on loan repayment.

The quality of the RDP property (houses and sites), and the absence of title deeds due to delayed registration of such property, also did not boost the financial sector's confidence to extend finance to RDP housing beneficiaries (Van Der Byl, 2014). The dysfunction of the RDP housing market and the scepticism by banks about the asset value of RDP housing are some of the main reasons that post-apartheid low-income housing delivered under the HWP failed to

perform as a financial asset. The ability of RDP housing to perform as an economic asset was also unsatisfactory during the HWP policy era, and reasons for such are elaborated on below.

3.9.2 Failure of RDP Housing units as Economic Assets

Post-apartheid housing delivery was never adaptive of the potential for low-income housing to perform as an economic asset for beneficiary households. Due to the nature and focus of the HWP approach, which was on the rapid provision of housing to low-income people who could not afford to meet their own housing needs, the way in which people use such housing to improve household income was never fully taken into account (Rust, 2008). To elaborate on the delivery system shortfall in respect of the performance of low-income housing as an economic asset, key issues like the impact of location and design, among other things, are explored below.

The bad location of RDP housing challenged the ability of its households to harness the economic opportunities that are available in urban areas. The remote location of RDP settlements hindered the performance of RDP housing units as economic assets because the opportunities for home-based enterprises and rental did not offer significant incomes in such areas as they would have closer to the CBD. The opportunity of small-scale landlordism, for example, in RDP settlements is wasted because potential tenants who are looking for affordable rental housing shun remote areas, where RDP projects are located, and preferably seek cheap rental housing in areas closer or in the CBD (Adebayo, 2010). It should be noted however, that even if the RDP housing units were located in close proximity to the CBD, the design of said housing units did not stimulate their use as an economic asset.

The design of RDP housing units failed to consider the performance and in fact the use of such housing for economic gains by beneficiary households. The ability of low-income housing to perform as an economic asset often requires modification of the housing unit, for instance adding a room for rental, spaza shop, or any other economic activity. The alteration or extension of the housing units for business use requires funds, which are not easily accessible by beneficiaries of such socio-economic circumstances. The problem of unemployment and the size of the housing unit presented a problem because even when the business opportunities

were ripe, the size of the house condemned the use of RDP housing as shelter only (Adebayo, 2010).

The problem of the design and size of RDP housing units would have been addressed with adjustments to the subsidy amount, by say increasing the amount to cover a bigger plot size to promote backyard rental or create space for business activity like a workshop. The subsidy itself, and the municipal planner (s) however overlooked the potential of supporting the use of housing as an economic asset through small-scale landlordism (Rust, 2008), among other uses. Furthermore, the failure of RDP housing to function as a financial and economic asset did not only hinder households from facilitating the incremental housing process through use of their houses, but also consigned such households to staying at the lowest rung of the housing ladder. Such also expands the disjuncture between the two South African housing markets, namely first and second housing market.

3.10 The ‘Missing Middle’ and Dysfunction of the Housing Ladder

The missing middle, according to Rust (2006), can be defined based on the duality of the South African property market that has a well-developed upper end and an underdeveloped lower end, but has no middle market for households who do not qualify for RDP housing and cannot afford housing options offered in the first economy. The middle or ‘affordable’ housing market, which is immediately above the RDP market rung, would be a link between the two markets and would offer affordable housing options that enable the upward movement on the housing ladder. However, due to the absence of housing options to bridge the gap between first and second property market, upward movement proved too steep for households seeking to sell their RDP units and use proceeds as down-payment for housing on the next rung, i.e. the affordable/rental housing rung.

Royston (2007) further notes the severity of the impact of the missing middle by stating that RDP housing beneficiaries were unlikely to climb the housing ladder into upper economy housing options because they could not afford to make the jump, since households who earn slightly higher could not afford to either. Furthermore, Adebayo (2010) argues that the existence of the ‘missing middle’ means that what should have been the first rung of the ladder

ended up being the only affordable one. In elaboration of the constrained movement up the housing ladder by the RDP and BNG households, Royston uses an example of Johannesburg's Cosmo City research findings in 2010.

Research conducted in Cosmo City found that the cheapest house that could be bought with a bond cost R210 000. Even if RDP households could sell their house for R35 000 and use the money as down payment, they would still need a monthly income of roughly R7 000 to pay the R1 747, 16 instalments per month on their R175 000 bond. Repayment of said amount would have taken well over 20 years. To be eligible for a housing subsidy however, potential beneficiaries for subsidized RDP housing have to earn less than R3 500 per month. For about 75% of South African households that earn less than R3 500 per month, the next rung of the housing ladder is therefore too far off to reach (Gordon et al, 2011). On the other hand, households who did not qualify for a subsidy and who are first time homebuyers must earn at least R8 000 per month to afford the average 'affordable' house price of R193 000. This meant that households earning between R3 500 and R8 000 per month were possibly worse off than those that are poorer because they could not freely get a subsidised house, and could not afford the houses that are on the market (Gordon et al, 2011).

The failure of low-income housing to perform as an asset was one of the findings of the HWP review, where the Department of Housing admitted that housing delivered during the first decade of the post-apartheid era failed to perform as an asset (DoH, 2004). The need for policy change was indeed met with the introduction of a comprehensive plan to housing in 2004, which among other things, sought to ensure that low-income housing performs as an asset for its occupants while ensuring the creation of a single residential property market to facilitate the asset function of low-income housing.

3.11 Breaking New Ground (BNG) (2004)

The BNG policy was introduced in 2004 as a refinement of the HWP after the review of the latter exposed unsatisfactory outcomes in certain respects, and specifically in respect to the performance of low-income housing as a financial and economic asset. The BNG policy crucially eliminates the self-help scope of delivery that was adopted by the first policy

response, which involved the provision of starter RDP housing with an expectation that the beneficiaries of such housing would improve it, and focuses on the ‘depth’ of housing provision by producing improved housing units and settlements (Adebayo, 2011). The BNG began to view housing through a much more expansive sustainable human settlements lens, whereby interventions were intended to go beyond just providing shelter but also ensuring that housing that is delivered is viewed and performs as an asset for beneficiary households (DoH, 2004 and Tissington, 2011).

Change in housing policy in 2004 ultimately translated to change in housing delivery methods. Low-income housing provision in the BNG era for instance focuses on improved dwelling units in terms of finishes, size and aesthetic quality, by channelling the subsidy amount to the top structure and sourcing funds for better located land elsewhere (Rust et al, 2009). Resultantly, such adjustments on the subsidy programme produced new housing units termed ‘BNG housing’, which were planned to respond to the shortfalls of RDP housing. Improvements in such units are change of size from the initial 30 M² to 45 M², better finishes, innovative sewage systems such as Pour-flush toilet systems or Slag pits, and water harvesting tanks for flushing and other household uses (DoHS, 2004). As envisaged by the policy, these houses would not require immediate improvements to be made on them to make them ‘adequate’, which means that recipient households are not urgently motivated to expand their houses for example, by using them as assets to facilitate the expansions (Adebayo, 2011).

The Department of Human Settlements (DoHS) through the BNG explicitly commits to enabling low-income housing to function as an asset to alleviate poverty, while ensuring the functioning of a single residential property market (DoHS, 2004). The policy envisages achievement of this through ensuring accessible finance opportunities to low-income housing beneficiaries, breaking the barrier of down-payment, removing barriers to housing trade by reducing the pre-emptive clause to 5 years to enable beneficiary households to participate in the housing market, and fast-tracking access to titles to inspire households to legally use their BNG housing as an asset (DoHS, 2004). The opportunity of low-income housing to perform as a financial and economic asset is also presented by other economic strategies that are not necessarily or directly linked to the housing sector.

3.11.1 The Implementation of AsgiSA and its Impact on Housing as an Asset

In the BNG housing policy era, the national economic policy focus changed as the state initiated the Accelerated and Shared Growth Initiative for South Africa (AsgiSA) in 2005. This policy confirmed the return to the discourse on the importance and centrality of the role of the state in policymaking, including housing policy. The view of the state as playing the central role in policy making followed the emphasis of the ANC's reinterpretation of what was termed a 'developmental state', which it also used to inform its 2004 election manifesto (Van Der Byl, 2014). The ANC's notion of the developmental state recognized that the state would not be able to achieve its economic objectives, such as halving unemployment and poverty by the year 2012, without working closely with citizens (Van Der Byl, 2014). This informed the housing provision approach, adopting a demand driven approach that responds to households' needs and wants such as access to finance and use of low-income housing to generate income and combat poverty.

As expressed in the BNG policy objectives, ensuring a single residential property market is fundamental in encouraging the use of low-income housing as a financial and economic asset by households. Ensuring that the first and second housing market is merged would decrease the inequality gap between the low-income housing market and the other market consisting of middle and high income housing property. Such would also help realize and improve the value of low-income housing in the market (Royston, 2007). The link between AsgiSA and the function of low-income housing is made where AsgiSA expresses the need for an intervention aimed at bridging the gap between the first and second economy, thus enabling the asset potential of low-income housing to be recognized (Royston, 2007). AsgiSA also aims to halve the share of the population that is in poverty, including asset poverty, through the establishment of opportunities for small and medium-sized businesses and the continued pursuit of sound micro-finance lending to low-income households (Gelb, 2007).

According to Gelb (2007), AsgiSA further proposes the restructuring of the first economy, which may be disadvantageous to already existing investment interests. Restructuring would occur through the reduction of investment injection to the first economy, and channeling the investment to extend infrastructure services to those in the second economy. AsgiSA also prioritizes the focus on Small, Medium and Micro Enterprises (SMMEs), through provision of

infrastructural support, more than has hitherto been done in the post-1994 policy era. The opportunities created by such priority include businesses that are operated in low-income housing settlements, BNG housing settlements. In this regard, the performance of BNG housing as an economic asset is encouraged. AsgiSA therefore realizes the need for beneficiaries to use their housing units as financial and economic assets. Some instruments that were implemented under AsgiSA were specifically introduced to ensure accessibility of finance to the previously marginalized, which includes low-income households.

3.11.1.1 The Financial Sector Charter (FSC) and Access to Finance by Low-income Households

In October 2003, the financial sector announced its commitment to a transformational charter for the industry. The FSC was therefore introduced to, among other things, ensure the access to financial services by poor households and communities, and also direct billions of Rands of investment to low-income households in way of loans and SMME businesses schemes (Tomlinson, 2007). One of the key strategies envisaged to be useful in influencing the financial sector to recommit to extending finance to low-income households was through the strength of the first economy that would be employed as a lever to improve the second, by attracting the banks to invest in low-income housing. Other second economy interventions include formalising land tenure, ensuring that the FSC is effectively implemented to enable housing finance accessibility, and also improvements in planning and zoning to ensure that low-income housing units and settlements enable the low-income households to harness the financial and economic asset potential of their housing (Gelb, 2007, Royston, 2007).

The government and the financial sector committed themselves to the FSC to deliver micro finance in the amount of R42 billion to households earning between R1500 and R7500, and to make available R5 billion to SMME business-based loans (Tomlinson, 2007). These finance streams were meant to enhance the low-income households' access to loans and to provide a source of funding for beneficiaries of such housing who do not have capital to start home-based businesses. The key measures of unlocking this finance were (DOH, 2004 cited in Tomlinson, 2007):

- The renegotiation of risk sharing between the government and the financial sector regarding lending to low-income households.
- The securitization of property (title deeds registration) with government as a funder, to enhance finance accessibility by the secondary market.
- Loss limit insurance to cover some abnormal political risks that are still associated with this market.
- Fixed interest rate loan products to address the volatility in rates, which historically had been key to pushing low-income households into default.

The emphasis on the importance of the FSC in extending finance to low-income housing beneficiaries was extensive in the period from 2006 to 2008. This period of the housing bubble saw the worst international recession and financial crisis since the beginning of the Great Depression in 1929, and with it, the resulting decline in investors' confidence in the housing market (Van Der Byl, 2014). This period prompted practitioners and experts in the housing sector to deliberate on existing opportunities in the falling housing market. Much of the results of the discussions around boosting the housing market, and in fact the national economy, were that government-subsidized housing informally functioned as an asset and investors and the financial sector needed to take advantage of the ever growing low-income housing market (Van Der Byl, 2014). Indeed, there was an opportunity for growth in the sector if challenges of the low-income housing asset could be addressed.

Accolades of reaching the lending target within a favourable economic environment, with low interest rates and strong growth in the formal employment sector, during the four-year operational period of the FSC are well documented by Rust (2006), Gardner (2008) and CAHF (2013, 2014). This lending trend was therefore difficult to replicate in the future phases of the FSC, given the global credit crisis and the impact it had on both availability and affordability of funding (Rust, 2006, Gardner, 2008 and CAHF, 2013). The inability to replicate the FSC lending had negative implications on BNG housing beneficiaries' access to finance because of increased interests on loans and the banks unwillingness to invest in environments where there is a risk of non-repayment of loans (Tomlinson, 2007). As such, a revised approach to micro-finance accessibility by low-income earners needed to be devised.

3.11.2 Opportunity for Households to get Housing Micro-Finance (HMF)

HMF is based on the traditional microfinance concept of lending money but is responsive to the low-income housing conditions of the poor by not requiring conventional collateral, such as titles to property (Gardner, 2008). It is designed to meet the housing needs and preferences of low-income families, especially those with little or no access to the banking sector and formal mortgage loans (Kihato, 2014). HMF works for households who build, improve or expand their dwellings, often incrementally and offers services such as loans, savings and insurance products that support informal shelter improvements and works where mortgages are unavailable (Gardner, 2008, Kihato, 2014). The provision of HMF is useful in unlocking the potential for low-income housing to perform as a financial and economic asset for household beneficiaries. The potential for HMF in South Africa is still largely unrecognised and is given minimum attention in housing policy and practice (Kihato, 2014). According to Kihato (2014), as much as 30 percent of South African general microloans are diverted for housing uses and therefore the need to employ HMF as a tool of dispersing financial resources to the low-income households should not be understated, nor should it be merely implicit in policy discussions.

HMF was conceptualized to play a more central role in the BNG housing policy with regards to addressing low levels of housing affordability, struggling formal low-income housing delivery programmes and the resulting number of households living in inadequate housing conditions in South Africa (Gardner, 2008). Adjustable loan sizes and conditions of repayment to respond to the individual household are part of the HMF strategy to extend finance to low-income housing beneficiaries. The institutions established to offer HMF in South Africa consist of commercial banks and non-bank lenders. Informal lenders such as Stokvels (rotating and credit schemes); the South African Homeless Peoples Federation; uTshani Fund; FEDUP, are also granters of HMF (Kihato, 2014). The establishment of HMF means that BNG and RDP housing beneficiaries are presented an opportunity to access finance that is channelled towards housing improvement among other things, which would enhance the value of the house to attract the formal financial sector, should the household later decide to use such housing as collateral.

Gardner (2008) observes that the financial sector's perspective of low-income housing market investment potential is gradually improving to the extent that some financial institutions have

developed innovative lending mechanisms targeting the low-income housing market (RDP and BNG housing). Nedbank and Old Mutual Finance for example have established mortgage packages in support low-income housing improvements. Innovative credit extension has also been seen in the collaboration of building material retailers like Build-It and banks for example, where microfinance is provided to retail workers by banks and suretyship on loan repayment is provided by the retailer on behalf of its employees (Gardner, 2008). Examples of HMF and the use of low-income housing as an asset by beneficiary households is presented below, to elaborate on the growing recognition of such housing's asset potential.

3.12 Precedents on the use of Housing as an Asset and its Ability to Attract Finance

3.12.1 Unsecured Lending to Low-income Households by Build-It

Build-It is a building material retailer that works with the financial sector lenders to offer unsecured micro loans to low-income households, specifically for housing improvements. In a study by the Nadia Kruger-Levy Rebel Group (2016), it was found that micro-finance lenders that are in partnership with Build-it form an important part of the retailer's business because they increase sales and provide micro building loans for people who cannot afford to get a loan by using traditional methods. One of the conditions to accessing a loan is that the amount should be reinvested into the RDP or BNG house by way of purchasing building materials from Build-it to improve the house by expanding it, for example. Financial institutions like NedBank, Real People and Lendcor branches are located inside Build-It's retail outlets. The partnership between said lenders and Build-it is crucial in risk-sharing and ensuring that low-income customers' loans are adaptive to their income. Over the past eight years, the store has developed working relationships with the three micro lenders to offer different finance products in the following way:

i. Nedbank

Nedbank requires a potential customer to produce his/her Identify Document, payslip, proof of residence and a bank statement. Although the maximum Nedbank loan amount to low-income households used to be R75 000, it has now gone up to R120 000 which implies that low-income households can now have more finance that will be channelled towards improving their housing

asset. If the qualifying client is employed by Build-It, the retailer provides surety or a loan repayment guarantee on behalf of said client.

ii. Real People

This micro-lender has loan amounts range from R2 000 to R150 000, and loan accessibility and repayments are based on affordability and risk. The Real People credit provider requires customers to apply to open an account with a payslip, Identify Document and bank statement. If the potential customer passes an initial ‘quick check’ on their debt background, the customer is then required to bring three months’ bank statements. Customers are required to earn at least R2 000 per month, while loan values and interest rates depend on the customer’s existing debt profile, if there is any. The money acquired from a loan would then be used to purchase building materials from Build-It.

iii. Lendcor.

Lendcor targets pensioners, who are required to bring their pension cards, their pension slips and their Identify Documents when opening an account. Through Lendcor, pensioners are only allowed to open an account if they do not already have any other credit accounts. Potential clients are eligible for a loan valued up to R2 500 from Lendcore, which is then equated to building materials that are accessed by clients from Build-it outlets.

Build-It’s innovative loans in partnership with said lenders offer an important option for low-income households to improve the value of their units by accessing finance that does not require the house to be used as collateral. It should be noted however that even though the credit mechanisms offered by financial institutions in partnership with Build-It are innovative in respect of finance accessibility by RDP and BNG households, the poorest of the poor households who do not have a stable source of income or those who cannot prove their household income would have difficulty in accessing such loans. This is because in order for repayment of a loan to be guaranteed, one must prove that they earn income.

3.12.2 Small-scale Landlordism as a Means of Income Generation

Westlake village is a RDP housing settlement located in close proximity to middle class housing settlements in Cape Town. According to a case study by Lemanski (2009), small-scale

landlordism thrives in this area because most households are low-income earners who have lived in shacks previously, and are sympathetic about people who seek but cannot afford to own a house. Although reasons for accommodating backyard dwellers might originate from compassion, in the main it is due to financial pressure of owning a house and high unemployment levels that households face in RDP housing settlements. To be eligible for an RDP subsidy, households must earn below R3500 per month but most recipients earn below R1500 and the additional financial pressures of owning a house (electricity and water for example) is overwhelming for many households. For small-scale landlords with monthly household incomes below R1500, rental income comprises almost one-third (29%) of their household income, and thus it is clear that backyard rent forms the economic backbone of landlord households in Westlake Village (Lemanski, 2009). The policy response to informal small-scale landlordism needs to take cognisance of the potential of low-income housing to generate income that is crucial, as evident in the Westlake, for the household survival and poverty reduction. Embracing such use of low-income housing is pivotal in enabling it to perform as an economic asset for households.

3.12.3 Loan Guarantees by FOGARIM

Access to loans by low-income earners, especially those that are informally employed, can be difficult to nearly impossible when one does not have proof of income to convince the banks that the loan will be repaid. A case study by Tagma (2016) shows that the Moroccan government has devised an approach to solve said problem by establishing loan guarantee institutions and programmes that ensure accessibility to finance by low-income earners. One of such programmes, according to Tagma (2016) is FOGARIM, which is a mortgage guarantee program established in 2003 to encourage access to housing loans by those working in the informal sector. Morocco, like South Africa, has a large population of informally employed people that are excluded by the banks' traditional practice of granting housing loans, because they cannot prove their stable source of income. Due to limited resources, Morocco could not afford a large subsidy program or direct loans to help those with no access to housing finance. Instead, it chose to leverage its small resources by guaranteeing loans granted by banks, on behalf of low-income households.

FOGARIM has widened access to housing finance and has improved financial inclusion in Morocco. There has also been improved access to home ownership by ensuring that low-income earners looking to purchase better housing have access to housing finance. The approach by FOGARIM is however challenged by an increase in default rate, high loan administration costs to the banks and misunderstanding of the guarantee (Tagma, 2016). Despite FOGARIM's success, the possibility of replicating a similar programme in South African, which requires a banking system that accommodates low-income households and the possibility that foreclosures can be enforced to a large extent, is constrained by the banking sector's reluctance to invest in low-income housing assets.

A number of policy analysts including Rust (2008, 2009), Urban Landmark (2007), Tomlinson (2007), and the Centre for Affordable Housing Finance (CAHF) (2014) among others, suggest that the BNG policy has had little impact in facilitating the use of low-income housing as a financial and economic asset. Despite the establishment and growing recognition of HMF, beneficiary households are wary of risking the loss of their houses in cases where repayment of loan becomes impossible to carry on.

3.13 Conclusion of the Chapter

This study was set up to explore whether and how housing has performed as an asset, specifically a financial and economic asset, in the BNG and HWP era. Furthermore, this study sought to establish whether the housing policy has made progress regarding housing beneficiaries' view of their homes as assets and the relative institutions' view of low-income housing as such. Moreover, the success or failure of the BNG to enhance the performance of low-income housing as such is presented through empirical evidence of two settlements constituting BNG and RDP housing, which are located in one site in Dumisani Makhaye Village, as presented in the next chapter.

Chapter 4: Presentation and Analysis of Research Findings

4.1 Introduction

This chapter sought to empirically uncover if low-income housing has functioned as a financial and economic asset for its beneficiaries. The Dumisani Makhaye Village in uMhlathuze Municipality was used as a case study to compare such use of housing in the RDP and BNG housing settlements, which represent two housing policy eras namely the Housing White Paper (1994) and the Breaking New Ground (2004) respectively. The comparison is based on an understanding that of the two mentioned policies, the latter was introduced to improve on the former, with respect to the function of low-income housing as an asset, among other things. The performance of housing as an asset is triggered by its use by beneficiary households, for example as leverage for a loan or its use for rental purposes. The data collected from interviews with key informants and the household survey, as indicated in the methodology outlined in chapter 2, is presented and analyzed to comparatively explore if the function of BNG housing as an asset has improved compared to that of RDP housing, as envisaged by the BNG housing policy. The data is thematically presented and analyzed below, with each theme explored in the context of findings from the RDP and BNG housing settlements, and such data forming the basis for comparison. Before the comparison of housing as an asset is made, the background of and motivation for the case study, and the empirical enquiry respondents' perspectives of low-income housing as an asset are presented.

4.2 Background of Dumisani Makhaye Village

UMhlathuze local municipality is on the North-East of KwaZulu-Natal and is one of the six local municipalities in the area of the uThungulu District Municipality. Richards Bay and Empangeni are the main towns of uMhlathuze local municipality (see figure 3). Dumisani Makhaye Village is located on the South-Western side of Empangeni, which is a municipal district node, and is adjacent to Ngwelezane Township which is a primary node of Empangeni. According to the uMhlathuze municipal project manager, the households in Dumisani Makhaye Village could benefit from the expansion of said nodes, which he viewed as having potential to attract potential investment opportunities that would improve the settlement value.

The Dumisani Makhaye Village, formerly known as uMhlathuze Village, has public housing projects targeted at low-income households. The projects were planned to take place in different phases over the years, starting from 2001. As a result, some phases were implemented during the HWP era (1994-2004) under the RDP, and others have been implemented in the BNG housing policy era (2004-present time). The setting of the area, having two housing projects of two said policy eras in one precinct, is the main reason of using Dumisani Makhaye Village as a case study. Furthermore, using a case study with both types of projects (RDP and BNG) located in one settlement was advantageous for this study because some of the aspects that would be considered in a comparative study, like location of projects, did not significantly skew the findings, as they would possibly have in cases where projects to be compared are located in different areas.

According to the municipal project manager, Dumisani Makhaye Village was developed to promote the “*mixed housing development*” concept, which advocated for the development of low-income neighbourhoods with different facilities and various housing options. The project commenced in 2001 during the HWP period, an era when developers were the project initiators. Infraser, the initial developer of Dumisani Makhaye Village, approached the KwaZulu-Natal Provincial Department of Housing to obtain finance for the housing project. As a requirement to access funding from the state, the developer identified both the land and the potential beneficiaries, among other things, as motivation in the project proposal. The Provincial Department of Housing then acquired two farms, namely Carsdale and Du Bufano, as the land on which Dumisani Makhaye Village would be constructed.

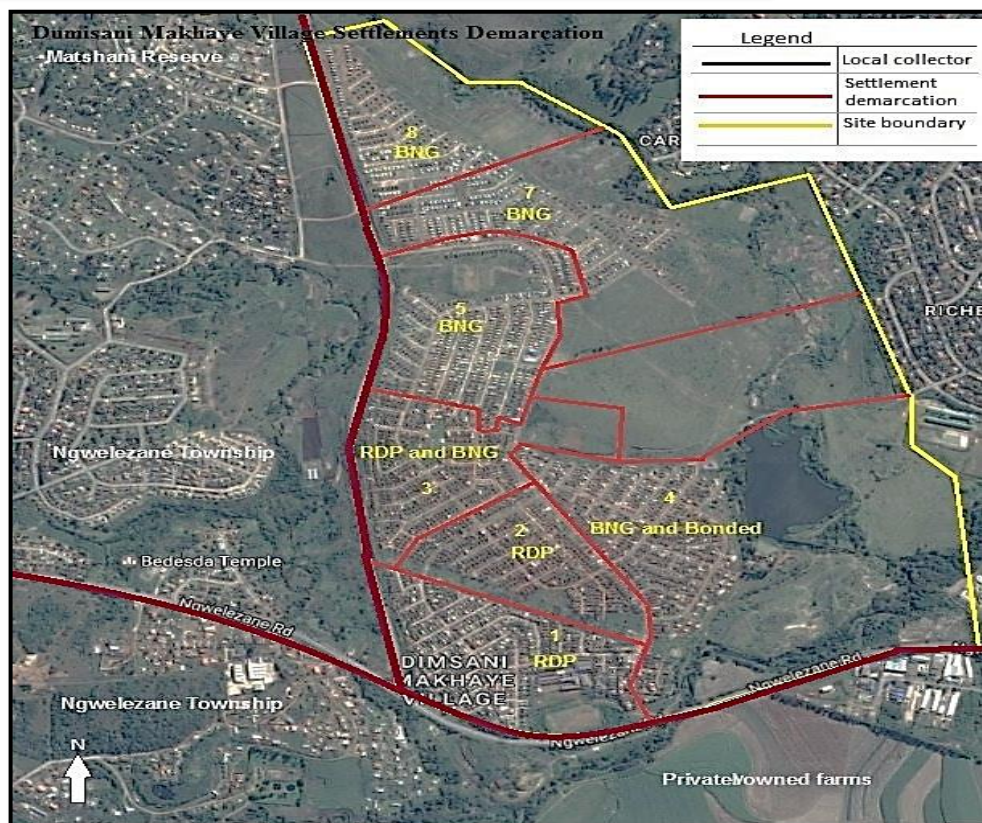
The Dumisani Makhaye Village has 8 phases which comprise of subsidized low-income housing and bonded or finance-linked housing for those who did not qualify for low-income subsidized housing but could not afford to purchase or build housing on their own. Phases 1 and 2 have RDP housing, phase 3 has RDP and BNG housing, and phase 4, although predominantly bonded housing, also has some BNG housing units. Phases 5, 7 and 8 have BNG

housing, and phase 6 has not been implemented yet, but will cater for social housing and Community Residential Units (CRU) (see figure 4 below).

Figure 3: Location of Dumisani Makhaye Village in Empangeni



Figure 4: Different phases of low-income housing in Dumisani Makhaye Village.



The interviews conducted with the key informants, namely loan managers from banks and the municipal project manager, and the household survey conducted in the study area revealed different perspectives about how low-income housing is viewed and understood as an asset. The ways in which RDP and BNG low-income housing is viewed by the municipality as the implementing agent, the financial institutions as finance lenders, and households as beneficiaries and users of such housing, influence how it performs as an asset. Therefore, the different perspectives and experiences by the study participants on the asset potential of RDP and BNG housing is presented below.

4.3 Perspectives of Low-Income Housing as an Asset

4.3.1 The Municipality's View

Through an interview with the municipal project manager of uMhlathuze municipality who is involved and knowledgeable about the housing projects in Dumisani Makhaye Village, it was discovered that low-income housing is recognized as an asset by the said municipality. Asked if planning for RDP and BNG housing projects envisioned such housing to function specifically as a financial and economic asset for beneficiaries across both policy eras, the project manager said “no” and indicated an underlying assumption by the municipality that the onus is on beneficiary households to use housing to improve their livelihoods and housing conditions. The municipal project manager added that the municipality did not see a role for itself in this regard. As a result, project planning and packaging had no elements to enable RDP and BNG housing to function as an asset with which finance can be accessed or can be used to improve beneficiary households' income. Furthermore, the project manager stated that the HWP policy did not focus on the function of housing as a financial and economic asset, and that negatively impacted the planning of RDP housing projects. As a result, RDP housing was viewed as mainly serving the purpose of providing shelter.

Asked about how BNG housing project planning responded to the BNG policy's explicit objectives of enabling housing to function as an asset, the project manager stated that BNG housing is bigger in size than RDP housing and has “better” aesthetic qualities, which he understood as improvements on the value of the low-income housing product. Such is evidenced by his view that *“improved design of low-income housing would inspire beneficiary*

households to use it to get loans”. The project manager further added that BNG settlements are better designed than RDP by having more social facilities and a mixture of housing options, such as inclusion of bonded housing. He understood and explained these as attributes that improved the settlement’s value, but could not specifically explain how. These attributes, the municipal manager added, were not introduced in project planning to specifically enable BNG housing to function better than RDP housing as an asset but significantly demonstrate the attempt to improve the value of BNG housing and settlements. Using such improvements as an example, the project manager stated that these would give households of BNG housing better chances than RDP households of accessing loans from banks by using their houses as leverage. The municipal project manager also noted that the notion of receiving “*free RDP and BNG housing*” from the state has not inspired many households to use it as an asset. The reason for the households’ neglect of such use of their housing, specifically as an economic and/or financial asset, the project manager added, is largely due to the beneficiaries’ blasé attitude towards ‘freely’ received housing, because they could not comprehend the entrepreneurial opportunities it has and/or its ability to function as collateral to get a loan.

The municipal project manager’s perspective of RDP and BNG housing as an asset, and by extension the municipality’s perspective, came across as narrow because the function of such housing as a financial and economic asset was not co-opted into the packaging of housing projects in Dumisani Makhaye Village. Only the social asset value appears to have been recognized by the emphasis of housing’s function as shelter. In this regard, the trend of mono-functionality of low-income housing as a social asset, which has been experienced by most beneficiaries in post-apartheid low-income housing as indicated in the literature review, is continued in Dumisani Makhaye Village. Introducing project elements that inspire and enable the function of low-income housing as a financial and economic asset, in addition to social asset gains it brings, is crucial in addressing the mono-functionality of low-income housing and helping beneficiaries of such housing to improve their livelihoods.

4.3.2 The Financial Sector’s View

Generally, housing is viewed as an asset that banks consider bondable, provided that households qualify and are able to service the loan. In Dumisani Makhaye Village specifically as the study area, loan managers from ABSA, S.A Home Loans and Capitec Bank stated that

their banks had not lent to RDP and BNG households from the study area or any other place where such households are situated. The reasons for this were probed during interviews held with said loan managers. It was discovered that a mismatch exists between what banks and what the housing policy regard as low-income households, which ultimately contributed to the banks' restraint to lend to RDP and BNG housing beneficiaries. To elaborate further, the housing policy defines low-income households as those whose income per month is not more than R3 500. On the other hand, the loan manager from ABSA defined low-income households as those whose income per month ranges from R3 500 to R20 000, whereas S.A Home Loans' categorization of low-income households is those earning from R8 000 to R20 000 per month. Capitec's loan manager however, defined low-income households as those whose income is less than R5 000 per month. Asked if they had lent or considered lending to RDP and BNG housing beneficiaries through use of said housing as collateral, the loan manager from Capitec indicated that secured lending is not offered by the bank. As such, households using their housing as security would not be appropriate clientele for Capitec.

The loan managers of banks that were interviewed all conceded that the asset potential of low-income housing is gradually being recognized. However, the questionable collateral value of RDP and BNG housing specifically, and the banks' uncertainty about loan repayment by the households, hinders the use of such housing as security for loan. As a result, the financial institutions are generally hesitant to invest finance in RDP and BNG housing. The reasons that were given by ABSA and S.A Home Loans for such neglect mainly involved:

- i. **Slow capital growth** – Loan managers from ABSA and S.A Home Loans were interviewed and agreed that low-income housing has a low appreciation value because most households do not have means to improve their houses due to low disposable income and unemployment, among other things.
- ii. **Risk of non-repayment** – A general assumption was made by the loan managers with regards to low-income housing beneficiaries' "*high unemployment rate*", and therefore perceived that ensuring a workable system of repayment of loan by low income earners would be difficult and costly to banks. Loan managers added that the high unemployment rate of low-income households is one of the main reasons why banks are reticent to lend to such households.

- iii. **Low liquidity value** – The two loan managers also noted that low-income housing's low value and low demand in the property market would be detrimental to its price in cases where liquidation is considered by the bank due to default on loan repayment.
- iv. **The high cost of portfolio management** – Both loan managers further noted that managing the loans of low-income earners would be costly, especially if loan repayment is not consistent, or worse ceases.

As ABSA and S.A Home Loans do use housing to secure loans, both were asked for a description of what they would consider a bondable low-income housing asset. In response, the loan manager from ABSA stated that it is housing that “... *has infrastructure around it and services such as water and electricity, and it should be of good aesthetic quality...*”. The loan manager from S.A Home Loans said that the bank is not interested in the RDP and BNG housing market, and “*only households earning above R8 000 per month are considered for a loan*”. Over and above, it was clear from both loan managers that even though some RDP and BNG housing and households may fit said descriptions, income to service (or loan affordability) the loan are the most crucial determinants of whether or not the use a house as collateral to access a loans is possible.

4.3.3 The Households' Views

Generally, all subsidized housing beneficiaries enjoy housing for its benefits as shelter, as a source of security and the feeling of belonging in a community. A discovery, through observations and interactions with beneficiary households through the household survey, indicates that RDP and BNG housing in Dumisani Makhaye Village is not viewed differently. Therefore, housing is viewed primarily as a social asset in the study area. It was also discovered that such limited view of housing as a social asset is caused mostly by lack of knowledge on how housing can be used as a financial and economic asset, the inexperience of households who had not previously owned formal property and fear of losing one's house if repayment of loan ceases, as demonstrated in section 4.5 below. Furthermore, such discovery was made after the opportunity to define housing as an asset to those who did not understand the concept, was presented during the researcher's interaction with potential survey participants. Such was done to establish if respondents understood what a housing asset is and how it would be used to access finance and/or generate household income, among other uses.

Having explained how RDP and BNG housing is envisaged to function and as an asset, about 45% (41 of 90) survey respondents from both RDP and BNG settlements expressed their interest in using housing as such. Even though it was discovered that households had not used their RDP and BNG houses to access finance from banks, the survey found that the financial asset value had been harnessed through informal transactions in the sale of seven housing units, out of 90 households that were surveyed. Such informal sale of housing suggests that the original recipient of an RDP house recognized its potential to generate income through its sale. The seven ‘new’ owners of RDP housing disclosed that sellers moved to the rural areas after they had sold their houses. As such, proceeds from the sales were not channeled towards better housing in the same or surrounding settlements. Findings from the empirical enquiry, presented in the section below, indicate that one third (30 of 90) of surveyed households use their RDP and BNG property (both house and site) to generate household income. However, about 39% (35 of 90) of households were prevented from using their houses for income generation mainly by lack of money to start businesses. They also revealed that they “... *feared criminals that would target them if they opened businesses*”.

Based on the findings from the household survey and observations made on site, it would appear that the use of housing as a financial and economic asset is not prioritized by low-income households, and the performance of such housing as a social asset is the aspect that households primarily enjoy in Dumisani Makhaye Village. It was also discovered that the use of housing as a financial and economic asset is limited by lack of information about how such asset potential can be harnessed. The lack of information on how low-income housing performs as an asset hinders the households from firstly appreciating RDP and BNG housing as an asset whose value can be improved, and secondly use of such housing and its improved value to access finance from lenders and/or derive economic gains from it. However, the households’ perspective of RDP and BNG housing as a social asset does not imply that such housing in Dumisani Makhaye Village has not performed as a financial and economic asset. The household survey showed that some households have used or are interested in using their housing as a financial and economic asset. Evidence of such use, and indeed interest, is presented below.

4.4 The Performance of Low-Income Housing as an Asset

4.4.1 Housing as a Financial Asset:

4.4.1.1 Formal Ownership of Property and Access to Finance

i. RDP Settlements

Findings from interactions with low-income housing beneficiaries revealed that all RDP housing beneficiaries that were surveyed have title deeds to their property. The possession of deeds presents an opportunity for such households to use their housing to get loans from lenders. Of the 45 RDP housing beneficiaries that participated in the household survey, 37 stated that receipt of title deeds to their property was delayed for at least a further three years after the eight-year period of the preemptive clause had lapsed. This means 82% of sampled RDP housing beneficiaries were legally constrained from using their houses as collateral for a loan, or from selling them in the market, for at least three years due to the delay in issuing of title deeds by the municipality. Even though the delay in issuing of title deeds technically constrained the performance of RDP housing as a financial asset, the household survey revealed that all households were not aware of such limitation because attempts to use their housing as an asset were never made. The household survey also revealed that such inactivity of RDP housing as a financial asset in Dumisani Makhaye Village was due to the lack of knowledge about how to use housing as such, and fear of losing the home in cases of default in loan repayment.

Of the 45 households surveyed in the RDP settlements none have used housing as collateral to access a loan from a financial institution. Collectively, reasons gathered from the survey with RDP households for their inability to use their homes as collateral to get a loan from banks were as follows:

- The perception by three households that “*banks do not lend to poor people*”.
- Five beneficiary households said they perceived that RDP housing, as a product of a subsidy mechanism, is unfavorable to banks and on the basis of such perception did not approach the banks for a loan.
- Three households indicated knowledge of the potential of housing to be used to access a loan but had no urgent need to use it as such.

- On the other hand, four household stated that they did not know that housing could be used as collateral for a loan from banks.

After the researcher explained how RDP housing could be used as collateral to get finance, nine beneficiary households expressed an interest in the idea of using housing to get a loan from banks in the future. Five of the nine interested households however feared that they would not afford to pay for a loan because they are dependent on government support (old age and child support) grants which are spent on other household needs such as food, education and clothes. As such, said households concluded that there would be no money left to pay for a loan. Four of the nine interested respondents said that they are unemployed and surviving from selling, and other survivalist economic activities, and are living “*from-hand-to-mouth*” as expressed by one. These conditions constrained households from using their houses as financial assets to access finance despite having formal ownership to the property. Such empirical findings are similar to those discovered by Adebayo (2010) and Rust (2008), as indicated in section 3.9.1.2, and therefore demonstrating continued limitations in use of housing as an asset due to reticence by beneficiary households in Dumisani Makhaye Village. Furthermore, such households indicated that they thought they would not be able to afford to repay loans, thus attempts to use homes as collateral to access loans were never made.

Ten RDP beneficiary households that participated in the survey expressed an aversion to the idea of using their homes as collateral for a bank loan, noting that they were not keen on risking the loss of their homes to a bank when they could not afford repay the loan. The households’ disapproval of the use of housing as an asset to access finance resonates with their view of such housing as a social asset, by prioritizing its role of providing shelter over its use to source finance that could improve the households’ livelihood. The findings thus far show that the municipality’s view that access to title deeds could inspire the use of housing as an asset by low-income households was not borne out empirically in RDP housing settlements.

ii. BNG Settlements

Contrary to the experience of RDP housing beneficiaries, the households who have benefited from BNG housing in Dumisani Makhaye Village experienced only a short waiting period for their title deeds. The reason for the timely issuing of title deeds, particularly the BNG housing property titles, is that the BNG housing policy envisions the speedy registration of township

establishment in its era. While this objective may not be met at the implementation level, the uMhlathuze municipality's project manager confirmed that BNG housing projects in Dumisani Makhaye Village adhered to this objective by ensuring that title deeds were promptly issued to housing beneficiaries.

The household survey conducted in the BNG housing settlement also confirmed this, as it emerged that 91% (41 of 45) sampled BNG housing beneficiaries did have title deeds to their property, and that receipt of such deeds took no more than three years from occupation of their BNG houses. The possession of title deeds, the municipal project manager added, should inspire household who intend to immediately improve their housing conditions to approach banks for loans. It was however found that the improvement in the timeframe of issuing title deeds has only got 13% (6 of 45) of surveyed households interested with the idea of using their houses to source finance from banks. The timely release of title deeds' minimal impact in prompting the use of BNG housing as an asset does not however suggest the absence of the interest by households to do so.

Of the 45 households surveyed in the BNG settlements, 29% (13 of 45) expressed that they would like to use their houses as collateral to secure a bank loan. However, seven of the thirteen who showed such interest said that they would not do so in the near future, giving reasons such as unemployment, fear of losing their home, and a sense of temporality due to their rural-urban ties for their stance. On the other hand, of the 15 households that used their BNG housing as an asset, only six attempted to access finance by using housing as collateral but were denied loans based on their low household income and the inability to prove a stable source of income. Furthermore, two of the households that attempted to use their houses as collateral could prove the source of income, but were told by banks (ABSA and Nedbank) that they did not accept BNG housing to secure lending. In addition to title deeds, the socio-economic circumstances, especially the income and size of the household, play a crucial part in facilitating the access to finance by households. Findings from the household survey revealed that housing was not used to access finance, but other aspect of the financial asset potential of housing, like its sale, were not absent in the case study area.

4.4.1.2 Potential of a Vibrant Low-income Housing Market

i. RDP setting

For a low-income housing market to emerge, there needs to be willingness by households of such housing to sell and buy housing in the same setting or higher up the rung of the housing ladder. An interaction with RDP households through the household survey revealed that 84% (38 of 45) of households that responded to the questionnaire were not willing to sell their houses. However, eleven of those that expressed aversion to selling their houses indicated that they would only sell their RDP houses to buy “better” and “bigger” houses if they had financial means to do so. It was also discovered that three households attempted to sell their houses, but transactions collapsed because of the disagreements on the prices at which houses were valued by sellers. Furthermore, the study found that seven of surveyed RDP housing beneficiaries had bought their houses from initial beneficiaries, but all were unwilling to disclose the prices at which they were bought and the method of payment.

The three RDP households that tried to sell their houses stated that potential buyers could not afford the asking price. According to two households that wanted to sell their houses, the houses were valued based on improvements like fencing, painting and interior finishes, and also the estimated cost of building a “*decent two-room house back home*”, referring to rural areas. The other RDP household that wanted to sell its house could not explain the basis on which their property was priced, but used a local ‘normative’ selling price range, referring to prices at which other similar houses were sold or/and bought. Even though households that bought their houses did not disclose the amount paid, those that wanted to sell their RDP housing stated that prices ranged between R15 000 to R25 000.

It should be noted that the current value of low-income housing is R110 000, according to the municipal project manager. The price at which the households valued their houses in Dumisani Makhaye Village was therefore 77% lower than the value recognized by the municipality. This suggests that even if households in Dumisani Makhaye Village used their housing as a financial asset through its sale, they would have not been able to afford upward movement in the housing ladder, as what would have accrued from such sale is too low relative to the value of housing on the next rung of the housing ladder. Furthermore, such findings attest to the constrained up-

ward movement in the housing ladder that is conceptually elaborated on by Royston (2007) in section 3.10.

ii. BNG setting

The findings of the survey in BNG settlements in Dumisani Makhaye Village revealed that 89 % (40 of 45 surveyed households) is not interested in the idea of selling their ‘newly’ acquired housing. The remaining 11% (five households) was not dismissive of the idea of buying a better and bigger house but indicated that this could be only in the future, when children finish school, for instance. It was observed that 80% (36 of 45) of the respondents in BNG housing have improved their housing units and/or site (see figures 5, 6 and 7). Asked whether such improvements made were as a result of access to a loan and if they were made intentionally to improve the value of the property, 29 of 36 households that had improved their property stated that they were funded through savings. Seven of the 36 stated that improvements were done by using recycled materials like used roof gutters, wooden poles and used bricks for fencing and landscaping (see figure 6 and 7), among other things.

72% (26 of the 36) of households that improved their houses said that improvements were not specifically made to elevate the price at which such housing units would be sold, but were made to make a BNG house “*feel like a home*”. Of the remaining ten households that improved their houses, seven made improvements because they “*did not like how subsidized houses look in general*” and the other three stated that improvements were made to make their houses different from other BNG houses.



Figure 5: A BNG house where other household improved the aesthetic quality

Source: Field Survey (2016)

Figure 6: Site improved with recycled bricks



Source: Field Survey (2016)

Figure 7: Landscaped site and use of recycled materials (bricks)



Source: Field Survey (2016)

The performance of housing as a social asset for households appears to have inhibited the recognition of its potential to perform as a financial in Dumisani Makhaye Village. For examples, 33% (15 of 45) of households that participated in the survey expressed that they are not keen to risk losing their homes, even if using them to access loans means getting money that could be channeled not only to the dwelling unit itself but to other household needs. The households' unwillingness or inability to use housing as collateral for finance has meant that

the use of RDP and BNG housing as an asset has not been exploited to the level envisioned by the policy. Furthermore, the banks' inflexible lending policies and their view of low-income housing as a risk-bearing asset have also challenged the households' use of housing as a financial asset in Dumisani Makhaye Village.

4.4.1.3 Education Programmes about the use of Housing to Access Finance

i. RDP Settlements

RDP Households that participated in the survey stated that there were no programmes conducted by the municipality to teach them about how they can use their houses as security to get loans from banks. The project manager confirmed such, and indicated however that the municipality is planning to deliver programmes that will educate households on maintaining and improving their houses in Dumisani Makhaye Village. The project manager understood that improvements and maintenance would benefit or elevate the value of RDP housing units, which beneficiaries can use to secure loans from banks. Seemingly, the omission of consumer education programmes to inform household on how to use housing as collateral has negatively impacted the use of RDP housing as a financial asset in the study area.

ii. BNG Settlements

The interaction with the uMhlathuze municipal project revealed that there are programmes which are annually offered to BNG housing beneficiaries. However, such programmes are on how households can maintain and improve their houses. All surveyed households confirmed that there were indeed such programmes offered by the municipality, but contradicted the municipal manager as to their regularity. They clarified that such programmes were delivered once after the house handover, and were indeed about the maintenance of the house. Asked if the programmes had any aspects of the use of the 'improved' house as collateral, all 45 surveyed households stated that there were no lessons offered by the municipality about the use of housing as security for loans. As a result, more than 60% (19 of 30) of surveyed households that were interested to use their houses to access loans expressed a lack of knowledge as the main reason for not attempting to use their houses to secure loans.

4.4.2 Housing as an Economic Asset:

4.4.2.1 Home Ownership and the Use of the House for Income Generation

i. RDP Settlements

The household survey was also employed to investigate the ways that beneficiaries of RDP housing have used it to generate and improve their household income. All surveyed households viewed the idea of using their homes/property for income generation as a good opportunity that could improve the household income. However 45% of the 15 sampled households that would have liked to use their housing as an economic asset but could not, reported that they feared starting home-based businesses because “... *they would be targeted by criminals...*”, that the size of the houses is too small to accommodate business ventures, and that they did not have financial resources to establish a home-based business. Two households of the same category as above expressed that they did not know about the potential for housing to be used for income generation, and that they did not know how to start home-based enterprises. On the other hand, a third (15 of 45) of RDP households that participated in the survey have used their housing for income generation through the sale of produce grown in the backyard gardens and sale of small goods, mostly refreshments, from their housing units to the community of Dumisani Makhaye Village.

About half (7 out of 15) of households who have used their housing for income generation expressed their dissatisfaction about the size of the RDP housing unit, which limits the ability of said housing to perform as an economic asset for willing and able beneficiary households. All fifteen households surveyed who used their RDP housing for income generation further noted that they had chosen home-run businesses that did not require modification of their houses, and those that did not require a large capital outlay to establish. The various businesses observed in the study area were:

- Sale of foodstuff e.g. beans, corn, onions etc. (see figure 8)
- Dress-making and tailoring
- Baking
- Sale of cosmetics and handbags
- Salons
- Sale of refreshments (drinks, snacks, etc.)

Figure 8: A backyard garden in which bananas, corn and sweet potatoes are grown and sold to the community



Source: Field Survey (2016)

ii. BNG settlements

It was observed that the improvements made by policy in respect of size and aesthetic quality of BNG housing in Dumisani Makhaye Village (see figure and 10), which were absent in RDP housing units, enabled it to function in more ways as an economic asset than RDP housing, especially in respect of its use for rental. To be exact, 40% (6 of 15) of the surveyed households that used their housing as an asset had their BNG housing units improved with exterior finishes. Such households assumed that such improvements somehow attracted potential tenants, as they were approached by rural-urban migrants looking for rooms to rent while looking for jobs in Empangeni. Such households generally consisted of two to three members, comprising of a household head and children. Such households stated that they preferred sharing one room and renting out another to receive around R500 per month as rent from tenants. The household survey conducted in BNG housing settlements also revealed the commonly preferred business ventures found in said settlements to be:

- Rental of a room
- Tuck-shops (see figure 9)
- Handcrafted products
- Catering businesses
- Sewing businesses

- Salons
- Sale of refreshments

Figure 9: Extension of BNG housing to establish a spaza shop



Source: Field Survey (2016)

Figure 10: A BNG property that has improved external finishes that attract rental opportunities



Source: Field Survey (2016)

Fifteen survey respondents consisted of households that wished to use their housing as an asset but could not. Five respondents in this category stated that they would have capitalized on the size of sites of BNG housing to establish businesses like chicken farming, the development of backyard rooms for rentals, and a car wash as activities that would generate and improve

household income. However, these ideas, according to said survey respondents, would require funding to implement and sustain, which they did not have. For examples, the establishment of a chicken farming business was constrained by “... *not having money to buy chicken food and no money to build a hen house...*”, as expressed by one household. Another respondent said that it could not capitalize on the size of the site because it “... *did not have money to buy car wash equipment like a temporary tent, high pressure hose pipes and did not have space for parking*”. The section below explores the impact of supply and demand of goods and services as some of the crucial factors that determine the success and failure of businesses that are established by RDP and BNG beneficiary households in Dumisani Makhaye Village.

4.4.2.2 Impact of Demand and Supply on Home-Based Enterprises

4.4.2.2.1 Impact of Demand

i. RDP settlements

The interaction with 15 RDP households that used their housing units for income generation revealed that they prefer to run their home-based businesses within the housing unit, without extending or making modifications which are costly and unaffordable. More than half of households that used housing for income generation, 60% (9 out of 15) to be specific, stated that the choice about the business to establish was influenced by being able to predict who might buy the goods or services that the household intends to sell. For example, five such households chose to sell refreshments because they knew that chips, biscuits and sweets are bought by school children from tuck-shops, and thus the demand of such products presented an opportunity for households to established home-based spaza shops. Four households stated that they chose to sell produce grown from their gardens because it was cheaper to do so, and they had experience of farming in the rural areas before they moved to Dumisani Makhaye Village.

It was established through observations and the survey that the location of RDP housing does not have a significant impact on the ability of said housing’s function as an economic asset. When asked how they ensure that potential customers know about their established businesses in Dumisani Makhaye Village, households that sell goods and services from their houses said that advertisement boards or posters are used to market the newly established businesses. Thereafter, “...*people know who sells what, and where to buy it...*”. Households further cited

word of mouth as an important marketing tool to convey information about different services and products offered by households in Dumisani Makhaye Village. Therefore, according to survey respondents, it does not matter much where home-based businesses are located because residents know what is sold where, and will go there to purchase it.

ii. BNG settlements

About 40% (6 of 15) of households that used housing for income generation revealed that they are using housing for rental purposes to tenants such as nurses, policemen and teachers and firms' employees, who moved from rural areas for jobs in Empangeni. Households who offer rental opportunities in their BNG houses stated that their tenants needed cheap rental housing which can be offered within BNG housing. It was discovered that other homes-based businesses in the BNG housing settlements are similar to those that are established in RDP settlements, in respect of services and goods that are offered, such as refreshments, bakery goods and salons.

All fifteen BNG households that used their housing as an economic asset were ambitious about expanding their businesses to generate more household income. Furthermore, they emphasized that modification of the property would be necessary to facilitate business expansion that could possibly result in more income for the household. In as much as the performance of low-income housing as an economic asset would improve the household's income, it was observed that the excessive use of housing as such could create a very competitive environment for home-based businesses in low-income housing settlements like Dumisani Makhaye Village. In such an environment for instance, households who want to use houses for income generation would be viewed as unwanted competition and pushed out of business by already existing home-based businesses. Evidence of such competition was cited by five households that sell refreshments to school children in areas where originally only residential tuck-shops operated, where tuck-shops sometimes decreased prices of new products like chips to attract more demand for said product.

4.4.2.2.2 Competition of Supplied Products/Services

i. RDP settlements

The households that used housing as an economic asset said that they experienced moderate competition in their use of housing for income generation, especially in the form of spaza shops and other businesses that offer the same goods and services. Households, specifically those that sell refreshments, indicated that the competition is essentially posed by residential tuck-shops whose bulk purchase of stock lowers its cost, and therefore the selling price from said shops to the community. It appears that the inability to influence the selling price of goods by entrepreneurs who have just entered the home-based businesses market, due to the market price being mainly influenced by the existing businesses, also impacted negatively on the use of housing as an economic asset. This was evidenced by the interaction with all households that used housing for home-based businesses, who cited without evidence that the reduction of selling prices to attract customers could result to businesses making losses.

Even though the location of the RDP housing appears to have had insignificant impact on the functionality of such housing as an economic asset, it has created a somewhat competitive advantage for households located in areas where key social facilities like schools and parks are situated, over those that are located further from such facilities in Dumisani Makhaye Village. In confirmation of the competitive advantage presented by location, four RDP housing recipients located in phase 3 in Dumisani Makhaye Village reported that they do not make significant profits on products that are also sold by households that reside in phase 1 and 2 (see figure 4) because households in the latter phases have more exposure to customers due to their close proximity to the school. Seemingly, school children, who are the main customers, purchase from nearest home-based shops rather than those further afield.

ii. BNG settlements

Competitiveness in the use of housing as an asset by beneficiaries that was discovered in the RDP housing settlements was also found in the BNG housing settings. The household survey however revealed that BNG households have an advantage over RDP housing beneficiaries specifically in respect of the use of BNG housing for rental purposes, as elaborated above in section 4.6.1. According to 73% (22 of 30) BNG households who either are using or are interested in using their housing as an economic asset, the bigger size of BNG housing units

and sites is advantageous for its use for income generation, especially with regards to the establishment of businesses like chicken farming, backyard rental and tuck-shops, among other uses.

4.4.2.3 Education Programmes about the use of Housing for Income Generation

i. RDP settlements

The household survey revealed that consumer education on the use of housing for income generation through home-based enterprises or rental has not been provided to housing beneficiaries. All RDP households that participated in the survey and the municipal project manager stated that there were no programmes offered by the municipality to educate them on how to use houses to improve their household income. The uMhlathuze project manager further added that it is up to households to use their houses for income generation, provided that improvements made on the units “... *comply with municipal building regulations and are compatible with other uses in the neighborhood*”. In any case, he added, the municipality did not plan to conduct any post-delivery consumer education programmes specifically about the use of housing units to improve household income. The omission of post-delivery consumer education programme by the uMhlathuze municipality appears not to have negatively impacted the beneficiaries’ ability to use their houses for income generation, based on one third of the 45 surveyed households who have used their houses to improve their household income.

ii. BNG settlements

All interviewed households stated that there were programmes offered by the uMhlathuze municipality, but were only about housing maintenance and not about the use of housing to generate income. The municipal project manager confirmed such, and further added that said programmes mainly included education on plumbing skills, window and door repairs, house painting, and waste management on the property and settlement. Surveyed BNG housing beneficiaries also indicated that they were taught about some municipal building regulations like building lines that, according to the municipal project manager, govern where extensions to the housing units can be done, for example. The municipal project manager understood that such programmes were not offered in RDP housing handovers in the HWP era, and that even though the BNG policy has objectives to retrospectively improve RDP housing, such has not been the case in reality.

4.5 Synthesis of Research Findings

Empirical findings on the use of housing as a financial and economic asset in Dumisani Makhaye Village revealed that RDP and BNG housing projects did not encompass some elements that enable housing to perform as an asset for its beneficiaries, as envisaged by the housing policy. The uMhlathuze municipality, being the implementing agent of housing projects, perceived that the use of RDP and BNG housing as a financial and economic asset to be at the discretion of households themselves, and so project planning did not aid the households' use of such housing as an asset. Such is evidenced by the municipal manager's assertion that the performance of housing as an asset relies on households who choose to use their houses as such, because the project was not planned to specifically promote the performance of housing as a financial and economic asset.

Findings also revealed that the use of RDP and BNG housing as an asset was mostly hindered by the unwillingness of households to do so, the lack of knowledge about how housing performs as such and lack resources such as capital, which facilitates the use of housing as an asset. To some extent, the findings link the constrained performance of housing as an asset to project planning and packaging that did not include elements to enable RDP and BNG housing to be used as an asset by beneficiary households. These elements include the design of housing units that promotes households' survival strategies like small home-based businesses to improve the households' income, and/or empowerment through consumer education programmes to inform households about ways they can use their houses as collateral to access finance. Essentially, shortfalls in project planning appear to have contributed to the legacy of mono-functionality RDP and BNG housing as primarily a social asset.

The incremental housing process, envisioned by the HWP policy to be facilitated by the use of low-income housing as a financial and economic asset, appears to have not significantly taken off for nineteen out of 45 (42 %) surveyed RDP households that made improvements on their sites in Dumisani Makhaye Village. Such is attributed to the minimal use of housing as an asset, as one of the main reasons. Households have however made improvements on the site such as landscaping and fencing, which could be partly interpreted as forming part of the incremental housing process. The BNG policy's objectives of recognizing housing as an asset have also been partly met, as 57 % of 90 surveyed households in Dumisani Makhaye Village

have used/or are keen to use their housing as a financial and economic asset. On the other hand, 43% of households surveyed are content with the function of their housing as mainly a social asset, expressing their aversion to use of housing as a financial and/or economic asset for a number of reasons, such as fear of losing their homes in instances where they default on loan repayment and fear of being targeted by criminals.

The empirical enquiry also revealed that the use of low-income housing as a financial asset is constrained by the lack of knowledge by households about how RDP and BNG housing performs as such, who further expressed lack of awareness of the potential of such housing to be used as collateral for borrowing loans from the banks. About 73% (22 of 30) households that wished to get loans by using their houses were constrained from doing so by their own perception of the banks' unwillingness to lend money to low-income households. The lack of knowledge can be attributed to the failure of the uMhlathuze municipality as the provider of housing to, through consumer education or other programmes, educate households about ways in which housing's financial and economic asset potentials could be harnessed. The income also presented a challenge with regards to access to finance by RDP and BNG housing beneficiaries in Dumisani Makhaye Village, which is substantiated by 40% (6 of 15) of surveyed households that would have liked to use their houses to access finance but were denied a loan on the income basis in the BNG settlements alone, for examples.

The commitment to the 2004 Record of Understanding (ROU) (discussed in chapter 3) by the financial sector institutions to extend lending to low-income households, is questioned by this study as both traditional and non-traditional banks have failed to lend to surveyed low-income households. Such lack of commitment is substantiated by the failure of all six households in Dumisani Makhaye Village who attempted to access loans by using their houses as collateral. Interviews with loan managers from ABSA, S.A Home Loans and Capitec Bank also revealed that said institutions have not developed policies that ensure loan accessibility by RDP and BNG housing beneficiaries, despite their commitment to the objectives of the ROU. Over and above, the failure of RDP and BNG housing to perform specifically as a financial asset can be attributed to the banks' failure to make loans accessible by low-income earners and by the lack of information and willingness by households to use their housing as collateral for a loan. Such

shortcomings seem to have negatively impacted the performance of RDP and BNG housing as a financial asset in Dumisani Makhaye Village.

In as much as the use of low-income housing as an economic asset is apparent in Dumisani Makhaye Village, it is worth noting that some RDP and BNG housing beneficiaries will not significantly benefit from using housing as an asset to improve household income because they will not have a competitive advantage in such use of housing over other households who offer the same products and services. It is important to also note that even though the sale of housing constitutes its use as a financial asset, there is a chance that households who cannot afford the costs of owning it in Dumisani Makhaye Village may sell such units for income at a cost way below their actual value and possibly relocate to rural areas or informal settlements. In such instances, the house would not have functioned as an asset in the sense envisioned by the BNG policy.

4.6 Conclusion of the Chapter

Based on the findings of the empirical enquiry, BNG housing did not significantly perform better than RDP housing as a financial and economic asset. Although some aspects of BNG housing units, which are otherwise absent in RDP housing units, present more opportunities in respect of the performance of housing as an asset, such performance appears to not have been to fullest extent possible. Comparatively however, BNG housing appears to have performed more as an asset than RDP housing in Dumisani Makhaye Village. In the next recommendations are made on ways to improve the performance of housing as a financial and economic asset in South Africa.

Chapter 5: Recommendations and Conclusion of the Study

5.1 Introduction of the Chapter

This study sought to compare the use of housing as a financial and economic asset between RDP and BNG housing in Dumisani Makhaye Village as a case study. Literature was interrogated to find out whether or not low-income housing had performed as an asset for its beneficiaries in the HWP era as the first post-apartheid housing policy in South Africa. Furthermore, refinements made by the BNG regarding the function of low-income housing as an asset for beneficiary households were also explored in this study. The empirical enquiry further explored whether the use of BNG housing as a financial and economic asset has been more successful than in RDP housing, and also explored whether the shift in policy from HWP to BNG had retrospectively impacted the RDP housing beneficiaries' use of their housing as an asset. This chapter makes recommendations based on literature and empirical findings, to improve the performance of RDP and BNG housing as a financial and economic asset, and further draws conclusions based on objectives set out by the study (elaborated in Chapter One).

5.2 Recommendations of the Study

5.2.1 Better Packaged Projects

In response to the evidence of project packaging that did not consider elements to inspire the use of RDP and BNG housing as an asset in Dumisani Makhaye Village, it is recommended that low-income housing projects are packaged to take cognizance of the policy objectives, especially ones about the use of housing as an asset. Such alignment of delivery with policy objectives in this regard would ensure that livelihoods of households who benefit from low-income housing are improved not only by the provision of shelter but by harnessing its asset potential. Furthermore, the households' ability to harness the asset potential of low-income housing should be emphasized and prioritized in project planning to ensure that housing so delivered performs as an asset. Therefore, beneficiary households would find the use of their housing resourceful to combat poverty through access to finance or entrepreneurial opportunities, among other things. Project packaging should also produce housing that has the elements which inspire its use as a financial and economic asset. Such elements could be:

- (i) **Improved units' design** – The design of housing units which have consideration for the households' survival strategies for example, should enable rooms that can be rented out without compromising the tenant's and household's safety and privacy, among other things.
- (ii) **Improved aesthetic quality** – Housing units delivered should have finishes which make them appealing to potential buyers and also lenders.
- (iii) **Improved surrounding infrastructure** – This would include different road types (including pedestrian pathways), well channeled storm water drainage systems, and waste management systems to make RDP and BNG settlements desirable to potential buyers.
- (iv) **Improved settlements design** – Designing RDP and BNG settlements with facilities that attract private investment and be of desired quality to lenders, for example adding mixed-use mid-rise buildings with office parks, apartments and/or restaurants and landscaping public places such as open spaces.

5.2.2 Prioritization of Consumer Education Programmes

The empirical enquiry revealed that households were not educated by the municipality about the various ways that they can use housing as an asset. In response to this shortfall, the study recommends that the municipality, as the provider of low-income housing, ensures that end-user education programmes are prioritized and delivered to beneficiary households. Offering said programmes would directly address the issue of households' ignorance of the potential asset value of RDP and BNG housing, as was found in Dumisani Makhaye Village. This programme would help revive 'dead assets', by informing households about ways they can harness their housing's asset potential. Furthermore, workshops and follow-up studies should be conducted by the municipalities not only to ensure that households who want to use their housing as an asset are able to, but also to assess the effectiveness of end-user education programmes in influencing the performance of low-income housing as an asset. The involvement of other sectors that are crucial in enabling the function of housing as a financial and economic asset is also recommended in this study.

5.2.3 Strengthening Cross-sectoral Collaboration

The performance of RDP and BNG housing as a financial and economic asset is dependent on other sectors, specifically the financial and business sector. Understandably then, it is advocated that the partnership between the state and the financial sector should be strengthened. Firstly, the state and the financial sector need to establish a definitive category that mutually classifies low-income earners for both parties, from which lending policies and programmes of extending finance to ‘low-income’ earners would be developed. Clear and concise objectives of what would be a Memorandum of Understanding between said parties should be developed and monitored, through performance feedback and information disclosure, to ensure that all parties commit to enabling access to finance by low-income housing beneficiaries. The input of financial institutions in low-income housing projects is further advocated, to ensure that housing that is delivered meets the banks’ definition of a bondable asset. The economic business sector should also be involved by extending financial resources like business grants and giving technical support to households wanting to establish home-based businesses, to address the problem of lack of capital and knowledge on how to start a business and where to source ideas and support.

5.2.4 Refinement of the Housing Policy

The housing policy objectives of providing low-income housing that function as an asset for beneficiaries are explicit in the BNG housing policy but are misinterpreted in project implementation, as exemplified by the data from the interview with the uMhlathuze municipal project manager. The project manager understood that the ability of housing to attract finance or to perform as a venue for home-based businesses is solely dependent on beneficiary households, as opposed to it being conceptualized in project packaging. To prevent the misinterpretation of its objectives, the policy should be clear about what it regards as housing that has a financial and economic asset potential. Thereafter, the policy should state how it envisions RDP and BNG housing to function as such. Furthermore, there needs to be a revision of the subsidy amount to ensure that it delivers an envisioned housing unit that has the elements that enable its performance as a financial and economic asset for its beneficiaries. This would for example address the issues of size of the housing unit and the site, and also support the development of a flexible design of the units which not only enables the harnessing of the economic asset potential but also appeals to the financial sector.

5.3 Reflection on the Study Objectives and Empirical Findings

One of the objectives of the BNG as the current housing policy is to refine the performance of RDP and BNG housing as an asset. To establish the refinements, this study sought to determine the objectives of the HWP as the BNG's predecessor. It also sought to determine the objectives of the BNG as the current housing policy, in respect of the function of housing as a financial and economic asset. Such was accomplished by reviewing of the literature on South African housing policy and its recognition of low-income housing as not only a social asset, but also as a financial and economic asset. It was discovered that the notion of low-income housing that performs as an asset for its beneficiary households has always been present in post-apartheid housing policies. It is argued in this study however, that said notion was only implicit in the HWP, as opposed to the BNG in which it was explicitly asserted. Furthermore, the study discovered that the progressive realization of low-income housing's potential to perform as an asset is mainly attributed to the involvement of the financial sector and the business sector.

The study also sought to establish whether or not RDP and BNG housing beneficiaries use their housing as a financial and economic asset. The empirical enquiry conducted in Dumisani Makhaye Village revealed that beneficiary households do use their houses as assets. However, it was found that in the study area the economic aspect of the asset is the one that is mainly harnessed, relative to the financial aspect. It was established from both in responses from households and observations made on site that small home-based businesses and small-scale landlordism are the preferred uses of housing as an asset, because the use of housing as such does not require immediate structural modification of the housing unit. On the other hand, it was discovered that RDP and BNG housing performed dismally as a financial asset despite attempts, with only 7% (6 of 90) of sampled households being constrained from accessing finance through use of housing as collateral.

The use of RDP and BNG housing as a financial and economic asset was also compared through empirical findings, which were not only presented to demonstrate the difference in the uses of said housing but also to demonstrate the improvements in housing policy from the HWP to the BNG. Findings also showed that both RDP and BNG housing was not used as a financial asset in Dumisani Makhaye Village. Even though attempts were made to use housing as such,

specifically by six BNG survey respondents, the performance of housing as a financial asset was severely constrained, mainly by the following factors:

- The low income of households.
- Lack of knowledge about the use of housing as collateral.
- Fear of losing one's home in the case of inability to repay a loan.
- The households' perceptions that banks are not willing to lend to low-income households.

It was also found that households prefer to use their housing to generate income instead of using it to secure a loan. Such preference is illustrated by one third of ninety surveyed households who could have used their housing to borrow against, but chose to use it for income generation. Moreover, it appears that BNG housing performed more than RDP housing in its use for income generation, where such housing is used in more ways than RDP housing to improve the household income. For example, in addition to use of housing as the venue for small businesses, small-scale landlordism is practiced only in BNG housing and not in RDP housing in Dumisani Makhaye Village, as indicated in Chapter Four.

The study's objective of establishing whether BNG policy objectives have benefited RDP housing retrospectively in respect of use as an asset was met, and data which unveils that such has not been the case was presented. It was found for example, that consumer education programmes on housing maintenance are offered in BNG settlements but not in RDP settlements. In this regard, recommendations were made to address failure to provide end-user education programmes which, to some extent, constrained housing's to performance as a financial and economic asset.

The overall analysis of the findings, together with literature on the use of housing as an asset in South Africa, demonstrate that low income housing has not performed fully as a financial and economic asset in South Africa generally, and specifically in Dumisani Makhaye Village as the study area. The BNG policy's objectives of enabling RDP and BNG housing sub-markets to function and to retrospectively improve the performance of RDP housing as an asset were not met in Dumisani Makhaye Village. Moreover, despite the improvement in size and design,

and the speedy release of title deeds, not much difference was observed between RDP and BNG housing with respect to the use of such housing as an asset. Therefore, it is concluded that in as much as the BNG policy has explicit objectives about improving the performance of housing as an asset, there is no significant improvement between RDP and BNG housing's performance as such, despite thirteen years of the BNG policy's governance.

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Appendixes

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Annexure A: Interview Questions for the Municipal Project Manager.

The housing policy envisions that low-income housing units should function as assets for household beneficiaries. As a financial asset, beneficiaries should be able to use their housing unit to access finance from banks through use of their houses as collateral. As an economic asset, household beneficiaries should be able to use their houses for income generation to improve their household income.

- a. *Are you aware of the policy objectives that beneficiaries of subsidized housing should be able to use it as an asset?*
 - What does this objective mean for you as a housing practitioner?
- b. *Did the packaging of the low-income housing projects in Dumisani Makhaye acknowledge the policy objective of low-income housing that functions as an asset for its beneficiaries?*
 - If yes, what aspects of the project validate that?
 - If no, why was it not considered?
- c. *How were low-income housing projects packaged in Dumisani Makhaye village to ensure that the value of housing units produced is attractive to lenders and is usable by beneficiaries to access finance?*
- d. *What elements were introduced in project planning that ensure that housing that is produced is used by beneficiaries to generate household income?*
- e. *How was it ensured that the planning and packaging of the project enables the functioning of low-income housing units as asset, as envisaged by the national housing policy?*
- f. *Are there any post-delivery consumer education programmes provided by the municipality to train and inform household beneficiaries on how low-income housing performs as an economic and a financial asset?*

- If so, have they yielded the expected results, if not why?
 - If there have been any post-delivery consumer education programmes, why is this the case?
- g. Can you cite what you consider to be the success of the post-delivery consumer education programmes?*
- If no, can you elaborate the aspects in which they failed?
- h. It is widely acknowledged that RDP housing did not perform as an asset for various reasons. What are those reasons in your view?*
- i. Do you believe that BNG housing has performed well as an asset than RDP housing?*
- Yes/No
- Why?
- j. Are BNG housing units better designed and planned than RDP housing units to enhance their performance as financial and economic assets for beneficiaries?*
- k. Are BNG settlements better designed and planned than RDP settlements to enhance the performance of housing units as financial and economic assets for beneficiaries?*
- l. What planning elements and design aspects were employed to ensure that the BNG housing units function better as assets than RDP housing units, as envisioned by the policy?*
- m. In the era of the BNG housing policy, are there any programmes or improvements on RDP housing units that seek to retrospectively improve said units to function as financial and economic assets?*
- If yes, state them.
 - If not, why has this not been considered necessary?
- n. Based on your experience with planning and packaging of the Dumisani Mkhaye village in uMhlathuze, what aspects of project planning and project delivery do you think can be improved in future to ensure that low-income housing projects deliver units that function better as financial and economic assets for beneficiaries?*
- o. What do you envision to be the results of such improvements generally, and specifically with respect to the use of the house as an asset?*

Annexure B: Interview Questions for Loan Managers of ABSA, S.A Home Loans and Capitec Bank.

Breaking New Ground (BNG), the South African housing policy, expresses that subsidized low-income housing units should perform as assets for household beneficiaries. Subsidized low-income housing refers to housing that is provided by government to low-income earners earning up to R3 500 per month, and is usually referred to as RDP or BNG housing. One way in which these beneficiaries would use their house as an asset is through accessing loans from the bank by using their housing unit as collateral.

- a. What does your bank regard as low-income households?*
- b. How would you describe an attractive and bondable low-income housing asset?*
- c. In light of the description of a bondable low-income housing asset, would the bank consider lending to low-income RDP and BNG housing households?*
 - Yes/No
 - Why?
- d. Has the bank received loan applications from RDP and BNG housing households?*
 - If yes, roughly what percentage would you say has been approved?
 - What are the reasons for turning down those that were not?
- e. What is the criteria used for a successful loan application by low-income households?*
- f. What are the main reasons why RDP and BNG households may not meet said criteria?*
- g. Are low-income housing applicants ever denied a loan on the basis of their home being a government subsidized house?*
 - Yes/No
 - Why?
- h. Are low-income housing loan applicants required to specify the reasons for borrowing from the bank?*
 - If yes, how often is the loan related to housing improvement?
 - If no, why are reasons not required?
- i. Does the bank require the loan recipients to use some of the money borrowed to reinvest in the low-income housing unit?*

- If yes, how does the bank ensure that the money is reinvested?
- If no, why?

It is documented that banks are skeptical of lending to low-income households and that some low-income RDP and BNG settlements have been redlined as “no lending zones”, despite the continued provision by government of low-income housing which could create an opportunity for a vibrant lending market for banks.

j. Has the bank taken advantage of the low-income housing market created over 20 years by the Department of Human Settlements (DoHS)?

- If yes, how?
- If no, why not?

A record of understanding (ROU) between the banks and DoHS to extend finance to low-income households (earning up to R3 500) was signed in 1994 and commitment to that ROU was resumed in 2004.

k. What has the bank done to ensure that lending is available to low-income households as per ROU?

The Financial Sector Charter (FSC) is an instrument used to encourage the banking sector to recommit lending to the previously marginalized black clientele. The target market is people earning from R1 500 to R7 500 (subject to CPIX changes). A majority of marginalized black people resides in RDP and BNG housing settlements, which mean they earn less than R3 500 a month.

l. Has the bank met the objectives of the FSC of lending to previously marginalized low-income earners?

- If yes, how many of the beneficiaries are RDP and BNG housing beneficiaries?
- How do you know that they are in fact BNG and RDP housing beneficiaries?
- If no, why not?

m. Are there any other innovative lending instruments employed by the bank to ensure loan availability and accessibility by low-income RDP and BNG housing beneficiaries?

- If yes, describe them and how they are applied.
- If no, why not?

n. Are there innovative ways to ensure that loan repayment and rehabilitation is successful for the low-income RDP and BNG housing households?

- If yes, describe them?

- If no, why not and how are defaulting low-income households dealt with?
- o. Are there any policy interventions from the bank that encourages lending to low-income RDP and BNG housing households?*
 - If yes, describe it and how effective it has been?
 - If no, why not?
- p. Has the bank been involved in any RDP or BNG low-income housing project?*
 - If yes, how?
 - If no, has the bank considered being part of such projects and how?
- q. Do you think that it is necessary for banks to encourage low-income, including RDP and BNG households, to use their subsidized low-income housing as collateral for borrowing a loan?*
 - If yes, how do you think this may be done?
 - If no, why not?
- r. Would the bank consider taking advantage of the RDP and BNG housing market in the future?*
 - Yes/No
 - Why?

Annexure C: Household Questionnaire

It has been established by the housing policy that RDP and BNG housing units are supposed to function as assets for household beneficiaries. As a financial asset, you can use your RDP or BNG housing to access loans from the banks, or sell it in the market and use the proceeds to buy a better house. As an economic asset, you may use your house to run a small business which will generate household income. Households should have legal ownership of the housing units in order to use them as assets that command actual value that is enhanced by improvements on units.

Household Background Information

a. Did you buy your house, receive it from government or inherit it from a relative?

- If it was bought, when did u buy it and for what amount?
- If you received it from government, when?
- If it was inherited, when and what was the process of inheriting it?

b. How long have you resided in this house?

c. Are you the legal owner of the house?

- If yes, when was ownership legally received and what can be used as proof of ownership?
- If no, who is the legal owner?

d. How many people are residing in this house?

e. How much income does the combined household earn?

f. Are you interested or have you been able to use your house to borrow from a bank or other lenders and/or use it to run a home-based enterprise?

The answer to question 6 of the background information will categorize the respondents into those that have used their house as an asset, those that are not interested to use their house as an asset, or those that would like to use their house as an asset but are constrained from doing so. This classification is critical in exploring different perspectives of RDP and BNG housing

beneficiaries' interaction and experience with the use of low-income housing as an asset in Dumisani Makhaye village as a case study.

Category One: Consisting of Households Who Have Used Their House as an Asset

1. The Use of Housing as a Financial Asset:

i. Access to Finance

- a. *Have you used your house to access a loan from a bank?***
 - If yes, who gave you the loan?
 - If not, why?
- b. *When did you receive the loan and from the lender?***
- c. *Which other lenders did you approach to get a loan?***
- d. *Did you prioritize the banks/non-bank lenders that you approached?***
 - If so, list them according to priority?
 - What is the basis of such priority?
- e. *Having used your RDP/BNG house as leverage to get a loan, were the lenders welcoming when you approached them?***
 - Yes/No
Why do you think so?
- f. *How much did you borrow from the lender?***
- g. *Was the amount you received the one you applied for?***
- h. *If the amount is less than the one you were hoping to get, what were the reasons given for the difference between the amount applied for and the amount received?***
 - If no reasons were given, did you ask for them?
 - What was the response to that enquiry?

ii. Availability of Finance and Improvement on Housing Unit

Improving your house with the money received from the bank enhances the value of the house which you can use in the future to get a bigger loan from lenders such as banks or non-bank lenders. Such improvements may include adding a room or living space in the unit, improving the site by landscaping or improving security in the house.

- i. *What improvements did you make?***
- j. *With the money received from the lender, how much of it was used to make improvements on the house?***
 - Why that amount?
- k. *What was the other money used for?***

- Why?

l. Do you think that the improvements you have made on your house will enable you to get a bigger amount from the lender?

- Yes/No

Why?

m. Are you keen to approach a bank/non-bank lender again for a loan?

- If yes, why?
- If no, what experiences have made you not interested in borrowing from a lender in the future?

iii. Availability of Information about Using a House as an Asset

n. Was the information on using your house as leverage to access a loan given to you in a form of a municipal educational programme?

- If yes, what was the nature of such programme?
- Were you also advised on using your house to run a business?
- If no, how did you know that you can use your house to get a loan?

iv. Sale of the House

A house also performs as a financial asset through its sale. The policy envisions that RDP and BNG housing units could be sold by beneficiaries, and the proceeds from sale can be used to purchase a better house.

a. Have you ever bought or sold a house?

- If yes, describe the house (size, finishes, and its site).
- What made you consider buying or selling that particular house?

b. How much was the house that you bought or sold?

c. Do you think the improvements you made on the house or site had an impact on the price at which the house was?

- Yes/No

Why?

d. What process did you agree on for payment?

e. Was the cost of the house settled?

- If yes, how long did it take?
- If not, why?

f. Would you consider selling or buying a house in the future?

- Yes/No

Why?

2. Economic Use of a House as an Asset

i. Improvements Made for Home-Based Business

a. *Do you run a business in your house or site?*

- If yes, describe the type of business.
- If no, why not?

b. *Did you make improvements on your house or site in order to run the business?*

- If yes, what improvements have you made?
- If no, why?

c. *If you have not made improvements on your house, do you intend to make them in the future?*

- Yes/No

Why?

d. *What is the income generated from the business used for?*

e. *How much of the income from the business have you used to improve your house?*

ii. Technical Support

f. *Did you get educated about how to start a home-based business?*

- If yes, who educated you?

g. *If the municipality or an organization educated you on how to run a home-based business, did they tell you the types of businesses that are suitable for a household level?*

- If yes, describe such businesses.

h. *Did the municipality educate you about how to extend or convert rooms in your house?*

- If so, how was this education delivered?
- If no, have you approached the municipality for such information?

i. *Are you aware of any municipal regulations that stipulate when and how to make improvements on your house?*

- If yes, describe them.
- If no, have you enquired about such?

iii. Business Opportunities and Ideas

j. *Why did you choose to conduct the type of business that you have in your house?*

- What informed that business opportunity?

k. *Are there any other business ideas that you can run in this household?*

- What are those ideas?
 - Why do you think that they would work for this household?
- l. Do you think that if your house was located next to other businesses or transport routes it would enhance the household's income generation?*
- Yes/No
 - Why?
- iv. Design of the Housing Unit
- m. Do you think that if houses that are provided by government had an extra room for rental or if one of the rooms could be converted for businesses, it would benefit a lot of household beneficiaries?*
- Why?
- n. Have you approached the municipality to enquire about getting houses that have rooms that can be used for businesses such as day care facilities, spaza shops, or rental?*
- If yes, what was the outcome of your enquiry?
 - If not, why have you not?

Category two: Consisting of households who are not interested to use their house as an asset.

1. Use of Housing as a Financial Asset:

The housing policy (BNG) and policy analysts assert that using your house as an asset would enable you to benefit from:

- Access to a loan which can be used to extend the unit or improve the site through landscaping and fencing (among other improvements).
 - You can use the added room(s) to run a small business.
 - You can sell your improved house and use proceeds from the sale as down-payment for a better house.
- i. No Willingness to Access to Loans
- a. Why are you not willing to use your house to access a loan, thereby unlocking other uses of your house that have been highlighted?*
- ii. Improvements of Property

The potential benefit of accessing a loan is that you could use the money to improve the house and any other property on your site.

b. Do you think that such improvements are necessary?

- If yes, why are you not keen to take advantage of such an opportunity presented by the use of a house as an asset?
- If no, why do you think that such improvements are unnecessary?

Making improvements on your house means that if you sell it to someone, it would cost more than an unimproved house. Getting more money from the sale of the house implies that you can buy a better house than the one you had improved.

c. What is the reason for you not be interested in such an opportunity?

iii. Sources of Finance

Some households are not interested on using their house to get a loan because they cannot afford to, they fear taking out loans, and they fear that they might lose their house to a bank.

d. What are other sources of funding would you say can be approached to get funding through using your house as leverage?

e. Have you tried to approach other sources of funding?

iv. Sale of the House

f. Selling a house enables you to have income which can be used as down-payment for another house and income which may be used for health and/or education purposes. Are you not interested on using your house to get such income?

- Yes/No

Why?

g. Considering that you may not want to sell your house, what if funding is available and accessible on a condition that you use your house to access it from a non-bank institution/organization. Would you still not want to use your house to access such funding?

- Yes/No

Why?

2. Use of housing as an economic asset:

i. Access to Finance and Economic Use of a House

Accessing a loan by using your house as an asset means that you can extend by adding more rooms or convert a room for business purposes. Business that you may choose to run (but not limited to) are rental, salon, tuck-shop, sewing, printing etc. All these mean that your household income will increase, which may be used to buy a better house.

h. What are the reasons for you not to be keen on harnessing such an opportunity?

i. Do you think that such use of the house is necessary?

- Yes/ No

Why?

ii. House Improvement

Using your house as an asset means that it accumulates value which, if the house is sold, can be income used to purchase a better house and improve your housing conditions.

j. Do you think improving your housing conditions is necessary?

- Yes/No

Why?

k. Does new understanding or this conversation about ways in which housing may be used make you want to explore such use of the house?

- If yes, how would you start?
- If no, why not?

Category Three: Consisting of households who would like to use their house as an asset but are constrained from doing so.

1. Use of housing as a financial asset:

i. Constraints in Accessing a Loan

- *Are you aware that you can use your RDP/BNG house to access a loan, and use that money to improve your house?*
- *How did you know that you can use your house as leverage to access a loan?*
- *Have you attempted to use your house to get a loan?*
 - Yes/No
 - Why?

ii. Sources of Finance

- ***Which bank(s) did you approach for a loan?***
 - Why did you choose those sources of finance?
 - What was the basis of your prioritization?
- ***Which non-bank lenders did you approach for a loan***
 - Why did you choose those sources of finance?
 - What was the basis of your prioritization?
- ***From the sources of finance that you approached, what challenged your accessibility to a loan?***

iii. Challenges of Accessing Finance

- ***Have you attempted to address those challenges?***
 - If yes, how?
 - What was the outcome of your attempt?
 - If no, why not?

iv. Challenges in Selling the House

- ***Have you attempted to sell your house to someone?***
 - If yes, what was the income going to be used for?
 - If no, why have you not tried?
- ***What challenges did you encounter in your attempt to sell your house?***
- ***Have you tried to address those challenges?***
 - If yes, how?
 - If no, why not?

2. Use of Housing as an Economic Asset:

i. Household-Based Business Opportunities and Ideas

- ***Do you know that you can use your house to operate small business or for rental purposes which will improve your household income?***
 - If yes, have you tried to use your house for income generation?
 - If no, would you use your house for income generation and how would you do so?
- ***If you have tried to use your house for income generation, what business did you intend to operate?***
 - How would it benefit the household?
 - How would it improve your housing condition?
- ***What informed the decision for the business that you intended to establish?***

ii. Challenges in Starting Home-Based Businesses

- *What challenges did you encounter that constrained you from successfully using your house for income generation?*
- *Have you attempted to address those challenges?*
 - If yes, how?
 - If no, why not?

iii. Challenges in Improving Housing

- *Do you think you would need to improve your house by adding or converting a room in order to use it for income generation?*
 - If yes, have you tried to improve it?
 - What challenged you from doing so?
 - If no, why not?

iv. Municipal Support

- *Did or does the municipality educate you on how to use your house for income generation?*
 - If yes, how is/was this done?
 - If no, have you approached the municipality about how to use housing for income generation and what was your experience in this regard?
- *What improvements do you think that the municipality should make on the houses to make them usable by beneficiaries for income generation and to access loans?*

Annexure D: Structured Observation Guide for both RDP and BNG housing project.

Factors	Notes	
Financial access attributes	BNG housing units	RDP housing units
❖ Added rooms		
❖ Site improvements (landscaping, fencing etc.)		
❖ House improvements (aesthetic finishes)		

❖ Conversion of rooms		
Economic activities		
❖ Discernible/visible economic activities (Spaza shops, salons, daycare services etc.)		
❖ Additional rooms (rental, printing etc.)		
❖ Conversion (for economic use)		
❖ Economic activities on the site itself.		
Settlements level attributes		

❖ Location		
❖ Proximity to potential market		
❖ Physical attributes of the settlement that contribute to housing being attractive to lenders (investment grade)		
❖ Susceptibility to crime		
❖ Infrastructure that contributes to performance of housing as an asset.		