

SUBMISSION

TO : PROJECT ADVISORY COMMITTEE FOR RECOMMENDATION TO
THE MEC FOR HOUSING : KWAZULU-NATAL

SUBJECT : POLICY ON PAYMENT OF INDIVIDUAL SUBSIDIES

PURPOSE

The purpose of this policy is to establish a framework for the payment of individual subsidies in KZN, based on the framework provided by the National Department of Housing.

BACKGROUND

1. A framework on the termination of the administration of payment of non-credit linked subsidies by conveyancers was developed by National Housing early this year, which replaces the historical individual subsidy payment.

This framework has two scenarios :

- (a) An individual purchaser buys an existing property from a seller. In this instance, the payment to the conveyancer must be replaced by an irrevocable undertaking issued by the Department that the subsidy will be paid to the seller of the property on registration of transfer.
 - (b) Scenario two proposes the introduction of a developer driven individual subsidy program, whereby small scale developers can build a limited number of houses at a time. The intention was to conglomerate 30 to 50 individual applications in a particular area and then invite emerging developers or SMME's to develop the sites. The intention of the policy is to encourage small developers or contractors to develop sites for individuals.
2. Due to the large scale fraud experienced in the individual subsidy market, this province decided in 1997 already not to provide individual subsidies any longer. The way in which individuals are being assisted, is to accommodate applications from individuals which are submitted on their behalf by a bank or a corporate employer, because these organisations then effect the required controls, by ensuring that the property exists, the seller is legitimate and accordingly also the title deed of the property. The subsidy amount is also not paid to the conveyancer upon approval of the application, but only when the conveyancer advises the department that he is ready to lodge the documents. We have therefore been applying this policy suggested by the National Department of Housing for some years already.
 3. Regarding the granting of individual subsidies to developers, this province does not allow this, because in the past, approved PLS projects have been undermined in this manner. The department does not have the capacity to ensure that the applications

submitted are for sites that are legitimate and not in approved PLS developments.

DISCUSSION

4. We are satisfied that our arrangement with the Homeless People's Federation and People's Dialogue, who access individual subsidies via the Utshani Fund, cater sufficiently for this sector of the market.
5. This arrangement can now be extended to municipalities who have the need to develop infill sites in established areas. If applications are made by them for individual sites, it will be covered by the required controls and the procurement policy.

RECOMMENDATION :

That, based on the National Department of Housing's policy framework on the termination of the administration of non credit linked individual subsidies by conveyancers, this department continues with the policy on individual subsidies as follows

- a) Individual subsidies are granted when beneficiaries apply for the subsidy through a bank, or through a corporate employer.
- b) Payments to conveyancers are made upon advice from them that the documents are ready to be lodged with the Deeds Office.
- c) Individual subsidies on a project basis be granted in terms of the arrangement with the People's Dialogue and the Homeless People's Federation via the Utshani Fund and also to municipalities who have the need to develop infill sites, which applications by municipalities must conform to the procurement policy.



M GODLIMAN
CHIEF DIRECTOR
POLICY PLANNING & LEGAL SERVICES

14/9/01
DATE

SUPPORTED



E.M. KH
CHAIRPERSON
PROJECT ADVISORY COMMITTEE

18/9/2001
DATE

~~APPROVED/APPROVED AS AMENDED/REJECTED~~



MR D H MAKHAYE
MEC FOR HOUSING

15/10/2001
DATE