

Setting the Stage: Current Housing Policy and Debate in South Africa

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1. Introduction

Current housing policy in South Africa is the outcome of a process of intense negotiation within the National Housing Forumⁱ from 1992 to 1994.¹ Shortly after the first democratic elections in 1994, the housing policy negotiations culminated in an Housing Summit and a Record of Understanding. With the fundamental tenets of the housing policy agreed upon by the dominant stakeholders, housing debate was closed. The preamble to the Housing White Paper of 1994 makes this clear: 'The time for policy debate is now past - the time for delivery has arrived.'² Subsequent discussion has revolved largely around blockages in the implementation of the policy. Occasionally, there have been calls to re-open the debate on the underpinnings of the policy.³ A particular concern was that the closure of debate would 'shut out those social forces' which have fundamental objections to the Housing White Paper approach.⁴ However, the dominant consensus was that a review of the underlying tenets of the housing policy would impede housing delivery.

Several months into the second term of democratic government in South Africa, the National Housing Ministry has indicated its intention to review its White Paper on Housing. More recently, the Ministry has stated intentions, not of revising the White Paper as such, but of supplementing it with a housing strategy.⁵ This has led to some initiatives amongst role-players in the private, government and not-for-profit sectors to review the impact of the housing policy and implementation, with the intention of influencing the pending review.⁶ The Isandla Institute⁷ in Cape Town and the Graduate School of Public and Development Management at the University of the Witwatersrand in Johannesburg have identified the need for a neutral platform for cross-sectoral debate. To this end, a 'scoping paper' was commissioned to set the stage for further debate and research. The brief of this paper is to outline the evolution of the current housing policy and practice, to review assessments of its implementation over the past five years, to tap into current thinking on key constraints in the policy through interviews with a number of key role players in the housing sphere, to discuss particularly noteworthy local innovations that have addressed these constraints, and to identify areas for further investigation and research. The paper will be circulated within South Africa with a call for in-depth responses and research will subsequently be commissioned .

This scoping paper is divided into 6 sections. Section one provides an overview of the national housing policy and briefly explains the key implementation strategies. The second section provides the reader with a short summary of how the present policy came into being with particular reference to the different strands of thinking articulated by the main stakeholders. This is followed by a discussion of the main tensions and constraints experienced in the implementation of the policy. The way that different role players have attempted to negotiate the tensions and constraints within the existing framework is also highlighted in this section. The concluding section draws together the different strands of the discussion and points to some critical research and policy questions that require further investigation.

2. The National Housing Policy

The November 1994 White Paper, *A New Housing Policy and Strategy for South Africa* commits government to 'the establishment of viable, socially and economically integrated communities

ⁱ Funded by the Independent Development Trust (IDT) which operated on a government grant, the National Housing Forum was set up in 1992 with the intention of negotiating the future housing policy and framework. The nineteen members of the Forum were drawn from the major political groups, parastatal agencies, and representatives of the financial services, construction and insurance sectors and two non-governmental organisations (Urban Foundation and Kagiso Trust).

situated in areas allowing convenient access to economic opportunities as well as health, educational and social amenities'. All South Africa's people 'will have access to a permanent residential structure with secure tenure, ensuring privacy and providing adequate protection against the elements; potable water; and sanitary facilities including waste disposal, and domestic electricity supply'.⁸ The principles, goals and strategies of the policy were transformed into legislation in the form of the Housing Act (107 of 1997).

In quantitative terms, the overarching goal of the housing policy was to reach the target of 1 million houses in 5 years. In qualitative terms, the policy aims to support 'housing development' which is defined as 'the establishment and maintenance of habitable, stable and sustainable public and private residential environments' and the 'creation of viable households and communities'. This involves promoting 'progressive access' to economic opportunities, health, educational and social amenities; permanent residential structures with secure tenure and privacy and providing adequate protection against the elements; and potable water, adequate facilities and domestic energy supply (Housing Act, 1997).

The Act calls for housing development to be economically, fiscally, financially and socially sustainable; ensure economical utilisation of land and services and to discourage urban sprawl, in particular through the promotion of higher densities; be based upon integrated development planning, promoting integration with respect to social, economic, physical and institutional aspects of development; and contribute to redressing the historically distorted racial and spatial patterns of towns, cities and rural areas.

In terms of the process, housing development must allow for different tenure options; be the outcome of choice; be carried out in consultation with individuals and communities affected; be a process that encourages and supports skills transfer and empowerment of the community. The target group are citizens and permanent residents, but with priority to the needs of the poor and previously marginalised, including, women, youth and disabled. And finally, the Housing Act talks of facilitating the effective functioning of the housing market, leveling of the playing field and taking steps to achieve equitable access for all to that market.

Key Implementation Strategies

a) The Subsidy Scheme

The cornerstone of the housing policy is the national subsidy scheme, designed to accommodate social demands, enormous existing and projected backlogs, fiscal constraints, and to minimise housing and financial sector market distortions.⁹ It offers a lump sum or one-off 'capital' subsidies for lower income households earning less than R3500 per month. The amount is provided on a sliding scale in relation to income, ranging from R5 500 to R16 000 (April 1999)ⁱⁱ (see Table 1 below). The focus of the one-off 'capital subsidies' is on width rather than depth.

Monthly beneficiary income	project-linked capital subsidy	consolidation subsidy	Institutional subsidy
up to R1 500	R16 000.00	R8 000.00	R16 000.00
R1 500 - R2 500	R10 000.00	-	R16 000.00
R2 500 - R3 500	R 5 500.00	-	R16 000.00

ⁱⁱ A discretionary additional subsidy of 15% applies in areas with abnormal geotechnical or topographical conditions

Table 1: Housing subsidy amounts as from 1 April 1999¹⁰

There are five subsidy forms. The Project Linked Subsidy is applied to housing projects and provides for individual ownership. The Individual Subsidy gives individuals access to a housing subsidy to acquire ownership of, or upgrade an existing property, or to purchase/build a new property. Institutional Subsidies are allocated to an institution as opposed to an individual and provide for alternative forms of tenure. Consolidation Subsidies are available to individuals who have received housing assistance under the previous government in the form of a serviced site. The Discount Benefit Scheme (being phased out) allows long term tenants of public rental stock to receive a discount on the historic cost of a property. The Hostel Upgrading Programme provides assistance for the upgrading of publicly owned hostels.

b) A partnership between sectors and spheres of government

The implementation of the housing policy is based upon the concept of public-private-social partnerships. The White Paper calls for the housing challenge to be met through 'mobilising and harnessing the combined resources, efforts and initiatives of communities, the private, commercial sector and the state.'

'Social Compacts' (see Box 1) is one mechanism applied at the project level through which this concept of a partnership have been cemented.

Box 1

A social compact must be signed between the community, developer, local authority and financier before approval of projects for subsidy support. Every stakeholder must commit to the project and agree individual roles and responsibilities. The underlying premise of the social compact is conflict management and the creation of joint ventures between beneficiary communities and other actors.

The role of National Government is to set policy, norms and standards; set and monitor delivery goals; mobilise and distribute funds to provinces and municipalities for housing development, land acquisition, and infrastructure development; and to create an environment for all parties to realise housing goals. Provincial Government's role is to administer national and provincial housing programmes, to adopt legislation when necessary, and to approve and allocate subsidies. Local government must 'take all reasonable and necessary steps' to ensure that citizens have access to housing on a progressive basis; ensure that basic services and infrastructure are provided; and to identify and designate land for housing. It can engage in housing provision either by facilitating delivery; or, more proactively, by acting as developer; entering into partnerships and joint ventures with developers; setting up separate entities to execute housing development projects; administering national housing programmes; and, facilitating and supporting the participation of other roleplayers in the housing development process.

c) Mobilisation of savings, credit and private sector investment

Another central tenet of the policy is that additional resources be leveraged to supplement the government subsidy. It is stated that these resources should include private investment, formal credit, and the contributions of individuals to housing development. To this end, a variety of initiatives aimed at extending the availability of home-loans to the lower income market from the formal financial sector have been established. These include the:

Box 2

The SA government realised that very little end-user finance in the form of housing credit had been available to low-income households, which, in turn, impeded the ability of many households to improve their housing conditions. The first step in creating an enabling environment for private investment in housing was the signing of the Record of Understanding between the government and the Association of Mortgage Lenders. The Record of Understanding (ROU) came into effect on the 31 May 1995 and formed the foundation for a number of measures undertaken by the Government to normalise the housing environment. These measures include the Mortgage Indemnity Fund, Servcon Housing Solutions and the National Homebuilders Registration Council. This ROU was revised after three years

- **Mortgage Indemnity Fund (MIF):** A government-owned company formed in June 1995 as a result of discussions at the National Housing Forum and the signing of the Record of Understanding (ROU) (see Box 2). The MIF was established to encourage mortgage lenders to extend credit to households in the low-income brackets on a sustainable basis. The MIF closed its doors on 31 May 1998
- **Servcon Housing Solutions:** Launched in June 1995, Servcon is jointly owned by government and the Association of Mortgage Lenders. Servcon offers mortgage bond/home loan defaulters a special, one-off deal to regain properties or find more affordable accommodation. Servcon 'manages properties in possession and non-performing loans. A special purpose institution called Thubelisha Homes has been in operation since January 1999 to provide appropriate and affordable alternative accommodation to rightsizing households. Thubelisha Homes became fully operational in the first quarter of 1999. A target of 1000 right-sizing transactions has been agreed to by Servcon for the year 1 April 1999 to 31 March 2000. Relocation assistance of R18.4m will be required
- **National Housing and Reconstruction Agency (Nurcha):** Nurcha aims to facilitate delivery of adequate, sustainable housing by unblocking financial obstacles to the provision of subsidised housing. It uses guarantee funds to mobilise both bridging and end-user finance for low-income housing purposes and also makes grants to NGOs and CBOs to resolve conflicts or capacity problems delaying housing delivery
- **National Housing Finance Corporation (NHFC):** This is a public company wholly owned by government and operates with specific exemptions from the Banks and Insurances Act. The NHFC mobilises wholesale finance for the housing sector by taking investments from contractual savings institutions and directing finance and other assistance to intermediaries servicing the low income housing market. The Corporation facilitates the non-traditional lending sector and helps kick-start the establishment of new financial institutions. The NHFC has established the Social Housing Foundation, manages the Housing Institutions Development Fund (channels 'set-up' and global loans to new social housing institutions) and has recently established Project Gateway as a faster way to get credit to end-users. Gateway Home Loans provides enabling loans by retailers to individual homeowners, also secured through retirement funds. This mechanism is specifically designed to enable conventional retail banks to lend in previously redlined areas. Project Gateway creates a secondary mortgage market, providing a package of housing subsidy and credit from R20 000 to R50 000 to low-income, regularly employed beneficiaries. Medium term loans are provided at a fixed interest rates over a five- to ten-year period. They are partially secured against pension funds, and payroll deductibility is also required.
- **The Rural Housing Loan Fund (RHLF)** provides loans to existing and new lenders to enable loan products suitable to the needs in rural areas.
- **The Niche Small Market Lenders (NSML)** provides small loans for urban housing, secured through the clients' retirement funds

d) The speedy release and servicing of land

In the Housing White Paper, facilitating access to land for housing is identified as a 'critical component' of the housing supply process. Legislative provision for the same is addressed primarily in the form of the Less Formal Township Establishment Act (1991) and the Development Facilitation Act (1995). The latter provides the legal framework for all levels of government to assist in securing access to freehold land for development and provides for the establishment of tribunals in each province to resolve disputes for the purposes of fast-tracking development.

e) Complementary grants

National government grants for the provision of bulk infrastructure and services are provided through the Consolidated Municipal Infrastructure Programme (CMIP). The aim of CMIP is to provide a sustainable source of funding to local government to provide equitable access to affordable municipal services and to ensure an effective linkage with the housing subsidy programme.¹¹ It is an application-driven infrastructure grant provided to municipalities and allows R3 000 per poor household in municipal areas. Sixty five percent of the grant serves subsidised housing projects.

3. The Evolution of the Post-Apartheid Housing Policy

The evolution of the current housing policy has been the subject of a number of recent articles.¹² The following section traces the origin of the current housing policy and the process through which it came to be adopted. It examines the main strands of thinking that were articulated in the closing years of National Party rule within the three sectors of South African society that engaged with the question of low income housing in the policy arena. Each sector was responding differently to the housing injustices caused by over a century of racially discriminatory policies. The three sectors can be identified as follows:

- The dominant political opposition, the Mass Democratic Movement, comprising the **ANC, the labour movement COSATU and the civics**. Thinking in this sector converged around the need for democratisation and redistribution, with a central role for the state in constructing mass housing. Such housing was understood as a basic human right, and not as a commodity.¹³ Private tenure was considered exploitative and therefore inappropriate to the needs of the poor. In practical terms, this approach was implemented through the civic movement, in its abolition of rent tenancy in the residential areas into which it expanded.¹⁴ In informal 'squatter' settlements shack-lordism was replaced by a system that has similarities with communal land holding practices in African rural areas.¹⁵ Settlements were organised through various tiers of democratically elected civic committees, many of which managed to attract local and foreign funding for development in the late 1980s and early 1990s.
- The second sector was the emerging **Homeless People's Federation/People's Dialogue**ⁱⁱⁱ alliance, a social movement strongly inspired and supported by an international movement which encourages the poor to mobilise their own resources and find their own solutions to the lack of housing and other manifestations of poverty. Internationally, this movement has gained recognition and support through the discourse on urban

Box 3

As early as 1976, township unrest induced a business conference on 'the quality of life in our urban communities' which in turn led to the creation of the Urban Foundation, a business-funded think-tank on urban and social policy. While often portrayed as philanthropic, many analysts place this initiative in the context of economic downturn which industrialists associated in part with the instability of the skilled work force and limited consumer markets. Industrialists, it is argued, 'were far more concerned with improving their own economic prospects and access to state policy-making than with overall democratisation' - its investment in social advance and upliftment was in 'enlightened self-interest'. Private sector leverage over the ruling National Party (alongside pressure from other sectors) led to significant reform of urban policy in the 1980s. Undeniably this impacted positively on the quality of life for many black people. Under the policy of 'Orderly Urbanisation' (introduced in 1986), the control of influx to the cities was abolished, the provision of housing for black people in urban areas outside of bantustans was resumed, and land ownership for black households was gradually introduced. However, a strong element of patronage was entailed in the Urban Foundation inspired thinking that underpinned this policy. Rather than engaging with the realities of the poor, it imposed strictly controlled, technocratically defined development. It has often been pointed out that influx control was indeed replaced by new forms of control over the urban poor.

ⁱⁱⁱ People's Dialogue is an NGO dedicated entirely to providing administrative and technical assistance to the Homeless People's Federation. The Homeless People's Federation is a grassroots federation of 'homeless' people across the country whose aim is to take collective responsibility for the development and construction of their own housing.

poverty. Its success rests particularly on the building of social capital or mutual trust within communities, and the creation of a workable credit mechanism.

- The third sector was the **private sector** (business, mining and industry). Its concerns were with stabilising the social reproduction of the labour force; i.e. defusing the instability of labour supply caused by popular protest to National Party policies. Central to the thinking was creation of black homeowners, as a means of political stabilisation.^{iv} (16). Commodification of land and housing was understood as vital for economic growth. A position and philosophy articulated through the Urban Foundation, the sector's interest in poverty was primarily out of concern for the economy (see Box 3- 17)

In the early 1990s the most influential of the three was the private sector. This powerful influence relates in part to changes in the national and international economy; the ascendancy of the Washington consensus; divisions within the nationalist movement around economic policy; and the 'elite-driven' nature of the South Africa's transition. It was under these circumstances that the private sector came to exercise powerful leverage over both the outgoing National Party government (which was rapidly losing power) and the incoming ANC, which was increasingly depending on support from the established business sector.¹⁸

Concerning policy-making for post-apartheid South Africa, the Urban Foundation published its 'Proposal for a National Housing Policy' in 1990. Central to this proposal were 'quantitative objectives'¹⁹, the quantifiable product being a standardised serviced site financed through a once-off capital subsidy. The National Party government afforded the business sector the opportunity of implementing its concept at scale, by consulting the Urban Foundation chairman Jan Steyn on poverty alleviation. Literally over a weekend²⁰, Steyn designed a programme that was accepted by government within three days. Jan Steyn was charged with its implementation through the 'Independent Development Trust' (IDT), for which the state, on his request, made available a grant of R 2 billion. Over the next four years, standardised serviced sites were delivered at scale to approximately 100 000 qualifiers of the capital subsidy.

The way that the IDT sites and services projects were received is an important question, in view of the continuity of the approach from the IDT via the National Housing Forum into the current housing policy²¹ (see Box 4). The treatment of this question is reflected in the debate in the National Housing Forum. A major criticism, which the IDT seemingly did not contest, was the assertion that the capital subsidy scheme had perpetuated the spatially segregated urban form.²² This concern was not resolved in the subsequent debates. Analyses of the Forum's activities²³ have associated its failure to address the spatial implications of the IDT's capital subsidy model with manipulation of its activities by the National Party government. It is argued that by allocating development funding to the Forum and requiring it to grapple with decisions about immediate implementation, the outgoing government distracted the Forum from the discussions related to

BOX 4

The continuity between the IDT capital subsidy approach via the National Housing Forum and into the current housing policy is widely acknowledged by many critical observers. While the capital subsidy 'product' now includes a core house, many aspects of development procedure for the project-linked subsidy have remained largely those of the IDT capital subsidy scheme. The reason for the continuity relates in no small part to the balance of power in the Housing Forum which favoured business interests who generally acted in concert with the apartheid government's concern to limit the extent of redistribution (both politically and economically) and the conservative parastatal institutions' (Development Bank of Southern Africa, IDT) who restricted the policy making horizon to matters of immediate implementation and away from longer term questions about urban spatial restructuring.

^{iv} In 1977, Jan Steyn, then director of the Urban Foundation, is quoted to have said: 'the absence of meaningful provision of home ownership in our Black urban townships plays a significant part in the instability and insecurity so prevalent in these areas'

longer-term questions of urban spatial restructuring.²⁴ The perpetuation of spatial segregation scheme remains a serious challenge to this day.²⁵

Criticisms which the IDT did contest concerned the ideological underpinnings of the approach. The South African National Civics Organisation (SANCO), a unitary national body representing the majority of civic organisations, pushed very strongly for people's-driven development. The IDT in turn saw the role of civic organisations primarily in 'assisting the IDT implement its site-and-service schemes across the country'.²⁶ A second contention was SANCO's call for the democratisation of development finance, and therefore of bodies such as the IDT and the Development Bank of Southern Africa.²⁷ These demands were emphatically contested as 'intrusions' into IDT's 'affairs'.²⁸ A third contention was around SANCO's campaign for 'housing', which it understood as a human right, as opposed to 'toilet towns' as the IDT sites and services projects were popularly referred to by the civic movement. SANCO's campaign for a right to housing was dismissed by the IDT as 'noble' but 'unrealistic'.²⁹

In the formulation of the ANC's election manifesto - **Reconstruction and Development Programme** - which took place in parallel to the National Housing Forum negotiations, SANCO was widely consulted, and indeed the concept of 'housing as human right' was taken seriously. It was also consulted in the RDP's formulation of housing finance mechanisms³⁰ which centered on the blending of government funds with that of the private sector in order to render longer term access to finance affordable. A National Housing Bank was proposed for this purpose. SANCO's concern then turned to the need for credit mechanisms in those areas where private banks were refusing to lend. Here it proposed a Community Reinvestment Act (modeled on that of the United States), forcing banks to lend in areas it had redlined.³¹ SANCO took issue with banks over the problem of redlining in areas considered to have high risks of default. At the centre of SANCO's deliberation over credit were those (black) households that could afford small conventional mortgages but were refused these by the banks. Its leverage over the bank was its threat of renewed bond boycotts.³²

At the same time, a separate initiative emerged as a result of banks' 'unwillingness' to lend to the poorest income sector, i.e. those not formally employed. In this sector, the savings and credit schemes of the Homeless People's Federation emerged. Though not represented in the National Housing Forum, the initiatives of the Federation have consistently influenced the direction of the housing policy since the 1994 elections. After being disappointed in discussions with banks and other role-players in housing finance, the People's Dialogue/Homeless People's Federation's strategy demonstrated that the poor can save and repay credit, can help themselves, and indeed do have a workable housing plan and delivery strategy.

Initiated in 1991, through an international meeting of 'people's networks'³³, the South African People's Dialogue on Land and Shelter devised a revolving fund providing credit to the poor. This was implemented in 1993 and shortly before the 1994 elections. An umbrella for the savings groups was formalised as the South African Homeless People's Federation, supported by the NGO People's Dialogue.³⁴ By 1999, some 2 000 savings groups were formed, with a total of 70 000 active savers.³⁵ The Federation places women (though not exclusively) at the centre of the development process (see Box 5 - ³⁶)^v

Box 5

The Federation is 85% run and controlled by women. To date some 4000 housing units have been built through the People's Housing Process using savings schemes and mutual help projects

^v Other statistics suggest that 10 000 houses have been built using People's Housing Processes method – a figure that 'hovers around' 1% of the 800 000 housing opportunities created

With regard to the IDT sites and services projects, alongside the civic movement, the Federation discarded these as 'toilet towns'. Indeed, its thinking coincided with that of the Mass Democratic Movement (formulated in the RDP) on the aspects of people-centered development, the need for low interest credit, and the need for alternatives to individual freehold tenure. The Federation's analysis, however, was that the RDP did not give clarity on the mechanisms required for people-driven development.³⁷ The Federation put forward its concept of Housing Support Centres as vehicles for people-centred development.

Noticeable support was gained for the Federation's approach³⁸, and the first housing minister pledged his support to the Federation at the October 1994 Housing Accord³⁹. The Housing White Paper of November 1994 was not explicit on this support, however.^{vi} (40). It reflected agreements made in the National Housing Forum rather than the political manifesto of the RDP⁴¹ and/or the Federation's approach. The fundamentals of the capital subsidy scheme piloted by the IDT were adopted, representing an enormous up-front injection of state funds into the private building and construction industry, which was to deliver the goods. The private financial sector was called upon to provide unsubsidised loan finance to the poor for the improvement of the core house.

Having examined the evolution of the housing policy, the following sections (four and five) outlines the key tensions and main constraints identified by various stakeholders with respect to its implementation. Where relevant, it highlights criticisms and proposals being put forward by the different sectors with respect to the development of the policy in the millenium

4. Tensions within the policy

4.1 The Reconstruction and Development Programme, The Constitution and Housing Policy

Current housing policy in South Africa is based on a fundamental understanding that **housing is a basic need**. The right to 'have access to adequate housing,' first articulated in the ANC's Reconstruction and Development Programme (RDP) in 1994, is enshrined in the 1996 Constitution,⁴² where the state is obliged to 'to achieve the progressive realisation of this right'.⁴³

But as with all new democracies struggling to expand citizenship in accord with the provisions of their constitutions and their macroeconomic and sectoral development programmes, considerable difficulties arise in giving material expression to socio-economic rights in the context of conservative monetary and fiscal policies. Thus, while the state bears the responsibility for ensuring that the basic needs of all are met, the obligation of the state, according to the Constitutional Court ruling of *Soobramoney vs Minister of Health, 1997* is limited to 'available resources' – defined as what the Minister of Finance has allocated in the national budget.^{vii} More recently, the High Court in Cape Town issued a

Box 6

Irene Grootboom and hundreds of other squatters – 390 adults and 510 children – were living at Wallacedene, Kraaifontein, north of Cape Town, but appalling conditions prompted them to move to neighbouring New Rust. Evicted from New Rust, they were unable to return to Wallacedene squatter camp as their places had been taken by other homeless people, so they camped on a sportsfield next to Wallacedene Community Centre, using the flimsy building materials they had salvaged from the New Rust evictions. Grootboom and her family brought an application for authorities to provide basic shelter for them and their children. The Cape Town High Court ruled that authorities were constitutionally obliged to provide shelter for the children and their parents, even if that shelter was of a rudimentary kind. The judges said that the authorities had to draw up a plan indicating how they would provide shelter for their children and parents, and present this plan to the court within three months

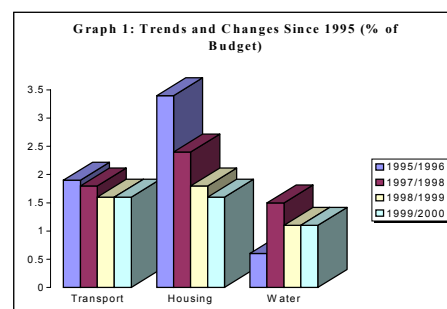
^{vi} Under its 'Key Substantive Approaches and Interventions', the W that 'Government is currently considering the establishment ... of h

^{vii} Despite this, the State is forced to provide evidence that it is acti circumstances. Therefore while the judgement highlights the need to expand the currently narrow concept of "affordability", it does place a greater evidentiary burden on the State than ever before

groundbreaking decision, which for the first time begins to make socio-economic rights of the Constitution a reality. In a unanimous decision, Judges Dennis Davis and Jock Comrie said that authorities were constitutionally obliged to provide shelter for children who had asked the court for help, even if that shelter was of a rudimentary kind. As it was in the best interests of children that they stay in their family unit, the shelter provided for the children should also be extended to their parents (see Box 6 -⁴⁴). This recent Cape High Court decision; coupled to the provisions of the Prevention of Illegal Evictions from and Unlawful Occupation of Land Act (1998)^{viii} (45) and the 1991 landmark ruling of Justice Johan Conradie against the Kayamandi Town Committee^{ix} (46); suggests that the right to housing, the obligation of the state to provide services being limited to available resources (as per the Constitutional Court ruling mentioned above), and that authorities should follow the due process of law will require local authorities to negotiate citizenship and the realisation of basic socio-economic rights in more creative and democratic ways.

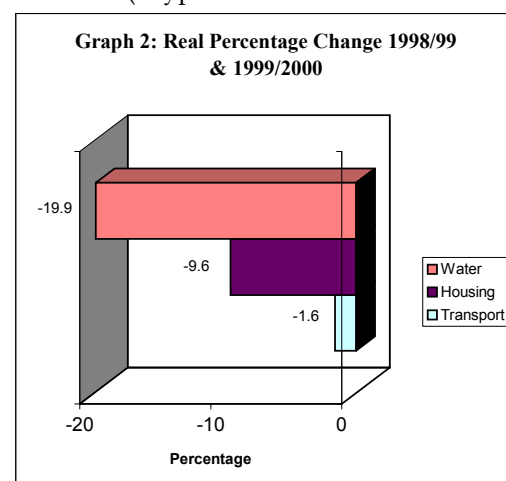
4.2. Progressive realisation or mass delivery of a product

The concept of 'progressive realisation' of housing, as defined in the Housing White Paper, has not sat comfortably with the original pledge to deliver a defined product (i.e. a dignified house with 'reasonable living space and privacy') at the rate of 1 million houses in five years.^x With decreases in the size of the housing budget as both a percentage of national budget (from 3.4% in 1995/96 to 1.6% in 1999/2000) (see Graph 1), and in real terms (the housing budget for 1998/1999 was 24% lower than the 1997/1998 budget and there was a 9.6% decrease for the year 1998/99 to 1999/2000) (see Graph 2) plus government's commitment to width rather than depth, it has become increasingly difficult for authorities and developers to deliver an acceptable product. .



Beneficiaries have expressed dissatisfaction with what has been delivered (a typical 25m² unit with no partitions) and local politicians have also been vocal in demanding the delivery of larger houses.⁴⁷ The National Department of Housing has responded in two ways. Firstly, through an amendment to the Housing Act, requiring state-subsidised houses to be constructed to a minimum of 30m².^(xi) ⁴⁸ Secondly, it has more recently begun to talk of 'housing opportunities' rather than houses ⁴⁹, thus diverting attention from the housing product. In practical terms, however, the discordance between expectation and delivery continues.

An issue related to the above is the disjuncture between mass delivery versus a quality product. The focus on 'numbers' has meant that most subsidies were (until very recently)



^{viii} The Act makes it a criminal offence to evict 'unlawful tenants' without a Court Order

^{ix} The ruling barred the Kayamandi Town Committee (Stellenbosch) from removing squatters from land it controls unless it has given consideration to what is to be done to address their housing needs

^x This pledge was abandoned in March 1998 as will be elaborated on later

^{xi} An exception is applied where geotechnical demands exceed the allowance for variation

allocated to large developers^{xii} who have the capacity to deliver standardised products at scale. The more time-consuming, process-oriented, and smaller scale delivery approaches (community and NGO-driven), have tended to be sidelined in favour of large-scale delivery. A recent comment by the Chair of a Provincial Housing Board⁵⁰ articulated the dilemma 'How we can we keep our subsidies aside for NGOs? They never deliver. It took 3 years for one project'. While many policy statements in the past year have stressed the importance of improved quality, at a recent housing conference, the Director General called for 'accelerated delivery' in the new millennium.⁵¹

4.3. A supply versus demand side approach

In response to the above, the government has sought to address the constraints through creating more institutions and incentive schemes to leverage additional finance from the private sector. But these are by and large supply side interventions, which represents another tension in the present policy. The policy continues to focus on 'getting the institutions right', 'normalising the environment' and 'leveraging private sector investment' while retaining its initial thrust of being a state assisted, market driven programme. The programme including subsequent amendments and revisions then continues the supply-side approach, relying on formal sector developers who need to be continuously enticed away from alternative projects, i.e. constructing middle income housing or infrastructure. Having based the programme on supply, decreasing budgets and the preference for width over depth has made entry into the low-income housing markets by developers less attractive. The market driven, state assisted approach combined with declining budgets has made it very difficult for other role players (beneficiaries, local authorities and even NGOs) to engage with housing delivery in a socially responsive and politically viable manner.

5. Constraints in the present housing policy and strategy

5.1 Mobilising Finance for Low Cost Housing

Five years after the adoption of the housing policy, despite the establishment of a plethora of financial institutions designed to help channel finance to the low income groups, a continuing challenge to the Department of Housing is the mobilisation of private sources of finance for housing delivery. It appears that savings, formal credit and private sector investment are not being mobilised in any significant way to supplement the subsidy as was originally envisaged.⁵²

Adjustments to the policy of housing finance have been largely within the continuum of the original approach, through agreements between government and banks. The 1994 Record of Understanding between the government and banking sector had entailed a commitment by government to 'normalise' the township markets. Government pledged to ensure law and order and enforce a 'culture of payment', and to 'cover accredited lenders if they were unable to repossess properties via normal legal channels once default had occurred' through the Mortgage Indemnity Fund.⁵³ In turn, the banking sector pledged to endeavor to provide housing finance to beneficiaries of the housing subsidy.

Despite the above, by 1997 it was evident that the Record of Understanding had failed. For the majority of recipients of the capital subsidy, private sector top-up funding has not been accessible; of all subsidised houses delivered since 1994, only 14% were credit-linked.⁵⁴ Particularly disadvantaged by this situation are those households qualifying only for a portion of the subsidy because of slightly higher incomes. Due to inaccessibility of credit, they have ended

^{xii} It needs to be noted that that some provinces are slowly beginning to engage other types of developers with a heavy emphasis on People's Housing Processes

up with an even smaller house than the lowest income sector beneficiaries, or no more than a serviced site.⁵⁵

Several explanations are offered for the above scenario. Firstly, the banks have not perceived the township markets to have normalised and the subsidy beneficiaries have lacked confidence in the conventional banking system.⁵⁶ Because of poor workmanship, there has been a tendency for end-users to withhold bond payments. Here government responded by creating the National Homebuilders Registration Council^{xiii} in an effort to protect consumers from shoddy workmanship (to be discussed later in the paper). The cost and terms associated with conventional mortgages have also proved too complex and expensive for lower income groups.

Notwithstanding the many attempts to make conventional home loans viable for households qualifying for government subsidies, recent statements by both the banking sector and government suggest a broad acknowledgment that the conventional mortgage loan system is inappropriate for the low-income market. This recognition has led to the proposal of two broad initiatives to redress the situation. Rather than forcing banks to extend conventional lending mechanisms into the lowest income sector, the Department of Housing is now proposing the mobilising of beneficiary savings in line with the approach promoted by the Homeless People's Federation. As recently stated by the Housing Minister: 'We will be embarking on a national savings campaign mobilising savings to awaken the slumbering financial potential prevalent in our communities'.⁵⁷ Meanwhile the banking sector, represented by the Banking Council, is outlining a proposal to bridge the gap between formal and informal or micro-credit lending through the creation of intermediary institutions embedded within low-income communities.⁵⁸

The Ministry's suggestion regarding an individual's savings history determining eligibility for subsidies and loans⁵⁹ has created discomfort among those with experience in designing and operating systems that work for the poor, in particular, the Urban Sector Network NGOs and People's Dialogue.⁶⁰ Their concerns are as follows. Firstly, that the Federation's approach is wrongly being interpreted as a means of accumulating individual savings. It tends to be overlooked that the philosophy upon which the savings are based is geared towards the mobilisation of social capital as much as savings. Moreover, it is not the accumulation of individual savings but the building of an independent communal pool through which members have continual access to various forms of credit capital. Particularly important is the access to small emergency loans, enabling households to counter short-term shocks. The decision to join the Federation is a long-term commitment and a shared way of life.⁶¹

The second concern relates to the issue of membership. Those seeking to build upon the Federation model might also overlook that not everyone will be able or willing to save and take part⁶², including those struggling with survival and other uncertainties who are simply not in a position to commit themselves to long term savings and credit schemes. If the governments begins to require savings in order to allocate the subsidy, it is inevitable that many of the poor will be excluded.

As a reflection on means to increase the access of lower income groups to housing finance continues, the trade union movement has renewed its demands for stronger state intervention in blending government subsidies with private sector funding to allow longer term financial support for affordable housing alternatives. It has continued its call for a

^{xiii} The Housing Consumers Protection Measures Act (1998) requires all home built by the National Home Builders Registration Council (NHBRC) and for all new homes to have NHBRC's defect warranty scheme

Box 7

'International models, including the community investment legislation of the USA, must be consulted as examples of best practice.'

(Deputy Director General, Department of Housing, December 1999)

National Housing Bank and for legislation modeled on the Community Reinvestment Act (United States of America), with some positive responses on the part of the government (see Box 7-63). The widespread failure of the formal finance sector to reach the beneficiaries of the housing subsidy scheme has also induced some questioning as to whether a policy based largely upon conventional home-ownership, which assumes access to conventional mortgage finance, is appropriate (to be discussed later).

At the October 1998 Presidential Jobs Summit, government and banks agreed to explore, along with the labour movement, a housing delivery strategy that combines public-private-community resources. A 'Presidential Jobs Summit Pilot Project on Housing' was launched, with the understanding that if proven successful, 'the principle can immediately be adopted into the National Housing Strategy'.⁶⁴ One of the key aims of the pilot project is to address the banks and business' 'bad risk' mentality by demonstrating that reasonable financial returns can be made.⁶⁵ The financial arrangement will comprise the capital subsidy, an equity contribution from government (extra subsidy), and loan finance at the current mortgage bond rate plus one percent.

The pilot project targets the delivery of 50 000 housing units in ten projects across the country. Development sites are to be well located, housing to be integrated with social and recreational facilities, individual projects are to accommodate a mix of income groups, and different tenure options to be provided (75% of units in each project are to be rental). In committing itself to this Job Summit project, the Ministry has demonstrated willingness to explore quite a substantial shift from the once-off capital subsidies coupled to independent access to private sector loan finance. However, Banks have reacted nervously, fearing that the Job Summit pilot project would undermine the existing policy.⁶⁶

The following case studies demonstrate how additional finance is being leveraged to supplement the government subsidy. The first study blends private sector investment finance and institutional subsidies to upgrade deteriorating inner city rental accommodation. This involves the restructuring of rates and services arrears is connected to investment for refurbishment and new construction. The second case study demonstrates how beneficiary savings and private sector credit can be creatively mobilised to top up government subsidies.⁶⁷

Box 8***Bad Buildings Strategy and Project, Johannesburg: innovative approach to housing finance***

The inner city of Johannesburg has an unmet demand for rental housing. At the same time, existing residential stock is deteriorating due to service arrears, service termination and deliberate neglect by absentee landlords who await the point at which it pays to demolish. The 'Bad Residential and other Buildings in Arrears' strategy of the Johannesburg Metropolitan authority focuses on addressing the problem of residential, commercial and industrial inner city buildings in arrears and in poor condition. Instead of initiating expensive legal processes to recover arrears due to it, the council has adopted an alternative policy that converts the problem of arrears into an opportunity to leverage private investment in the inner city. The objective of the policy is to contribute to the viability and sustainability of inner-city housing and commercial projects and thereby attract private sector investment in the inner city property market. To achieve this, local government will introduce a programme of restructuring the rates and services arrears against quantifiable and verifiable investment in upgrading, refurbishment or new construction on the part of new building owners. The programme is based on a model which involves the owner or trustee – who wants to get rid of the building or allow it to be sold in execution - agreeing to transfer their building to a company that would invest a certain amount in the building. The present owner/trustee would be relieved of his/er debt and the building, and the new owner would have a new building into which s/he must make an investment. The council would guaranteed of recouping its debt in the form of either equity or a subordinated loan redeemable at prescribed intervals from the new company.

There are two options in this model. In the first option, the company can be sold to a developer at market value plus costs, or the building can be redeveloped as social housing and managed as rental stock. In the second option, a consortium of merchant banks will provide development (bridging) finance, pending the allocation of subsidies. The buildings will be redeveloped and managed by institutions such as the Johannesburg Housing Company as social housing. The new company will be required to structure their business plans to the satisfaction of the Council and in so doing give assurances regarding the payment of equity or subordinated debts owing to the Council at clearly determined intervals. The provincial government has already committed five hundred institutional subsidies to this project. The metropolitan authority will allocate the subsidies to the new owners. Two pilot projects have already been initiated.

Box 9 ⁽⁶⁸⁾ below describes an initiative on the part of the City of Cape Town Municipality that is doing exactly what is being proposed by the Minister of Housing, in terms of mobilising savings as a prerequisite to obtaining a subsidised house and to leverage finance from the formal banking sector to supplement the subsidy.

Box 9***Mobilising End-User Savings: The Cape Town Community Housing Company***

In the City of Cape Town there has been an attempt to move away from a housing approach that relies only on the once-off capital subsidy. With start-up capital from the National Housing Finance Corporation, the municipality established a housing company in May 1999. This company combines personal savings with a municipal contribution and access to micro-credit and acts as developer in the construction of houses using the institutional subsidy. Loans are provided by affiliated financial institutions, using beneficiary savings as security. Beneficiaries qualify for housing by entering a savings scheme and putting their names on a waiting list. The housing provided varies according to the loan taken out by individual applicants.

Box 9 (cont)

Mobilising End-User Savings: The Cape Town Community Housing Company

While the housing is ultimately intended for home-ownership, the housing company holds the title for the first four years after occupation, along with the terms outlined in the institutional subsidy guidelines and in order to ensure payment. Through this approach, the attempt is to cultivate a culture of payment as a means of overcoming the widespread problem of non-payment of rent, rates and service charges in low-income areas. The concept has been well received, with 25 000 registrations in the first 2 months. Show houses have been built in various residential areas and construction has begun on the first set of units. Suitable development sites are being identified across the municipality, including well-located infill sites in middle income areas

The overwhelming public interest in this approach may be seen, on the one hand, as an indication of the extent of the housing backlog. It also suggests the acceptability of the concept of savings- and credit-linked subsidies for the moderate-income sector. Obstacles, if any, appear to lie on the bureaucratic side, in the release of land, and in the access to beneficiary's capital subsidies from the Provincial Housing Board who have committed their subsidies for the forthcoming financial year.

Examined in the broader context, however, it is clear that both the initiatives above, while worthy in their own right, will not ensure that additional finance reaches the poorer income groups. Institutional housing is simply unaffordable to the lowest income groups, and the level of savings required by the Housing Company will inevitably exclude the poorer groups.

While more research is required into this issue, it appears at the present time that apart from the Homeless People's Federation savings schemes, the main forms of credit reaching the poor are the commercial micro-credit schemes and traditional revolving loan schemes run by women, known as 'stockvels'. The former have received much press coverage lately due to widespread exploitative practices such as taking identity books as security. Interestingly, initiatives such as the Grameen Bank style revolving loan schemes have not taken off in SA.

5.2. Alternative Tenure

The majority of subsidised housing has found concrete expression in single storey greenfield developments for home ownership. The White Paper paid scant attention to rental housing due in part to the assumption that most people wanted to become homeowners as opposed to renters. Many argue that this assumption has not been sufficiently tested⁶⁹ and there is growing evidence that in many developing countries rental housing constitutes two-thirds or more of the housing stock.

While discussions around alternative forms of tenure are very much in the forefront of the current housing debate and action, the rental projects are based upon the concept of institutional or social housing. Although this is a welcome initiative, it is widely acknowledged by advocates of social housing that it is simply not appropriate for the lowest income groups. The Managing Director of the Social Housing Foundation recently stated: 'Social housing is not aimed at the poorest of the poor, but at those who can pay for housing, but whose purchasing power is limited, making rental a necessary as well as desirable option'.⁷⁰

The need for rental housing in black areas 'has become dire'⁷¹ and research suggests that South Africa has a peculiar demand for places to rent. Demand comes largely from workers and the indigent in urban areas. Other stakeholders have also slowly come to see the need for expanding the stock of rental housing. The National Black Contractors & Allied Traders Forum (NABCAT) has urged government to introduce rental stock to accelerate housing delivery and bypass delays caused by stringent lending criteria set by mortgage lenders. According to the secretary-general of NABCAT, the introduction of rental stock was necessary as redlining and the application of onerous

qualification criteria by the AML was holding mass delivery to `ransom'.⁷² The question that begs a response is who is to provide, own and manage the rental stock?

There is widespread agreement amongst most housing policy experts in South Africa that the public housing rental option is expensive, the subsidy ongoing and the administrative costs very high. Indeed, in the City of Cape Town, the operating subsidy per rental unit per annum is R2000 and the majority of residents do not pay their rent. Structurally, public sector rental accommodation costs more to build than self-help. Maintenance is the government's (landlords) responsibility which has proved very costly, particularly as structures age. It also creates an attitude of reliance on government rather than self. Finally, concentrating the poorest, often in multi-storey flats, has created depressed social environments in South African cities and elsewhere.

There can be no doubt that South Africa's experience with public housing is not very encouraging. The poor design, incoherent structuring and flawed implementation are lasting features but these cannot be separated from the dominant ideology of the time wherein housing was used as an instrument of control, segregation and racial domination. This should not detract attention from other experiences in the world, wherein state provision of rental accommodation has been deployed as an important instrument in nation building.

To summarily dismiss public provision of rental accommodation on purely economic grounds and with the apartheid experience as a point of reference tantamounts to being trapped in the orthodoxy of the moment; i.e. residualisation of the public sector, without paying any real attention to the success of public sector rental schemes elsewhere. This is especially important as some key think tanks on the economy using sophisticated econometric modeling concluded in 1993 that it is only by state delivery of rented accommodation that there is a realistic chance of meeting the housing needs of those most in need. The degree of state intervention can vary over the range of functions involved - it can be a builder itself, or subcontract to an audited private sector agent; it can provide or guarantee loans; it can subsidise rents or charge at market value. State intervention does not preclude a market-oriented stance in the future. Thus, the provision of public sector rental accommodation does not have to be at the expense of the continuing role of existing forms of provision, but these must not be allowed to obstruct a major programme to expand supply through commitment to greater or lesser reliance upon the `market'.⁷³

An alternative to state provision of rental accommodation for destitute families is to stimulate the private formal sector rental market. But developers generally avoid large-scale mass housing apartment blocks because of low returns and problems related to non-payment. For example, a two-bedroom flat of 74m² can cost R210 000 to build (1995 prices). The rental would be about R1480 a month, which gives an 8% return. This falls far short of the 13-15% required for reasonable economic returns. This would imply a rent of R2500 per month⁷⁴, which is clearly out of the reach of the majority of the population who fall below the R1500 income bracket.

Thus, there appears to be a significant demand for rental accommodation and the inadequate provision of this type of housing (by both the public and private sectors) often forces some tenants to double up on the numbers accommodated in apartments because there is nowhere else to rent. While

Box 10

Backyard shacks are a necessary resort for the poor and should not be condemned by local authorities. The lodging system of backyard shacks is the financial motor behind people building their own homes. The practice elsewhere is for new households to live in one room while renting out the other. Profits were ploughed back into the construction of other rooms for rent. The extent of this activity elsewhere was that building societies, when assessing bond applications, added R100-R150 a month to assessed household income, on the certain assumption that the unit would be yielding rent. Some authorities believe that there is a strong case to create as part of the national housing policy package, a 'soft' room loan, to be repaid over three years, to cover the cost of the first rental room. The cost to the state, they believe, would be nominal: the only cost is the opportunity cost foregone on the interest of the small loan over the three years

affordability plays a major role in influencing demand for this type of tenure, the lack of appropriately priced accommodation near work, schools and shops is driving people to live in overcrowded and poorly maintained blocks of flats.⁷⁵

A major problem with the existing policy is that the housing needs of subtenants and backyard shack dwellers is still to be addressed. The role played by small-scale, informal petty landlords is not explicitly recognised in the White Paper and has not been addressed in subsequent policy revisions and amendments.^{xiv} This is perhaps surprising in light of the large number of people living under this tenure arrangement. In Gauteng, for example, approximately 1.2m people are accommodated in this manner. Considering that some 57% of all township stands have at least one informal dwelling, it is clear that a significant rentier class has arisen in the townships with a definite stake in the informal housing market. It is uncertain how many people in the urban areas of South Africa qualify as subletters and sharers. A recent survey (1993) in six formal African urban townships (in Cape Town, Johannesburg, Pretoria, Durban, Springs, and Welkom) estimated that 40% of the surveyed population lived in backyard shacks, and a further 15% were tenants within the formal dwellings; thus a possible 55% of the surveyed population were renters and sharers. A survey in the African areas of Cape Town indicated that in the older formal township of Guguletu, 100% of properties were sublet; this fell to 86% in the informal settlement of KTC and to 68% in the newer formal areas of Khayelitsha.⁷⁶ The contribution that this form of tenure makes to providing accommodation to low-income people and assisting consolidation, is still to be acknowledged in policy terms and measures to support this form of accommodation still need to be formulated (see Box 10 above - ⁷⁷).

There is increasing evidence that rental accommodation can offer the poor a flexible and convenient form of shelter which caters for the needs of circulatory migrants and those unable to bear the costs of living in far flung peripheries. Unfortunately, the housing policy and the financing instruments are not sufficiently geared (except through the institutional subsidy and the hostels programme) to cater for the needs of the very vulnerable segments of the population. While the growth of new social housing institutions should further increase rental stock (even though only 2% of the subsidies allocated to date are institutional), significant more policy work needs to go into how to support and strengthen the formal and informal rental housing market for low-income people.^{xv} Policy and research work will need to be break with either/or options (public vs private) and focus on how to meet basic needs within an empowering and sustainable format.

An interesting start has been made in this direction. At the October 1998 Jobs Summit, government and banks agreed to explore, along with the labour movement, a housing delivery strategy that combines public-private-community resources. Seventy percent (75%) of the units in each of the ten projects are to be rental housing, with ownership held by a public housing agency. The emphasis on rental accommodation is even welcomed by the private sector (see Box 11 -⁷⁸). The financial arrangement undergirding the projects comprises the capital subsidy, an equity contribution from government (extra subsidy), and loan finance at the current mortgage bond rate plus one percent. Banks have reacted

Box 11

‘The new drive to promote rental is long ‘overdue’ and critical in light of government promises to meet the housing needs of all South Africans’

^{xiv} The reason for this might lie in the policy discourse on squatting which will be discussed shortly

^{xv} The soon to be introduced Rental Housing Bill seeks to encourage the private sector to invest in high-density low cost rental housing, particularly in inner city areas. The bill aims to establish a sustainable housing movement and mobilise private sector management of rental housing. It introduces mechanisms to resolve conflict between landlords and give tenants more protection by prescribing fair practices in house letting.

nervously, fearing that the Job Summit pilot project would undermine the existing policy.⁷⁹ The attempt by the project managers then has been to address the banks and business' 'bad risk' mentality by demonstrating that reasonable financial returns are indeed to be made - hope indeed is that 'the tables may be turned'.⁸⁰

While the Job Summit initiative is a bold attempt to address some of the problems with the present policy, there are numerous problems that need to be flagged at this stage. These include:⁸¹

- The scale of the individual projects are large and do not easily lend themselves to being integrated into existing housing initiatives
- The challenge of creating the institutional capacity (at local government and project level and in housing associations) to manage large rental estates is a considerable one and becomes more acute given the short time frames for implementation
- The intended beneficiaries of the project fall roughly in the band of the lower-middle income group (see Box 12 - ⁸²)
- Three quarters of the project is geared towards the provision of rental stock owned by a public institution. Existing public stock is being sold at a rapid rate through the state's discount benefit scheme because of public sector constraints. There is nothing preventing a similar erosion of the rental stock related to this project in the long term
- A great concern relates to the administration of the rental stock by local government and the costs involved. Given the fact that most local authorities have appalling public sector rental stock management records particularly in the areas of rent collection and maintenance, the roles and responsibilities of local government will have to be very carefully considered
- Is it fair and just to top up the subsidy amounts of those earning between R1500-R2500 (total subsidy to beneficiaries is R25 000) while those earning under R1500 will have to be content with the meager R16 000?

Box 12

‘It should be noted that the housing produced through the Job Summit will in all likelihood not be affordable by the very poor... The Job Summit initiative will be a welcome addition for those who can afford more’

(Executive Director of Housing:
Durban Metropolitan Council)

5.3 A continuing struggle for access to well located land and integrated development

a) Poorly located land

Gaining access to well located land is a major obstacle to low cost housing development in South Africa. Most housing provided through the capital subsidy has typically been situated on cheap land and in peripheral locations - in areas previously designated “black” or “coloured” - which by definition are the less desirable parts of town.⁸³ The consequence of the above is that little progress is being made in restructuring, deracialising and desegregating apartheid towns and cities through new housing developments. In fact, much subsidy housing developments are, in effect, consolidating existing spatial patterns and inequalities. Because of the distance from urban/industrial centres and lack of other facilities, income generating opportunities are fewer in the new locations. Moreover, the cost of transport into town or city centres tends to be extremely high for residents, not to mention the high costs incurred by the local authority in installing and operating the services and infrastructure. A 'beneficiary' of a Johannesburg squatter relocation area (the recent forced removal from Braamfontein Station to the Thula Mntwana site 30km outside of the city) articulated the locational dilemma:

'We have to pay R10 to and from town but how can you afford such a fare if you are unemployed? I am thinking of going back to the inner city. There it is better, at least there are containers to offload, cans to recycle, there is plenty of water, easier to survive'.⁸⁴

The Homeless People's Federation experiences are that legal access to land, not even to speak of well-located land, is one of the main barriers to the progression of the Federation's house-building⁸⁵ (see Box 13). This is despite the fact that Federation members are increasingly invited by government to serve on Provincial Housing Development Boards and other governing bodies.^{xvi} (86)

Several problems lie at the heart of the land scenario. One is that the cost of the land and services must be covered by the capital subsidy (excluding bulk services and infrastructure). In order to maximise the amount available for 'top structures', this means that only poorly located, cheap land tends to be made available. Linked to the last point, because of its relative rigidity and the flexibility required for upgrading, the subsidy does not lend itself to the upgrading of often relatively well located informal/illegal settlements (as will be discussed below). Instead of upgrading, a majority of subsidy housing is on green-field sites. The CMIP grant for bulk infrastructure provision also contributes to this situation by focusing on the delivery of services in new peripheral locations. Moreover, the delivery of medium-high density housing is not taking place in any significant way, with the exception of several new initiatives being pioneered using the institutional subsidy. The reason for the last point seems to be a lack of willingness on the part of developers (and even NGOs) to experiment, and because of perceptions that 'communities' find high-medium density housing unacceptable. This is an assumption that needs to be tested. There are now several high-medium density projects around the country that are successfully demonstrating the acceptability of this form of housing to beneficiaries. These include a hostels upgrading project in Cape Town⁸⁸ and several inner city social housing projects in Johannesburg.

In addition to the above, within local authorities there tends to be an absence of policies and land release systems, confusion and a lack of information relating to land ownership and debilitating red tape. Internal restructuring and political in-fighting compound the problem. A recent paper by the Development Planning Commission identifies several 'structural' problems with the post 1994 spatial planning system,⁸⁹ including the lack of a strong but flexible system that allows for local variation; lack of co-operative governance between different tiers of government; the complexity of the legislative procedural framework; land development approval procedures that are 'slow and cumbersome, to the extent that the economics of land development is being compromised.'

While much land lies idle in South Africa's urban areas, the lack of innovative approaches on the part of local governments to land management is a major obstacle to the socially responsive functioning of South African cities (see

^{xvi} The People's Dialogue does not support land invasions organised by the Federation. Instead, a formal 24-point plan has been drawn up for organised groups to take over land. In their frustration of years of fruitless negotiation over land, as recounted during the 1998 poverty hearings, individual Federation groups do resort to invasions.

Box 13

The Homeless People's Federation, whose housing project in Philippi, Cape Town, is frequently vaunted by the government as a demonstration of the success of its housing policy, have been unable to access any state-owned land for housing in the Western Cape despite on-going and persistent negotiations with the authorities concerned.⁸⁷

Box 14

While much land lies idle in our urban areas, market-driven decision-making regarding urban land disposal, and the lack of innovative local government approaches to land management, are the main obstacles to the socially responsive functioning of South African cities.

Box 14). This is illustrated in the way the Provincial Government of the Western Cape explains the inaccessibility of urban land:

*'The problem with most of the vacant land in Cape Town is that it is prime land, and therefore not suitable for low cost housing. The Minister [provincial MEC for housing] is encouraging the municipalities to sell well-located land in order to subsidise other projects'*⁹⁰

In Cape Town, one of very few examples of a recent well-located housing development for the lowest income category (up to R1500) , that of Marconi Beam (see Box 15 - ⁹¹), is itself the outcome of a long-disputed land invasion. The same applies to the other few cases of effective spatial integration in other South African cities.⁹²

Box 15

*Well located low cost housing in Cape Town: Marconi Beam*⁹³

The invasion of Telkom-owned land adjacent to a middle income suburb and a large industrial estate in Cape Town in the early 1990s was soon followed by evictions, and after legal representation a transit camp was set aside. The NGO Development Action Group became involved in the search for a permanent local solution for the squatters. After protracted dispute resolution, negotiation and planning, a nearby relocation site (Joe Slovo Park) was developed by the Marconi Beam Development Trust in an innovative land-sharing agreement.

Conveniently located on a major transport route 7km from Cape Town city centre, the project has demonstrated that the poor can be integrated (at least spatially) into a well-located middle-income area, close to the city and income generating opportunities. Unless proactive action is taken by the local authorities to make other such land available, the replicability of the approach will perhaps depend on the intensity with which the poor demand to occupy well-located land. In Cape Town, land invasions in previously white suburban areas have declined since the late 1980s/early 1990s when a period of 'political-institutional' ambiguity/uncertainty had permitted the emergence of a small number of such 'squatter' settlements.

While successful in ensuring a stake for the poor in a previously exclusive property market, not all aspects of the Marconi Beam approach are well resolved. There has been a continuous influx of 'squatters' throughout the planning and implementation period and this has required the exclusion of newcomers, an aspect that has been of concern to the NGO. From the perspective of the relocated residents or beneficiaries, there is an economic dependency on this ongoing influx, i.e. for the continuation of the informal transit camp. The transit camp allows for economic activities (selling of alcohol, selling and renting of shacks, etc.), that are not permitted in the relocation area. The official objective of doing away with the transit camp will no doubt impact on the livelihoods of the relocated households.

One of the keys to understanding why land release is problematic is to recognize the highly political nature of urban land reform. A senior official in the Department of Land Affairs and commissioner of the Development Planning Commission recently remarked that 'the spatial patterns of apartheid are effectively being recreated.' Reflecting upon the urban land problem, the official pointed out the 'zeal with which the South African government has gone about equipping itself legislatively for the task of *rural* land reform, notably redistribution, ... correcting historically distorted spatial patterns'.⁹⁴ The official suggested that equally stringent redistributive intervention in the *urban* land market might be politically unsustainable, as the formerly excluded (black) middle class now has substantial stakes in the urban/suburban property market.

Stringent redistributive intervention in the *urban* land market might be politically unsustainable, as the formerly excluded (black) middle class now has substantial stakes in the urban/suburban property market

Urban land reform clearly is a political question, and not merely a technical one. The political and social sensitivity surrounding it is highlighted in the many conflicts that have arisen out of attempts to develop low cost housing near to established residential areas. The numerous acronyms applied in describing attempts to develop housing in well located areas (see Box 16) emphasise the prevalence and venom of such resistance.

Box 16

Not In My Backyard (NIMBI)
Locally Unwanted Land Use (LULU)
Build Absolutely Nothing Anywhere Near Anything (BANANA)

The urban housing question in turn is inextricably tied to questions of land reform, and cannot be resolved without tough political decisions and strong inter-departmental cooperation. The fact that new housing developments are failing to make an impact on apartheid planning forms indicates that the politics of releasing strategically located land on the part of local government have not been unhesitatingly negotiated.

On the basis of integrated development (to be discussed below) and location, the sustainability of most new housing developments must be called into question. So too must the planning and urban management systems currently in place. As one authority on urban planning recently put it:

‘South African settlements in both urban and rural areas are generally inefficient, fragmented, inconvenient and massively wasteful in terms of publicly and privately controlled resources. For many they are hostile places in which to live, offering few economic, social, cultural, environmental or recreational opportunities...there are few signs that significant and wide-reaching improvements have been set in place since 1994. To this extent, the planning system must be judged to be ineffective’⁹⁵

While it is encouraging that government, business and labour are exploring ways of building subsidised housing on well located land through the Job Summit Pilot Project (noted above) and through the growing ‘social housing movement’,⁹⁶ the need for a more proactive and creative intervention on the part of authorities to redress the apartheid spatial plans cannot be disregarded.

b) Lack of integrated development

To a large extent, housing projects are also being carried out in isolation, not integrated developments including the range of necessary public facilities and amenities. Integration in terms of social facilities is being achieved largely only in the few projects that have been able to access special presidential grant funding (based upon RDP principles) (see Box 17), and in those projects where external donor funding has been secured.^{xvii}

Box 17

Integrated development: Katorus, a Presidential Lead Project⁹⁷

^{xvii} Such as Hermanus, where several community facilities have been built with external funding from various sources, and Cato Manor in Durban where substantial European Union funds have been secured.

The Katorus Special Presidential Project, launched in 1994 as a Reconstruction and Development Programme, was addressed to the East Rand townships of Katlehong, Tokosa, Vosloorus and surrounding informal settlements. These areas had a particular history of political violence and devastation. The project (completed in March 1999) was one of seven presidential urban renewal projects across the country, the objectives of which were to deliver services and facilities in order to normalise the social and physical living conditions and to kick-start further development.

The Katorus project did not concern itself directly with housing delivery. Instead it used the presidential funding to 'leverage' housing subsidy funds. This entailed the development of a housing strategy for the region, the establishment of housing support centres, repairs to some 2 600 violence damaged houses, the upgrading of hostels and the extension of essential services into informal settlements. This was accompanied by the provision of community facilities, the upgrading of police capacity and the promotion of economic development (including the establishment of a community-based newspaper and a community radio station). Social services provided through the project included the construction and upgrading of schools, clinics, health care centres, sports facilities, libraries, halls and a child and family centre, the employment of social workers, the training of unemployed youth, financial support to youth organisations, a campaign to combat violence against women, and capacity building for community policing.

The project was managed by external private sector consultants. This enabled it to overcome the particular challenge of institutional transformation taking place at the time which included the restructuring of local government (the project is located in three different municipalities); the closure of the national RDP office; and transfer of national responsibility for the Presidential Lead Projects to the Department of Housing.

Several explanations are offered for the lack of provision of social, educational, commercial and recreational in the new housing developments. These include a lack of co-ordination between and within different state bodies (interdepartmental, between different spheres of government and between ministries); a paucity of complementary funding for other social facilities; and inadequacies in the conducting of integrated budgeting at national, provincial and local government levels. As the Katorus case study demonstrates, integrated development depends quite considerably on the availability of grant funding over and above the capital subsidies available for housing, as well as interdepartmental coordination.

5.4 The political nature of development and the empowerment challenge

A further key problem that has been identified with the housing policy which derives in part from its supply-side focus is that the delivery of housing is largely perceived as a technical process premised on the crafting of agreements, rules, procedures, protocols, and so on. Development is perceived as a process of working out a delivery system, elucidating accountable structures and specifying discrete functions and activities, which enable both bureaucrats and citizens to 'know their place'.⁹⁸ Illustrating this point is the largely inadequate support on the part of local and provincial government for the "People's Housing Process". Local authorities tend to see self-organised approaches as uncontrollable and/or costly, which is a problem when the politics of numbers are at stake. While it may be unintentional, attitudes towards this community driven process are often an impediment to progress. It has been suggested that this is due to a desire to control the process, a lack of understanding of how to support it, a non-functioning bureaucracy, and often a lack of political will.⁹⁹ This means that the enabling framework necessary to make the approach a success is not yet in place.

Strategies aimed at supporting a process of institutionalisation that lead to effective rules, predictable transactions and viable incentives for institutional actors are no doubt critically important. However, they are based on an outdated modernist conviction that urban space, services and infrastructure can be managed by 'technically improved bureaucracies' and 'engineering processes' underwritten by social corporatist arrangements that carefully shepherds

the masses through orderly processes. Not unsurprisingly, a key problem that has been identified with regard to the role of local government is the assumption that 'delivery is in fact uncontroversial, that it is simply an administrative/managerial exercise and that there is no contestation in the mode, level, coverage and/or financing of such services.¹⁰⁰ In the local government reality of limited financial resources, delivery inevitably becomes a political question. According to some researchers, local government's reliance on outdated procedures and approaches could potentially cause them to lose their newly established legitimacy, 'to be bypassed by communities acting unilaterally through land invasions, informal connections to the electricity supply network and so on'.¹⁰¹ Indeed, this is happening in many places.

Related to the politicised nature of development, is the issue of 'beneficiary' and 'community' empowerment. The Housing White Paper stresses the empowerment of beneficiaries through the housing delivery process and at the project level the concept of 'social compacts' was put in place as a mechanism to ensure the meaningful participation of beneficiaries and local communities. The social compact had to be signed as an agreement by the community, developer, local authority and financier prior to the approval of projects for subsidy support. Every stakeholder had to commit to the project and agree individual roles and responsibilities with respect to its implementation.

While consistent with international discourse (notably the Habitat Agenda) on the role of partnerships for development and no doubt fostering a political spirit of social democracy, social compacts have demonstrated a limited capacity for actually transferring control to the beneficiaries of housing projects. It is argued that the reason for this is that the projects are essentially developer - rather than community - driven. Another problem with regard to the social compacts is their tendency to stall progress on particular projects. In earlier days of the implementation of the policy, concerns were raised that social compact requirements were a barrier to rapid delivery and imposed considerable costs on developers. In recognition of this, in 1996, the social compact requirement in subsidy housing projects was removed, but was still encouraged by some of the provincial housing boards.

One of the reasons for the problems in stalled delivery is the conflict which has arisen around the implementation of housing projects, played out in the forum of the social compacts. In a similar approach to the social compacts, the Development Facilitation Act (DFA), established in 1995, sought to facilitate the development of land for low cost housing and to fast-track development. In an effort to cut through the red tape, eliminate a range of time-consuming bureaucratic processes,¹⁰² and to 'de-politicise' land development by removing control from the hands of politicians, the DFA is based upon the principle of establishing 'representative development tribunals' comprising key stakeholders such as community leaders, and local authority representatives to make the decisions.

The problem with both the mechanisms described above is that they fail to accommodate the inherent unequal power structures within a given society. The reality of development and the city is often violent, involving mutual exclusion and counter-claims. Development interventions almost inevitably result in conflict over how resources are distributed and space is used.¹⁰³ The participation/partnership principle upon which DFAs and social compacts are based assumes that 'everyone works

Box 18

A widespread call from local governments has been for an effective transfer of skills, in order for local government to participate in national housing programmes and engage more effectively with the diverse roleplayers. But what type of capacity building is required? In addition to the technical, financial, managerial, engineering and other skills required for successful implementation, a critical question that needs to be asked is extent to which existing capacity building initiatives are building the type of competencies and capabilities required by officials and politicians to execute their developmental mandate in a socially responsive, politically sensitive and organisationally sustainable manner?

towards a common goal and good', which is certainly not the case.¹⁰⁴

A critical challenge then confronts the authorities in breaking with established ways of thinking and engaging with the development problematic in a manner that is mindful of how power is inscribed in the landscape and exercised. More attention needs to be focussed on how institutional resources and capacities can be configured and reconfigured to:¹⁰⁵

- Build horizontal networks and partnerships
- Deepen participation through the development of platforms for dialogue and engagement at all stages of the project cycle
- Develop public discourse about the qualities of places and the relationships they embody
- Cultivate moral and imaginative rationale to complement legal/administrative and scientific/technical rationale
- Cultivate practices which connect strategic ideas to regulatory and investment decisions (see Box 18 - ¹⁰⁶)

5.5 Who is benefiting from the subsidies? Abandonment, downward raiding and fraud

The tendency of housing policy beneficiaries to return to squatting is being noted by the Provincial Housing Development Boards, where the national data-base of beneficiaries is registering repeated applications for subsidies, as do developers themselves.¹⁰⁷ An investigation by the Housing Department of KwaZulu -Natal shows that some beneficiaries are selling their houses almost immediately after completion. The houses, worth R17 000 each are being sold for between R3 000 and R6 000.¹⁰⁸ (see Box 19)

Box 19

'Sale or abandonment is a real problem. One guy sold his house for R200. Others just move on before even signing their happy letter'.^{xviii} (109)

'Squatters who have been given free houses - which cost the government R17 000 each to build - are reselling them for as little as R3 000'¹¹⁰

While the sale of subsidised houses is referred to by some as 'a scam', the situation is not so simple. Whether beneficiaries leave their subsidised houses due to speculation (see Box 20 - ¹¹¹), high cost, or the constant movement in search of work, is unclear. Durban Metropolitan Council's Housing Project Manager said she suspected that poor families are being forced to sell their homes in order to get much needed money¹¹². Equally unclear is whether a second application is a conscious attempt to 'cheat' the system, whether it happens out of ignorance, or whether it is the inevitable consequence of an entire squatter community being submitted for a project-linked subsidy application.¹¹³ However, with the absence of any moratorium on the sale of houses after occupation ¹¹⁴, the usefulness of which is questionable anyway, the problem of

Box 20

For many commentators, the reason for subsidies not reaching the intended beneficiaries relates in part to their vulnerability to speculation/'downward raiding' and their inflexibility to changes in consumer affordability. Due to the phenomenon of downward raiding (purchase of the subsidised plot by higher-income households for cash, typically at large discounts as mentioned above), it is very likely that subsidised properties will soon be in the hands of higher-income groups, as initial occupiers find it difficult to meet the range of ongoing water, electricity and rate charges associated with the current 'full cost recovery' approach. In this event, the subsidy programme will have done little to solve the low-income housing crisis, and instead it may well raise the population of homeless people, who will in turn no longer be eligible for a future housing subsidy.

^{xviii} The "happy letter" is signed by beneficiaries in acceptance of the house and its condition.

whether the housing provided ultimately benefits the intended beneficiaries in the long term is an on-going concern.

Another issue of concern with regard to how the housing subsidy is being allocated relates to that of fraud. The Heath Special Investigating Unit, set up by Nelson Mandela to root out fraud and graft in the public sector, is probing 530 000 cases in which it is believed that 'syndicates of crooked lawyers, bank employees and officials may be plundering the public purse.'¹¹⁵ Some of the scams include 'ghost paupers', where conveyancers are submitting claims for non-existent applicants; 'fake paupers', property owners who apply for funding for another home; and family scams, where some families have gained more than one plot by getting relatives and spouses to apply also.¹¹⁶

5.6 Challenges to local government

a) Debilitating costs of a formal house

To date, the majority of the recipients of the government subsidy appear to be the lowest income groups. Whether the same groups actually benefit in the longer term from the subsidy is a matter that begs further investigation. Even in those cases where the subsidy is reaching the lowest income category - a recent study of a cross section of housing projects in the Western Cape revealed that out of the 12 projects covered, 96.9% of the beneficiaries fell into the lowest income category¹¹⁷ - a critical concern is how beneficiaries will pay for rates and services in the context of low, erratic or no incomes. Many beneficiaries are simply unable to afford the costs - either of having the services connected and/or for the on-going service supply (such as water, sewerage, rates and electricity) - and 80% non-payment for rates and services in new, subsidy housing projects is not unusual.¹¹⁸

While some local councils have adopted indigence policies and lifeline tariffs, connected in part to their credit control policies (which are often not fully enforced), there is no coherent national financial policy in place that offers relief to 'indigent' / very poor households.¹¹⁹ In the interim, the greatest cost of the inevitable defaults in payment are being carried by the local authorities. Somewhat ironically, many of those with the best record of housing delivery are experiencing the most severe financial burden. In some areas beneficiaries are losing access to basic services due to disconnections, while others are not even being connected in the first place as they are unable to pay the deposit. Local authority officials have expressed a number of concerns in this regard, as illustrated in Box 21.¹²⁰

Box 21

"Some of them have never, ever before in their lives received an account and they are suddenly confronted with this issue. They don't know how to deal with it" (Council official, Kleinmond)

"Many people are getting about R800 a month ... and they are struggling to keep up" (Council official, Kleinmond)

"They got the houses free, so [they think] why do they have to pay for services...some of them can pay, they're just not used to paying. Others they cant pay I suppose, they don't have any income" (Councillor Darling)

"The municipality is getting about 10% back on water...there are also rates, but they don't pay it...There were 68 meetings just in our Council last year to sort out the non-payment of rates and water...if they don't get their act together the Council is not going to spend a cent more on Kayamandi. At this stage, the Council is spending about 90% of its income on the undeveloped areas and is only getting 1% of income from that area" (Kayamandi, Stellenbosch)

Other reasons for the above scenario include the fact that a relatively high (and some argue, inappropriate) level of services are being provided that are quite costly in operational terms¹²¹. On the other hand, lower levels of services and infrastructure would be more costly to maintain on the part of the local authorities.

b) **Unfunded mandates**

As noted above, in correlation with global moves towards decentralisation and devolution, greater mandates and responsibilities are being ceded to South Africa's local authorities. In particular, their developmental responsibilities are increasing^{xix}. But while local governments in South Africa are providing services to five times more people than they did in the past - notably in the formerly disadvantaged areas - they have only marginal increases in revenue¹²². Unsurprisingly, one of the burning issues relating to the current role and capacity of local government is that of 'unfunded mandates'¹²³. Ninety percent of local government revenue in South Africa is now expected to be derived from local sources (this is less in the regional or district councils where the revenue source has been recognised to be less). Indeed, almost half of South Africa's 843 municipalities face financial problems, and 151, or about one in six, are in full-blown crisis. The Chairperson of the Municipal Demarcation Board has gone so far as to suggest that only between 40 and 60 of the country's existing local authorities are financially viable.¹²⁴

The scenario outlined above is seen by some to be aggravated by recent policy amendments requiring a) higher minimum standards of housing, which places pressure on local government to top-up the individual capital subsidy and b) lower standards of infrastructure, requiring higher expenditures on maintenance.¹²⁵ At the envisaged rate of low cost housing delivery, such costs impact substantially on municipal budgets¹²⁶ and local authority cross subsidization capacity is limited. Compounding the crisis at local government level is the lack of capacity for the particular housing tasks at hand.

c) **The need for creative approaches to housing delivery**

In terms of the Housing Act, local government is ascribed the responsibility for ensuring 'access to adequate housing on a progressive basis'.¹²⁷ Apart from the responsibilities of planning, co-ordination, facilitation and enablement for housing, local government is afforded the possibility of participating 'in a national housing programme in accordance with the rules applicable to such programme'.¹²⁸ The options that local government is given for participation in national housing programmes that qualify for national housing subsidies are spelt out below.

- *promoting a housing development project by a developer;*
- *... acting as developer in respect of the planning and execution of a housing development project ... [see Box 22];*
- *entering into a joint venture contract with a developer in respect of a housing development project [see Box 23 and 24];*
- *establishing a separate business entity to execute a housing development project;*
- *administering any national housing programme in respect of its area of jurisdiction ...;*
- *facilitating and supporting the participation of other roleplayers in the housing development process;*

^{xix} As outlined in the Local Government White Paper, 1998

The boxes below illustrate some local government responses that have been carried out through this range of options.¹²⁹

Box 22

*Uitenhage Municipality acts as housing developer*¹³⁰

With strong demand from well-organised community and labour, the Uitenhage Municipality is committed to maximise benefits to end-users of government subsidised development. It has therefore resolved to handle most aspects of development in-house. With this came a decision to prioritise self-help construction of top structures, while forms of community contracting for fencing, trench digging and electricity reticulation have also been developed. An incident of violent conflict, which erupted over the inferior house size delivered by one external developer, in comparison to houses being built in an adjacent People's Housing Process area, has led the municipality to apply extreme caution in the allocation of projects to external developers.

The decision by the municipality to act as developer in the national housing programme, and to prioritise the People's Housing Process, was backed by a commitment both to maintaining existing development capacity within the municipality, and to build capacity specifically for the People's Housing Process. This direction was encouraged by the Division of Building Technology (Boutek) at the Council for Scientific and Industrial Research (CSIR), which was appointed by the municipality to coordinate and facilitate housing projects in the period after the first local government elections, when such capacity was inadequate within the municipality.

The Uitenhage Municipality's early commitment to the People's Housing Process has encouraged many other Eastern Cape Municipalities to follow suit. The Eastern Cape provincial government sees the People's Housing Process as a window of opportunity. This is supported by the finding that beneficiaries, when given the choice, are opting for the People's Housing Process, rather than the route of house construction by an external developer. GTZ (the German collaborative development agency) is currently building capacity among local government officials and Councillors in the Eastern Cape for the People's Housing Process. The provincial government in turn has approached building material suppliers, encouraging them to develop particular packages for the People's Housing Process, thereby assigning the private sector a suitable role in the housing process.

Box 23

*Partnership between local government and developer*¹³¹

In late 1997, the housing department of the Durban Metropolitan Council (Metro Housing) strategically resolved to work in partnership with developers. While developers are expected to package projects in accordance with Metro Housing's specifications, Metro Housing itself assists with bridging finance and monitoring, while also retaining its own developer capacity.

One particular case illustrates the effectiveness of this approach. It is that of the Canaan 'squatter' settlement in Durban, where a landslide in 1997 called for immediate action. Two transit camps were established as an interim measure, while a longer permanent relocation site was sought. By entering into partnership with a

developer on a project that was already underway (Quarry Heights) Metro Housing was able to permanently resolve the Canaan emergency within a short time span. The joint venture allowed Metro Housing to draw on the developers' capacity, still enabling Metro Housing to input into the nature and quality of the project.

Box 24

Partnership between local government and Homeless People's Federation:¹³²

Besides partnerships with conventional developers (see Box 5), Metro Housing of the Durban Metropolitan Council seeks to facilitate housing by other agencies. In the case of the Briardale project, Metro Housing is piloting an innovative approach to housing by supporting the Homeless People's Federation in the development of the greenfield site. The Federation grouping was required to form a legal entity/housing association, in order to act as developer. Layout and engineering designs and implementation have to correspond with the local authority requirements. Once land rights are acquired, and the layout is approved the Federation members will be permitted to settle on the land. This may be prior to installation of permanent services, provided temporary services are arranged.

The capital subsidies are accessed through the Federation's uTshani fund (via the uTshani agreement with the Provincial Housing Development Board). The uTshani Fund then provides bringing finance until the subsidies are released. The project is monitored through a working group comprising the Federation's legal entity, the Metropolitan Council and the ward councillor. The role of the NGO People's Dialogue is to provide technical capacity, whereas the wider Homeless People's Federation will provide capacity for community organisation, savings and sweat equity. Part of the agreement with Metro Housing is a commitment by People's Dialogue and the Federation not to encourage or participate in land invasions.

One of the concerns that arise from the above case studies is that all housing initiatives initiated or 'enabled' by local government are based upon securing the capital subsidy. While the Housing Act outlines specific roles for local government, there are many other options for facilitating housing delivery not dependent upon the housing subsidy that are not being explored. This is particularly important in light of the fact that the housing budget has reduced significantly over the past 4 years (as note in section 4.2.) and seems likely to be reduced further in the near future, as has been made clear by the Minister of Housing herself. Already, in the Western Cape and Gauteng, housing subsidy allocations have been effectively frozen for, at least, the forthcoming financial year. One of the more burning challenges to local government in the short and long term is, therefore, to find creative ways of promoting housing delivery that is no longer dependent upon the capital subsidy (see Box 25 ⁻¹³³).

Box 25

In April 1998, the Director General of Housing, Mpumi Nxumalo-Nhlapo, stated that 'the subsidy scheme will not continue indefinitely', suggesting that 'there are more creative ways to finance housing than dishing out R15 000 to each family'

Recent statements by the Ministry of Housing reveal that 'capacity building' will be a priority for the new housing strategy. However, what is obvious as the housing budget and local government budgets decrease is that capacity building within the existing housing subsidy framework will be insufficient. There is an urgent need for local government to be more creative and visionary in the future.

5.7 Supporting the People's Housing Process (PHP)

The Homeless People's Federation (HPF) approach has been associated with 'sustainable' housing. It not only entails the building of houses but community trust and the transfer of administrative, technical and lobbying skills. The ongoing access to credit is considered a sustainable means of making progressive improvements to the housing environment. Though

initially focusing primarily on house construction, current HPF developments are exploring the integration of social, commercial and recreational facilities early in the process of settlement formation.¹³⁴ In addition, research has shown that where beneficiaries have completed or organised the construction of their own houses – either by completing a basic structure or through the fully self-organised People's Housing Process (PHP) approach - the product tends to be larger, a higher quality finish and more imaginative.¹³⁵ This is in contrast to much of that being provided by developers and local authorities which demonstrates precious little innovation with regard to unit design, urban planning or efficient land use.

The advantages of the Federation's approach was recognised at the time of the Habitat II conference in 1996 by influential international organisations such as the UNCHS (Habitat) and UNDP¹³⁶. This led to UNCHS (Habitat), UNDP and USAID¹³⁷ support in South Africa for the promotion of a housing process based on mutual- and self-help construction through housing support centres.¹³⁸ This provided direct support to national government through the formation of a People's Housing Partnership Trust based within the Department of Housing. The purpose of the Trust was the 'institutional capacitation and empowerment at the provincial and local spheres of government and among NGOs to support people's processes'.¹³⁹

Focused and specific support for the People's Housing Process was only officially introduced by the housing ministry in May 1998. This despite the Minister's frequently vocalised approval for the process and work of the Federation:

*'We aim to go back to our communities and advance the people's housing process. Where people have developed innovative approaches and solutions, there is an opportunity for us to work with them.'*¹⁴⁰
'More emphasis [will] be placed on people building their own homes using subsidised materials,' and 'government would focus on providing people with the necessary infrastructure'.¹⁴¹

Following from the discussion on the PHP in section 5.4 above, it has been questioned just how much innovation can be accommodated by the regulatory framework and bureaucracy surrounding the implementation of the PHP.¹⁴² A current evaluation of the PHP by the UNDP appears also to be finding that the procedure is exceedingly bureaucratic, thus not easily controlled by communities themselves.¹⁴³ As the UNCHS/UNDP funding support draws to a close, questions are being raised as to whether the Ministry will be able to satisfy its commitment to this form of housing by actively funding its promotion, streamlining its procedures, and enabling meaningful community control within current constraints.¹⁴⁴

One of the most critical questions to ask with regard to the continued support to the PHP relates to how it can be replicated at scale. Given the fact that support on the part of local and provincial authorities has not always been as effective as it could have been (although there are signs in many provinces that this is changing), the fact remains that housing opportunities' created through the PHP route 'hovers around' 1% of the total housing delivered by the capital subsidy¹⁴⁵ It has been hypothesised that the success of the PHP approach depends upon the existence of specific characteristics or circumstances such as socially cohesive communities, access to additional resources, and/or the central involvement of a dynamic individual or NGO. As such, it is not necessarily suitable to every community.

5.8 The evasive discourse on 'squatting'

As noted above, the Housing Ministry is increasingly recognising the importance of people's own innovation in solving the housing problem in South Africa. Somewhat ironically, those who are in many ways demonstrating the most innovation are those who have not yet benefited widely from the housing subsidy. These are the many people who have 'innovated' in the form of illegal

land invasions or 'squatter' settlements - approximately 10% of the households of large urban populations.^{xx} (146). While a few informal settlement upgrading projects are on-going (such as Cato Manor in Durban), to a large extent, the existing housing policy, through the housing subsidy scheme, has proved somewhat rigid and not wholly conducive to the promotion of settlement upgrading.

It is pointed out by some commentators that a significant shortcoming of the current housing policy is its evasiveness on the question of (for want of a clearer term) 'squatter settlements'.¹⁴⁷ To date, there is no policy clause that either explicitly acknowledges the reality of 'squatting', or considers forms of intervention. It has been argued that the reason for this lies in the ambiguous terminology applied by the Urban Foundation to 'informal housing' and 'informal settlement' which has found its way into post-apartheid housing policy. The Foundation perceived the housing problem primarily as one of top structures¹⁴⁸ and referred to shacks as 'informal housing', irrespective of whether they were located in squatter settlements, in back yard shacks or on serviced sites. The term 'informal settlement' in turn was applied to both illegal 'squatter' settlements and to sites and services schemes.¹⁴⁹

One implication of the above has been ambiguous statistics on the phenomenon of 'squatting'.¹⁵⁰ The 1996 census, on which the allocation of housing budgets to the Provincial Housing Development Boards is based¹⁵¹, is a case in point. While creating an unambiguous category for 'informal dwelling/shack in backyard', it collapses shacks on serviced sites and shacks in squatter settlements into one single category^{xxi} (152). The need for an unambiguous scientific method of quantifying housing needs has been raised, particularly with regards to the housing typology in peri-urban and rural areas.¹⁵³

There is currently an absence of any distinct policy instrument for informal settlement intervention. Informal settlement intervention continues to occur through mechanisms designed for greenfield development

The result is an absence of any distinct policy instrument for informal settlement intervention.¹⁵⁴ However, informal settlement intervention continues to occur through mechanisms designed for greenfield development.¹⁵⁵ In the discourse, '*in situ* upgrading' has come to mean the once-off replacement of squatter settlements with individual, household-based, capital subsidy products.¹⁵⁶ In most cases this requires internal relocation through a 'roll over' approach. This approach requires resettlement that is inevitably disruptive of existing communities and their - often well established - means of survival. Where settlement densities are below the ideal, the settlement is reshaped to ensure the prescribed maximum plot size (as in the case of Weilers Farm, see Box 26). Where densities are too high, the settlement is re-shaped to ensure the same standardisation, but where they coincide with those prescribed for greenfield developments, shacks are 'shifted' to ensure a fully standardised layout.¹⁵⁷ Thus some mainstream thinkers¹⁵⁸, in their evaluation of low income housing projects, state that 'once an informal settlement has been upgraded in-situ, it does not differ fundamentally from a settlement where housing has been delivered on an incremental basis' (referring to the current 'incremental' housing policy).

^{xx} Most urban administrations have commissioned 'shack counts' from aerial photography

^{xxi} In the 1996 census questionnaire this category was worded: 'informal dwelling/shack, NOT in backyard, e.g. in an informal/squatter settlement.' In the absence of any other category for shacks on serviced sites, such dwellings were bundled together with shacks in squatter settlements

Box 26***Informal Settlement Upgrading***¹⁵⁹

The Weilers Farm/Kanana Park 'upgrading' is one of nine pilot projects of the 'Informal Settlement Upgrading Programme' of the Gauteng Province. The programme was developed after the realisation within the Gauteng Department of Land Affairs and Housing that the release of subsidies from the Gauteng Provincial Housing Development Board was biased towards 'greenfield' developments, thus neglecting intervention in existing 'squatter' settlements. A call was made for applications for upgrading projects from local authorities. In the case of Weilers Farm, lack of action from the local authorities led to a direct application from a community-based organisation, the Thuthuka Foundation (the legal entity of the Weilers Farm civic organisation). Thuthuka Foundation was appointed developer of the upgrading. The local authority entered into a joint venture with Thuthuka Foundation only for the delivery of 'essential services'.

The relative success of the project (due to managerial skills in the Thuthuka Foundation) compared to those handled by local authorities, has drawn much attention to it. Of interest too are arrangements by the civic organisation for social and business facilities, and for an agricultural project. SANCO is encouraging its branch structures to build on this particular development model.

'Upgrading' at Weilers Farm is funded through project-linked capital subsidies. The maximum plot size attached to the individual subsidy has required a substantial reduction in plot sizes, therefore necessitating the complete remodeling of the informal settlement through a rollover procedure. In the event, the informal (though regular) layout that emerged with the gradual extension of the 'squatter' settlement, centering on a school, communal soccer field, shops and hall, is replaced by a fully standardised engineering design.

In a context of extreme poverty and precarious livelihoods (for instance food gardening on the large informal erven), considerable socio-economic disruption is anticipated through relocation to the smaller plots in the standardised layout. It is the farsighted and pragmatic approach of the civic organisation, working towards the integration of social and economic facilities/opportunities into the rollover development, which might mitigate the 'shock' that this intervention will entail for the poorer households.

While on the one hand the Minister has stated that 'government will maintain a hard line on land invasions by people on housing waiting lists'¹⁶⁰, on the other, the Department is beginning to recognise the importance of upgrading of informal or illegal settlements. In fact, in a recent housing conference convened by the Department of Housing, the issue of 'Informal Settlement Upgrading' was identified as a strategic area of concern to be addressed in the forthcoming Housing Strategy for the New Millennium (to be explored below).¹⁶¹

However, a commitment to a 'differentiated approach to meet the specific needs of the poor'¹⁶² will require a departure from the existing approach to 'squatter' settlement intervention that recognise the complexity of settlement upgrading and the need for sensitive policies and interventions – as opposed to technocratic ones. It has been argued that this should entail the development of an appropriate funding mechanism towards a form of flexible area-based grant.¹⁶³ A flexible funding mechanism, not secured by individual households, but by communities or across specific areas, would also be less disruptive to households and community structures. The labor movement in turn has suggested that the model of a housing parastatal may be the suitable vehicle for funding of 'squatter upgrading'.¹⁶⁴

5.9 Infrastructure and Services

There are many different government and non-government bodies that have responsibilities for municipal infrastructure provision and services:

- A part of the housing subsidy (usually about half) may be used for internal services
- The Consolidated Municipal Infrastructure Programme (CMIP) of the Department of Constitutional Development allocates funds and provides technical supervision with provincial authorities allocating funds to local authorities. The aim of CMIP is to provide a sustainable source of funding to local government to provide equitable access to affordable basic municipal services and ensure an effective linkage to the housing subsidy. The programme is based on a capital grant of R3000 per poor household in municipal areas as stated earlier
- The Department of Water Affairs and Forestry uses RDP funding for peri-urban and rural infrastructure. Projects are prioritised through Provincial Planning forums and implemented by local authorities, water boards and community structures
- Line department funds exist for other urban infrastructure provision such as transport
- Concessionary finance to municipalities is provided by parstatals such as the Development Bank of Southern Africa
- Private sector loans or equity can be used for infrastructure provision
- Further funding is raised from municipal reserves, special levies, and household connection fees
- Own municipal funding can also be applied

The main driver for the provision of bulk infrastructure is the CMIP programme. CMIP funding is disbursed only where Integrated Development Plans are in place, where long-term fiscal sustainability can be demonstrated, and where the local authority and community have agreed on a package of services, including level of services.

There a number of problems related to the implementation of infrastructure delivery, which will need to be addressed. Firstly, government departments, under pressure to spend their budgets and lacking capacity, have awarded funding inappropriately. Funding for infrastructure have been allocated fairly randomly to local authorities, especially those local authorities with the skill to motivate applications. Secondly, there has been a tendency for the implementation of infrastructure initiatives to be spatially unselective with longer-term issues of urban spatial restructuring not featuring very prominently. Thirdly, the recent decision by national government that the majority of the grant is to be linked new housing developments effectively contradicts the stated policy objective of meeting existing backlogs. Given the difficulties municipalities are experiencing in accessing capital, a coherent national policy for financing service backlogs is urgently required (see Box 27).

Box 27

1. CMIP funding is application driven and has therefore favoured those municipalities that are able to write technically sound proposals
2. Funding has been allocated in a spatially random manner without detailed consideration being given to issues of urban restructuring
3. The recent decision by national government that the majority of the national grant be linked to new housing developments effectively contradicts the stated policy objective of meeting existing backlogs and because new housing developments are most often located on the peripheries, the effect of the decision serves to perpetuate apartheid spatial imbalances

With regard to the housing subsidy, a series of problems emerge which will require attention. Firstly, the inclusion of land costs into the capital subsidy, is based on the assumption that land has a standardised price (with the exception of some financial provision for geotechnical or topographical conditions). Thus, land is seen merely as a technical question. It is the political dimension of urban land that still remains to be acknowledged in order to overcome the perpetuation of peripherally located dormitory development. Secondly, the funding of internal services results in little being left over for the top structure. Thirdly, recent policy amendments requiring a higher minimum standard of housing within the context of a relatively static/non-inflation indexed subsidy amount presents a considerable

The bundling together of the three components of land, services and top structure into a standardised, non-inflation indexed, household based capital subsidy potentially comprises the integrity of this financial intervention. This coupled to the lifting of minimum shelter standards, the lowering of infrastructure standards (with concomitant increases in maintenance expenditure) and shrinking resource base of local government present local government with very acute challenges in meeting their developmental mandate

challenge to local authorities who are under increasing pressure to deliver while their budgets shrink. The higher minimum standard of housing and the lowering of infrastructure standards (with concomitant increases in maintenance expenditure and health implications) impacts negatively on local government finances and their ability to execute their developmental mandate. Fourthly, provincial housing boards' concerns to ensure that housing is delivered as rapidly as possible means that matters of spatial restructuring (compaction, integration, efficiency) and equity do not feature very prominently. This accounts for why subsidies are provided for housing in peripheral locations where the potential for conflict is low and the chances of unproblematic implementation high. Indeed, this outcome is built into the criteria that determine the allocation of housing subsidies. Criteria for the allocation of the housing subsidy include the number of households in various income categories, the ratio between urban and rural housing, and the performance of the provincial government in delivering housing.

5.10 Quality of End Product and Citizen Satisfaction

The 'ghettoisation'¹⁶⁵ of new housing developments appears to be caused by several factors, which include the lack of access to well located land; relatively low levels of infrastructure provision (although high by international standards); poor maintenance on the part of local authorities compared to more middle class suburbs; the lack of consolidation or improvement of minimal starter houses; and very importantly, the poor quality of the end product. According to the Minister of Housing, more than half of the 600 000 houses built for the poor since 1994 are 'substandard'. The Minister has vowed to blacklist several of the construction companies that used an estimated R5.9 billion in subsidy money to construct the 396 000 houses that are either too small or badly built. The introduction of new housing standards and the National Home Builder's Registration Council are designed to address some of these problems. The protection afforded through the Housing Consumers Protection Measures Act 1998 is to be financed through developer deductions from the household's capital subsidy, irrespective of whether these households hold loans. Whether these legislative and institutional interventions will result in greater beneficiary satisfaction with the housing product will depend on effective management, monitoring and adequate funding.

More than half of the 600 000 houses built for the poor since 1994 are 'substandard' (Housing Minister, 1999)

Feedback from across the country indicates that the quality of the housing provided is very poor and the size of the house very small. With the limited subsidy amount, a clear concern throughout the process has been the size of the house that are being produced under the programme. As one beneficiary in the Northern Province stated: *These houses are similar to a toilet*.¹⁶⁶ In a recent case in Durban's Cato Manor, the Joint Civic Association has rejected housing provided by a private developer as none of the seventy completed homes had hand

A Beneficiaries View:

'These houses are similar to a toilet'

basins, baths, kitchen sinks and electrical geysers which the contractor was legally obliged to provide.¹⁶⁷ In other instances, developers have constructed housing on unstable land using very cheap building material. In one case housing was built on dolomite and the materials used for construction of the houses was of substandard quality. Beneficiaries expressed their dissatisfaction with the housing product as follows:¹⁶⁸

The first time I came in [to my house], immediately after a few days, it started cracking. I have asked the people who have built it, to come and fix it and they never came...The main problem is that the houses are built on dolomite...Since we came to these houses, we are building and rebuilding them 'cos everytime there are new cracks and there is no stormwater drainage...You pay and pay on a very new house.

This house was built by lousy people...The bricks they're using are as soft as biscuits...Nothing is fine: the ceiling's no good, the walls shake in the wind and the sink is not working.

An additional problem with the present policy is that many new housing developments are mono-functional. They are undertaken on disconnected parcels of land and characterised by a low-density, undifferentiated blanket of free-standing housing shells. Social and commercial facilities and other vibrant urban activities are notable mainly by their absence; the local market is so thinly spread that there are insufficient thresholds to support a wide range of goods and services. Public transport is woefully inadequate and is a considerable drain on the fiscus. For example, the average annual bus subsidy per commuter in Cape Town is R3300 which is clearly unsustainable. Thus, life in the newly established housing settlements is appallingly inconvenient, expensive and unresponsive to the needs of the newly enfranchised citizens.¹⁶⁹ The views of some of the beneficiaries illustrates this point (see Box 28 - ¹⁷⁰). Improving access to a range of social and commercial amenities and building habitable environments presents the housing ministry and other departments with a considerable challenge.

Box 28

'This place, its like it's not on the map'

'This is a dump. There are no schools, there are no clinics, there are no shops. Everything you need you have to travel'

5.11 Gender (In)Sensitivity of the Housing Policy

The critique leveled at the existing housing policy from a gender perspective essentially derive from research findings that although the present policy represents a advance in gender terms, the specific needs of women are not sufficiently addressed and accommodated. Specific concerns include the absence of formal mechanisms to promote consultation with groups of women and monitor impact to ensure that women are benefiting from the policy. With the exception of the Hostels Redevelopment Programme, the subsidy is household based, providing only for those in a relationship or with dependants. This can potentially 'lock' women into a relationship against their choice and/or if the relationship breaks down, the policy does not guard against the chances of their losing the asset. Moreover, they are then not eligible to apply for and/or access a second subsidy. The present policy is based upon the concept of a partnership with developers and communities but women's relative lack of power within the private sector, and often within patriarchal community structures, adds to their weak bargaining position. The weak economic position of

Box 30

*"I was told the other day...we went to look at one of our projects, and one guy [beneficiary] came up and he told me that its my mistake that he's married because the community told him that he must get married in order to get a house. So now he's got a s**t house and a s**t wife...its not my fault!"*

What happens to the women if the beneficiary above decides to abandon the asset and/or leave his wife?

women may negatively impact upon their ability to save.¹⁷¹ And finally, women are disproportionately represented amongst the poor. If the policy is having a negative impact on poverty, women are often the most affected. If the policy has a negative impact on gender relations within the household, women are most likely to be adversely affected (see Box 30 - ¹⁷²).

6. Conclusion: Areas for further research

Under apartheid, state power was employed to realise the twin objectives of control and surveillance, finding its material expression in the 'location strategy'; i.e. the urban area as a site of disciplinary action which included the construction of residential areas resembling barracks, regularly and routinely under surveillance by the army, police, state officials and administrators. The location strategy – as a form of manipulated territorial segregation - secured racial domination in both living and working environments, and furnished administrators with a powerful tool to construct internally ordered and regimented environments which became objects of conflict over land use and local control.¹⁷³

The institutional, financial, spatial and regulatory framework that underpinned the location strategy has produced massive material inequalities (see Box 31), and has spawned major problems. Fiscal constraints; the 'fear of risk' among financial institutions; and the wasteful and inefficient design of SA cities have saddled the post-apartheid government with enormous challenges. Affordability constraints due to low incomes, high unemployment, circular migration, a history of prohibition on African home ownership, spatial inefficiencies of high transport costs and limited access to credit from the formal financial sector are some of the factors constraining effective demand among the majority of South Africans.¹⁷⁴

Box 31

Major inequalities characterise the under-performing housing sector, which has implications for the performance of the economy, the efficiency of the cities, as well as the welfare of the poor. For whites, the average floor area per person is about 33 square metres. Whereas for African households it is 9 square metres in formal housing, and a meagre 4-5 square metres in informal housing. Currently, the poor reside in a diverse range of shelter conditions, including self-built traditional structures, hostels, backyard shacks, garages and out-buildings, spontaneous informal settlements, planned site-and-service schemes, and upgrading projects, state-owned rental housing, inner-city flats, and employer-owned housing. Informal housing is the most prevalent means by which the poor access shelter. In urban areas, about one-third of existing stock is informal and in the PWV an estimated 80% of newly built housing is informal, manifest either as unplanned informal settlements or backyard shacks. Importantly, many of these forms of accommodation are regarded as illegal, have insecure tenure and are characterised by limited services, overcrowding and inadequate/deteriorating physical conditions. Socially, the housing situation contributes to considerable dissatisfaction and dysfunctional behaviour, including criminality and violence.

While the new housing policy must be acknowledged as marking a significant break with the apartheid past, a number of weaknesses and tensions will need to be addressed in order for the policy to realise its key objectives (viz. establishment and maintenance of habitable, stable and sustainable public and private residential environments; and the creation of viable households and communities) and optimise its impact on reducing poverty and inequality. In a recent conference convened by the Ministry of Housing, the key thrusts of the 'Housing Strategy for the New Millennium' were outlined. It was emphasised that the new strategy would 'build on the existing policy framework to accelerate delivery'¹⁷⁵. Within this framework, it was stated that there would be an increased focus on the following aspects of housing delivery:¹⁷⁶

- Normalising, and enhancing the quality, of the housing environment
- Promoting land release and integrated urban and rural development
- Strengthened support for social and rental housing and self-help through the People's Housing Process
- Developing capacity to monitor and evaluate housing development
- Capacity building, including housing education
- Rural housing policy and delivery
- More vigorous support for the upgrading of informal settlements

- Linking government subsidies to household savings and increased leverage of private sector resources
- An increased role for local authorities in determining the location of new housing developments (rather than developers)

What follows below is a summary of the key tensions and constraints identified in the present policy and strategy, some of which may be addressed by the new strategy whose main thrusts are detailed above. Also included below are key questions that require further analysis and discussion amongst all stakeholders.

a) The Reconstruction and Development Programme, the Constitution, Housing Policy and Declining Budgets

Current housing policy is based on a fundamental understanding that housing is a basic need and that the state is obliged to take all reasonable measures to ensure that the right of access to housing is realised. The recent Cape High Court decision that the state is constitutionally obliged to provide shelter to children (and their parents), coupled to the provisions of the Prevention of Illegal Evictions and Unlawful Occupation of Land and the 1991 Court ruling (a local council cannot remove squatters unless it has given consideration to what is to be done to address their housing needs), places specific performance obligations on the state to negotiate citizenship and the progressive realisation of basic socio-economic rights in more creative and democratic ways. The performance obligations placed on the state does is not easily reconciled with declining budget and the shrinking value of the non-inflation indexed subsidy. Key research questions include:

- What is the impact and implications of the court decisions and legislation on the state's performance obligations with regard to the progressive realisation of citizen's right of access to housing?*
- What is the impact and implications of the declining budget and shrinking subsidy on the performance obligations of the state as elaborated in (i) above?*

b) Supply versus demand side approach

The Department of Housing has invested considerable resources in institution building, normalising/stabilising the housing environment and leveraging private sector investment. Many commentators have argued that the state assisted, market driven supply side programme coupled to government's preference to privilege width over depth is not appropriate to addressing the housing challenge. Key research questions include:

- Despite the numerous institutional and other safeguards and incentive schemes put in place by government to assuage the fears and apprehensions of the formal private sector, the financial institutions have not, in the words of the Minister, 'modified its ways of doing things and its approach to the low-income earner'.¹⁷⁷In short, the financial institutions have not extended loans/finance in any meaningful way and on scale to low income earners. What are the key barriers preventing banks from extending mortgage finance further downmarket?*
- Are the present government incentive programmes and institutional and other safeguards designed to entice the private sector justified, appropriate, sufficient; i.e. are the programmes far too generous or not sufficiently generous; do they offer too many or too few concessions? How might they be changed, revised, amended?*
- Is the present supply side orientation appropriate in the South African context, and how might be the policy/strategy be amended to bring greater balance between supply and demand side interventions?*
- Can the Ministry's continued emphasis on delivery ('accelerated delivery') be reconciled with its commitment to deliver a better quality product?*

- v. *What are the implications of the 'new' thrusts on the 'width vs depth' debate? Is this still a relevant debate and concern?*
- vi. *Will the 'new' thrusts translate into changes regarding the relative roles of the state and private sector; i.e. will the new housing strategy continue to be a state assisted, market driven programme?*

c) Mobilising finance for low cost housing

Despite the elaborate institutional infrastructure and financial programmes that government has put in place to leverage and channel private sector investment and credit to lower income groups, relatively little private finance has been mobilised to supplement the state housing subsidy. The Homeless People's Federation is one of the few initiatives that is demonstrating considerable success in mobilising people's savings at scale, but its coverage remains relatively limited. Key research questions include:

- i. *What additional legislative, institutional and financial measures can/should be taken to persuade the private financial community to extend financing to low-income people?*
- ii. *How can the supportive linkages be forged between the formal banking sector and informal savings schemes and programmes?*
- iii. *Should an individual's savings history determine eligibility for subsidies or should the subsidy be unconditionally allocated to destitute individuals on an unconditional basis, which could potentially serve as a safety net?*

d) Alternative tenure

The White Paper and the Housing Act paid scant attention to rental housing due in part to the assumption that most people wanted to become homeowners. Many argue that this assumption was not sufficiently tested and that the need for rental housing has become dire. Research suggests that in many developing countries, rental housing offers the poor a flexible and convenient form of shelter and comprises two-thirds or more of total housing stock. Key research questions include:

- i. *Can the public sector provide and manage rental accommodation in an economically viable and administratively efficient manner?*
- ii. *What are the main components of an enabling environment to expand the supply of formal and informal private sector rental accommodation for the lowest income categories?*
- iii. *Is the recent commitment by government to expand rental stock (via the Job Summit pilot projects), fair and equitable considering the intended target group and the special financial dispensation underpinning the project?*

e) Land and integration

Numerous studies have registered considerable beneficiary dissatisfaction with the housing product not least because of the location, poor access to income generating opportunities, the absence of social and cultural amenities, etc. More disturbingly, recent research findings suggest that present housing policy implementation rather than redressing apartheid spatial geographies, may in fact be consolidating them. Key research questions include:

- i. *How can local government use the fiscal, administrative and planning instruments and capacities at their disposal to access well-located land for low-income housing?*
- ii. *What additional internal capacities (resources, expertise and skills) and external resources (enabling legislation and regulations) does local government require to successfully overcome the barriers that frustrate the objectives of integrated development?*
- iii. *How can urban management be improved to ensure co-ordinated and integrated development?*

- iv. *Is the existing spatial planning and development framework efficient and effective, and what improvements should be effected immediately and in the medium to long term?*

f) The political nature of development and the empowerment challenge

The delivery of housing is largely perceived as technical process, premised on the crafting of agreements, rules, procedures, protocols, and so on. Not unsurprisingly, the dominant delivery orientations are technocratic and top down, with the very little empowerment of either beneficiaries and/or local government. The creation of productive, mutually empowering (state and civil society) partnerships do not accordingly feature very prominently in housing projects. Key research questions include:

- i. *What are the main components of an equitable development vision at local level and how might be realised in context fraught with conflict and unequal power relations?*
- ii. *What competencies and capabilities do officials and politicians require to execute their developmental mandate in a socially responsive, politically sensitive and organisationally sustainable manner?*
- iii. *What measures can local government take to build developmental partnerships with civil society in a manner that addresses the shortcomings with the present technocratic and top down process, and deepens civil society's participation and involvement in housing programmes?*

g) Who is benefiting from the subsidies: abandonment, downward raiding and fraud

Increasingly, reports from a range of sources suggests that while the majority of subsidy recipients are those in the lowest income groups, there is considerable doubt whether the recipients are the real beneficiaries of, and ultimately benefiting from, housing projects and products. Key research questions include:

- i. *Are the poorest the ultimate beneficiaries of programme and project interventions? What measures can be taken to ensure that government housing programmes and projects benefit the poorest?*
- ii. *What measures can be taken to prevent the commodification/commercialisation of subsidised housing? Are preventative measures desirable at all?*
- iii. *What is the impact of full cost recovery policies on the distribution of the housing benefits; i.e. are poor families abandoning/selling their homes to others because they cannot afford services and rates charges?*
- iv. *Are there alternatives to full cost-recovery policies? What are their main components and how are less rigid cost recovery strategies financed?*

h) Challenges to local government

Non-payment, real declines in subsidy allocations, lowering of infrastructure standards, new higher minimum standards of housing size, unfunded mandates, and the financial crisis at municipal level presents local government with a formidable challenge in meeting its developmental mandate. Although many local authorities have innovated, they have done so within the confines of the existing housing policy and subsidy parameters, which is extremely problematic should the capital subsidy be discontinued. Key research questions include:

- i. *How do local governments in other developing countries with similar human development profiles support the development of sustainable settlements?*
- ii. *Is the existing distribution of powers, functions, duties and responsibilities between local government and other spheres of government functionally appropriate to the former discharging its shelter obligations?*
- iii. *To what fiscal extent are local government's shelter obligations un/underfunded, and how might this be rectified?*

i) Supporting the People's Housing Process

There is mounting evidence that People's Housing Processes are to date more successful than mainstream strategies in building sustainable settlements and delivering a larger product, at a lower cost and of higher quality. Unfortunately, housing opportunities created through the PHP route 'hovers around' 1% of the total housing delivered by the capital subsidy. Key research questions include:

- i. Why does the PHP work in some places and not in others? What are the key success factors and how might these be created/nurtured/developed/fostered to enable the approach to be replicated on scale and in an economically feasible manner?*
- ii. What additional financial and material support can the state lend to such initiatives without stifling the ingenuity and creativity?*
- iii. How can constructive/developmental relationships be forged between local government and organisations like the Homeless People's Federation and People's Dialogue?*

j) The evasive discourse on squatting

There is currently an absence of any distinct policy instrument for informal settlement intervention. Informal settlement intervention continues to occur through mechanisms designed for greenfield development, which can be potentially be very destructive of fragile social economies and coping strategies. Key research questions include:

- i. What is the impact of the 'present upgrading' approach on the socio-economic fabric of informal settlements?*
- ii. What are the appropriate tools, instruments and technologies that other countries have used to upgrade informal settlements? What is best practice and how might they be creatively appropriated to suit SA's specific upgrading challenges?*

k) Infrastructure and services

The bundling together of the three components of land, services and top structure into a standardised, non-inflation indexed, household based capital subsidy potentially coupled to the problems in the allocation, distribution and focus of CMIP mitigates against optimal housing outcomes. Key research questions include:

- i. How can the existing national infrastructure programme be restructured to ensure that more strategic objectives can be achieved; i.e. compaction, integration, desegregation?*
- ii. Is the bundling together of the three components of land assembly and purchase, internal service provision and top structure appropriate and/or effective? What alternatives are available given existing resource constraints?*
- iii. How do other countries structure infrastructure and service delivery programmes to ensure maximum support for destitute households?*

l) Quality of end product and citizen satisfaction

There is considerable citizen dissatisfaction with the quality of the end product and government has put in place legislation to ensure that houses are of a minimum standard and new owners are protected against defects. Key research questions include:

- i. Is the institution charged with safeguarding the structural integrity of new houses adequately resourced?*

- ii. *What is the likely impact of the new norms and standards provisions on small black contractors?*

m) Gender (In)Sensitivity of the Housing Policy

It is clear that non-discriminatory practices and gender equality are still goals to be attained with respect to poor women's access to housing. Evidence exists that women still suffer discrimination under the workings of the new subsidy scheme and that gaps exist in the current housing subsidy that must be filled to ensure that gender equality becomes a reality rather than simply a statement of intent. Key research questions include:

- i. *What are the impacts of the present subsidy scheme on poor women?*
- ii. *What revisions and amendments are required to the subsidy scheme to ensure greater gender equality?*

An implicit and central concern of this paper is the extent to which the current policy is making an impact on poverty and inequality. This concern is particularly relevant in the wake of several recent statements on the part of prominent statesmen and women with respect to the need to fight poverty in South Africa. These include President Mbeki '*Our nights cannot but be nights of nightmares while millions of our people live in conditions of degrading poverty*'¹⁷⁸ and the Minister of Housing who recently stated that the role of housing in poverty alleviation had been identified as one of the gaps in the housing policy¹⁷⁹. See box 32 for a definition of poverty⁻¹⁸⁰

The emphasis on poverty by the Minister and President underscores the importance of housing as a critical asset for the poor. But housing, in the words of the Minister, is '*about everything other than houses. It is about the availability of land, about access to credit, about affordability, about economic growth, about social development, and environment*'.¹⁸¹ The importance of housing lies not only with the physical form but in the process, which in itself can reduce, or indeed, exacerbate poverty (see Box 32). Understanding poverty as a process – not a static condition – serves to highlight:

- the possible detrimental impact of an insensitive housing policy
- the importance of understanding the various ways in which individuals or households may experience poverty
- the need to address the multiple dimensions of poverty
- the critical importance of ensuring the active engagement of the poor in finding solutions.

While a more thorough evaluation of the housing policy from a poverty perspective is required, some critical concerns deserve to be raised. These include the impact on asset-ownership

Box 32

The multi-dimensional and dynamic nature of poverty

Poverty refers to lack of physical necessities, assets and income, as opposed to simply inadequate earnings. The asset portfolio of the poor, and the way in which these assets are managed, influences their vulnerability to poverty. Poverty can mean different experiences for different people depending on the causal factors one is exposed to and [un]able to overcome. Thus, poverty is a dynamic condition, and while some individuals or households are permanently poor, others become impoverished as a result of life-cycle changes, specific events, physical conditions or when external economic conditions deteriorate.

The asset portfolio of the poor, including tangible (savings, stores of goods or resources) and intangible assets (i.e. claims that can be made with family and friends for help or resources when in need), and the way in which these assets are managed, influences their vulnerability to poverty. Poverty is also linked to two other conditions, '*deprivation*' and '*vulnerability*'. People can be considered physically deprived if they lack the goods and services that are ordinarily available in society (i.e. food, clothing, housing) and vulnerable when they are exposed to risk, shocks and stress. Many low income people can avoid deprivation until they have to cope with a sudden shock such as a sudden increase in the price of staple foods or school fees, rapid currency depreciation, or illness afflicting an income-earner. Poor living conditions and a lack of basic services makes people particularly vulnerable to illness and injury.

Poverty is also multi-dimensional, caused by a combination of social, economic, spatial, environmental and political factors. It exists when an individual's or a household's, access to income, jobs and/or infrastructure is inadequate to secure full access to opportunities in society.

caused by the relocation of households to peripheral locations; the consequences of a household abandoning or selling its subsidy house and returning to an informal/squatter settlement; the focus on numbers rather than delivery of a long term asset; the top-down and developer driven housing delivery process that largely negates the innovation of individuals, households and communities and is disruptive rather than supportive of community building; and the limited representation by the poor in the policy formulation (refer to Box 33). The new strategy and the key questions identified will need to engage with the reality of poverty and the absence of any meaningful voice and input by the poor in the unfolding strategy.

Box 33

The poor are not well represented in the policy making arena in South Africa. The NGOs represented in the National Housing Forum (Kagiso Trust and the Urban Foundation) had close links with business and limited credibility in many settlements wherein they operated. Currently, few of the key 'civic' players can be said to adequately represent the urban poor at large. The civic movement, which once embraced a significant membership, is in decline, and 'people's movements', beyond the Homeless People's Federation, are uncommon. The Urban Sector Network NGOs presents a people-oriented voice to policy-makers but does not see its role in mobilising a grassroots movement that might confront the state and articulate its own. Organised labour has significant leverage on the Housing Ministry but it does not represent the poorest strata in society. While many ward Councillors that are sincerely concerned about the needs of the poor in their constituencies, these Councillors are in a difficult position; i.e. squeezed between the formal apparatus of development, the pressing need of the poorest members in their constituency, and the wider constituency from which they hope to be re-elected. It is particularly the Homeless People's Federation that has experienced Councillors to be ambiguous in their support of the Federation's demands for beneficiary control over the housing process.

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8. Personal communication

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Berkovits, Yvette (24.11.98), Activist and Film Producer, The Enchantment Corporation, Johannesburg.

Botes, Sarita (16.11.99) Public Relations Officer for Mr. C. Herandine, MEC for Housing, Western Cape Province.

Gwayi, Dumi (11.11.99), Chief Director of Housing, Eastern Cape Province.

Hunsley, Patrick Magebula (18.11.98), National President, Homeless People's Federation, Durban.

Hoffman, Michael (23.11.99) Coordinator, People's Dialogue Cape Town

Lewis, Sharon (16.11.99),, Directorate of Human Settlements Policy and Integration, National Department of Housing.

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Smit, Dan (9.11.99), Executive Director of Housing, Durban Metropolitan Council.

Tomlinson, Mary, (8.11.99), General Manager, Banking Council South Africa.

Walker, Norah (17.11.99), Director of Development Action Group (DAG), an Urban Sector Network affiliated NGO in Cape Town.

Notes

¹ see Lalloo, 1999:38.

² Department of Housing, 1994:4

³ See for instance Bond and Tait (1997).

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⁷ An independent policy research organisation.

⁸ Housing White Paper, 1994

⁹ Smit, D, 1999:3

¹⁰ Source: Department of Housing, 1999a

¹¹ CSIR, 1999 'State of Human Settlements Report: South Africa 1994-1998', report prepared for the National Department of Housing

¹² see Goodlad, 1996; Wilkinson, 1998; Lalloo, 1999; Hendler, 1999b

¹³ see for instance Mayekiso, 1996:164

¹⁴ see Cross, 1995:31

¹⁵ Cross, 1995:34, see also Davies, 1998

¹⁶ Argus clipping, 6 April 1977, reproduced in Ellis, Hendrie, Kooy and Maree 1977:77.

¹⁷ Urban Foundation, 1994:25; Coller, 1995; Seidman, 1990:8; Budlender, 1990:74; Lemon and Cook, 1994:333

¹⁸ see for instance Marais, 1998; Bond, 2000; Khan & Hemson, 1998

¹⁹ Urban Foundation, 1990:ix

²⁰ For further details see Nuttall's (1997) insider review of the Independent Development Trust

²¹ see van Coller, 1995; Lalloo, 1999; Wilkinson, 1998

²² Nuttall, 1997:196

²³ Adler and Oelosfe, 1996; Lalloo, 1999

²⁴ Adler and Oelosfe, 1996:121, Lalloo, 1999:40

²⁵ Dewar, 1999; Citizen, 1999

²⁶ Nuttall, 1997:177

²⁷ Mayekiso and Hanlon, 1994; Nuttall, 1997

²⁸ Nuttall, 1997:170

²⁹ Nuttall, 1997:168

³⁰ Mayekiso, 1996:179

³¹ Mayekiso, 1996:179

³² See Mayekiso (1996).

³³ Bolnick, 1993

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- ³⁴ People's Dialogue, 1995
- ³⁵ .People's Dialogue, 1999.
- ³⁶ N.Turner, 1999 in Reconstruct, 5 December
- ³⁷ People's Dialogue, 1994b:14
- ³⁸ People's Dialogue, 1994a
- ³⁹ Bolnick, 1996:155
- ⁴⁰ Department of Housing, 1994:53
- ⁴¹ see National Institute for Economic Policy, 1996
- ⁴² Republic of South Africa, 1996:12
- ⁴³ Ibid
- ⁴⁴ C.Pickard, 1999: **Saved from Christmas on the streets** in Sunday Times, 19 December
- ⁴⁵ **Parliament approves new law on evictions** in Business Day, 10 March 1998
- ⁴⁶ Natal Mercury, 06/08/1993
- ⁴⁷ see Tomlinson, 1996 and Thurman, 1999
- ⁴⁸ Department of Housing, 1998
- ⁴⁹ see Housing in Southern Africa, 1998
- ⁵⁰ Billy Coetzee, Chairperson of the Provincial Housing Board of the Western Cape, personal communication
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- ⁵² Thurman, 1999
- ⁵³ Tomlinson, 1997:6.
- ⁵⁴ Housing in Southern Africa, 1999:2.
- ⁵⁵ Mthethwa, personal communication
- ⁵⁶ Tomlinson, 1997
- ⁵⁷ Mthembi-Mahanyele, 1999:9
- ⁵⁸ 'A Housing Strategy for the Millenium', Midrand, December 1-2, 1999
- ⁵⁹ see Mthwecu and Tomlinson, 1999
- ⁶⁰ Walker and Hoffman, personal communication
- ⁶¹ Patrick Hunsley, President of the Homeless People's Federation, personal communication, 1998; Homeless People's Federation, 1999
- ⁶² People's Dialogue confirms that there has been no research into this questions (Hoffman, personal communication).
- ⁶³ Deputy Director-General Housing - Karstens, 1999
- ⁶⁴ See Declaration of the Presidential Jobs Summit, 1998
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- ⁶⁶ Tomlinson, 1999:14
- ⁶⁷ Source: Denny-Dimitriou (1999); Ehlers (1999).
- ⁶⁸ Sources: Cape Town Community Housing Company (1999); Cape Metropolitan Housing Task Team (1999)
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- ⁷⁰ Arvinda Gohil – Managing Director of the Social Housing Foundation cited in Denny-Dimitriou, 1999:35
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- ⁷⁵ Neville Schafer, CEO of Property Management specialists – Trafalgar cited in T.Hood, 1999: **Rent control 'will kill projects'** in Sunday Times, 3 October
- ⁷⁶ Discussion drawn from Khan, 1993
- ⁷⁷ David Dewar cited in **Backyard shacks should be condoned** in Sunday Times, 24 October 1999
- ⁷⁸ Schafer, 1999, *op cit*
- ⁷⁹ Tomlinson, 1999:14
- ⁸⁰ Morkel, personal communication

⁸¹ Discussion drawn from Smit, D.1999; F.Farouk, 1998: **Poorest communities sidelined at the summit in Reconstruct**, 15 November

⁸² D.Smit, 1999: 8

⁸³ Thurman, 1999, op cit.

⁸⁴ Steven Makheke, quoted by Dhlamini and Bokwana, 1998

⁸⁵ Hunsley, personal communication, 1998

⁸⁶ Hoffman, personal communication

⁸⁷ Thurman, 1999, op cit.

⁸⁸ The City of Cape Town Hostels Upgrading Programme

⁸⁹ Draft Green Paper on Development and Planning, April 1999, Development and Planning Commission: 18

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⁹¹ Walker, personal communication

⁹² Berrisford, 1999

⁹³ Sources: Development Action Group (1998); Saff (1996)

⁹⁴ Berrisford, 1999:8, with reference to the Extension of Security of Tenure Act - emphasis added

⁹⁵ Draft Green Paper on Development and Planning, Development and Planning Commission, April 1999

⁹⁶ Social Housing Foundation, 1998:xiii

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¹¹¹ Bond & Taite, 1997:4

¹¹² *ibid*

¹¹³ Botes, personal communication

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¹¹⁵ Sunday Times, 31 May 1998

¹¹⁶ *ibid*

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¹¹⁸ *Ibid*

¹¹⁹ It is anticipated that the forthcoming Financial Management Bill will outline the content for future indigents relief.

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¹²¹ It is also argued, however, that a lower level package of services would be costly to maintain for the authorities.

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- ¹³⁰ Sources: Huchzermeyer (1999a); Gwayi (personal communication).
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- ¹³⁷ United States Agency for International Development.
- ¹³⁸ It may be noted that this concept had also been promoted as from the early 1990s by other organisation in South Africa, such as Community and Urban Services Support Project (CUSSP) (see Jenkins, 1999), the Division of Building Technology (Boutek) at the Council for Scientific and Industrial Research (CSIR), and the Cato Manor Development Association in Durban.
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- ¹⁴⁰ Macleod, 1999:37
- ¹⁴¹ Paton, 1999
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- ¹⁴⁶ see for instance Abbott and Douglas (1999).
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- ¹⁴⁸ see Urban Foundation, 1991
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