ATTACKING URBAN POVERTY WITH HOUSING: TOWARD MORE EFFECTIVE LAND MARKETS

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CAN LAND AND HOUSING HELP THE URBAN POOR?

Government in South Africa is running flat out to deliver housing for the urban poor –

- Land and housing policy is expected to work as the main national anti-poverty thrust
- No other country in Africa has yet made the same housing commitments as South Africa after apartheid
- In spite of massive housing delivery, street protests involving violence shook the country in 2005 and still continue
- Time to see success on the Breaking New Ground policy may be getting short
- A window of opportunity has opened with Department of Housing's policy re-evaluation

S A ANTI-POVERTY POLICY

Government poverty policy now is based on housing, therefore on land –

- How exactly does housing delivery act to lift the poor out of poverty?
- SA anti-poverty policy has two main thrusts:
 - Social welfare policy: grants transfers on a vast scale to hold off destitution due to unemployment levels
 - Free housing to the poor: asset accumulation to empower the poor to help themselves through selfinvestment
- An asset accumulation strategy based on housing looks correct – but may not be easy to deliver

INTERNATIONAL DEBATES: MDGs, DE SOTO, WORLD BANK

As Africa's leading economy and the power behind NEPAD, South Africa has taken up the MDGs with hard commitment

- Following UN Habitat's thrust on Goal 7 Target 11, SA undertook to eliminate all shacks as part of BNG 2004
- Has loosened a little with Social Compact of 2005
- Alongside, World Bank (1992 etc) wants formal title to eliminate shacks, partly to get rid of negative institutions – shacklords, crime
- Hernando de Soto (2000) wants shack title to open bank credit for entrepreneurial small business – wake up 'dead capital'
- This all may put South Africa on board for all 3 household asset accumulation and shack elimination, and also formal title in shack areas

ADDRESSING POVERTY IN SHACKS

Do these objectives align? What to do about shacks is the key to housing directions –

Shacks surrounding main cities are the main dread of local government planning – both national policy and local government delivery are involved here

- That means providing the right housing to match demand
- Will look first at household-level demand
- In relation to ownership and rental delivery parameters, and affordability
- It also means speeding up delivery
- Will then turn to stoppages and projects collapsing, and the connection to institutional factors

PRACTICAL HOUSING QUERIES

- Critical issues include constituencies for subsidy housing, affordability, security, rental options, and community-level institutions —
- Can government deliver fast, accessible housing in the right places?
- With in-migration and households splitting, is subsidy housing sustainable?
- Can the incoming poor sustain a higher-priced formal housing market without shacks available?
- Can housing delivery accelerate enough to make its targets?

SOME OF THE OBSTACLES?

Arguing here that the asset-accumulation strategy is right, but speed bumps may lie ahead —

- HSRC's 2005 poverty pockets study for GIDU suggests poor people living on social grants can't always hold onto their formal housing
- Our Johannesburg City study 2005 suggests such households can leak back out into shacks
- Meanwhile, communities keep trying to take back control of housing delivery – Crossroads, Besters, Mamelodi, Joe Slovo in Eastern Cape, and other places
- Goal is full informalization bad idea?

We need to understand urban economic constraints about informality better in order to attack poverty with housing

HOUSING DELIVERY AND SOCIAL WELFARE

Shack eradication plans are right, at least in the long term, and maybe in medium term

Shack eradication supports asset accumulation for the poor

- But research suggests there may be increasing numbers of households that can't sustain subsidy housing
- Grant income can just cover living costs in shacks, but seems not to cover township housing
- And grants allow more and more unviable households to split off – a growing constituency of the very marginal

Meanwhile, the cost of social welfare delivery is already unsustainable to the national budget

HOUSING POLICY GOALS

Toward both asset accumulation and a formal housing market, the South African government is trying for three objectives –

- Speeding up delivery
- Higher quality housing
- And from there, a functioning formal land market, with prices reflecting building costs
- Getting all three will make shacks unnecessary
- Institutional factors endanger all three goals shacks are 'semi-autonomous social fields' (Leduka 2006) and reject outside institutions
- A sustainable outcome against the shacks will be very difficult

Shacks reestablish themselves, and informality is intrinsically faster than anything official

FASTER DELIVERY AND RENTAL

Faster delivery means getting ahead of the rate of new households forming and entering the urban housing market –

- Government clearly sees that housing the new households depends on mass delivery of rental that can compete with shacks
- Shacks are a rental market that offers instant dirt cheap access, in a wide range of locations
- For government delivery to suppress shacks, it has to match this performance or accept some informality
 Very hard to achieve any government has to work with tenders, formal procedures not fast nor cheap

INSTITUTIONAL CONFLICTS IN HOUSING?

Institutional problems lodge between communities, households and local government bureaucracies

- Elected councillors, CDWs and ward committees are part of local government, expected to be caring but impersonal
- Up against communal governance communities' own government practices based on personal relations, accessibility and social seniority
- Community vs bureaucracy in underground struggle to control housing
- And local leaders often hold up delivery projects to claim constituencies, trading political clout for elected office
- Then there are conflicts over procurement access that stop delivery
- Local government doesn't recognize these recurrent problems that drag down delivery rate

CAN DE SOTO HELP?

- De Soto's dead-capital argument is attractive, but may not often work in practice
- Few of the very poor want to take on commercial credit and risk losing their only asset, their house
 - Risk of small business failure is usually around 80 percent
 - Latin American research indicates title doesn't help the poor get bank loans (Field & Torero 2006, Galiani & Schargrodsky 2006)
- What is important is what households do inside, with saving – not outside with housing transactions
- Formalizing the whole market and raising prices could be risky – the poor not yet housed may be excluded Informal market prices already allow households to transact – what the poor need is security to accumulate till safe from shocks

HOW ABOUT THE WORLD BANK?

The World Bank argues that bringing in the formal market helps with credit and security –

And also chases out shacklords and criminals

But institutional research shows shack settlements are 'semiautonomous social fields' (Leduka 2006)

- Shacks have their own rules and try to exclude outside institutions
- And tend to prefer informal institutions they may accept patronclient structures because they are more responsive than bureaucracy

Studies in Cape Town (Robins 2002) show that re-housing a community doesn't keep crime and informal institutions from coming back again

Social values around community solidarity work to keep housing prices low regardless of construction costs

WINDING UP: THE RIGHT PATH FOR S A HOUSING?

For South African housing delivery, MDG Target 11 itself may have some unintended consequences

Same for supporters of de Soto and World Bank –

Some of the elements they have motivated into policy may not be optimal in relation to informal housing here

- Have seen de Soto's approach to credit isn't likely to work and has serious risks
- World Bank's position on institutions has to fire on all cylinders to work and isn't close yet
- MDGs Target 11 and UNHabitat motivate policy against 'slums' as much as toward formal housing

Not clear any government's formal delivery can do both at intended speed, while unemployment still very high

HOW TO SUPPORT HOUSING DELIVERY VS POVERTY?

Housing policy is basically right, but needs to deliver both instant cheap access and sustained affordability

To do this, policy needs to identify constituencies for housing very closely –

- Livelihoods are key to household affordability
- Social demographics are key to changing households
- Local government approaches can help deal with institutional delays and stoppages

Are now seeing young women claiming independent access to housing – youth go for rental

But older women with children and rural in-migrating families want stable home ownership with easy access —

Who else is out there? We need to know more about the nature of poverty among people who need housing

A RIGHT PATH FOR ANTI-POVERTY HOUSING?

For all the poverty constituencies, if asset accumulation can move ahead, it will work –

To make it work, good location, fast access and tenure security may be more important than credit transactions, institutional cleanups or getting rid of all the shacks

- A fast, slippery market may endanger the chances for the poor to climb out of poverty
- The climb depends on household self-investment, which means stability –

In trying to bring about instant dirt-cheap access for the poor, future housing policy may need to solve housing as collateral as against housing as a platform for accumulation

South Africa may need to trust its own set anti-poverty goals, and treat international ideas critically