

Overview of Special Needs Group Housing and PPT's Involvement in Assisting NPOs to Access Capital Funding Utilising Revolving Preparation Funding

As at April 2013

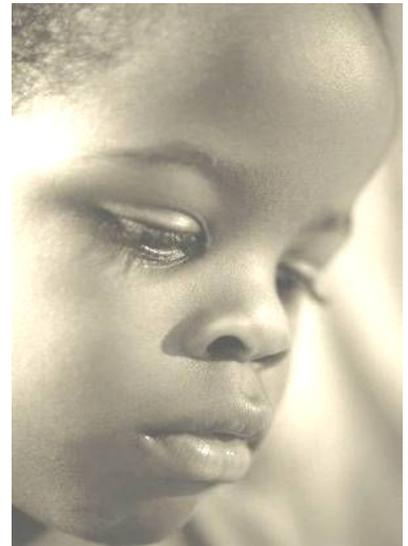
Who is PPT?

Project Preparation Trust (PPT) is a non-profit, non-governmental organisation with 19 years' experience in successfully preparing a wide range of pro-poor projects for disadvantaged communities and special needs groups. PPT's core business is to plan and prepare projects in partnership with communities, government and funders. This includes undertaking comprehensive project feasibilities and applying for and securing funding. PPT's programme focus includes housing, infrastructure, informal settlement upgrading, special needs housing, local economic development, support for informal enterprises, land reform, sustainable household energy, and skills transfer. PPT has developed specialised systems and expertise for the preparation of projects as well as for the management of donor and other funding. PPT has a well-established track record. To date over R1.73 billion has been approved for 172 PPT prepared "pro-poor" development projects benefiting 164,205 disadvantaged households. PPT is currently preparing 78 projects benefiting 158,077 households with a projected capital value of more than R557million. PPT is not-for-profit and charges for its specialist services at a cost-recovery rate. PPT was established in 1993 and is a registered Trust (IT9609/1993), Non-Profit Organization (NPO-065-849) and Public Benefit Organisation (930026332). PPT has a clean audit history (i.e. 17 unqualified financial audits every year since its establishment).

What is Special Needs Group Housing?

Special Needs Group Housing (SNGH) is housing provided by NPOs for those requiring special group care for a range of reasons. These people are usually in urgent need of care which requires specialised capacity, resources or expertise such as:

- a. **Orphans and vulnerable children** (OVC's) (including those affected by HIV AIDS)
- b. **The seriously ill** (including those infected by HIV AIDS)
- c. The **old and infirm** (including those requiring frail care)
- d. Those with **physical disabilities**
- e. Those with **intellectual and psychiatric disabilities**
- f. **Victims of domestic abuse** and family violence (emergency and 2nd stage housing)



- g. The **homeless / those living on the street** (including street children, refugees, trafficked people)
- h. Those under **substance rehabilitation**
- i. **Parolees, ex-offenders and juvenile offenders.**

What is the Need? – A Situation of Crisis

South Africa is a country with very high levels of vulnerability due to a range of mutually reinforcing factors such as its high levels of inequality and poverty, HIV AIDS prevalence, spatial dislocation, weakened family structures, substance abuse and gender-based violence. The incidence of vulnerabilities are often increasing over time as in the case of orphans and vulnerable children where the numbers have increased by 845,000 (28%) between 2002 and 2010 bringing the estimated total number of orphans in South Africa to 3.84million. Many welfare organisations have long waiting lists such as those caring for people with physical and intellectual disabilities, older persons and victims of domestic violence. Shelters for abused women and children report that they have to turn people away as they do not have sufficient facilities to accommodate those in need. NPOs lack adequate state assistance and funding, including for capital costs. Less than 0.15% of the more than 3million state housing opportunities provided so far have benefited beneficiaries in special need including both those provided to NPOs providing group care as well as allocations to those with disabilities within mass housing projects.

What are Special Needs Group Housing Subsidies?

Certain Provincial Departments of Human Settlements (such as KZN, Eastern Cape and Gauteng) provide housing subsidies to registered and suitably capacitated NPOs for purposes of SNGH. Individual’s names are not registered on the national housing database for obvious reasons. The institutional subsidy (usually the transitional variation) is utilised. Housing subsidies are assigned per bed and not per beneficiary. Approval from the relevant oversight Department (e.g. Social Development or Health) of the

NPO and the proposed project concept is required. The value of the basic housing subsidy is typically up to a maximum of R89,368¹ per bed which includes a contribution to the top-structure, land and services. This means that the total subsidy for a foster care home for 6 children would be approximately R534,000. SNGH subsidies may not be granted for the operational costs. Typical examples of projects include foster care homes, accommodation for older persons, residential care and assisted independent accommodation for people with disabilities, hospices, centres for abused women and children and shelters for homeless people.

¹ This amount excludes additional variances for which many project are eligible (e.g. geotechnical, topographical, locational, disability, etc.). The value of these is calculated in terms of a “variance calculator”.



Overview of the National Programme

SNGH is a well-established and active housing programme in at least three provinces (KZN, Eastern Cape and Gauteng) dating back to 1998 in the case of KwaZulu Natal. The Western Cape is in the process of finalising its policy. The figures below provide an indication of the scale of the programme:

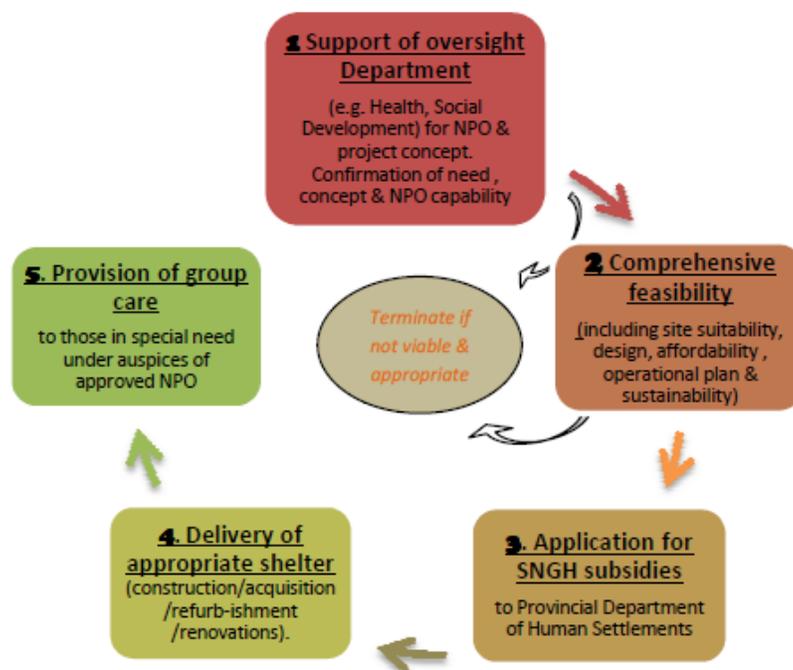
Projects with approved subsidies as at June 2012:	
Number of projects	71
Capital value (R million)	80,419,452
Number of beneficiaries	3,301
Projects under preparation:	
Number of projects	31
Capital value (R million)	40,220,842
Number of beneficiaries	812

The Lack of Project Preparation Funding and Technical Support to NPOs

There is a critical shortage of funding and technical support to prepare SNGH projects, and NPOs working at grassroots level are facing acute pressures. The lack of preparation funding presents a major obstacle to NPOs accessing SNGH subsidies. The limited preparation funding currently available to PPT is fully allocated and PPT seeks additional preparation funding in order to extend the support it is able to provide. Whilst capital housing subsidies for those with special needs are potentially available from certain Provincial Departments of Human Settlements, NPOs providing the care and shelter lack the expertise and funding to undertake the thorough feasibilities that are required by these Departments and to meet their other requirements (e.g. subsidy application documents and related processes). NPOs are therefore typically not able to access special needs housing subsidies from the state and are therefore either unable to expand the care they provide, or alternatively are forced to utilise scarce operational funding from donors for these purposes.

The Effective Preparation of SNGH Projects

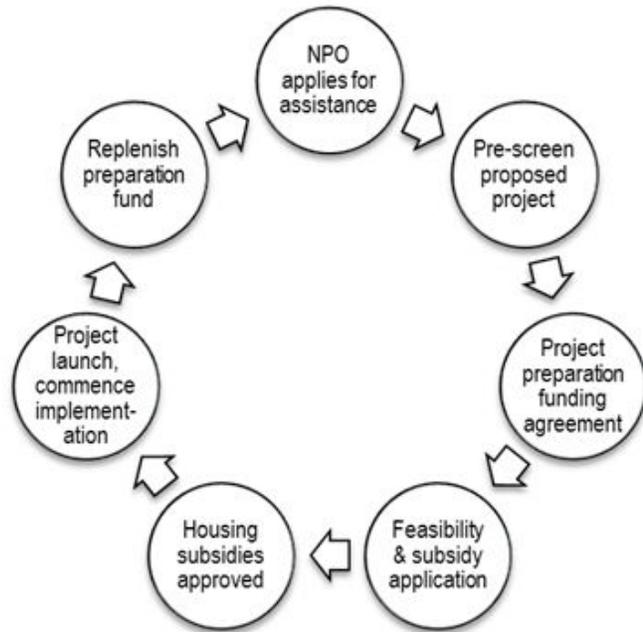
Effective preparation of SNGH projects is important in order to ensure that projects are viable and sustainable and in order to protect the interests of the beneficiaries, the NPO and the relevant provincial Departments. Preparation includes all the required feasibility work (e.g. land availability, site suitability studies, architectural design, cost estimates etc.) and culminates in the submission of a comprehensive application for special needs housing subsidies. In all cases the written support of the relevant oversight Department is required (as indicated previously). It is again emphasised that most NPO's lack the funding to pay for the necessary professional services (e.g.



geotechnical specialists, architects, engineers) as well as the expertise to effectively brief and manage such professionals. The provision of preparation funding is therefore important in order to enable high quality feasibilities and subsidy applications to be undertaken.

The Use of Revolving Preparation Funding and Related Gearing

PPT typically makes use of small revolving project preparation funds in order to provide the necessary support to NPOs for project preparation and to thereby secure capital subsidies from Provincial Departments of Human Settlements. As indicated previously, there is currently a critical shortage of such funding and PPT seeks additional funding for these purposes. PPT carefully manages revolving preparation funding to bridge-fund the preparation of selected SNGH projects in order to ensure that they are both viable and appropriate and that capital funding (including housing subsidies) is leveraged. The costs of preparing projects vary depending on such factors as the project type, its size and complexity, whether it's a new-build or extension of existing building, and the extent of preparation work already completed. Costs



typically vary from between R40,000 to R100,000 at an average of approximately R60,000. In all cases the costs of project preparation are recovered from the NPO by PPT only when and if capital subsidies are approved. The recovered preparation funding is then made available to another NPO on the same basis in order to prepare another project. PPT's success rate is between 80% and 90% which means that the preparation funding can be re-cycled many times before it is entirely depleted. On this basis, a small preparation fund of R500,000 will prepare 27 SNGH projects over an eight year period leveraging more than R26million in state housing subsidies for NPOs at an overall direct capital gearing ratio of more than 1:53 on donor funding and will provide 259 beneficiaries in special need with improved shelter and care.

PPT's Involvement and Track Record in SNGH

PPT has extensive experience in preparing a range of special needs housing projects including community foster care homes, places of safety, children's homes and hospices. PPT works closely with a range of key stakeholders in this regard, including grassroots NPO's, Departments of Human Settlements, Social Development and Health, municipalities and funders. To date, PPT has successfully leveraged capital funding of more than R53.9 million for 41 special needs projects it has prepared benefiting 978 vulnerable people in the provinces of KwaZulu Natal, Gauteng and the Eastern Cape. PPT is currently preparing a further 18 special needs housing projects worth approximately R20.5 million which will benefit 368 vulnerable people in the provinces of KwaZulu Natal, Eastern Cape and Gauteng. The preparation of additional pilot projects in the Western Cape is expected to commence soon. PPT has been instrumental in the formation and refinement of special needs housing policy in the above-mentioned provinces and is currently engaging with National

Government (in collaboration with other civil society organisations) to get SNGH mainstreamed throughout South Africa.

Investing in SNGH Preparation Funding is an Investment in More than just Housing

SNGH projects are managed by NPOs that are obliged in terms of various acts and regulations to ensure the well-being of those they care for. These programmes do not only provide for the basic needs of beneficiaries such as food, clothes, medical services, security, counseling, social services, and recreational activities. They also create opportunities such as education, basic skills training, life skills, career planning and income generating opportunities which enable beneficiaries to live fuller, more productive and better-integrated lives. This contributes to building more stable and sustainable communities.

Contact Details

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