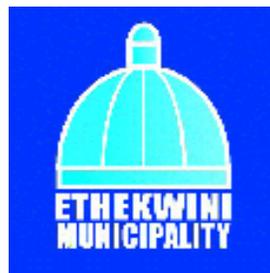


Submission to the National Department of Housing

Framework for the Provision of Housing Subsidies for Special Needs Housing (including HIV AIDS Relief)

Submitted by:

eThekwini Municipality



and

**Project Preparation Trust
of KwaZulu Natal**



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SECTION A: INTRODUCTION

1. Purpose

The main purpose of this submission is to assist in facilitating the establishment of national guidelines or a national policy for the provision of subsidies for special needs housing (including HIV AIDS relief). This submission therefore gives feedback to the National Department of Housing in the form of a framework and guidelines based on practical, on-the-ground experience gained from numerous projects in eThekweni Municipality and greater KwaZulu Natal which have utilised KwaZulu Natal Department of Housing Subsidies (refer to [Attachment 1](#)). Project Preparation Trust of KZN¹ has been involved in the preparation of many of these projects and has worked closely with the KZN Department of Housing and eThekweni Municipality in developing workable models for special needs housing. Against this background of proven delivery mechanisms, it is therefore critical, not only that guidelines or a policy for special needs housing be developed, but that they be based upon and incorporate actual project experience in order to make them relevant and implementable.

2. Context

Whilst HIV AIDS and special needs groups are a high development priority for South Africa and whilst it is understood that the National Department of Housing has agreed in principle to assist the Departments of Social Development (Welfare) and Health in respect of shelter requirements, there is not yet any national framework or policy on special needs housing nor is special needs housing enshrined in the National Housing Code. Notwithstanding this, due to the development pressures on the ground and the crisis surrounding HIV AIDS relief which gives rise to such problems as vast numbers of orphans and vulnerable children, provinces such as KwaZulu Natal have for many years made available subsidies to assist in meeting the shelter requirements of those in special need by means of the transitional subsidy mechanism - a variation or subtype of the institutional subsidy mechanism.

3. Need for a National Policy on Special Needs Housing

There are a wide range of reasons which support the need for the urgent development of a national policy on special needs housing. These reasons include the following:

- Situation of crisis: There is a situation of crisis at grassroots, community level. In this context, the HIV AIDS pandemic has massively intensified special needs. For example, there are currently estimated to be 1.3 Million orphans in South Africa of which approximately 0.8 Million are so called “AIDS orphans” (62%). By 2010 the total number is estimated to be 2 Million of which 1.6 Million (80%) will be so called “AIDS orphans”².

¹ Project Preparation Trust (PPT) is a public interest, not for profit organisation which has for over 12 years specialised in preparing a wide range of development projects for historically disadvantaged communities including housing and related infrastructure, special needs housing and economic development. Refer to www.pptrust.co.za for more information.

² Medical Research Council report 2004: “The Demographic Impact of HIV / AIDS in South Africa National Indicators for 2004” by Dorrington, Bradshaw, Johnson and Budlender and commissioned by the Medical Research Council (MRC), Centre for Actuarial Research and the Actuarial Society for SA.

Assistance with shelter requirements is an important part of overall health and social development / welfare strategies to address the current crisis.

- Policy confusion: There is a lack of clarity within certain provinces of how to deal with the issue of special needs housing, especially given the lack of guidelines or directives from the National Department and the lack of provisions for special needs housing within the National Housing Code.
- Lack of delivery and commitment: Certain provinces are not willing to consider giving support for special needs housing until they have developed their own policy frameworks. Yet there appear to be protracted delays in establishing such frameworks and indeed it is surprising that such frameworks do not yet exist in all provinces given the scale of the HIV AIDS pandemic, the scale of need on the ground, and the rights to housing and the rights of children (and other special needs groups) which are enshrined in the South African Constitution. Furthermore there appears to be limited understanding on how such policy frameworks should be structured given the limited project experience of most provinces.

4. Need for an Inclusive Definition of Special Needs Housing

There is a critical need for an inclusive definition of special needs. Special Needs Housing should therefore be defined as housing which benefits those who are affected by poverty and who in addition are further disadvantaged in any of the following ways:

- 1.1 Infected or affected by HIV/AIDS;
- 1.2 Orphans and vulnerable children (OVC's);
- 1.3 Seriously ill;
- 1.4 Old and infirm;
- 1.5 Disabled or handicapped;
- 1.6 Homeless / on the street;
- 1.7 Victims of domestic abuse and violence.

5. Profile of Projects in KwaZulu Natal

(Refer to [Attachment 1](#))

There are 17 projects in KwaZulu Natal where the KZN DoH has assisted a range of NPO's, section 21 companies, welfare societies and grassroots organisations with housing subsidies for a wide range of project types in partnership with the KZN departments of Social Welfare and Health. R19.63 million in subsidies has been approved by the Department to these projects which benefit a total of 1474 people in special need. In addition a further 16 projects benefiting a total of 1172 people in special need and with a subsidy value of R30.42 million are currently under preparation in the province. PPT was involved in the preparation of 20 of these projects. The listed projects include the following types:

- Hospices
- Foster care homes
- Places of Safety and Shelters
- Children's homes

SECTION B: OVERVIEW OF CURRENT SPECIAL NEEDS HOUSING POLICY

6. Overview of National DoH Policy

6.1. HIV/AIDS Framework Document (February 2003)

[\(Attachment 2\)](#)

This framework report, prepared by the National Department of Housing, proposes a range of interventions including the need for review of housing delivery models and in particular (section 5.3):

- 6.1.1. The need for the Department of Housing to assist departments such as Social Development (Welfare) with shelter requirements and solutions.
- 6.1.2. The need to develop effective partnerships between the public sector, private sector, NGO's, CBO's and faith based organisations.
- 6.1.3. The need to factor in the Transitional Subsidy Scheme which is already in use in provinces such as KZN (refer also to section 7.1 below and [Attachment 3](#)).
- 6.1.4. The need for the National Department of Housing and Provincial Housing Departments to develop appropriate guidelines to implement this model and ensure adequate co-ordination with departments such as Social Development (Welfare) and Health.
- 6.1.5. The need for the investigation of a subsidy which provides additional rooms for households already bearing the strain of providing care (refer also to section 10.3 of this report).

6.2. Institutional Subsidy Scheme (Chpt 6 of the Housing Code)

- 6.2.1. This is the closest subsidy mechanism to special needs housing projects and is typically the mechanism utilised for such purposes.
- 6.2.2. The provision of special needs housing is consistent with the Institutional subsidy mechanism to the extent that its main object is the acquisition and development of housing for occupation and / acquisition by beneficiaries (including non-qualifying beneficiaries) for a minimum period of four years.
- 6.2.3. Notwithstanding the above, the institutional mechanism was not designed in the first instance for special needs projects but rather for purposes such as the provision of rental housing, more flexible tenure solutions, instalment sale and co-ops. There are several areas where the policy is not sufficiently adapted for special needs housing necessitating additional guidelines or policy.
- 6.2.4. Provinces such as KwaZulu Natal and Gauteng have therefore utilised a variation of the institutional subsidy scheme, the transitional subsidy, as the mechanism for delivering special needs housing. In terms of this variation, subsidies are made available to a suitable institution (eg: registered NPO) with one subsidy made available for each "bed" and with beneficiary names therefore not registered against the national database.

6.3. Provisions for preparation funding (Chpt 3 of the Housing Code)

- 6.3.1. The National Housing Code makes provision for municipalities to apply for preparation funding (for the preparation of project descriptions and project feasibility work). This is defined in clause 3.2.4 of Chapter 3 of the National Housing Code.
- 6.3.2. In the case of special needs housing projects, preparation funding is especially necessary given the complexities of the projects and the limited capacity of NPO's and municipalities to adequately prepare such projects.

6.3.3. The release of preparation funding for special needs housing projects is thus seen as a critical element of their success (refer to Section C below for more information)

7. Overview of Special Needs Housing Policy in KZN

7.1. Policy To Cope with the Effect of AIDS on Housing (July 1999)

[\(Attachment 3\)](#)

7.1.1. The policy stipulates that the Transitional Subsidy mechanism be utilised.

7.1.2. The Policy specifies that, in the case of transitional subsidies, a beneficiaries name will not be registered on the national data base and deems that this is appropriate given the transitional nature of the accommodation provided and because, in many cases, the beneficiaries will be children.

7.1.3. The policy recognises that the crisis will need to be dealt with in partnership with the Departments of Health and Social Development (Welfare).

7.1.4. The policy outlines a range of assistance and support that can be provided by the KZN DoH. This includes the provision of subsidies: a) to appropriate institutions in terms of transitional accommodation; b) for home based care.

7.1.5. Although the policy initially envisaged beneficiary identification prior to subsidy approval, this was subsequently relaxed by the department due to its impracticality.

7.1.6. The policy stipulates that feedback be given to the National DoH.

7.2. Recognition of Non Profit Organisations (March 2004)

[\(Attachment 4\)](#)

7.2.1. This policy adjustment recognises non-profit organisations (NPO's) registered with the Department of Social Development (Welfare) as eligible beneficiaries of transitional housing subsidies (over and above section 21 companies).

7.2.2. It is noted that the KZN DoH reserves the discretion to approve other forms of institution and has in the past approved transitional subsidies for institutions such as registered Trusts.

7.3. Increase in Percentage for Special Needs Projects (July 2004)

[\(Attachment 5\)](#)

7.3.1. This policy adjustment increased the proportion of the subsidy made available to special needs projects from 70% to 100% of the subsidy. This was in recognition of:

7.3.1.1. The funding pressures that NPO's and other project initiators in the welfare sector are under.

7.3.1.2. The high costs in preparing special needs projects (relative to capital value): estimated by the KZN DoH to be typically between R40,000 and R80,000 per project.

7.3.1.3. The need to ensure adequate preparation, feasibility and risk management work.

7.3.1.4. The special requirements of many projects which are integral to the care and accommodation provided (eg: laundry facilities, counselling rooms).

7.4. Pilot policy for Home Extensions / Home Based Care (2005)

7.4.1. This pilot policy makes provision for funding to be made available to fund home improvements or home extensions to assist de-facto community care givers.

7.4.2. Three pilot projects have been selected to test this policy in practice.

7.4.3. This pilot policy is benchmarked on the provision of R7,534 subsidy per beneficiary but the potential for the provision of additional funding per beneficiary based on actual cost requirements.

**7.5. KZN Guidelines on Preparation Funding (2002)
(Attachment 6)**

7.5.1. In terms of these guidelines, which flow directly from provisions in the National Housing Code referred to in section 6.3 above, recognition is made of the important role of preparation funding in ensuring that projects are appropriately prepared and project risks managed.

7.5.2. The guidelines indicate that preparation funding should be used for project preparation work including project descriptions and feasibility studies (eg: land suitability, geotechnical investigations, packaging issues).

7.5.3. The guidelines also specify the procedure for the approval of preparation funding and the format for a motivation.

SECTION C: PROPOSED FRAMEWORK FOR SPECIAL NEEDS HOUSING

8. Basic principles and requirements

The following are the basic principles and requirements for all special needs housing projects:

8.1. Partnership:

In all cases special needs projects need to consist of a partnership between: a) Department of Housing; b) either the department of Social Development (Welfare) or Health; c) an appropriate welfare or health NPO or similar organisation operating at grassroots level.

8.2. Department of Social Development (Welfare) or Health approval and guidance

In all cases the DoH should act on the advice of the relevant department of Social Development (Welfare) or Health as to whether or not a particular project concept and operating / monitoring institution is appropriate. In all cases assistance from the DoH should be dependant on the support of such a Department as well as support from the relevant Municipality. The Department of Housing thereby confines its role to that of the provision of shelter requirements under the guidance of the other departments notwithstanding its right to exercise its discretion in cases where it has particular concerns or reservations about a project.

8.3. Preference for non-institutional forms of care

8.3.1. Wherever possible efforts should be made to utilise family orientated care within existing communities. This is in line with the Department of Social Development's policy (eg: White Paper of 1997) as well as the National Department of Housing's above-mentioned HIV AIDS Framework (2003) and is most desirable from a human development perspective.

8.3.2. This means that wherever possible, those in special need should be cared for within the extended family and the necessary support such as welfare grants and housing subsidies made available to facilitate this (ie: home care / home extensions model – see section 10.3 below). There are however sometimes practical difficulties in implementing support of this nature.

8.3.3. Care within small homes which replicate or create a family environment is the next best option (ie: community care home model – refer to section 10.2 below)

8.3.4. Institutions (such as children's homes, hospices and shelters), whilst they should be considered a last resort, will still be required from time to time given the scale of need on the ground, high levels of poverty and the breakdown of family structures in many communities. When undertaken, efforts should be made to minimise the institutional impacts under the guidance of the relevant department of Health or Social Development (Welfare) (eg: by utilising good design principles, community outreach and repatriation programmes). (Refer to institutional model – section 10.1 below).

8.4. Utilisation and capacitation of grassroots organisations (eg: NGO's, NPO's)

It is declared social development / welfare policy to utilise and capacitate existing grassroots organisations such as NGO's and NPO's wherever possible as well as to provide support to de-facto care givers. This is informed by Government's recognition that it does not have the capacity to address the scale of needs on the ground and that partnerships with such organisations are essential.

8.5. Assuring operational and institutional sustainability

Assuring operational and institutional sustainability must be a primary objective in special needs projects since this is the most common cause of failure or risk and therefore needs to be addressed carefully, especially during the preparation phase of the project (see section 13 below and **Attachment 7**). Amongst other things, this includes ensuring that the grassroots organisation which manages and monitors the project has the requisite capacity and that there is sufficient operational funding available.

8.6. An inclusive definition of special needs

As outlined in section 4 above, an inclusive definition of special needs is essential in order to avoid stigmatisation and discrimination.

8.7. Co-funding

Co-funding between the Department of Housing, either the department of Social Development (Welfare) or Health, and private / donor / grant funders is essential:

- 8.7.1. *Capital - Construction costs*: Primarily utilising DoH transitional subsidies (but also scope for private sector funding).
- 8.7.2. *Capital - Equipment and furnishings*: Utilisation of donor / grant / private sector / Lotto funding.
- 8.7.3. *Operational costs*: Utilising mainly social development (welfare) or health grants combined with other sources of donor / grant / private sector funding / in kind contributions.

9. Project Cycle

The following project cycle applies for special needs housing projects and it is critical that each phase is understood and dealt with correctly in order to facilitate sustainable and appropriate projects.

9.1. Phase 1: Preparation / feasibility

This phase is probably the most critical phase and is therefore discussed in more detail under sections 12 and 13 below. Grassroots organisations such as NPO's as well as their local municipalities typically lack the capacity and expertise to undertake the necessary feasibility, setup and preparation work that is required. At the same time special needs projects are typically complex for a range of reasons outlined more fully below. In this context the utilising of Department of Housing preparation funding plays a critical role in ensuring that projects are properly prepared and that funding is only committed by the various funders / government departments involved in cases where projects are truly sustainable and appropriate. Of particular concern is ensuring sustainability during the operating and maintenance phase outlined below, from both a financial and institutional perspective.

9.2. Phase 2: Construction / renovation / property acquisition phase

This is the easiest phase to achieve and is usually relatively straightforward (in contrast to conventional housing projects). This phase can usually be managed by the relevant welfare organisation with the assistance of a project manager with the relevant construction experience (eg: quantity surveyor, architect, housing project manager). The relevant Municipality may also in some cases be able to provide assistance.

9.3. Phase 3: Operating and maintenance phase.

This is the main challenge on special needs housing projects because: a) it is difficult to find institutions with appropriate skill and capacity who can perform this function – capacity building and training may be required; b) there is a shortage of operating funding – often state funding such as social development / welfare grants is insufficient and other sources of funding are usually required (eg: donations in kind, donor funding or the establishment of endowments).

10. Overview of Delivery Models

Note: These models are based on extensive project level experience as well as the KZN Department of Housing's Guidelines.

10.1. Institutional Model

10.1.1. Description:

This model is a model of last resort. Wherever practical and possible, models focussing on community or family based care should rather be utilised. However it is at the same time acknowledged that, due to the scale of need on the ground, high levels of poverty, and disintegration of the family structures in many communities, there are many cases where the relevant departments of Social Development (Welfare) and Health will deem this model to be appropriate. The model typically consists of the provision of care at a single locality to a group of beneficiaries either, in one structure or by means of several structures located on one site (the latter is often instituted in order to mitigate the institutional impacts).

10.1.2. Project types

Typical project types that fall under this model include the following:

- Hospices
- Places of safety and shelters
- Children's homes
- Homes for the elderly, disabled or handicapped.

10.1.3. Work required for a successful subsidy application

(Refer to Attachment 7 and section 13 below)

10.1.4. Projects implemented to date

A wide range of projects have been implemented in KZN (**Attachment 1**). The majority of these are hospices, foster care, and places of safety / shelters.

10.1.5. Key issues

- Mitigate institutional impacts by appropriate design and utilisation of community outreach and beneficiary repatriation programmes wherever possible.
- Current uncertainty of eligibility of crèches for Department of Housing funding.

10.2. Community Care Home Model

10.2.1. Description

This non-institutional model affords a high quality of care by means of creating a family environment. The model typically consists of a care giver with between four to six beneficiaries in her care with the homes located within affected communities. The housing subsidy is utilised to either acquire existing housing stock or develop new housing stock. The house (asset) is owned by a suitable welfare or health organisation approved by the relevant department of Health or Social Development (Welfare). This organisation is also responsible for operating and maintenance costs as well as monitoring the home. In the case of grants such as the foster care grant, where the grant goes direct to the care giver, then the organisation has an agreement with the care giver in terms of which there is a sharing of operational costs. This model can easily be incorporated into existing, conventional housing projects to add value to them.

10.2.2. Project types

The most common and proven application is that of community foster care homes which consist of six children in the care of a professional foster care mother, usually under the auspices and monitoring of a suitable welfare organisation approved by the relevant Department of Social Development (Welfare). This model is currently the subject of a national project which utilises Nedbank repossessed properties for the establishment of community foster care homes (450 children will ultimately benefit in greater eThekweni, Cape Town and Ekurhuleni / Gauteng). There is also potential for utilising the model for other types of care such as places of safety for children (short term, temporary care) and palliative care.

10.2.3. Work required for a successful subsidy application

(Refer to Attachment 7 and section 13 below)

10.2.4. Projects implemented to date

Three projects have been implemented in KZN to date (**refer to Attachment 1**). In addition the above-mentioned Nedbank foster care home project is currently in its rollout phase which will see the preparation and establishment of 75 community care homes benefiting 460 orphans and vulnerable children over the next two years on a national basis in the areas identified above (including KZN / eThekweni).

10.2.5. Key issues

- Difficulties in rolling out the national Nedbank PIP program due to a lack of familiarity in the Western Cape and Gauteng of the model and a lack of provincial policies or frameworks in these provinces for special needs housing.
- Whilst the model affords a high standard of care and is an important part of the overall delivery of improved care and shelter to those in special need, it is difficult to roll this model out at large scale and it therefore needs to be augmented by the home care model outlined below.

10.3. Home Care / Home Extension Model

10.3.1. Description

This model provides home improvements or home extensions to de facto care givers in order to ensure that those in special need have sufficient living space within the household and to take the pressure off care givers who do not have adequate shelter but are nonetheless providing care to those in special need (eg: via the extended family). This model can easily be incorporated into existing, conventional housing projects to add value to them. The need for such a model is entertained in the abovementioned National HIV AIDS Framework (section 6.1 above and **Attachments 2 & 3**). The main differences from the community care home model are:

- The home remains in the ownership of the existing home-owner and care-giver.
- An appropriate grassroots organisation (eg: NPO) approved by the relevant Department of Social Development (Welfare) or Health is utilised for monitoring purposes.
- An agreement is entered into between the relevant Department of Housing and the home owner (who is often also the care giver) in terms of which the home owners is required to utilise the extensions / improvements for purposes of providing the specified care for a specified period (usually 8 years). The value of extensions is depreciated over the 5-8 year term. Should the care cease to be provided then the care giver is obliged to repay the un-depreciated value of the extensions.
- An agreement is entered into between the relevant Department of Housing and the relevant grassroots monitoring organisation in terms of which the organisation is required to undertake monitoring for at least the 5-8 year period to ensure that the extensions are being utilised for the required purposes and that appropriate care is taking place.
- The subsidy agreement is entered into between the relevant Department of Housing and an institution / organisation who is responsible for building the extensions. This can either be the above-mentioned grassroots organisation (usually assisted by a project manager with construction experience) or can be done via another organisation (NGO or private sector) with the necessary skill and capacity.
- The value of the subsidy is benchmarked either on R7,543 per beneficiary or on the actual costs of building the extensions (R7,543 is often sufficient in rural settings but insufficient in many urban / township settings).

10.3.2. Project types

Three pilot projects have been selected in KwaZulu Natal by the KZN Department of Housing in order to test and develop a practical housing policy in this area. Typical project types are the provision of home extensions or improvements to provide improved shelter and accommodation for orphans and vulnerable children (including those in the care of extended family or other community networks) as well as care for those who are sick and receiving palliative care by these support networks.

10.3.3. Work required for a successful subsidy application

The requirements are similar to those for other special needs housing projects as outlined in section 13 below with the following exceptions / amendments:

- A written commitment to provide the necessary monitoring from an appropriate grassroots organisation (which also requires the approval of the relevant department of Social Welfare (Welfare) or Health).
- A monitoring / reporting framework compiled by the monitoring organisation and approved by the Department of Housing and either the Department of Social Development (Welfare) or Health.
- A written commitment from the organisation who will contract with the Department of Housing to construct the extensions (may be the monitoring organisation or another NGO or a private sector organisation contracted for this purpose).
- Profile of each care giver and each home.
- An operating budget is not required due to the care being provided within an existing home and is replaced by an assessment and recommendation of the monitoring welfare organisation supported by the relevant Department of Health or Social Development (Welfare)

10.3.4. Projects implemented to date

Three pilot projects are under preparation in KwaZulu Natal (refer to **Attachment 1**)

10.3.5. Key issues

Need to focus mainly on de-facto care givers and ensure that there is an appropriate monitoring organisation in order to prevent fraud.

10.4. Linking with Conventional Housing Projects

10.4.1. Description

All of the above models can be built into the delivery of existing housing projects as a way of adding value to them and making them more integrated and better able to accommodate those in special need. In most cases it is preferable that the special needs components are treated as sub-projects with separate subsidy applications being lodged for them but with provision in the planning and management of the greater housing project.

10.4.2. Project types

The models can be introduced into the delivery mechanism of both in-situ upgrade or greenfields projects.

10.4.3. Work required for a successful subsidy application

As outlined in the three models above.

10.4.4. Projects implemented to date

PPT is testing this in several projects including Esidweni (Umlazi, eThekweni) and Groutville (KwaDukuza).

10.4.5. Key issues

- Need to ensure that preparation of the special needs housing projects commences at the same time as preparation of the conventional housing project.
- Need to ensure that land and planning issues are dealt with simultaneously for both the conventional and special needs housing projects.

11. Types of Special Needs Housing Projects

A wide variety of special needs housing projects are possible as a matrix combining the above-mentioned primary models and the types of special needs groups outlined in section 4 above. It must be appreciated that all projects will be different and will have to be assessed on their individual merits and in terms of the criteria outlined below (at both the preparation funding and subsidy approval stages). Some of the differences arise from the urban versus rural nature of projects as well as the differing nature of organisations seeking to setup and run projects. Some degree of discretion and flexibility are therefore required in preparing and approving projects.

12. Preparation of Projects and Utilisation of DoH Preparation Funding

12.1. Purposes of preparation funding

- 12.1.1. The overall purpose of preparation funding is to enable grassroots organisations (eg: NPO's) and their municipalities to secure the necessary technical and financial support in order to ensure that special needs housing projects are prepared to a high standard and that all the relevant risks are appropriately eliminated or managed.
- 12.1.2. Preparation funding is typically utilised in order to ensure that:
 - a clear project concept is developed;
 - the concept is fully supported by all the key stakeholders;
 - the project is viable and sustainable from both financial and institutional perspectives.
- 12.1.3. It is important to note that it is usual for there to be some level of conceptual and stakeholder uncertainty at the time of approving preparation funding and for these issues to then be resolved during the project preparation process.
- 12.1.4. It is noted that where a project has problems but is already up and running (ie: care already taking place on an informal or unregulated basis) then there is an incentive to try and improve the situation and formalise / regulate the project through making preparation funding and other support available. This may often be the only way in which the problems can be overcome and improved care provided to those in special need.
- 12.1.5. Some of the important functions of preparation funding, especially for special needs housing projects, are therefore to:
 - help to establish or enhance much needed project initiatives;
 - build capacity and delivery in the welfare and health sectors (around specific projects).

12.2. Need for preparation funding

There is a particular need for preparation funding in the case of special needs housing projects for the following reasons:

- 12.2.1. They are typically complex. A range of factors contribute to this including:
 - a) That projects usually have a substantial welfare and / or health component.
 - b) They typically require the support of a range of stakeholders including the departments of Social Development (Welfare) and / or Health as well as donors and / or the private sector.
 - c) Operational sustainability is a key challenge and specific steps have to be taken to address this.
 - d) Capacity building and institutional development is often required.
 - e) The projects are often multifaceted, providing a range of different care services within one project.
- 12.2.2. There is a lack of resources and capacity to prepare and set the projects up (including feasibility work). This lack of capacity occurs both within grassroots organisations as well as with government departments and municipalities).
- 12.2.3. They are a high development priority at the national level (refer to section 3 above).

12.3. Stages in preparing projects

The following stages apply:

- 12.3.1. Stage 1: Preliminary assessment: assessment by a competent specialist in special needs housing of an application for preparation funding (see below for more information).
- 12.3.2. Stage 2: Pre-feasibility and application for conditional approval: Assessment and elimination of key project risks including project concept, key stakeholder support, site suitability and sufficient funding available. This can be combined with the feasibility phase where there are no significant risks.
- 12.3.3. Stage 3: Feasibility and submission of subsidy application: Finalisation of institutional issues, capacity building, design and capital estimates, detailed estimates / model for operating and maintenance costs demonstrating sustainability.

12.4. Cost of preparing special needs projects

(Refer to Attachment 7)

- 12.4.1. There are diseconomies of scale in preparing Special Needs Housing Projects. The capital values are generally small (between R100,000 and R1Million) but the projects are typically complex. Thorough preparation and setup are however essential, especially to ensure sustainability.
- 12.4.2. The typical costs of preparing projects usually ranges from R40,000 to R80,000. However the costs vary greatly from one project to another. The main factors which cause the costs to increase are:
 - projects which are multifaceted such as a combined day care, training and foster care facility (such as Mother of Peace Project at Illovo, eThekweni);
 - projects where significant institutional development and capacity building are required (necessary for many grassroots organisations).
- 12.4.3. If the current practice of making available 100% of the subsidy per beneficiary is maintained then the overall subsidy value will usually be sufficient to cover both the preparation and implementation costs.

12.5. Key stakeholders

- 12.5.1. Key stakeholders are those whose support is essential for the success of the project.
- 12.5.2. It is noted that one of the main purposes of preparation is to obtain the unequivocal support from these stakeholders. The level of support required therefore increases as the preparation of the project progresses:
- 12.5.3. Only very broad / indicative support is required at the stage of approving preparation funds, whereas -
- 12.5.4. Fairly definite support is required prior to approving subsidies. It is noted that in some cases written support cannot be obtained in which case minutes of meetings attended by a DoH representative can suffice (eg: in the case of the KZN Department of Social Welfare and Population Development and some donor funders).
- 12.5.5. For special needs projects the key stakeholders include:
 - The grassroots organisation who is going to operate and maintain the facility / home. This will typically be a registered NPO and may in addition be a legal entity such as a registered welfare society, section 21 company or Trust. In all

cases the organisation must be approved and supported by the government relevant department(s) listed below.

- The relevant department of Social Development (Welfare) (for welfare orientated projects) or Health (for health orientated projects).
- The Local Municipality.
- The Department of Housing.
- Any other funders or support organisations who are targeted or who may be essential to make the project work.

12.6. Contents for an application for preparation funding

Notes: 1) The quality of applications will vary greatly. Often some information will be missing in which case it must be obtained by the evaluator doing the assessment outlined in 8 below. 2) As noted above, it is usual for there to be some level of conceptual and stakeholder uncertainty at the time of approving preparation funding and for these issues to then be resolved during the project preparation process.

- 12.6.1. Name of proposed project.
- 12.6.2. Locality (including direction and distance from nearest known town).
- 12.6.3. Value of preparation funding required and what it will be used for (budget).
- 12.6.4. Proposed project concept including:
 - Who will it assist (types of beneficiaries)
 - Scale (how many people will it assist)
 - Who will run and operate the project / facility
 - Rough estimate for capital costs (for construction or property acquisition) and where funding will be obtained (including Dept Housing)
 - Rough estimate for annual operating costs (for running costs and maintenance) and where funding will be obtained (including welfare grants)?
- 12.6.5. Current status of project (care and activities already taking place).
- 12.6.6. What has been done so far to get the project going.
- 12.6.7. If it is up and running at the moment, what activities are taking place.
- 12.6.8. What funding and / or support is the project currently receiving.
- 12.6.9. What progress is there towards the final concept outlined above.
- 12.6.10. Proximity to necessary support facilities (eg: schools, clinics, transport etc).
- 12.6.11. Support of key stakeholders: Who are the key stakeholders (names and contact details) and do they support the project.
- 12.6.12. Motivation: Why is the project needed and why is it appropriate.

12.7. Eligible applicants

Eligible applicants can be health or welfare grassroots orientated organisations (eg: registered NPO's) or Municipalities who wish to initiate such projects in partnership with such organisations. In most cases preparing funding is released via the relevant Municipality (even through subsidies themselves will usually be released directly to the grassroots organisation).

12.8. Assessment of applications for preparation funding

12.8.1. Who should conduct the assessment?

- The assessment needs to be conducted by someone with an understanding of special needs housing.
- Between 8 and 16 hours is typically required.
- The assessment may be done in-house by the Department of Housing where the requisite skill and capacity exists.
- Alternatively it can be outsourced at a cost of approximately R5,000 (including a site visit).

12.8.2. Purpose of the assessment

- The purpose is to identify any major areas of risk and determine if the project is worthwhile taking further with project preparation funding.
- It is too early at this stage to categorically determine the project's viability, this being the purpose of making the preparation funding available.
- Therefore, evaluators should not attempt to eliminate and deal with all risks but rather identify the main ones that must be dealt with during project preparation, if necessary attaching special conditions to their assessment (see sections 10 and 11 below).

12.8.3. What should the assessment consist of?

- The assessment is mainly desktop in nature (ie: from the information provided by the key stakeholders or others contacted telephonically).
- It should include an initial meeting with the applicant and preferably with as many of the other key stakeholders as practically possible.
- Usually a site visit is also useful.

12.8.4. Criteria for assessment

Criteria	Required actions
1. All key stakeholders identified.	<ul style="list-style-type: none">➤ Refer to the list of key stakeholders above.➤ Obtain names and contact details from applicant or other sources.➤ Identify other related organisations working in the area.
2. Project concept defined.	<ul style="list-style-type: none">➤ Determine from the applicant and key stakeholders the project concept as outlined above.
3. Stakeholders support concept.	<ul style="list-style-type: none">➤ The defined concept is viable and appropriate in the view of the key stakeholders.➤ This support will confirm that the proposed concept is in line with national and provincial welfare / health policy.
4. Managing organisation suitable	<ul style="list-style-type: none">➤ The organisation which proposes operating and maintaining the facility / home appears to have the required capacity, track record and skill.➤ Where applicable identify organisations which will be partners or provide special support.
5. Land availability	<ul style="list-style-type: none">➤ It appears that there are reasonable prospects for the required land / property to be made available.

6. Site suitability	<ul style="list-style-type: none"> ➤ The site appears to be suitable. The required road access, water supply, sanitation, electricity etc are reportedly available.
7. Locational suitability	<ul style="list-style-type: none"> ➤ The stakeholders support the proposed location. ➤ The site appears to be suitably located relative to nature of the particular project (eg: a foster care home needs to be close to schools & health care & there must be no nearby hazards such as shebeens or railway lines).
8. Prospects for capital funding	<ul style="list-style-type: none"> ➤ Sources of targeted capital funding must be identified. ➤ There must be no obvious mismatch between the nature of the structure which is planned on the one hand, and the availability of capital on the other (value of housing subsidies plus and any other funding).
9. Prospects for operational funding	<ul style="list-style-type: none"> ➤ Sources of targeted operational funding must be identified. ➤ The organisation which proposes operating and maintaining the facility / home has prospects to get the required funding from the departments of Social Development (Welfare) and / or Health as well as the required additional operational funding.

12.8.5. Format for evaluator's assessment and report

The evaluator should produce the following documentation:

- An evaluation report with the following contents:
 - Proposed project concept
 - Evaluation (*refer to 9 below for more information*):
 - Category A: Unconditionally worthy of support (no special conditions)
 - Category B: Conditionally worthy of support (special conditions attached)
 - Category C: Not worthy of support
 - Motivation
 - Recommendations
 - Recommended budget
 - Recommended special conditions (*refer to item 9 below*)
 - Schedule of work undertaken
 - List of meetings and discussions held
 - Names and contact details
- Detailed preparation budget outlining cost and work required to prepare the project.
- Draft HAC submission (if required)

12.8.6. Categories of assessment

Evaluators should make their recommendations in three possible categories, depending on the projects risk profile, level of information available and stage of project development:

Category A: (low risk; good prospects)

- i The main features are:
 - a Project concept already well defined,
 - b Clear support by all the key stakeholders,
 - c No apparent difficulties or risks foreseen.
- ii In this case it is appropriate to make the full preparation funding for both pre-feasibility and feasibility phases available, these stages to be combined in order to move as rapidly as possible to a subsidy application.

Category B (risk undetermined in some areas, fair prospects):

- i The main features are:
 - a Project concept broadly defined but may require further definition
 - b Substantial stakeholder support (no strong objections)
 - c Some uncertainty over potential risks.
- ii In this case a *special condition* should be that the preparation be staged. The full preparation funding should be approved but the pre-feasibility should be undertaken first and approved at the stage of conditional approval, prior to funding for the feasibility stage being released. Typical special conditions to be dealt with during the pre-feasibility would include the following (refer also to **Attachment 2**):
 - a Confirming and clearly defining the project concept
 - b Confirming stakeholder support
 - c Confirming the capacity of the organisation who will manage and operate the project and capacity building if required
 - d Confirming land availability and site suitability

Category C (high risks, limited prospects):

- i The main features are:
 - a Project concept is poorly defined
 - b Limited stakeholder support or strong stakeholder objections and conflict
 - c Evidence of high risks.
- ii In this case funding should not be made available.
- iii In special cases approximately R10,000 could be considered for a consensus building workshop to be convened by an independent facilitator and at which the key stakeholders could attempt to resolve the outstanding issues.

12.9. **How preparation funding is released**

12.9.1. There are two ways in which preparation funding is typically released. The routing would be determined by the identity of the party applying to the Department of Housing for preparation funding:

- To the relevant grassroots welfare / health organisation (NGO / NPO): This is the most common routing because: a) most projects are championed and managed by such organisations; b) most Municipalities lack the capacity and expertise in respect of special needs housing; c) the principle of institutional

subsidies is that non government institutions are usually the developer. In the case of this routing, the project is usually seen as a specialised, collaborative joint venture between the relevant grassroots organisation and a party (such as an NGO or development specialist) with the requisite technical skills and experience of the preparation and delivery of special needs housing. It is however noted that the in-principle support of the relevant local municipality is still required (as outlined above).

- To the relevant Municipality: It is necessary that there is also provision for Municipalities to access preparation funding because: a) they do in certain instances need to initiate special needs housing projects (even if they do not end up owning and managing them directly); b) sometimes it is desirable to prepare a batch of small projects together in order to achieve economies scale (eg: national Nedbank foster care project consisting of batches of community foster care homes located in various municipalities).

12.9.2. In terms of how funding is actually paid out, there are also two possible mechanisms. The choice of which mechanism is utilised would be made by the relevant Department of Housing based on the capacity of the applicant (ie: relevant Municipality or grassroots organisation):

- Funding paid in one (or two) up-front tranches: This would be utilised for Municipalities with sufficient capacity and financial management expertise. It could also be utilised for grassroots applicants who have sufficient capacity. Whether there are one or two tranches would be determined by nature of the assessment of the application for preparation funding (ie: whether category A or B – as outlined in section 12.8.6 above).
- Funding paid out as preparation work is completed: This would be utilised in cases where municipalities have insufficient capacity and financial management expertise. It would also be the typical mechanism for grassroots applicants. Funding can either be paid to the municipality / grassroots organisation or direct to the service providers who have been contracted by the municipality / grassroots organisation. Payments would typically be made against invoices received for the completion of specific items on the project budget.

12.9.3. It is noted that a tender process would not usually be required or appropriate since the scale of funding is relatively small (total funding typically ranging from R40,000 to R80,000 and with individual sub-appointments typically ranging from R2,000 to R15,000). It is furthermore noted that:

- The preparation work requires specific expertise and is complex, affording very limited (if any) profit margins.
- It is likely that it will often be undertaken only by: a) consultants who are prepared to work on small profit margins (and sometimes none) or; b) NGO service providers; c) a combination of the above.

12.9.4. In all cases preparation funding is paid against the preparation budget approved by the relevant Department of Housing (which is in turn informed by the budget contained in the application for preparation funding).

12.9.5. In all cases, assistance is typically rendered by the relevant DoH project-level officials for the specific area.

- 12.9.6. The DoH should satisfy itself that the service providers selected by the relevant grassroots organisation or municipality have the requisite skills and experience to deliver and manage the project.
- 12.9.7. In time, the provincial DoH's could potentially identify lists of approved service providers for special needs housing preparation (given the specialist nature of the work required).

13. Subsidy Application Contents

Note: In the case of the home care / home extension model which supports de-facto care within families, extended families or other community support networks, the schedule below will need to be applied more flexibly given that the support is being provided to a family / home as opposed to an institution. Refer also to the home care / home extension model in section 10.3 above.

- Completed Institutional subsidy application form with all required appendixes including those outlined below – signed by applicant grassroots welfare / health organisation.
- Letter from applicant welfare / health organisation confirming that it has the intention and necessary capacity to take on the ownership and management and monitoring of the facility / project.
- Letters of support from the following (or where these cannot be obtained, minutes of a meeting confirming project need and willingness to support / assist with the initiative):
 - Department of Social Development (Welfare) or Health (as applicable)
 - Municipality
 - Ward Councillor.

(It is noted that, as per the KZN DoH's policy, it is neither necessary nor practical for beneficiaries to be identified at the time of submitting a subsidy application. Whilst in some cases they may have been identified, in many instances construction first has to be completed prior to finalising beneficiary identification. The application must however confirm the need in the area and the ability of the grassroots organisation and relevant government department to identify suitable beneficiaries)

- Annual operating budget for the facility / project indicating both costs and projected income sources (showing that this balances and that the facility / project is therefore financially sustainable). Operating budget items include: rates, food & groceries, lights and water, security, medical, school fees, clothing etc).
- Capital budget consisting of the following two components:
 - Budget for construction / extensions / renovations / property acquisition (to be funded by the DoH.
 - Budget for equipment and furnishings (to be funded from other sources to be identified by the applicant.
- Confirmation of funding for capital items that cannot be covered by the Department of Housing and in particular furniture and equipment (eg: letter of support from the National Lotto, a donor or private sector funder, or commitment from welfare / health organisation itself)
- Building design and costs: A schedule of accommodation indicating floor areas and demonstrating conformity with national building regulations, municipal health bylaws and any other regulations or requirements of the Department of Social Development (Welfare) / Health and Municipality is always required. In addition:

- In the case of acquisition of existing stock: preliminary sketch designs and cost estimates for any proposed extensions / alterations (preferably based on quotes by building contractors)
- In the case of construction of new stock: Preliminary sketch designs (plan and elevation) with cost estimates (preferably based on quotes by building contractors)
- Extract from approved town plan layout showing site location and street address.
- Locality plan.
- Signed sale agreement between property / land owner and the relevant welfare organisation (subject to the approval by the DoH of special needs housing subsidies).
- Title deed and land legal report confirming no onerous or restrictive conditions of title.
- Organogram or name and profiles of those directly responsible for management of the facility / project and for direct care of beneficiaries.
- Copy of last audited financial statements of the welfare organisation indicating proper financial management as well as last annual report.
- Copy of founding document of grassroots welfare / health organisation (eg: constitution, Trust Deed, Non Profit Organisation (NPO) certificate)
- Site identification report indicating how the site / property was selected and indicating that it is suitable for the intended purposes (eg: proximity to required schools, health care and transport; absence of hazards; suitable zoning etc).
- Rates clearance certificate and / or concession from Municipality.
- Motivations for special allowances (where applicable):
 - GE2 form (where applicable) motivating for locational and / or geotechnical allowances
 - Other motivations (eg: for special disability).

14. Assessment of Subsidy Applications

- 14.1. The Evaluation by the Department of Housing of subsidy applications for special needs housing should be on a similar basis as outlined under section 12.8 above (evaluation of applications for preparation funding) except that evaluation should be more stringent. Whereas at the preparation stage it is acceptable for some issues to still be unresolved, at the subsidy approval stage all issues must have been fully resolved or should be referred back to the applicant for resolution.
- 14.2. It is noted that a condition of approving subsidies is that there must be support from the relevant department of Social Development (Welfare) or Health. Whilst it is common that welfare or health grants have not have been approved at the time of subsidy approval in-principle support for the project concept must have been obtained. Often this cannot be obtained in writing due to reticence from the relevant department of Social Development (Welfare) or Health to commit itself to approving grants prior to the evaluation of individual beneficiaries (eg: children). The most practical way to assess this risk and determine the level of support is therefore usually by means of a direct meeting between the DoH evaluator and the relevant official from the department of Social Development (Welfare) or Health.
- 14.3. The schedule of items required for a subsidy application must be complete as outlined in section 13 (also refer to **Attachment 7**).

SECTION D : WAY FORWARD

15. Recommendations

It is therefore recommended that the National Department of Housing:

- 15.1. Develop broad enabling guidelines for special needs housing utilising the above proposed guidelines as the basis and including the following models:
 - 15.1.1. Institutional model.
 - 15.1.2. Community care home model
 - 15.1.3. Home care model (home extensions)
- 15.2. Develop such guidelines as rapidly as possible and then make them available to the various Provincial Departments of Housing.
- 15.3. Ensure that the guidelines are simple in their format and requirements in order that they do not impose unreasonable application pressures on grassroots organisations and NPO's.
- 15.4. Direct the Provincial Departments to utilise such guidelines especially in cases where they do not have their own provincial guidelines.
- 15.5. Prioritise and promote the release of preparation funding for special needs housing projects and establish a benchmark figure of between R40,000 and R80,000 per project in this regard (refer to sections 12.1 and 12.2 above and **Attachment 7**).
- 15.6. Prioritise and promote an inclusive definition of special needs which includes all those categories outlined in section 4 above.
- 15.7. Utilise the subsidy application contents specified in section 13 above as a requirement (notwithstanding the variations required for the home care model).
- 15.8. Ring-fence special needs housing outside the traditional Chapter 3 procurement framework and set aside a portion of the subsidy budget specifically for this purpose.

16. Resources and Timeframes Required to Develop the Guidelines

- 16.1. Due to the situation of crisis on the ground in terms of special needs and HIV AIDS, there is a pressing need for the development of a national framework as soon as possible.
- 16.2. Given that most of the material already exists and that the mechanisms for delivering special needs housing projects are already well known (as outlined above), it is expected that limited time and resources would be required to develop such guidelines. Where necessary PPT or the KZN Department of Housing would be able to provide additional information on specific models or requirements.
- 16.3. Based on experience with developing similar frameworks it is estimated that no more than 100 person hours would be required to write up / develop the necessary frameworks.

16.4. Given the pressures for delivery of special needs housing projects and the delays in implementing projects in several provinces due to a lack of a policy framework (eg: the national Nedbank Foster Care Project rollout), it would be highly advantageous for such a framework to be available before the end of September 2005.

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