science & innovation
Department: Science and Innovation
REPUBLIC OF SOUTH AFRICA

HSRC Human Sciences Research Council

POLICY BRIEF

ZINTATHU MAZAMANE and CATHERINE NDINDA | NOVEMBER 2022

Challenges with the **Disbursement of Funds** to Mitigate the **Impact of COVID-19 on Social Housing**

Abstract

As one of the most vulnerable groups of people in society, low-income households, were severely affected by the impact of COVID-19, which was declared a state of national disaster. Many, such households experienced loss of income due to job losses or reduced wages resulting from economic activities being put on hold during the national lockdown. As a result, many of those in subsidised rented housing, also known as social housing, faced the threat of eviction due to non-payment of rent. Government allocated R300 million to provide relief to social housing tenants who were affected by the pandemic and defaulted on their rental obligations. Almost two years after the pandemic broke in South Africa, however, the social housing grant had hardly been spent. While the country was declared to be in a state of disaster and funds were made available to counter the negative effects, there were no policy frameworks and procedures to expedite the distribution of the funds. The National Department of Human Settlements had to establish a framework for the distribution of funds, which was only approved and came into effect in February 2021 – a year after the pandemic started. Moreover, government officials were risk averse and overly cautious about spending the funds after numerous scandals regarding the misuse of COVID-19 funds. Consequently, social housing tenants who were severely affected by the pandemic never received the assistance they desperately needed. This paper aims to bring attention to the adverse impact that standard government processes and procedures had on social housing tenants when they needed assistance the most. It cautions that while adhering to government regulations is important, putting the lives of people first is paramount, especially during times of national disaster or emergency.

Introduction

The impact of the COVID-19 pandemic has been felt across many sectors in South Africa and the world at large. In particular, it threatened the livelihood and wellbeing of low-income households who live in subsidised rented accommodation such as social housing. Due to total lockdowns when all economic and social activities were halted, resulting in job losses and reduced salaries, social housing tenants were unable to fulfil their monthly rental obligations and thus at risk of being evicted from their homes (Mashele, et al., 2021). According to the Social Housing Regulatory Authority (SHRA), many tenants lost their income during the COVID-19 pandemic, and with that their ability to pay rent (SHRA, 2021). Statistics South Africa reported between 2.2 and 3 million job losses during the first few months of the national lockdown, and about 16,5% of those still employed were subjected to salary reductions. Social housing tenants were consequently unable to keep up with their rent payments, and experienced distress from the constant threat of eviction and subsequent homelessness. The National Department of Human Settlements (DHS) allocated R300 million to social housing tenants through a Rental Relief Fund. The extent to which the fund assisted social housing tenants in retaining their units remains contested. To understand the dynamics of the allocation, we draw on key informant interviews with stakeholders and assess the situation against existing public policies designed to ensure accountability in the expenditure of public funds. Drawing on 35 key informant interviews conducted among stakeholders, this policy brief evaluates the current housing policy, highlighting both its strengths and weaknesses. This paper thus seeks to demonstrate that although government might make noble decisions in response to a crisis, these may well be insufficient to address the challenges if the tools for implementation are lacking. It proposes that government should establish guidelines for expediting the distribution of funds during disasters in order to respond to challenges quickly and efficiently.

Background on Social Housing

Social housing is funded by the National Department of Human Settlements (NDHS) through an institutional subsidy and is aimed at eligible beneficiaries who would like to rent in the short-term and own in the long term. Social housing is affordable because the rentals charged are below market rates. According to the SHRA, the social housing sector caters for a broad range of low- and middle-income households, ranging between a minimum income band of R800 per month and a maximum of R15,000 per month (SHRA, 2020). This housing option is, however, not intended for the poorest members of society. It is designed for those who earn a secure income, either in formal or informal employment, in order to afford the prerequisite rental payment in exchange for the accommodation (Housing Policy Draft, 2001). To this effect, Ndinda & Adebayo (2021) have argued that without a steady income, social housing is not a suitable option for the very poor. In practice, the income bracket of social housing tenants appears to be more stringent than indicated by the SHRA. Several social housing companies such as SOHCO, the Johannesburg Social Housing Company (JOSHCO), and Capital City Housing (CC Housing) require applicants to earn a minimum monthly income of R3,500 to qualify for a social housing unit (SOHCO, 2019; CC Housing, 2021), thereby excluding those who are most vulnerable. Furthermore, while both low- and middle-income groups can be accommodated in social housing to promote integration, government funding mainly targets tenants who are at the lower end of the income bracket.

Notwithstanding the stipulated income bracket as one of the key requirements when applying for a social housing unit, another notable requirement is that a tenant should either be married or living with a partner. In a case where a potential tenant is single or divorced, she or he should present proof of financial dependents who live with the applicant permanently (SOHCO, 2019; CC Housing, 2021). This indicates that more than one person lives in a social housing unit. Furthermore, given the national average household size of 3,3 people (Stats SA, 2016; Esri, 2021), tenants who fall under the low- and middle-income household category in South Africa live with several family members, including those in social housing units. Based on the total population size and the number of households in the country's metropolitan areas, the average household size in urban areas is slightly higher than the national average, amounting to approximately 3,4 people, most of whom live in congested conditions in one-bedroom sized housing, if they are lucky.

Social Housing in the Context of COVID-19

Social housing units in South Africa range between a minimum size of 30m², typically in the form of a bachelor unit with a separate bathroom, and a maximum size of 55m², in the form of a three-bedroom unit, with a kitchen, living room and bathroom. However, a government-funded unit is currently restricted to the minimum size of 30m² (SHRA, 2020). This means that, an average household of three people with a monthly income of R3,500 or less, occupies a 30m² open-plan unit. At best, households with a slightly higher income live in a one-bedroom unit of up to 38m², meaning that at least two members of a household will share a bedroom.

Social housing has not only provided affordable adequate housing but has contributed to facilitating access to the city for the urban poor. The strategic location of most social housing projects in cities has contributed to the process of urban regeneration by integrating low and middle-income households and provided accommodation situated within the nodes of economic development. Through the payment of rates, services and taxes, social housing contributes to the finances of cities in the country. While social housing has become instrumental in integrating the poor into prime urban locations that have access to better socio-economic conditions, concerns about the nature of these units remain, particularly in the context of pandemics. For instance, the COVID-19 pandemic and its subsequent regulations for preventing and controlling the virus, compels us to raise uncomfortable questions: how were social housing tenants required to maintain self-isolation and or quarantine when a household member contracted the virus? For those expected to work from home, or to participate in home-schooling, how were they supposed to achieve productivity when three or more family members went about their daily tasks during the lockdown despite the lack of space? More importantly, how did the members of the household maintain their sanity and mental health when confined to limited space without physical activity, availability of common areas for leisurely activities and without much room for movement? These and other questions should compel built environment professionals to redesign multi-functional facilities with ample social spaces that can be used during disasters such as COVID-19.

Findings

Recent news articles and engagements with government officials suggest that the R300 million grant allocated by DHS was barely distributed to provide much needed relief from the negative impact of COVID-19 (Mashele, et al., 2021; Maqhina, 2020). The delays in disbursing the funds were due to officials being overly cautious after the scandals related to COVID-19 funds in other departments. Government officials became risk averse. While the funds were marked for rent relief during COVID-19, which was declared a national disaster, policies and processes used to disburse the disaster funds were the same ones used to disburse funds under normal circumstances. The delays in drafting policies and processes to be followed within the context of a disaster resulted in costly delays, and few tenants benefitted from rent relief.

Furthermore, government officials were required to comply with the Public Finance Management Act. However, in the absence of addendums from the National Treasury to allow for deviations in the context of a disaster, the Department of Human Settlements (DHS) and Social Housing Regulatory Authority (SHRA) had to begin the lengthy process of drafting guidelines to allow for the disbursement of the social housing relief funds. By the time the guidelines were in place, many tenants who had fallen into financial distress chose to abandon their units rather than wait to be evicted due to rental arrears. About two years after the Rental Relief Fund was announced, the affected social housing tenants had not received help from the COVID-19 relief grant. As a result, some social housing tenants and Non-Government Organisations staged a protest to demand accountability regarding how the funds had been disbursed, if at all. This raised concerns that as per the South African government's budgeting requirements, the fund would be forfeited to the National Treasury two years after its allocation due to the NDHS's failure to plan and respond swiftly. Meanwhile, social housing tenants remained in arrears due to rental default and many subsequently vacated their homes. Others fell victim to eviction during lockdown level 3 when the moratorium on all evictions was removed (Komana & Sathekge, 2020). Between April and August 2020, about 1,877 reported rental disputes were mediated before the tribunal in Gauteng, Western Cape, and KwaZulu-Natal, and these resulted in approximately 10,000 people losing their homes if the ruling favoured landlords. In the City of eThekwini alone, about 18 illegal evictions and violent destruction of homes occurred where 900 people may have been left homeless (Draper, 2020). These evictions were alleged to have been commissioned by the City, despite government regulations. The number of social housing tenants who may have been evicted is potentially high considering that most cases may not have been reported. Further research is required to ascertain the actual number of social housing tenants that lost their units due to COVID-19.

Policy Guidelines for the Rental Relief Fund

The R300 million grant was allocated to social housing tenants because they were perceived to be among the most vulnerable to the COVID-19 pandemic, especially those who earned between R800 and R3,500 per month. In October 2020, a draft policy framework of the Residential Rent Relief (RRR) Scheme was published, with approval from the Minister of Human Settlements, Water and Sanitation (DHS, 2020). However, the RRR Grant Disbursement Policy was only made effective for implementation on 1 February 2021. The guidelines for the RRR grant framework stipulate the following:

1. Tenants should apply for rental relief with the NHFC, who would also be responsible for reviewing applications against the eligibility criteria.
2. Tenants must demonstrate that they had been unable to pay full rental since the inception of the lockdown as a result of loss of income caused by COVID-19.
3. Tenants qualified for rental relief provided that 50% of their income had been lost due to COVID-19 (SHRA, 2022).
4. Tenants must have been in good standing, and not in rental arrears, as at 29 February 2020.
5. The grant would be paid to social housing companies (landlords) on behalf of tenants who had successfully applied for aid.
6. Awarding of the grant as well as continued payments would be provided on the condition that landlords and tenants entered into a written agreement where the tenant would be liable for payment of a reduced monthly rental, and in exchange, the landlord would consent to neither evict them or terminate service utilities for the duration of the agreement (DHS, 2020).

This RRR grant policy framework and disbursement policy appear to be yet another example of South Africa's progressive policy formulation that lacked implementation. The country is praised for having "some of the best economic policies in the world" which it fails to implement successfully (African News Agency, 2019). This is illustrated by the fact that provisions were made to alleviate the impact of COVID-19 on social housing tenants, but the implementation of the RRR grant was totally lacking. As indicated above, the policy guidelines for the relief grant framework were unrealistic, unreasonable, and stringent. Furthermore, the government's interventions to address the negative consequences of the pandemic, although they may have been comprehensive and well-intentioned, were inadequate as they failed to achieve the desired outcomes.

Proposed Policy Interventions

1. Fast track legislative requirements: It is recommended that government policy makers should

make special provisions to accelerate the distribution of funds during an emergency situation in order to address any negative impact quickly and efficiently. The provisions should also be implemented with adequate accountability measures to mitigate possible corruption or the misuse of allocated funds. Moreover, the fear of non-compliance with the Public Finance Management Act (PFMA) should not outweigh the duty to assist those in dire need of aid. Such measures would not only save lives but would minimise potential damage caused by disasters to citizens and to the country's economy, both in the short- and long-term.

2. Propose realistic and context specific solutions: Policy makers should consider the socioeconomic conditions of those who are most vulnerable to disasters and ensure that regulations and policy frameworks do not further alienate them by instituting unrealistic criteria. The COVID-19 Rental Relief framework should have recognised that for low-income households who earn between R800 and R3500 per month, any loss of income would have a dire impact on their livelihood; 20% of R3500 may be the difference between buying food for a month or commuting to the workplace using public transport. The decision to only help people who lost 50% of their income also excluded those who were nonetheless severely disadvantaged by the impact of Covid-19.

3. Recognise and make provisions for the informal transactions: The regulations ignored the informal transactions that occurred between families and external lenders, be it other family members, friends, loan sharks or reputable financial institutions. Engagements with housing institutions and NGOs revealed that some tenants borrowed money to meet their rental obligations, and others did so to buy food and other essential goods. However, the Rental Relief framework stipulated that the funds could only be paid to landlords on behalf of tenants. This arrangement would disqualify tenants who managed to pay rental through loans so that their social housing rental accounts would not be in arrears, despite having accumulated debt. In future, policy regulations should examine funding applications holistically, even if the funds in question are intended for rental purposes. They should make provisions for unique circumstances such as debts incurred through informal channels, especially if the funds were used to meet rental obligations.

Reference list

- African News Agency, 2019. SA has good policies but lacks implementation - trade and industry official. IOL, 18 January.
- Averchenkova, A., Gannon, K. & Curran, P., 2019. Governance of climate change policy: A case study of South Africa , s.l.: Grantham Research Institute on Climate Change and the.
- DHS, 2020. A policy framework for the residential rent relief scheme: Draft version 6, s.l.: Department of Human Settlements.
- Draper, A., 2020. Stop Illegal Evictions! A research report into the eviction of shack-dwellers in eThekwini during the COVID-19 crisis. [Online] Available at: http://www.churchland.org.za/wp-content/uploads/2020/06/STOP-Illegal-evictions.pdf [Accessed 19 January 2022].
- Komana, K. & Sathekge, H., 2020. The legality of evictions during the lockdown. [Online] Available at: https://www.lawtonsafrica.com/post/the-legality-of-evictions-during-the-lockdown [Accessed 10 January 2022].
- Mashele, Z., Louw, D. & Raboeane, M., 2021. Facing eviction: Distressed tenants wait in vain for help from the R600m Covid-19 residential rent relief scheme. Daily Maverick, 22 April.
- Mauda, A., 2016. Is Implementation still the missing link? Understandingpublic policy processes: Education Reform in Post-Apartheid South Africa, s.l.: Linnaesus University.
- SHRA, 2021. SHRA is ready for residential rent relief roll-out. Polity, 25 March.
- Taing, L., 2019. Policy implementation considerations for basic services: A South African urban sanitation case. Water SA, 45(4), pp. 536-546.