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**Policy, Research & Product Development**

# **REVISED MATERIAL SUPPLY POLICY**

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## ACRONYMS

DoHS	Department of Human Settlements
OSS	Operation Sukuma Sakhe
SCM	Supply Chain Management
BNG	Breaking New Ground

## DEFINITIONS

The following words shall unless otherwise stated or inconsistent with the context in which they appear, bear the following meaning:

**Disaster:** In terms of the Disaster Management Act, 2002, disaster means a progressive or sudden, widespread or localised, natural or human-caused occurrence which

- a) Causes or threaten to cause-
  - i. Death, injury or diseases
  - ii. Damage to property, infrastructure or the environment; or
  - iii. Disruption of the life of a community; and
- b) Is of magnitude that exceeds the ability of those affected by the disaster to cope with its effects using only their resources.

**Formal structure:** is a man-made brick and mortar structure/house with a roof and walls standing permanently in one place that may be either a free standing unit, flat, apartment or town/cluster/semi-detached house.

**Informal structure:** it is a house constructed with non-conventional building material and built in an informal way e.g. with mud, timber etc. and they are mostly found in rural, semi urban areas or informal settlements.

# 1. INTRODUCTION

The Constitution of the Republic of South Africa, Act 108 of 1996 recognises the realization of the right to have access to adequate housing. Bearing in mind the wide-ranging housing needs within the province, the Department of Human Settlements saw it necessary that a number of strategies to address varied housing needs are developed. Therefore, the Department of Human Settlements recognises that it has an obligation to assist affected households who are in desperate need and crisis conditions. Hence, this policy provides guidelines for effective and efficient provision of material supply within the province. The policy is aimed at assisting households affected by disasters and find themselves in urgent need for housing assistance

# 2. BACKGROUND

A document on the confirmation of policy and procedure for material supply was developed during the year 2000, on indication by developers that beneficiaries in BNG (low-income) housing and institutional Subsidies requested to receive building materials instead of a completed top structure.

The need to have an effective, efficient control mechanism in the distribution of material supply necessitated that the Department find the best option or instrument that will assist to achieve the above. Past experiences have shown that there has been mismanagement of the funds and an abuse of the system. Therefore, the Department of Human Settlements saw the need to develop and implement strong corrective measures.

In June 2010, a review of Material Supply Policy was undertaken. The findings of the review indicated that at the time of the review the material supply had taken a new concept in the form of voucher system. The voucher system was commonly used by the Departments Project Management component in emergency situations. To facilitate the voucher system, the Project Management Component used guidelines for the voucher system that were approved in 2005. Responses received during the policy review indicated that the Material Supply Policy needed to be enhanced by aligning it with the National Policy on the individual rural voucher system and incorporate best practices from the 2005 project management's guidelines for the voucher system. The review resulted in the Enhanced Material Supply Policy being approved by the MEC in June 2012.

However, the Department is still experiencing difficulties in implementation of policy due to unique circumstance of the applicants. Therefore, review of the Enhanced Material Supply Policy of 2012 seeks to address policy gaps identified during the implementation of this policy.

### **3. GUIDING PRINCIPLES**

- a) The policy is in line with the Constitution of the Republic of South Africa, Act No. 108 of 1996 which recognises the realization of the right to have access to adequate housing and that the state must take reasonable legislative and other measures within its available resources to achieve the progressive realisation of this right.
- b) It is in line with the Housing Act 107 of 1997 which states that all spheres of government must give priority to the needs of the poor and consult meaningfully with individuals and communities affected by housing development.
- c) The policy is also guided by the National Emergency Housing Programme in relation to disasters and emergency cases.
- d) In line with the Consumer Protection Act 68 of 2008 which outline the rights of Consumer and the responsibility of the supplier, the Department of Human Settlements together with relevant stakeholders must ensure that the end-product delivered is in line with the norms and standards related to this Act.

### **4. OBJECTIVES OF REVIEWING THE POLICY**

The aim of the policy is to:

- a) Clearly define the scope of material supply by the Provincial DoHS. This is to ensure that any uncertainties presented by Enhance Material Supply Policy of 2012 are addressed in a fair manner.
- b) To enable the Department to utilize the policy with some flexibility and options for material supply.
- c) Go beyond the provision of immediate relief to assist those who have suffered the full impact of disaster to rebuild their homes and lives and to strengthen their capacity to cope with future disasters.

## 5. MATERIAL SUPPLY GUIDELINES

The guidelines is designed for use in cases of emergency housing situations where households find themselves in need of housing assistance due to reasons beyond their control resulting from of a disaster as defined in terms of the Disaster Management Act of 2002. It guides the assessment of identified cases to understand the situation and determine the appropriate redress. The assistance provided to an affected beneficiary in each case will differ based on their circumstances i.e. where they reside and the type of structure they occupied and the extent of damage to their property.

The material supply mechanism is intended for specific scenarios where the need exists for material to be supplied to qualifying beneficiaries and may only be used as a last resort. A motivation and supporting documents must be provided for the use of material supply over conventional methods of assistance such as the use of an Implementing Agent or Contractor to remedy the situation. Issues such as the capacity to facilitate and monitor the process as well as the accessibility of suppliers must be taken into consideration before using this option.

### 5.1. APPLICATION OF THE POLICY

The Policy is to be used only during emergencies including Operation Sukuma Sakhe (OSS) and the document must be read in conjunction with the Emergency Housing Assistance as outlined in Part 3 of the Housing Code of 2009.

### 5.2. APPLICABLE SCENARIOS

TYPE OF STRUCTURE	REMEDY/INTERVENTION
<p><b>Formal</b></p> <p>Upon notification of cases where there have been an occurrence resulting in the damage of a formal structure as a result of a disaster the following should be done:</p> <ul style="list-style-type: none"><li>▪ The Department's Inspector must undertake a detailed physical assessment of the</li></ul>	<p><b>Repair</b></p> <ul style="list-style-type: none"><li>▪ Identify items that needs to be repaired</li><li>▪ Compile a bill of quantities based on the items of the structure that needs to be repaired.</li><li>▪ Request a minimum of 3 quotations and comply with SCM processes to select a suitable supplier.</li></ul> <p>NB: The bill of quantity for a 40m<sup>2</sup> unit and the prevailing subsidy quantum as prescribed by the National Department of Human Settlements for the Emergency Housing Assistance Programme should be used to guide</p>

<p>structure to determine the extent of the damage.</p> <ul style="list-style-type: none"> <li>▪ A written report must be compiled to inform the Accounting Officer of the result of the assessment advising of the appropriate remedy to address the situation.</li> </ul> <p>NB: The remedy may be to either repair the identified damage or rebuild the entire structure.</p>	<p>the maximum allowable costs. <b>A copy of the prevailing quantum is attached as Annexure A.</b></p> <p><b>Rebuild</b></p> <ul style="list-style-type: none"> <li>▪ The bill of quantities for a 40m<sup>2</sup> unit and the prevailing subsidy quantum as prescribed by the National Department of Human Settlements for the Emergency Housing Assistance Programme should be used to guide the maximum allowable cost to replace a damaged house with a new structure.</li> <li>▪ Alternatively a rebuild can be facilitated through the OSS route based on the prevailing subsidy quantum for a 40m<sup>2</sup> unit.</li> </ul>
<p><b>Informal</b></p> <p>Upon notification of cases where there have been an occurrence resulting in the damage of an informal structure as a result of a disaster, the following should be done:</p> <ul style="list-style-type: none"> <li>▪ The Department's Inspector must undertake a detailed physical assessment of the structure to determine the extent of the damage.</li> <li>▪ A written report must be compiled to inform the Accounting Officer of the result of the assessment advising of the appropriate remedy to address the situation.</li> </ul> <p>NB: The remedy may be to either repair the identified damage or</p>	<p><b>Repair</b></p> <ul style="list-style-type: none"> <li>▪ Identify items that needs to be repaired.</li> <li>▪ Compile a bill of quantities based on the items of the structure that needs to be repaired.</li> <li>▪ Request a minimum of 3 quotations and comply with SCM processes to select a suitable supplier.</li> <li>▪ A bill of quantities used in preceding cases of informal structures in the Province should be used to guide the required items and costs.</li> <li>▪ The current maximum allowable cost of material supply for informal structures in terms of the Bill of Quantities is R11 344.00 (excluding VAT).</li> <li>▪ <b>A copy of the bill of quantities for informal structures is attached as Annexure B.</b> Any future escalation in costs must be aligned to the Bureau of Economic Research Building Cost Index (BER-BCI) and must not exceed the prevailing subsidy quantum for the construction of a temporary shelter as per the Emergency Assistance Programme.</li> </ul>



<p>rebuild the entire structure to ensure adequate shelter for the household.</p>	<p><b>Rebuild</b></p> <ul style="list-style-type: none"> <li>▪ Compile a bill of quantities for a new structure</li> <li>▪ Request a minimum of 3 quotations and comply with SCM processes to select a suitable supplier.</li> <li>▪ A bill of quantities used in preceding cases of informal structures in the Province should be used to guide all the required items and costs to allow the beneficiary to rebuild their informal structure.</li> <li>▪ The current maximum allowable cost of material supply for informal structures in terms of the Bill of Quantities is R11 344.00 (excluding VAT).</li> <li>▪ A copy of the bill of quantities for informal structures is attached as Annexure A. Any future escalation in costs must be aligned to the Bureau of Economic Research Building Cost Index (BER-BCI) and must not exceed the prevailing subsidy quantum for the construction of a temporary shelter as per the Emergency Assistance Programme.</li> <li>▪ Alternatively, the household may be relocated and be assisted in an existing project through the OSS route.</li> </ul>
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**NB: Suppliers need to be located closest to where the beneficiary resides.**

The current prevailing subsidy quantum, referred to as Annexure A will, as and when reviewed by the National Department of Human Settlements, replace the current quantum without changing the contents of the Policy.

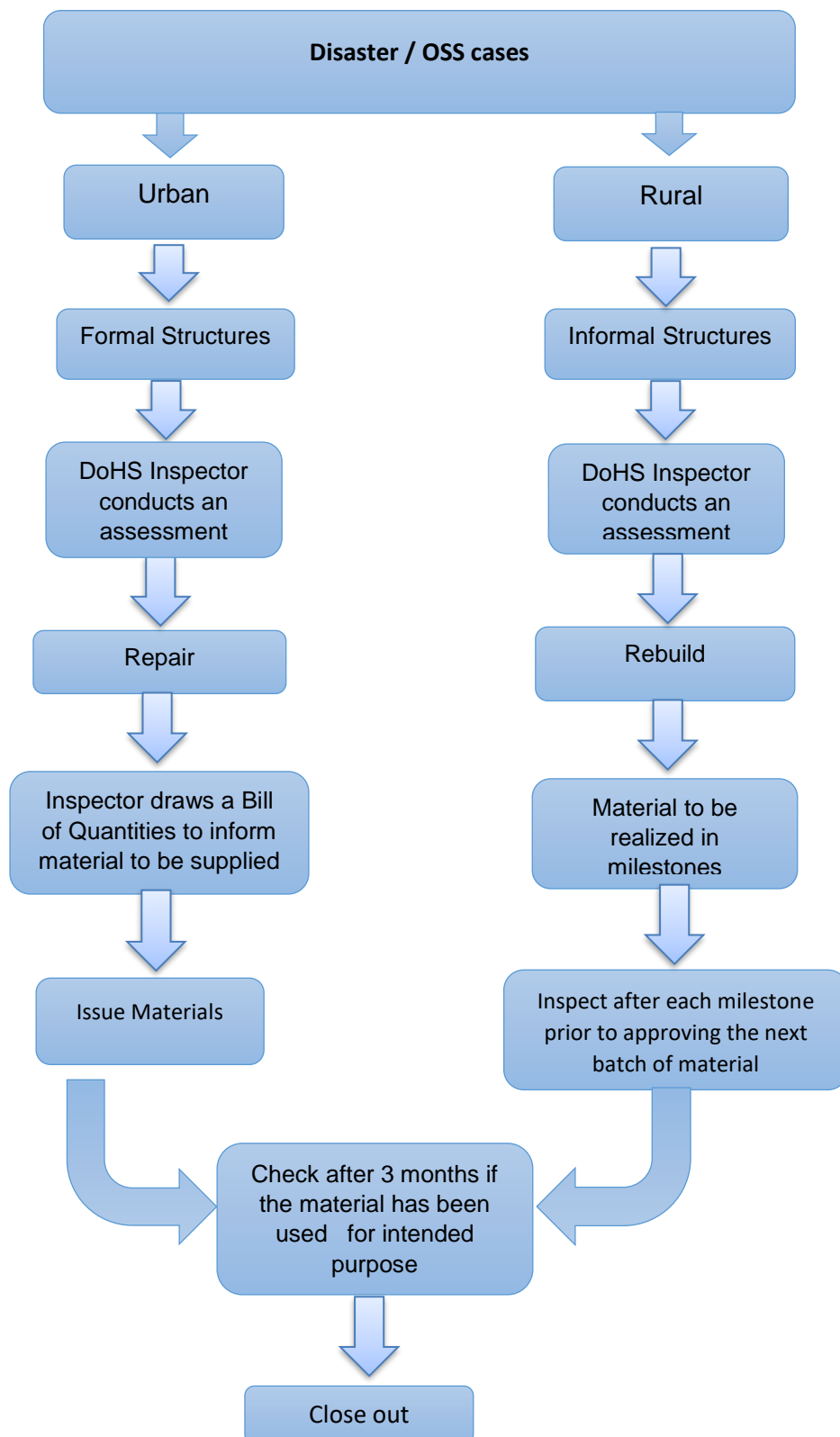
### **5.3. URBAN AND RURAL SETTLEMENTS**

The supply of material may be used in urban and rural houses. All the aforementioned scenarios/procedures will need be followed depending on the relevant beneficiary circumstances.

### **5.4. REBUILD MILESTONES FOR FORMAL STRUCTURES**

In the event of formal structures that require to be rebuilt, milestone payments based on the current prevailing subsidy quantum for a 40m<sup>2</sup> unit must be followed and payments must be in line with the approved progress payment milestones (Annexure D).

## 5.5. MATERIAL SUPPLY PROCESS TO BE FOLLOWED



## **5.6. KEY CONSIDERATIONS**

### **5.6.1. State owned land**

Affected persons residing on state owned land with informal structures, the Department has a moral obligation to provide them with suitable temporary accommodation until such time a permanent solution is identified.

### **5.6.2. Privately owned Land**

Affected persons residing on private land will only be assisted with temporary accommodation with no additional assistance e.g. rebuild, etc.

### **5.6.3. Persons with super structure insurance**

Affected persons with super structure insurance can only receive temporary accommodation but no further assistance until such time their insurance is finalized.

## **5.7. TURNAROUND TIME**

The minimum turnaround time should be 3 months from the date of approval for the Department to provide the identified material to the approved beneficiary. During the turnaround time the Department together with the relevant municipality is obliged to provide temporary accommodation to the affected beneficiaries.

## **6. VALUE ADDED TAX (VAT)**

The Emergency Assistance Programme as contained in the Housing Code 2009, states that “housing subsidies fall within the definition of ‘transfer payments’ as contemplated in the Value Added Tax Act, 1991 (Act No. 22 of 1991) and is subject to VAT at a rate of zero percent (0%)”. The VAT paid on material supply may be claimed as input tax from SARS.

## **7. FACILITATION AND CONSUMER EDUCATION**

The Department must, after the field assessment has been completed, conduct a meeting with the representatives of the affected community to fully explain in detail the process that will be followed and the applicable remedy chosen. The role and responsibilities of the potential beneficiaries in the process must be clearly outlined during the meeting.

Prior to repair or house construction it is fundamental that the Department provides consumer education to affected beneficiaries in relation to the process that will be followed,

quantity of materials to be supplied and estimated costs. Hence, the Department must ensure that a plan or bill of quantities is provided to the beneficiaries prior to repair or construction of a new structure. This is to ensure access to information and transparency in accordance with relevant prescripts.

## **8. ROLES AND RESPONSIBILITIES**

### **8.1. SPECIAL PROJECTS CHIEF DIRECTORATE**

The Special Projects Chief Directorate will administer the implementation of the Material Supply Policy. This will entail the following:

- a) Receive cases requiring material supply,
- b) Review inspection reports,
- c) Convene committees to make decision on approval of material supply,
- d) Facilitate overall implementation of the programme across the province,
- e) Notify Policy, Research & Product Development Directorate of any policy gaps/shortfall in order to update the policy accordingly to accommodate identified policy gaps.

### **8.2. DEPARTMENT AND MUNICIPAL INSPECTORS**

The KZN Department of Human Settlements together with the municipality will monitor the material supplied and their use in the construction or repair process of the damaged structure.

### **8.3. MONITORING & EVALUATION CHIEF DIRECTORATE**

The Monitoring & Evaluation Chief Directorate will undertake the monitoring and evaluation of the implementation of the programme. The following indicators are therefore proposed:

- a) Number of submissions tabled for approval/projects that allow for the material supply,
- b) Number of beneficiaries who have been assisted in emergency situation using the Material Supply system in the financial year,
- c) Total amount spent in the provision of material supply across the province in the financial year.

#### **8.4. POLICY, RESEARCH & PRODUCT DEVELOPMENT**

The Directorate will undertake timeous policy reviews to ensure that challenges and risks are identified and addressed accordingly in order to ensure that the policy is relevant to current situations. The Directorate will also consider new developments at National and have them incorporated into the policy in order to ensure uniformity and compliance.