

Low-cost housing a joint challenge

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SA, IN the full swing of national reconstruction and reconciliation, provides a favourable setting for innovation. In the areas of public-private partnerships, or of corporate environmental and social responsibility, it demonstrates an imaginative approach and makes SA a leader country in the developing world. Its policy of providing access to housing for underprivileged people is a good example.

Globally, the private sector considers social housing as high-risk, and it is the state that usually intervenes in this sector. This is unfortunate because it is an important tool in the fight against poverty and the governments should involve the private sector. This is precisely what SA is trying to do.

With 57% of the population living below the poverty line, a lot is at stake. Since 1994, the housing department has been carrying out an active public policy in order to rectify inequalities inherited from the apartheid regime and to try to improve the housing supply.

This was first reflected in the construction of 1,7-million new units over the past decade, in the framework of the Reconstruction and Development Programme. Since 1997, the department has studied how it can encourage private banks to give home loans to low-income households. This policy was supported in 2002 by the circulation of the Community Reinvestment Bill, which establishes bank obligations for granting home loans to the poor.

However, the true success of this collaboration between the financial sector and government depends on the banks taking some responsibility. Banks made a commitment in 2003, through the financial sector charter, to invest R42bn over a five-year period (2003-08) to improve access to home loans to 2,5-million households earning between R1 500 and R7 000. Some banks are working with local governments to set up housing programmes in the townships. Others are widening the scope of their offer and making specific home-loan products available.

But there are a number of obstacles. The access to a home loan for potential borrowers with poor credit histories and little capital is still difficult. The culture of nonpayment inherited from apartheid and the long period of marginalisation and exclusion from financial services imply a need to train the borrowers.

A great deal remains to be done, both by banks and government. South African banks, through the intermediary of the Banking Association, are asking the state to set up a centralised loss-insurance system, an efficient finance-linked housing-subsidy scheme, and to promote a culture of financial responsibility among poor households. In return, public authorities want commitments made in terms of how many housing units will be built, and the degree of social diversity to be achieved. Authorities thus expect to be able to demand that any new housing programme make 20% of its units affordable to low- and middle-income households. Therefore, an agreement will have to be reached through the negotiations. A clearly defined public-private partnership framework, and controlled implementation to take account of the needs of the population, are the main challenges.

Development financial institutions and aid agencies can play an interesting role in this undertaking, through overseas development aid, by providing private banks with the means to develop innovative approaches to assist low-income households. Development financial institutions can make available reasonably priced loans to test a new scorecard for granting credit, and can finance training sessions to raise awareness among borrowers about honouring contracted commitments and how to manage a budget. Aid agencies can also provide technical assistance to build capacities in the public sector.

The Agence Française de Développement has signed a €40m credit line with Rand Merchant Bank to support the implementation of large-scale social-housing programmes in the areas where the needy wish to live. By its involvement, the agency strengthens the social aspect of the operations financed by this bank. Projects with other banks are under way.

There is no doubt that corporate responsibility and close collaboration between the public and private sectors are crucial to reducing poverty and boosting the economy worldwide. The example of South African banks, which are slowly becoming actors in public policy via the role they play in reducing inequality, deserves to be emulated. International aid must encourage that emulation.

■ Severino is CEO of the Agence Française de Développement, France's international development agency.