

**DEPARTMENT OF HOUSING**

**POLICY FRAMEWORK AND IMPLEMENTATION GUIDELINES  
FOR  
THE PEOPLE'S HOUSING PROCESS (PHP) DELIVERY  
MECHANISM**

**SEPTEMBER 2005**

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## **GLOSSARY OF TERMS**

AA	Account Administrator
BEE	Black Economic Empowerment
CBO	Community Based Organisation
BNG	Breaking New Ground
HAC	Housing Advisory Committee
HOD	Head of Department
HSC	Housing Support Centre
HSCom	Housing Support Committee
HSS	Housing Subsidy System
IDP	Integrated Development Plans
MEC	Member of the Executive Committee
MHDP	Municipal Housing Development Plans
MTEF	Medium Term Expenditure Framework
NGO	Non Governmental Organisation
NDOH	National Department of Housing
NHBRC	National Home Builders Registration Council
PFMA	Public Finance Management Act
PHD	Provincial Housing Department
PHDP	Provincial Housing Development Plan
PHPT	People's Housing Partnership Trust
PHP	Peoples Housing Process
PPP	Public Private Partnership
PPPFA	Preferred Procurement Policy Framework Act
SHI	Social Housing Institutions
SLA	Service Level Agreement
SO	Support Organisation

## **EXECUTIVE SUMMARY**

### **1. Purpose**

To obtain the Committee's approval for the:

- i. Policy Framework and Implementation Guidelines for the Peoples Housing Process Delivery Mechanism;
- ii. Pro-forma documents relevant to the PHP policy; and
- iii. Procurement Process and documentation which are applicable to all the remaining Subsidy mechanisms, including the PHP.

### **2. Background**

The National Policy for Supporting the Peoples' Housing Process, as a housing delivery mechanism, was approved by MIMEC on 11 May 1998. The aim of this policy is to assist qualifying beneficiaries of the Housing Subsidy Scheme, who choose to make a 'sweat equity' contribution to their subsidy, by building or being involved in the building of their own homes.

Some of the key principles behind this policy are the establishment of partnerships, the transfer of skills, community empowerment and a process that is people-driven. In addition, this policy also provides beneficiaries with organisational, technical and administrative support for the duration of the project.

In June 1997, the People's Housing Partnership Trust was established and was mandated to drive the implementation of a comprehensive capacity building programme in support of the PHP delivery mechanism.

During 2003, the People's Housing Partnership Trust (PHPT) commissioned a review of the performance of the PHP. The final report, released towards the end of 2003, indicated a number of shortcomings in the PHP process that contributed to the PHP not performing in line with Government's expectations. At the same time, the Department met with a range of roleplayers to identify any shortcomings in the PHP delivery mechanism with a view of enhancing the existing Implementation Guidelines.

The findings of both of these processes showed, among other, that the current policy, as contained in the old Housing Code, is vague and gives raise to Provincial Housing Departments and Municipalities interpreting the policy in a variety of ways that contradicts its original intentions.

Furthermore, the Comprehensive Plan for the Development of Sustainable Human Settlements (The Plan) now requires the Department to redefine the focus and content of the PHP delivery mechanism, in order to build greater consensus and understanding amongst all stakeholders in the PHP delivery mechanism.

In view of the above, and the requirement that housing programmes should comply with Procurement principles, the enhanced Policy Framework and Guidelines for the Implementation of the PHP Delivery Programme, were developed.

### **3. Discussion**

The attached documentation consists of:

An enhanced Policy Framework that will guide Provincial Housing Departments, Municipalities and other stakeholders to undertake a housing project through the PHP delivery mechanism, including:

- a) a description of the legislative and other prescripts that impact on, and regulate the PHP delivery mechanism;
- b) a description of the various role-players and their responsibilities; and
- c) the allocation and application of the different Housing Subsidy and Grant funding available to beneficiaries in a PHP project.

Implementation Guidelines which deal with the processes and procedures that implementers need to follow when undertaking housing delivery through the PHP and outlines the capacity building processes to follow; and

In addition, the Guidelines make provision for detailed procurement processes and documentation to be applied in PHP projects, where needed.

### **4. Recommendation**

It is recommended that the Committee approves the attached:

- i. Policy Framework and Implementation Guidelines for the Peoples Housing Process Delivery Mechanism;
- ii. Pro-forma documents relevant to the PHP policy; and

- iii. Procurement Process and documentation which are applicable to all the remaining Subsidy mechanisms, including the PHP.

**National Department of Housing**  
**19 September 2005**

## **1. POLICY FRAMEWORK OF THE PHP DELIVERY MECHANISM**

### **1.1 What is the PHP delivery mechanism?**

- i. The PHP is a housing delivery mechanism whereby beneficiary households build, or organise between themselves, the building of their own homes, make a 'sweat equity' contribution through their labour and exercise a greater choice in the application of their housing subsidy through their direct involvement in the entire process. As part of the process the beneficiary may contribute recycled material or he/she may wish to build the house him/herself;
- ii. Technical expertise may be sourced to assist the beneficiaries with the installation of electricity and plumbing, and later, the certification of their house; and
- iii. Beneficiary households enjoy greater choice over the use of their housing subsidies, resulting in positive housing outcomes, increased beneficiary input, and enhanced beneficiary commitment.

### **1.2 Constitutional, legislative and other prescripts**

The policy for this housing delivery mechanism is underpinned by the following constitutional, legislative and other prescripts, all of which impact on and regulate the PHP delivery mechanism:

- i. The Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996)(Constitution);
- ii. The Housing Act, 1997 (Act No. 107 of 1997)(Act);
- iii. Comprehensive Plan for the Development of Sustainable Human Settlement September 2004 (The Plan);
- iv. The Public Finance Management Act, 1999 (Act No.1 of 1999)(PFMA);

- v. The Municipal Finance Management Act, 2004 (Act No. 56 of 2003)(MFMA);
- vi. The Division of Revenue Act, 2003 (Act No. 7 of 2003) (DORA);
- vii. Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) (PPPFA);and
- viii. The Development Facilitation Act, 1995 (Act No. 67 of 1995)(DFA).

### **1.3 Roles and responsibilities of the various stakeholders**

#### **1.3.1 National Department of Housing (NDOH)**

The NDOH is responsible for creating conducive and enabling conditions for housing delivery, within the housing legislative framework, to ensure access to adequate housing and in addition, it establishes the policy framework and guidelines for the implementation of the policy.

#### **1.3.2 Provincial Housing Departments (PHDs)**

The PHD will facilitate the project approval process, the reservation of funding, the evaluation and monitoring of housing delivery and assist with consumer education and capacity building, if required by the Support Organisation (SO).

In addition, the PHD will be required to:

- i. Determine whether the SO has the required core skills (i.e the Account Administrator and Technical Advisor), prior to the approval of the SO as a legal entity;
- ii. Conclude Funding Agreements with the SO;
- iii. Act as developer of a PHP project, when necessary;
- iv. Release the grant and subsidy funds to the project;
- v. Ensure the timely payment of project claims to the Account Administrator;
- vi. Resolve disputes between beneficiaries and the SO, if required; and
- vii. Promote an advocacy and awareness campaign.

### 1.3.3 Municipalities

Municipalities will be required to create an enabling environment for the successful implementation of the PHP delivery mechanism.

In addition, Municipalities will be required to:

- i. Provide information and advice on housing matters;
- ii. Act as developer of the PHP delivery mechanism, if required;
- iii. Support households in planning the settlement, including the layout and engineering designs;
- iv. Act as a SO and submit project applications to the PHD for consideration if selected to do so;
- v. Obtain Council Resolution(s) indicating their support for a PHP delivery mechanism, where the municipality or Community Based Organisation (CBO) acts as a SO;
- vi. Support CBOs and Non-Governmental Organisations (NGO), or any community group acting as the SO by for example, acting as Account Administrator;
- vii. Provide support and participate in meetings, where necessary;
- viii. Prioritise land for development;
- ix. Assume ownership of the engineering services installed;
- x. Provide bulk and connector engineering services;
- xi. Approve house building plans, inspect and certify work in progress;
- xii. Promote community facilitation;
- xiii. Resolve disputes between beneficiaries and the SO, if required;
- xiv. Undertake consumer education and capacity building exercises; and
- xv. Promote an advocacy and awareness campaign.

### 1.3.4 Support Organisation (SO)

1.3.4.1 A SO must be one of the following categories of legal entities:

- i. A Company incorporated in terms of Section 21 of the Companies Act, 1973 (Act No. 61 of 1973);

- ii. A Trust;
- iii. A voluntary association or a Co-operative formed in terms of the Co-operatives Act 1981 (Act No.91 of 1981; or
- iv. A Communal Property Association formed in terms of the Communal Property Associations Act 1996 (Act No. 28 of 1996).

1.3.4.2 Beneficiaries may choose to appoint a SO from any of the following types of institutions, provided that the SO is a legal entity:

- a) Community-Based Organisations;
- b) Non-Governmental Organisations;
- c) Community service organisations, associations, churches, unions, and other civil society bodies (provided they are formally established as legal entities);
- d) A Communal Property Association formed in terms of the Communal Property Associations Act 1996 (Act No. 28 of 1996);
- e) Provincial Government;
- f) Municipalities; or
- g) Private sector institutions, provided that they do not provide any other housing goods and services as part of the PHP project in question.

1.3.4.3 The SO is responsible for providing, *inter alia*, organisational, technical and administrative assistance to beneficiaries.

The SO does not have to give the technical and administrative assistance itself. What is required, is that the SO must ensure that the technical and administrative assistance is available, at no cost, to the beneficiary. The SO can appoint other support providers, who will give the necessary assistance to the beneficiaries, provided that the SO agrees to pay the other support providers the fees stipulated.

A. Organisational assistance:

The SO will be required to:

- i. Assist beneficiaries to organise themselves to work together to undertake the PHP project;
- ii. Assist beneficiaries to identify, investigate and choose from the various options available to them in the PHP project;
- iii. Provide beneficiaries with information in respect of subsidy qualification criteria;
- iv. Register beneficiaries;
- v. Identify and establish a facility to be utilised as a Housing Support Centre (HSC);
- vii. Assist beneficiaries to resolve internal disagreements as they arise;
- viii. Assist the beneficiary community to establish a Housing Support Committee (HSCom), comprising of stakeholder representatives; and
- ix. Co-ordinate all HSC activities.

B. Technical assistance:

The SO will be required to offer the following technical assistance is given to beneficiaries, i.e, all planning necessary in respect of the project, including:

- i. The layout of the township (if applicable);
- ii. The design of services (if applicable);
- iii. The upgrading of any services (if applicable);
- iv. The determination of the total amount of the subsidy available to the beneficiaries;
- v. Give the beneficiaries general advice and assistance about the process;
- vi. Advise beneficiaries about the minimum norms and standards applicable;

- vii. Prepare a detailed cost schedule and a cash flow forecast which indicates the stages subsidy disbursements will be required;
- viii. Assist beneficiaries in the preparation and approval of house building plans;
- ix. Assist beneficiaries to conduct a skills audit;
- x. Provide beneficiaries with the necessary assistance/training to be able to build;
- xi. Manage material purchase/delivery and/or material store, if applicable;
- xii. Acquire specialised service providers in respect of plumbing and electrical installation (where applicable);
- xiii. Monitor the building work carried out by the beneficiaries; and
- xiv. Certify the progress which the beneficiaries make in constructing their houses (this will be done through the Certifier).

C. Administrative support:

The SO must also provide administrative assistance, by:

- i. Establishing efficient administrative and financial systems for the HSC;
- ii. Preparing and submitting Project and HSC Business Plans;
- iii. Compiling project application with beneficiaries;
- iv. Applying to the Housing MEC for project approval;
- v. Assisting beneficiaries to complete, submit and follow-up subsidy application form to the Housing MEC;
- vi. Concluding a Funding Agreement with the PHD;
- vii. Performing a beneficiary skills audit;
- viii. Submitting a skills development proposal to the Department of Labour;
- ix. Co-ordinating the training of beneficiaries;
- x. Identifying small builders from the immediate community;
- xi. Establishing administrative, financial and logistical support and systems at the HSC;
- xii. Providing job descriptions to HSC personnel;
- xiii. Monitoring the performance of the Certifier;

- xiv. Entering into building agreements with the beneficiaries;
- xv. Arranging for beneficiary/occupation certificate to be signed upon the completion of each house;
- xvi. Operating the Specified Account (through the AA); and
- xvii. Assisting beneficiaries to manage relationships with materials and service suppliers, and to source competitive pricing of building materials.

1.3.4.4 With regard to building materials, the SO and the beneficiaries can agree that:

- i. The SO will buy building materials in bulk; and
- ii. The SO will provide advice to any beneficiary regarding the manufacture and specifications of building materials.

1.3.4.5 The SO may outsource the organisational, technical and administrative assistance as set out above, provided that the SO agrees to pay those service providers from the establishment grant and/or any balance from the facilitation grant or its own resources.

If such an outsourced relationship exists, it must be governed by a Service Level Agreement (SLA) and there should also be a power of attorney to regularise the relationship.

1.3.4.6 Other responsibilities of the SO, not directly related to the beneficiary include:

- i. The SO must open a specified account with a bank registered in terms of the Banks Act, 1990 (Act No.94 of 1990);
- ii. The account must be designated as a trust account if the SO is not a Provincial Government Department or a Municipality. The Specified Account must be held at a bank branch in the province, in which the project is located;
- iii. In cases where beneficiaries choose the municipality to act as SO, the prescripts of the Municipal Finance Management Act (MFMA), (Act 56 of

2003) will apply. The MFMA requires that all municipalities operate at least one primary bank account and, for this reason, a local authority acting as SO may utilise their existing bank account as the Specified Account, on condition that the funds can be identified at all times and are only utilised in accordance with the approved project and agreement, as entered into with the MEC;

- iv. The Specified Account must have multiple signatories and, at least two signatories, required for disbursements. Only the AA may make payments out of this account; and
- v. The Specified Account must be an interest bearing account which provides for the best possible interest rate.

#### **1.3.5. Account Administrator (AA)**

1.3.5.1 The AA shall provide financial management and administrative support by:

- i. Opening a separate bank account with a recognised banking institution;
- ii. Accepting financial accountability and responsibility for project funds;
- iii. Ensuring that any financial contribution by a beneficiary is paid into the account;
- iv. Administering and making regular payment of wages/salaries to HSC personnel;
- v. Purchasing office and building equipment;
- vi. Preparing and providing facilitation and establishment grants cash flows to the PHD;
- vii. Submitting monthly progress reports and account reconciliation to the PHD;
- viii. Procuring of and negotiating for competitively priced building materials with suppliers, by ensuring that delivery is made to individual stands, and checking and certifying the quality of building materials delivered;
- ix. Preparing and submitting a monthly account's reconciliation report to the PHD which discloses the value of funding paid by the PHD to the specified account, all interest earned on the funding, all payments made out of the specified account, and a summary in respect of each beneficiary which shows all payment amounts;

- x. Submitting to the PHD a reconciliation of all funds received and expenditure incurred on the specified account, after the project has been completed; and
- xi. Auditing the project at the conclusion of each phase.

1.3.5.2 The AA will be appointed by the SO and must be identified in the project application (or before conclusion of the agreement) to the Housing MEC.

1.3.5.3 The AA should have suitable experience in financial matters, and should either:

- i. Be a Certified Public Accountant; or
- ii. If not a Certified Public Accountant, provide such financial or other guarantees as the Housing MEC may require, to ensure that he/she is solvent and that he/she will be able to discharge his/her responsibilities without risk to the subsidy resource. This may include, *inter alia*:
  - a) A background check;
  - b) Security, such as, a bank guarantee, bond, or professional indemnity insurance, equal to the cash flow draw down amount being transferred into the AAs account. (Proof must be provided that at least 80% of the funds have been spent before further transfer of funds can be effected); and
  - c) Inclusion, in the Implementation Agreement of a clause appointing the Housing MEC as the preferred creditor, in the event that an AA becomes insolvent.

1.3.5.4 If the approved AA is replaced during the course of a project, the Housing MEC or the designated official must be notified and the change must be approved in writing.

1.3.5.5 The SO must pay the AA's fees (or his or her salary, if the AA works for the SO). The establishment grant may be used for this purpose, but no subsidy money will be made available to pay such fees.

### **1.3.6 Housing Support Centre**

1.3.6.1 The SO and the beneficiaries must establish an office or other facility in an easily accessible place to the beneficiaries. This office or facility, known as the Housing Support Centre (HSC) should be available at all times to enable beneficiaries to call for necessary assistance at their convenience; and

1.3.6.2 The HSC may be staffed by people chosen from amongst the beneficiaries. If this is the case, the process of selecting such personnel should be undertaken jointly by the beneficiaries and the SO, and should be done in a transparent manner.

### **1.3.7 The Certifier**

1.3.7.1 The following issues must be noted, in relation to the certifier:

- i. The SO is responsible for appointing the Certifier, who is to be identified in the project application (or before finalisation of the project agreement), to the Housing MEC;
- ii. The Certifier should be a suitably qualified and experienced person; e.g. an architect, builder, civil engineer or similar professional, should be registered with the relevant professional body, or should be a competent person identified by the SO, should have the ability to provide construction-related technical support to project beneficiaries;
- iii. The Certifier must be able to interact successfully with the beneficiaries;
- iv. If the approved Certifier is replaced during the course of a project, the Housing MEC must be notified and must approve the change in writing;
- v. The Certifier may be an independent service provider or an employee of the SO, except if the SO is a provincial government or municipality;
- vi. Certifiers are not required to have Professional Indemnity Insurance since they do not design or build houses in terms of the PHP delivery mechanism. Nevertheless, the Certifier along with the SO, is responsible for providing suitable technical advice to beneficiaries, as part of the contractual agreement between the SO and beneficiaries;

- vii. The SO must ensure that the Certifier inspects the building work undertaken by each beneficiary regularly. In the course of these inspections, the Certifier must:
  - a. Give the beneficiaries relevant technical advice;
  - b. Issue certificates confirming construction progress (countersigned by a beneficiary representative). Such certificates may take any form, suitable to the Certifier, beneficiaries and SO, but must be clear and unambiguous about what is being certified (e.g foundations, top structure, plumbing, wiring, etc.) and for what purpose; and
  - c. Submit these certificates to the AA to verify that construction work has been performed by beneficiaries, or to verify that construction related services have been provided by third parties, in order to allow for payment to the relevant materials suppliers and/or service provider.
- viii. The beneficiaries must appoint one or more representatives. The certifier must ensure that he/she is accompanied by one or more of these representatives when the Certifier carries out an inspection of the work done by any particular beneficiary. All the certificates issued by the Certifier are to be signed by one of the beneficiary representatives;
- ix. The SO must pay the Certifier's fees (or his/her salary if the certifier works for the SO).

### **1.3.8 The Housing Support Committee (HSCom)**

1.3.8.1 The chosen representatives from the beneficiary community form the Housing Support Committee (HSCom) to represent the beneficiaries. They will play a co-ordinating role amongst the PHD, the municipality and the beneficiaries.

1.3.8.2 The HSCom will be required to:

- a) Enter into an agreement with the SO on behalf of the beneficiary community;

- b) Represent the interests of the beneficiaries/homeowners in the process;
- c) Attend to beneficiaries' problems and concerns during the house construction process;
- d) Take decisions in consultation with the beneficiary community (this will depend on the mandate given to them by the beneficiary community that will indicate how this should be done);
- e) Consult, on an ongoing basis, with the beneficiary community;
- f) Take management decisions on the running of the HSC (on behalf of the beneficiary community);
- g) Initiate meetings, with identified beneficiaries in order to communicate (per identified block or section) PHP delivery mechanism requirements to them;
- h) Ensure that all beneficiary subsidy applications are completed and submitted for approval timeously;
- i) Follow-up with beneficiaries regarding house options and payments of top up funding, where applicable;
- j) Ensure that the beneficiaries are ready to begin construction when their turn arrives;
- k) Co-ordinate and monitor the building brigade (team of beneficiaries) activities and construction programme, and reporting regarding blockages to the HSC; and
- l) Facilitate the signing of 'happy letters', where relevant.

### 1.3.9 The Technical Advisor

1.3.9.1 The Technical Advisor, from the SO must review the available resources, the time table submitted with the funding agreement and the results from meeting with the HSCom and prepare a development project plan which reflects the milestone dates for the completion of the activities and the allocation of resources.

1.3.9.3 The Technical Advisor will also assist the HSCom to establish the required building teams for the construction phase of the project.

1.3.9.4 He/she must use the information gathered during the skills audit to identify the available labour resources. Labour resources will be considered against the building brigade model which specifies the ideal number of labourers per team and any other skills required for completion of the project.

1.3.9.5 Where required, the Technical Advisor would identify additional resources by calling on individuals who indicated whether they were interested in receiving training. These individuals would be referred to the Department of Labour where they will receive training in identified areas. Once the training has been completed, the trainees will be allocated to the established building teams.

### **1.3.10 The Beneficiaries**

1.3.10.1 The role of the beneficiaries is to participate actively in the decision-making process and the building of their own houses. Beneficiaries may also identify the land for the project and must represent the community of beneficiaries in all aspects of PHP.

1.3.10.2 Beneficiaries must:

- a) Organise themselves and form a HSCom;
- b) Form and/or identify the SO;
- c) Support the project and appoint the SO;
- d) Effect savings for top-up finance, if required;
- e) Attend and be involved in the workshops at the initial stages of the project;
- f) Individually complete a Subsidy Application form with the HSC;
- g) Contribute to the building process in the form of sweat equity, and/ or building materials or top up finance;
- h) Make a decision in respect of the housing option available;
- i) Choose to undergo training;
- j) Take care of the environment and other related aspects of the project area and its environs; and
- k) Undergo beneficiary consumer education.

## 2. **FUNDING FOR THE PHP DELIVERY MECHANISM**

Qualifying beneficiaries, who undertake a project in terms of the PHP delivery mechanism, are eligible to access Housing Subsidies and Facilitation and Establishment Grant funding from the PHD.

### 2.1 **Housing Subsidies available for the PHP delivery mechanism.**

2.1.1 The following four Housing Subsidy types are available for beneficiaries who participates in the PHP delivery mechanism:

- i. The Consolidation subsidy;
- ii. The Project-Linked subsidy;
- iii. The Institutional Subsidy; and
- ii. The Rural Subsidy

2.1.2 The individual subsidy is not applicable to the PHP delivery mechanism because development always proceeds through collective beneficiary involvement.

2.1.3 Qualifying beneficiaries who occupy and own serviced sites without formal houses, but who have not received state assistance to build a house, are eligible for Consolidation Subsidies. The general rules applicable to Consolidation Subsidies will apply.

2.1.4 Non-owners, occupants and landless people who are eligible for housing subsidies, and who want to participate in the PHP Delivery Mechanism, may apply for Project-linked or Institutional Subsidies.

2.1.5 Beneficiaries may apply for Rural Subsidies and participate in the PHP Delivery Mechanism if they occupy land:

- i. By virtue of the laws and customs of a tribe, if the land is State land;
- ii. As holders of registered quitrent tenure rights or registered rights/permissions to occupy in terms of any of the enactments referred to in the policy for Rural Subsidies; or
- iii. By virtue of the administrative practice which previously existed, if the land occupied is State land. This includes all unregistered quitrent tenure

rights and unregistered rights/permission to occupy granted in terms of the enactments referred in the policy for Rural Subsidies.

- 2.1.6 Households who have been allocated sites in terms of phases 1 to 3 of the Informal Settlement Upgrade Programme and who wish to take ownership may apply for Consolidation subsidies and construct their top structures through the PHP Delivery Mechanism.
- 2.1.7 The PHD may assist the SO, through their PHP project manager, to complete the required applications for funding. Pro-Forma Business Plans as reflected in **Appendix A1** can be used to ensure that the required information is provided when applying for funding.
- 2.1.8 The SO would be required to establish cost estimates for the various phases of the project and to use these cost estimates to control future spending against the initial cost estimates.

## **2.2 Facilitation Grant**

- 2.2.1 Once beneficiaries have decided to start a PHP project they may submit an application to the Housing MEC for a facilitation grant, via the Municipality. The agreed amount may not exceed 3% of the prevailing maximum subsidy, per beneficiary.
- 2.2.2 The Facilitation grant is to be used to:
- i. Formally initiate a project through the PHP Delivery Mechanism;
  - ii. Arrange six (6) (mandatory) workshops to explore and decide on project options such as site layout, services, house designs, building materials, construction approaches. Select ion or establishment of the SO;
  - iii. Prepare the project application including a Business Plan; and
  - iv. Any other matters needed to prepare for the PHP project.

### 2.2.3 Application for the Facilitation Grant

- i. The SO will prepare and submit the application for a Facilitation Grant (See **Appendix A2** for an example) to the MEC.
- ii. The application for the Facilitation Grant should contain the following:
  - a) The identified households for participation in the PHP project;
  - b) Full details of the land identified for development;
  - c) The timing of the workshops to be held to develop the project;
  - d) An indication of the municipality's support for the project and the project's status in its IDP; and
  - e) Other relevant information to motivate for the Facilitation Grant.

2.2.4 Should the municipality be the SO, they may "pay themselves" the Facilitation Grant.

2.2.5 The SO may apply for the Facilitation Grant *post facto* on production of relevant documentation and records of expenditure.

2.2.6 The Provincial MEC for Housing may develop provincial guidelines for assessing applications for Facilitation Grants.

## 2.3 Establishment Grant

2.3.1 The Provincial MEC for Housing may pay the SO an Establishment Grant of up to 2.5%, rounded off to the nearest R100, of the prevailing maximum subsidy per beneficiary.

2.3.2 The Establishment grant:

- i. Must be agreed amongst the Housing MEC, the beneficiaries, and the SO;
- ii. Must not be deducted from beneficiaries' subsidies;

- ii. Must be paid by the Housing MEC to the SO in stages agreed to, and be recorded in the Implementation Agreement; and
- iv. Must only be used for:
  - a) Establishing the HSC;
  - b) Acquiring office furniture, telephone, fax, computer and consumables for the HSC;
  - c) Paying the operational costs of the HSC, including the wages of the staff, salary or fee of the Certifier and AA;
  - d) Engaging skills transfer agencies/ programmes to build administrative/organisational capacity and construction skills;
  - e) Acquiring of small tools and equipment; and
  - f) Paying the auditor.

### 2.3.3 Release of the Establishment Grant

- i. The procedure for release of Establishment Grant funds will be the same as for the subsidy funds and both types of requests must be made on the PHP Disbursement Requisition Form (See **Appendix A3**).
- ii. The following conditions apply to the release of the Establishment Grant:
  - a) Care must be taken to ensure that the timing of the release of the Establishment Grant and subsidies is coordinated to ensure that the former is not wasted whilst waiting for subsidies. This will ensure that funds for running the project, paying service providers, etc., are available as the project progresses;
  - b) The Funding Agreement must specify the stages at which the Establishment Grant funds will be required, together with a clear link between these draw-downs and the required progress under the project; and
  - c) If the project is delayed, and the required milestones were not achieved, further payment must be stopped until the situation has been rectified.

### 3. GUIDELINES FOR THE IMPLEMENTATION OF THE PHP DELIVERY MECHANISM

#### 3.1 Phase 1: Initiating the Project

##### 3.1.1 Initiating the project

- i. PHP projects may be initiated in a variety of ways, but in all instances, must be based on the informed participation of the beneficiaries.
- ii. A PHP project may be initiated by any of the following parties in any of the following ways:
  - a) A municipality can identify the land and the potential beneficiaries for the housing development in terms of its Integrated Development Planning (IDP) process, (see Procurement documents **Appendix LA – Land Availability Request**);
  - b) Beneficiaries may propose the PHP project on land that they have identified in consultation with the Municipality. Geotechnical reports must be obtained from the relevant Municipality if the proposed land is in line with the Municipality's IDP. During this stage the beneficiaries must also identify the subsidy mechanism to be used for the PHP project;
  - c) Beneficiaries may also propose a PHP project where they already have ownership of the land that requires further development;
  - d) The PHD can initiate a PHP project based on an aggregate of needs identified by the PHD; or
  - e) The community can approach a NGO or CBO for assistance with the initiation of a PHP project.
- iii. At the first formal consultative meeting for the PHP project, beneficiaries should apply for a facilitation grant and after exploring options, establish or appoint a SO.

### 3.1.2 The Support Organisation (SO)

3.1.2.1. The beneficiaries and the SO must enter into a contract which sets out:

- a) All the details of the project for which support will be provided;
- b) The rights and responsibilities of the beneficiaries and the SO;
- c) Governance processes that ensure that beneficiaries are able to make mutually agreed decisions; and
- d) A process for conflict resolution in the event of unresolved conflict between the beneficiaries and the SO, including escalation to mandatory third-party arbitration involving a final decision by a mutually agreed Mediator.

3.1.2.2 The municipality must approve the SO for the purpose of compiling and submitting the project application only (See **Appendix A4** for an example of the Project Application Form).

3.1.2.3 The SO must complete the Project Application Pack and submit it to PHD.

### 3.1.3 Workshops for beneficiaries

- i. The approval of the facilitation grant will enable the SO to conduct a series of workshops for beneficiaries to:
  - a) Explain the concept of sweat equity and roll out of the PHP project;
  - b) Elect a housing support committee;
  - c) Discuss and plan where necessary, township establishment process for the project, including layout, design, zoning, ownership and procuring, town planning and land surveying services;

- d) Discuss and obtain consensus on levels and standards of engineering services to be provided and/or upgraded, including the procurement of civil engineering services in consultation with the Municipality;
  - e) Identify all service providers and the process for their appointment;
  - f) Discuss and decide on the construction approach to be utilised and to formulate, (if needed), a set of construction guidelines for the project;
  - g) Discuss various proposals on house designs and costing;
  - h) Discuss and decide on the ways in which the building materials will be sourced;
  - i) Discuss the construction teams and the combination of skilled and semi skilled labour; and
  - h) Prepare and submit the application to the MEC for conditional approval of the project, through the Developer (**NB** only the PHD or the municipality can be the Developer).
- ii. It is also advisable to conduct a workshop at the end of the project to review successes and lessons learnt.

#### 3.1.4 Obtaining Conditional Project Approval

3.1.4.1 Flowing from the workshop process, the SO may now submit an Application for Conditional Project Approval to the Provincial MEC. A SO must be able to satisfy the PHD that it would be able to render the required technical and administrative assistance to the beneficiaries (see Procurement Documents **Appendix PS – Tender and Contract**) (documents for the appointment of professional service providers, such as Quantity Surveyors, Architects, Geologists and Engineers).

3.1.4.2 The application for Conditional Project Approval by the SO should contain the following information(See **Appendix A4** for an example):

- a) Whether the project is in line with the Municipality's IDP;

- b) The proposed arrangements for the SO, HSC, AA, Certifier and Specified Account;
- c) Whether SO's own employees will give the technical and administrative assistance or whether other support providers will give that assistance;
- d) The details of any of the SO's employees who will give assistance, together with the qualifications and experience of those employees;
- e) The details of any other support providers who will give assistance, including their qualifications and experience;
- f) A copy of the contracts that have been concluded with other support providers. Those contracts must set the work requirements of the other support providers, the fees that the SO must pay, and the times at which the fees will be paid;
- g) A description of the HSC from which the technical and administrative assistance will be given to beneficiaries, together with an estimated cash flow of its operational requirements;
- h) Arrangements between the beneficiaries and the SO for project management, including any beneficiary organisations involved, and the roles and responsibilities;
- i) Preliminary house designs and costing, as well as the proposed building material arrangements;
- j) Details of any skills development initiatives;
- k) The service levels and housing standards to be applied;
- l) Whether the PHP project has been enrolled with the NHBRC in respect of:
  - an evaluation of the Phase 1 geotechnical investigation report;
  - inspection of all infrastructural services, ie, storm-water services, water reticulation, etc;

- an indication of whether a proposed foundation or slab-design is suitable or not.

(NB An enrolment fee of 1% is payable to the NHBRC, if project is enrolled); and

- m) Beneficiary acceptance of responsibility for any defects occurring in housing produced in the PHP project.

3.1.4.3 After Conditional Project Approval has been granted, the SO can finalise the plans and arrangements and prepare a Final Project Application for approval by the MEC or his/her delegated authority.

3.1.4.4 The HSCom can, after Conditional Project Approval has been obtained, submit subsidy application forms for individual beneficiaries. The HSCom must continuously follow up on outstanding subsidy applications and give feedback to the beneficiaries.

3.1.4.5 The PHD will use the Project Application Information Pack to compile a feasibility report to the MEC to approve the proposed project.

### 3.1.5 Final project approval

3.1.5.1 The final application for project approval should contain the following information:

- a) A finalised list of beneficiaries and their eligibility for a subsidy;
- b) Details of the approved layout of the township, design of services, and/or upgrading of services (if applicable);
- c) House designs;
- d) Specifications and details for sourcing building materials and construction services;

- e) Conducting a skills audit and identifying resources needed to assist beneficiaries to carry out the project;
- f) A cash flow indicating the stages at which subsidy disbursements will be required; and
- g) Whether the project is enrolled with NHBRC.

3.1.5.2 Upon MEC approval of the PHP project, the SO can apply for the Establishment Grant. The Developer (i.e PHD/Municipality) must prepare and conclude the funding agreement with the SO.

### 3.1.6. The Funding Agreement

3.1.6.1 In general, the Funding Agreement will:

- a) Stipulate that the beneficiaries must implement the project with the support of the SO;
- b) Confirm that the Housing MEC will pay the approved subsidies; and
- c) Indicate the stages at which the subsidies will be paid, based on the SO's estimate of the project's cash flow requirements.

3.1.6.2 The Funding Agreement (see **Appendix A5**) must contain the following elements:

- a. A description of the property to be developed, including a locality map or Surveyor General Diagram;
- b. Written municipal approval for the project in terms of its IDP and a commitment by the municipality's building inspectorate to conduct on-site progress inspections at specified intervals;
- c. The timetable for the entire project;
- d. A description of the arrangements for beneficiary and Support Organisation/Service Provider management of the project, including *inter alia*:

- (i) How the beneficiaries will be represented and will co-operate with the SO;
  - (ii) The identity of the SO;
  - (iii) A copy of the contract between the beneficiaries and the SO;
  - (iv) Details of any service providers the SO will use to fulfil its contractual responsibilities;
  - (v) Details of the mechanism to be used to resolve any disputes arising amongst the beneficiaries, and between beneficiaries and the SO;
  - (vi) An application for an Establishment Grant for the total number of beneficiaries; and
  - (vii) Whether the land must still be proclaimed as a township.
- e. The preliminary Geotechnical Report for the land and its eligibility for subsidy variations;
  - f. The identity of the town planner and land surveyor to be used or details of arrangements made by the SO for town planning and land survey work;
  - g. The costs for town planning and land survey work and, if the project is a Project-linked Subsidy project, the stages at which subsidy funds to cover these costs will be paid to the SO;
  - h. Whether services must be provided or upgraded as part of the project:
    - (i) Details and cost of the services, and the details of the civil engineer or others who will be appointed;
    - (ii) The stages at which the cost of engineering designs, approvals, and the installation of services will be paid;
    - (iii) The amount available for the top structure and the cash flow projection for the release of those funds;
  - i. The stages at which the MEC will release subsidy funds to the project and the detailed steps and documentation involved in this process;
  - j. The authorised representative(s) of the MEC for the purposes of communication and administration during the project;

- k. Bridging finance arrangements, if needed, or the means of securing building materials and services up-front, if bridging finance is not used;
- l. The housing norms and standards to be applied;
- m. The construction approach to be adopted including *inter alia*, any arrangements to pay project beneficiaries/building teams for construction work;
- n. The way building materials and services will be procured and distributed to beneficiaries;
- o. Details of the Certifier and the AA;
- p. Details of the HSC, including staffing and responsibilities;
- q. The establishment grant payable by the MEC to the SO for the PHP project, the timing of these payments, and the financial arrangements to be applied if the project is delayed for reasons beyond the control of the SO and beneficiaries; and
- r. The arrangements should a breach of contract be committed by any party, including a facility for mandatory arbitration.

3.1.6.3 Once the Funding Agreement has been signed, the following actions occur:

- a) The AA and Certifier should be appointed;
- b) Service providers should be appointed, where required;
- c) The release of subsidy funds to the project, can begin; and
- d) The HSC can be constructed, if an existing building is not used as a HSC.

## 3.2. Phase 2: Administration and Management of the Project

### 3.2.1 Facilitating the start of the project

- i. The signing of the funding agreement signifies a major milestone in the PHP process and a number of operational activities can now commence after this approval.
- ii. The SO will use the funding agreement to compile a Business Plan (see **Appendix A1**) which will contain the details of the HSC design. The Business Plan must be submitted to the Developer, whereupon the responsible officer will approve the Business Plan in principle only and will submit it to PHD.
- iii. The PHD will then prepare a report to the MEC or his/her delegated authority who may approve the Business Plan, and through the officials at the PHD, inform the municipality, in writing, that the Business Plan has been approved.
- iv. The SO and the Community Steering Organisation must identify a suitable site for the HSC and should obtain municipal authority to utilise the planned site for a HSC. (see **Appendix GS – Tender and Contract**) documents for the appointment of suppliers of goods and suppliers of non-professional services via the Tender process. Also see **Appendix 3Q – Comparative quote** form for the selection of goods and service providers via the quotation process).
- v. Once municipal approval has been granted, the HSC can be set up and the following activities will then have to be implemented by the SO:
  - a) Erect a building, or prepare an existing building, based on the input from the Geotechnical report;
  - b) Obtain and install the infrastructure, including furniture and a computer system; and

- c) Appoint and train personnel. The SO will be responsible for compiling the job descriptions. The HSC must be run at a minimum by the following staff:
  - i) Community Liaison Officer who will undertake all the administrative, facilitation and financial management functions.
  - ii) Technical Advisor who will undertake the technical support functions (e.g order material, organise builders, supervises the process and receive material deliveries).
  
- vi. The SO will compile a list of potential local manufacturers and material suppliers. The purpose of this is to build up a database of suitable suppliers who have the infrastructure to deliver the expected quantities timeously and at a reasonable price. The invitation to local suppliers, to submit information will not be based on the Bill of Quantities at this point in time. The following information must be obtained: (see **Appendix EDA – Entity Declaration Affidavit**) form.
  - a) Name of the organisation;
  - b) The organisation’s HDI status;
  - c) Location of the organisation;
  - d) The material/services the organisation specialises in;
  - e) The organisation’s previous involvement in similar housing projects;
  - f) The organisation’s ability to deliver; and
  - g) Screening of the organisation’s registration and tax status.
  
- vii. The SO should perform a skills audit among the beneficiaries to identify training requirements which will enable these beneficiaries to build their own houses. A skills development proposal must be drawn up and submitted to Sector Education and Training Authority (SETA) and the Department of Labour. Both SETA and the Department of Labour emphasise sustainability of housing development and therefore expect the proposal to address ongoing utilisation of these trained resources in building houses. The PHD should facilitate the process to perform the skills audit and arrange training.

- viii. The SO must appoint a geotechnical advisor. (see **Appendix PS – Tender and Contract**) documents for the appointment of professional service providers). The geotechnical advisor will be responsible for:
- a) Obtaining the available geotechnical report on the land to be used for the PHP project;
  - b) Evaluating the report in terms of the NHBRC requirements;
  - c) Conducting a site meeting and additional tests, if required; and
  - d) Compiling and submitting the Geotechnical Findings Report to the PHD. The report should contain information regarding the soil type and factors that would influence the cost of the foundation of the houses to be built. The PHD must evaluate this report to determine the Geotechnical Variation amount to be added to the housing subsidy formula.

### 3.2.2 The capacity building process

Capacity building is ongoing and includes capacitation on all activities ranging from the start of the project to the completion of the project.

- i. The SO must conduct an information session with the affected Ward Councillors for the purpose of facilitation during the project lifecycle.
- ii. The SO must also conduct mass meetings with beneficiaries to inform them of the proposed project and their involvement in it. Information must be disseminated regarding the process to be followed, the subsidies and the support available to them.
- iii. The SO must conduct a workshop with a the beneficiaries for the purpose of selecting the HSCom. This committee should consist of approximately four (4) members. The members will be required to provide their services on a voluntary basis. (See [Appendix A6](#)) for an example of an agreement between the SO and the HSCom).

- iv. The aim of this entire process would be to allow the community to take full ownership of the project and to understand that they are entitled to full participation in the choices to be made.
  
- v. The HSCom will be tasked with identifying labourers/beneficiaries for training. The administration of this task will be undertaken by the SO. The selection of trainees must be carried out in accordance with the input received from SETA and the Department of Labour during the capacity building phase of the project.

### 3.2.3. Designing the house

- i. The SO and the Building Professional will be responsible for scheduling a workshop with the members of the community as indicated on the approved beneficiary list.
  
- ii. When designing the house, attention must be given to National Minimum Norms and Standards in respect of Permanent Residential Structures as prescribed. Environmentally friendly designs should be used wherever possible, with the placement of houses allowing for the promotion of energy savings and extensions to the buildings.
  
- iii. The meetings should be scheduled according to the various phases of the project and should be arranged to include only the relevant phase's beneficiaries. This is done to ensure optimum group sizes and to facilitate personal interaction with beneficiaries.
  
- iv. During the workshops the community must be informed about the project phases during the building process and about the various responsibilities of the role players during these phases e.g:
  - the Technical team would be expected to communicate the dwelling size and available subsidies to beneficiaries, including information such as the dimensions and floor area of the designs

against the costing structure of the various options. Incremental options that are available on designs would also be explained.

- v. The basic design specifications and requirements that would have to be considered, when making choices concerning the dwellings, should be discussed and explained during the meeting. This would include issues such as optimum positioning of the dwelling on the stand, as well as the various building regulations, the dwellings would be subject to. During this process three (3) typical designs should be ideally selected and approved. After the initial workshop, the HSC's personnel would be required to open individual beneficiaries files for use during the subsequent individual Planning Meetings.
  
- vi. The typical house plans must be submitted to the Council for approval. The SO will use the typical house designs to draw up a Bill of Quantity per design. Suppliers from the supplier database will be invited to cost the Bill of Quantity. (**NB** The Geotechnical report must be available at this point in the process).
  
- vii. Once the HSCom has received the costing per design type, it can then workshop and finalise the costing per unit. This final cost will include the following cost components:
  - a) Foundation;
  - b) Building material to completion; and
  - c) Labour cost (Only plumbers and electricians).

The HSCom may then recommend suppliers, based on the quotations received.

- viii. The SO or the Developer, in consultation with the HSCom, will then select and appoints the suppliers. (See **Appendix GS** – Tender and Contract Documents for the appointment of goods and services supplier. Also Procurement Documents **Appendix 3Q – Comparative quotation** Form for the selection of Suppliers).

Note: All procurement of goods and services must conform to the procurement guidelines, in line with the legislation (PPPFA) and in this regard the relevant documents are attached hereto as **Appendix A**. Where a municipality is the SO, and provided that its procurement process is aligned with the prescripts of the PPPFA, the municipality may use its own documentation, or alternatively the attached procurement documents must be used.

#### 3.2.4 Individual Beneficiary Interviews

- i. The Technical Advisor, from the SO, in conjunction with the HSCom, should, arrange individual meetings with the beneficiaries.
- ii. Meetings will be conducted in the form of interviews, during which the beneficiary would be required, based on the information that was given at the initial planning meeting, to indicate his/her specific preferences.
- iii. The person conducting the interview must ensure that the beneficiary's comments and choices are recorded in detail on the beneficiary Interview Form (see [Appendix A7](#)) for Interview Form and filed in the Beneficiary File. Uncertainties must be resolved with the beneficiary without delay.
- iv. The Technical Advisor will also be required to review the variables and other needs that have been defined for a specific dwelling, e.g:
  - If the beneficiary indicated that he/she does not want a standard housing design, arrangements would need to be made for the Building Professional to meet with the beneficiary to design a rough plan or to review the plan that the beneficiary may have. The Technical Advisor would be responsible to ensure that the design is in line with the parameters of the project.
- v. The Technical Advisor would be required to discuss the costs and funding allocation for the specific unit during the meeting with the beneficiary. If the beneficiary needs exceed the funding allocation of the project, arrangements will have to be made for the beneficiary to provide for the shortfall.
- vi. During the meeting, confirmation would be required from the beneficiary whether friends/family would build the home or whether the beneficiary

would be willing to learn to build the house her/himself. Beneficiaries who elect to assist or build the house themselves would receive credit in the Bill of Quantities.

### 3.2.5 Applying for the Subsidy

- i. Once the HSCom is appointed, it may communicate with the PHD, to obtain information regarding the process for the subsidy application.
- ii. The SO will be required to obtain the personal information from all the beneficiaries and to update the beneficiary database. This disclosed information will also include the subsidy type and amount as well as any additional resources that the beneficiary may contribute to the building of his/her house;
- iii. In-Process Inspections will be the responsibility of the SO, but will be monitored by the Developer's Project Manager who will also be responsible to ensure that the project timelines and specified deliverables are achieved as planned.
- iv. When the final costing per unit is completed, the Beneficiary Database must be updated to include the cost for the unit. This process assists to keep track of all the elements of the project and ensures that the house is completed within the available resources, and the beneficiary is kept informed.
- v. When the beneficiary requirements have been confirmed, the beneficiary needs to complete and sign the subsidy application forms. The SO must submit the application forms to the PHD for processing.
- vi. The PHD will process the subsidy applications, and if additional information is required, the application form will be returned to the SO for completion. Notification of the outcome of all the applications, whether failed or approved, is then given to the SO once all the applications have been processed;

- vii. Once approved, the PHD will require the MEC to set aside the funding for this project;
- viii. Upon approval of the subsidy application, the SO can also prepare and submit the actual claim for the subsidy funds from the PHD, based on the achievement of milestones. Once satisfied that the requisite milestones have been met the PHD will then make an electronic payment transfer to the Specified Account.

### **3.3 Phase 3: IMPLEMENTATION PHASE**

#### **3.3.1 The Construction of the foundation**

- i. Should unstable soil formations be encountered (i.e any soil condition that requires any of the following specialised foundations; stiffened strip footings, stiffened or cellular raft / deep strip foundations / compaction of in-situ soils below individual footings / piled or pier foundations / soil raft.), the services of a structural engineer must be employed to design and certify the foundation design. (See Procurement Documents **Appendix PS** – Tender and Contract Documents for the appointment of professional services).
- ii. If the soil conditions are stable, the beneficiaries will, after the bulk services have been installed, commence with the preparation of the land and the construction of the foundation.
- iii. A Professional Engineer, appointed by the SO, should be contacted to certify the foundation.

#### **3.3.2 Ordering building material**

- i. Building material must be ordered in accordance with the project and building plan. The purchase order must be forwarded to the selected supplier, whereupon the SO/Municipality and/or PHD may negotiate bulk

discounts on material. These prices may be fixed for a six month period and material should be delivered in small quantities directly to the stand as and when required. (See Procurement Documents **Appendix GS** – Tender and Contract documents for the appointment of Goods and Services Supplier (See Procurement Documents **Appendix 3Q – Comparative Quotation** Form for the Selection of Suppliers).

- ii. If the building material (excluding the sand and stone) is delivered to the HSC the beneficiaries must collect the material and acknowledge receipt for the materials received. For security reasons, it is not advisable for the HSC to store large quantities of building material on site.
- iii. Delivery notes for all building material received from a supplier must be signed and submitted to the HSC.
- iv. The SO must forward all invoices and delivery notes for building material received to the AA who must then arrange payment to the supplier (see example of a Payment Certificate in [Appendix A8](#)).

### 3.3.3 Building the house

- i. Notification must be issued to the beneficiary, at the appropriate time, to commence building the top structure.
- ii. During the construction stages the Certifier, accompanied by the nominated beneficiaries, must inspect and certify the construction stages.
- iii. On completion of the house the Developer's Project Manager must certify that the house is complete and must request an inspection from the municipality.
- iv. The Municipality will then inspect the house and ascertain whether the houses were built according to the plans. The Municipality or PHD may order work to be stopped if they are not satisfied with the quality of the construction being carried out or if the norms and standards specified in the Implementation Agreement were not met.
- v. The SO will issue a "Happy Letter"/ Completion Certificate signed by the Developer's Project Manager, the Council representative and the

beneficiary as an indication that the beneficiary is satisfied and he/she can then move in (See [Appendix A9](#) for an example).

- vi. Signed Happy letters/Completion certificates must be issued and submitted to the AA before payment will be processed.

#### 3.3.4 Ensuring Progress during construction:

- i. Beneficiaries and other roleplayers must apply themselves diligently to the housing construction for the duration of the project to ensure that undue delays are avoided.
- ii. To optimise the delivery process the Funding Agreement must include a timetable for the construction phase.
- iii. Since the Funding Agreement is a legally-binding contract with the Housing MEC to deliver the houses at an agreed rate of progress, the onus is on the beneficiaries and their SO to ensure that the construction timetable proposed is realistic. It is suggested that any deviation from the agreed timetable must be agreed in writing with the Housing MEC, based on conditions reasonably beyond the beneficiaries' and SO's control.
- iv. Should the Housing MEC find that there is no justification for the delay, he or she must suspend the project financing until the problem causing the delays have been rectified, and the project has been brought back in line with the timetable as agreed in the Implementation Agreement.

#### 3.3.5 Release of and accounting for subsidy funds

- i. All requests for the release of funds must agree with the construction stages and cash flow estimates for the project as set out in the Funding Agreement. If deviations from the Funding Agreement are required, the Housing MEC must agree in writing to the deviation from the Funding Agreement.
- ii. All requests for release of subsidy funds for the project must be made by the AA, countersigned by the SO, and addressed to the Head of the PHD or his/her agreed representative.
- ii. The AA must complete a PHP Disbursement Requisition Form. This form signifies:

- a) The items and/or services for which the funds are requested and the project stages to which they correspond;
  - b) The beneficiaries against whom these subsidy funds have been requested; and
  - c) Any associated request for disbursements from the establishment grant.
- iv. If the disbursement request involves payment for collective services to the project such as; town planning, land survey and/or service installation by third parties, copies of the invoices must be submitted to the SO for these services, together with a statement from the Certifier and beneficiary representatives indicating their acceptance that the work has been completed satisfactorily, must be appended to the PHP Disbursement Requisition Form.
- v. The Head of the PHD must confirm receipt of this PHP Disbursement Requisition Form and all associated documentation within seven days, and request further details, should this be required.
- vi. The AA must respond to any queries as soon as possible and should there be no queries, the PHD must transfer the requested funds to the Specified Account within fourteen days of the receipt of the PHP Disbursement Requisition Form, or within fourteen days of the queries being satisfactorily resolved. Evidence of this transfer must be provided to the AA by the PHD, along with a statement of the remaining project funds and Establishment Grant funds.
- vii. Once the funds have been paid into the Specified Account, the AA must confirm receipt.
- viii. The SO must ensure that the AA delivers a report to the PHD no later than fourteen days after the end of every month while the project is in progress. Failure to provide such a report may result in the immediate suspension of the project. This report must set out the following:
- a) All the amounts of money paid into the Specified Account by the PHD.

- b) All the interest earned on that money.
- c) All the payments made out of the Specified Account in the name of beneficiaries.
- d) A summary in respect of each beneficiary, which sets out the amount of the subsidy already paid to the beneficiary and the amount remaining.
- e) A statement of whether the project is meeting its cash flow projections contained in the Funding Agreement and if not, the reasons and steps to be taken to remedy the situation.
- f) The remaining subsidy and Establishment Grant and Facilitation Grant funds due to the project; and
- g) AA's declaration of VAT claimed on behalf of beneficiaries.

#### 3.3.6 Closing the claim cycle

- i. The SO must request a final inspection from PHD, whereupon a PHD official will inspect the house and submits an inspection report to the SO to be used to complete the claims reconciliation (See [Appendix A10](#)).
- ii. Plumbers and Electricians must be paid per task completed, at a labour rate determined per unit and not per day worked. The SO will manage a float that is used, not only to pay for labour, but also other local suppliers who do not have banking facilities. This float must be replenished when necessary.
- iii. General monthly progress reports must be submitted to both the Council and the PHD.
- iv. Once the project has been completed in accordance with the Funding Agreement and all subsidies have been paid out, the AA must submit a detailed reconciliation to the Housing MEC covering:
  - a) All funds paid into the Specified Account;
  - b) All the interest earned on that money;
  - c) All payments made out of the Specified Account; and

- d) Detailed assets redistribution and security thereof.
- v. When the AA delivers the final reconciliation to the Housing MEC, he/she must also deliver a cheque for interest accrued to the specified account and all VAT refunds, if VAT was registered. Only with the permission of the Housing MEC may the SO retain the interest and VAT refunds for use in the project.

**NB** All reports specified are mandatory and the Housing MEC may take any steps necessary to compel their timeous submission, including suspension of project funding and/or legal action against the AA and SO, if necessary.

#### 3.4 Phase 4: PROJECT CONCLUSION

- i. At the conclusion of a PHP project the SO must inform the Housing MEC in writing that the project has been concluded as per the Implementation Agreement, including *inter alia*:
  - a) Installation of services;
  - b) Construction of housing;
  - c) Transfer of title to beneficiaries;
  - d) Any other conditions included in the Implementation Agreement.
- ii. The Housing MEC or his/her representative and the Municipality must inspect the project to satisfy themselves that all aspects of the project have been completed as per the Funding Agreement;
- iii. The beneficiaries, their SO, the Housing MEC and the Municipality must sign a letter confirming that:
  - a) All aspects of the project have been completed as per the Funding Agreement;
  - b) The beneficiaries indemnify the Housing MEC and the municipality against any further claims in respect of the houses produced; and

- c) Beneficiaries accept that their subsidies have been used to their satisfaction and that they understand they have no further claim to a state housing subsidy.

A further document which may be useful in completing a PHP project is the PHP Checklist (**See Appendix A11**).

**NATIONAL DEPARTMENT OF HOUSING**

**26 SEPTEMBER 2005**