# Attacking urban poverty with housing:
# Toward more effective land markets

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**Introduction**

To be effective in helping the poor, urban land markets – or more specifically, urban housing provision using the medium of land – probably need to do more than just deliver land itself, or land with a housing unit on it.  The dimensions of the poverty problem in South Africa alone are frightening to all three tiers of government, and the scale of the housing and services protests that caught fire in 2005 show the scale of popular anger at the slow speed of housing delivery.  Responding, government here is notching up its revised housing delivery initiative, announced in 2004, and has committed very serious funding resources.

As delivery spending rises, one question that needs to be considered in depth is, What is needed to make this initiative effective against poverty?  Or, *how exactly does housing delivery act to lift the poor out of poverty?*  On this issue, it is not yet clear that everyone involved in the debate has the same hymnbook to sing from.

Shack settlements – now internationally known as slums – are proliferating world-wide. As the South African state intervenes with additional delivery, there has not been much time for consultation:  more than 800 communities have reportedly responded with protests, and sometimes by contesting with the bureaucracy for control of the delivery and allocation process.  While the protests continue to smoulder and government investigates slow delivery, it is probably important that households among South Africa's poor are shrinking, because these changes in household structure bear both directly and indirectly on the nature of land and housing demand.

Recent research from HSRC reflects the likelihood that poor households which already have housing and services – and therefore should in principle be safe from poverty – are nevertheless falling out of their formal housing and back into the shacks.  The numbers involved are not known at this stage.  However, it looks as if housing alone is not enough to ensure escape from poverty, or to ensure that rural in-migration is able to make the urban transition and become a productive and engaged part of the city: more is needed.  This paper tries to tackle some of the questions around what makes

housing an effective strategy for poverty reduction, in the interests of encouraging urban markets for land and housing to work for the poor.

No other country in Africa promises its poor the levels of social provision that the present South African government has committed itself to, but in post-apartheid South Africa, shack settlements are spreading and proliferating at a rate which challenges all the tiers of the state. Increasing urban welfare demands triggered by the urgent needs of unemployed and marginalized shack residents are seen by the metro cities to risk overwhelming their capacity to provide, and undermining their efforts to invest in the business infrastructure they need to remain globally competitive (c.f. City of Johannesburg 2002). Faced with these social protection needs, the national welfare budget is already unsustainable to the fiscus (see Hirsch, 2005).

To meet the BNG government targets, estimates of maybe another 2 million houses are current, although the new Social Compact for Rapid Housing Delivery (2006) allows for improvement of existing shacks rather than eliminating all of them. To carry out this commitment, very careful targeting of urban constituencies will be necessary, along with action to reduce the kind of drag effect produced by breakdowns and stoppages at community and local government level. Both poor households and community institutions are important here.

This paper takes the position that this asset-accumulation strategy based on housing delivery is courageous, well-targeted and essentially correct, but that some risk remains that not all possible pitfalls have yet been identified and taken into account in the planning. The attraction of shacks for some of the urban poverty constituency is not only a matter of very fast access. Some of the questions we probably need to look at include the following:

- Can government deliver instant, accessible housing in the right places?

- Is current housing delivery sustainable in the light of future in-migration and rapid household splitting?

- Can housing delivery accelerate enough to take up the slack represented by the current backlog plus new households forming in cities and arriving from outside?

- Can the incoming poor sustain a higher-priced formal housing market if shacks are not an alternative?

- Can the current formal housing market provide products that the arriving poor can take up, using only the resources they bring with them?

The following sections suggest preliminary answers to some of these queries.

## South African housing policy changes

Right now, South Africa's current national housing plan (Breaking New Ground: a Comprehensive Plan for the Creation of Sustainable Human Settlements, 2004; called BNG) is taking up the thrust of the UN's MDG Target 11: it sets the country on the course of working to eliminate all shack housing in the country, by replacing informal housing stock with new standardized subsidy housing, or with rental housing of a similar standard.

The overall development of this planning includes an Informal Settlements Upgrading Plan, and a series of pilot projects. It has recently been moved toward faster actualization by the signing of the Social Contract for Rapid Housing Delivery in September of 2005, involving all the major South African roleplayers in housing. Where the first BNG plans strongly committed to Target 11 by calling for replacement of all shacks by 2014, ahead of the UN target date, the Social Contract document targets 'removal or improvement of all slums in South Africa as rapidly as possible, but not later than 2014'. By admitting of 'improvement' rather than strictly requiring elimination, this slight expansion of the declared focus may represent a concession to the scale of the task, particularly in view of continuing rapid rural-to-urban migration hitting the major metros.

The documented planning about the BNG initiative was from the outset very fully consulted with important South African stakeholders and recognized experts, and for the most part represents South African thinking about the housing issue. It is not clear how far BNG actually responds to the international consensus on recommended goals and practice, though the main BNG documents refer to the MDGs specifically in relation to targeting, and also carries other international themes.

Under BNG, the South African state proposes to deal with the persistence of informal land and housing markets by increasing the supply of subsidized formal public and private housing, improving its quality, and speeding up the rate at which it is being delivered. This approach, if followed to its conclusion with real political will, would wipe out the need for informalization, by making an adequate supply of good-quality, full-title housing available at a cost the poor can afford: it would eliminate the gap between what the poor can reach under the regulations, and what they actually need. In doing this, it would also bring South Africa into full compliance with the MDGs Target 11. At the same time, bringing all the necessary elements together to achieve this outcome will not be easy, and finding the social and political will may be only the start.

### Debates and queries

*Informalization* is a process by which the poor evade rules to produce outcomes that they need, but that are otherwise too regulated for them to reach. Informal housing comes into being when there is a gap in the market and the poor are unable to afford the kind of housing that is available, or there is not enough affordable housing to go around. Most of the international debate about shack housing or 'slums' revolves about how best to address the prevalence of informality among the poor, in respect of actual housing practice and in respect to the informal institutions that go with it.

It is not clear how far current South African housing policies have been influenced by world debates: the present BNG housing framework was developed from extensive consultations with South African experts and practitioners, and appears to be mainly home-grown (c.f. Kombe & Cross 2006, interview data). However, the available government housing documents also refer to some main elements of international

thinking, and there are several hot topics in the international consensus about housing and development which seem to have affected the development of South African housing policy in relation to globalized debates.

That is, in a human rights and economic development framework, shacks/ slums are internationally seen as sub-standard housing, not of a decent quality for human occupancy and negative in themselves for development; likewise, informal institutions are seen as little help to the poor in slums in dealing with the developed economy surrounding them, and at the same time as prone to abusive local-political relations in themselves, including shacklordism and crime. Much of the current thinking on the international scene is about how to provide formal housing or housing capable of being formalized, but another important concern is how to eliminate negative informal institutions that bear on or work through housing, land or housing access.

Several specific international threads may be relevant to South African housing perceptions. The Millennium Development Goals or MDGs have been developed by the United Nations (cf 2006), and have taken a common position with UN Habitat (1996) in tagging urban shack settlements as 'slums' and identifying them as a key MDG priority. The MDGs have global acceptance, shack housing is clearly spreading fast, and it would be difficult to argue with Target 11 – that of improving the lives of one hundred million slum dwellers by 2020 – in and of itself; but it may be possible that some of the downstream effects which could be linked to the 'slum' label might be unexpected or even perverse.

On somewhat different lines, the World Bank has argued for property rights for what is seen as their general uplifting effect (see Stiglitz, 2002?). The Bank has also pushed for delivery of improved housing and land access not only for their direct effect on the lives of the poor, but also on the principle that if efficient and sustainable land markets can be introduced to shack areas, then the force of the market, as supported by an honest and effective bureaucracy, will exclude shacklords and patronage politics (World Bank, 2000; see also Dowall, 2005).

This result may not be easy to deliver.  Robins (2002) and others have documented how informal institutions tend to re-establish themselves in upgraded shack areas, excluding the more transparent market forces and bureaucratic forces themselves. Leduka (2006) also notes how areas of informal housing tend to close themselves off effectively from the larger economy and polity:  these points will be discussed at greater length below.  At the same time, it is argued here that the Bank is correct in identifying institutional concerns as central to the problem of shacks – only, that solutions for entrenched difficulties at this level will not be easy to come by, though there are implications for the successful execution of South African housing policy.

The entire field of housing the poor in South Africa is possibly complicated by the excited build up around the arguments put forward by the Peruvian economist Hernando de Soto (1986, 2000), which are based on formal property rights for shack people, and work toward opening up entrepreneurship to the poor as a mechanism for raising incomes and helping the poor escape poverty.  Arguing that informal housing occupied by very low-income households is equivalent to 'dead capital' because without title the occupants are unable to raise loans, de Soto makes the case for land titling programmes as a key mechanism for poverty alleviation, and for conversion of dead-end shack housing into dynamic settlements that will improve themselves with limited outside help.

Since it was first put forward in the late 1980s, this proposition has drawn increasing attention in the academic and policy community, and it is now a hot-button topic.  It is not clear to what extent de Soto's work has influenced the thinking of South Africa's Department of Housing, but DOH policy documents refer to enabling individuals and families to use their homes as assets to create wealth, so it is likely that some current lines of policy arise partly from this direction.  Accordingly, the relation between de Soto's approach and housing policy as anti-poverty is a concern of this paper.

A case can be made from first principles and from older rural research in Africa to question or modify de Soto's argument:  the poor are not often willing to pledge their most important asset – land or housing – as security for loans, for the good reason that what they could lose by foreclosure is probably much more important to them

than what they might possibly gain by starting a business or buying productive assets, and the risk of failure is too high to be worth it.

The failure rate for small businesses in particular is always bad enough to be very alarming almost anywhere – startups in the US has been quoted as failing in four out of five cases, and in South Africa informal businesses run by the poor open and close continually, usually with little loss because little or no loan capital is involved (Cross et al 1999). Similarly, land title for land collateral in rural Africa has usually been unsuccessful: the risk factor and the institutional obstacles are formidable. In Kenya, where title was introduced nationally, few farmers have used it for loan credit, and those who do are often reported to buy an extra land parcel first so that they can pledge it as collateral without having to risk their home farm (CITE). At the same time, the banking sector is very well aware that foreclosure is often impossible in a community context, where the community as a collectivity can block the eviction or refuse to buy a foreclosed property. Poor people with title usually remain red-lined anyway.

Empirical evidence which bears directly on de Soto's position is also emerging now, and is not encouraging on the central argument. Field & Torero (2006) used a natural experiment in a partly upgraded area in Argentina to establish that title did not give shack people improved access to private credit, though it did encourage home improvements and was linked to smaller families. Also in Latin America, Galiani & Schargrodsky (2006) did not find any significant improvement in access to credit. However, Baslevent and Dayioglu (2006) in Turkey argue from computer modelling that when squatters on public land get title it does result in improved income levels, and levels differentials with other communities, but that this gain is attributable to the option of renting.

The position taken here is that institutions are a key issue in relation to housing delivery under the new national policy, but that access to credit is not the most important concern in relation to development of shack areas. However, the research cited above lends good support for the national anti-poverty strategy based on delivery of free public housing as the basic platform for household asset accumulation to take place.

*Questions and layout*

In current government thinking, this reception strategy for new households is based mainly on formal rental accommodation.  Consideration then needs to go to the problematic of getting rental housing on the ground fast enough, and in enough suitable locations, to soak up the flow of new households needing low-income housing.  It is this burgeoning demand which is currently powering the rapid proliferation of shacks around the country, and to move it into formal channels will be a very difficult undertaking.

Although it is assumed here that government's overall strategy is correct, work needs to go toward the question of whether state housing delivery, up against various obstacles in terms of procedures and consultation demands, can meet reception and overflow needs even if physical delivery on the ground can be speeded up very significantly.

With these issues in mind, this paper first looks at government housing policy and its new objectives, before continuing on to consider the two main constituencies involved with housing delivery for the poor in shacks.  Taking rural in-migration as a more known element already identified and factored in, the argument examines the demographic contribution of the city itself to the poverty constituency in need of housing, looking at shrinking households and their support needs as a constraint in respect of delivery.

In the fourth section, the paper turns to the ground-level environment for delivery at community and local-government level, and highlights some repeating institutional problems that have not attracted as much attention from local government as they may need in order for the national-level anti-poverty strategy to succeed as it needs to. These institutional factors are sketched in relation to some of the factors affecting future speed of housing delivery, as well as access to delivered housing.

The concluding sections take some positions on the theorized approaches for housing delivery in the light of its international goals, the constituencies involved, and the obstacles faced by housing delivery on the ground at local government level.

Throughout, the central concern is to shed more light on the terrain that surrounds government's attempts to lift the poor out of poverty by delivering a subsidized housing asset.

**Policies:  Government's engagement with informal housing**

According to the Minister of Social Development, there are 12.7 million households in South Africa, and 5.7 million are classed as indigent (Social Sector Cluster media briefing, 7 Feb 2006).  That is, just under 45 percent of all South African households in 2006 are classed as poor enough to receive subsidized municipal services under the indigent policy initiative; this is a discouragingly high share, one that points to the obstacles facing Department of Housing in its anti-poverty task.

This assessment of indigency given to Cabinet from the Minister charged with welfare services is perhaps not surprising.  IDASA (2006) comments that 'the heart of government's anti-poverty strategy is located in the social services sector', which includes housing and social welfare as well as education and health.  Of these line departments, the essential one for the attack on poverty appears to be Department of Housing.  In his 2005 book, Alan Hirsch, an economic adviser to the Presidency, outlines the top-level anti-poverty push that works through providing poor families with a subsidized house as an asset base, one which will support further accumulation through household self-investment over time.

That is, the government anti-poverty approach is to give the poor a platform in the urban sector so as to empower the poor themselves to build up the household asset base which will secure them from shocks, and enable them to escape poverty in the medium term; as they do this, they will move across the urban transition to become fully engaged, productive members of the city constituency, relieving the welfare strain on both the state and the cities.  To get this result, government is putting its money where its mouth is:  the current national housing budget is over R 9 billion and is projected to rise, while the rate of growth in welfare transfers, explosive for the past few years, has now levelled off.

Reasons for the present housing budget expansion relate to unemployment. This anti-poverty planning is being unrolled at a time of extremely severe unemployment among low-income households generally, and particularly among low-income youth. South Africa's high unemployment underlies the looming risk of an economic dam-burst flooding out much greater impoverishment across the country if welfare transfers were to be withdrawn.

While hard services such as electricity and water are important to quality of life, to learning and to earning, the direct welfare transfers from the state have become critical to the survival of the poor in both urban and rural areas: many families have no one who is employed, and are unable to stay alive on the marginal earnings from survivalist microbusiness alone. However, welfare transfers as a stopgap measure have no exit strategy built in, and may interfere with engagement in the labour market (Klassen & Woolard, 2002), and government appears to be very wary of creating dependency (see PCAS, The Presidency, 2006; also Minister of Social Development, June 2006). The housing strategy for kick-starting household accumulation is the one anti-poverty component that appears to offer a way out for the poor, and also for government.

### The informal market for subsidy housing

To make this strategy work, DOH has to secure the asset value of the housing it is continuously transferring to the poor, and it particularly has to address the housing needs of the in-migrant households that are continually arriving in the urban sector from the impoverished rural districts. Accordingly, DOH is making intensive efforts to raise the selling price of subsidy houses, so as reflect the cost of construction and give the beneficiary household a larger anti-poverty stake.

This has meant a concerted push to formalize the informal housing market which prevails among the poor, and which currently structures the buying and selling of both shacks and subsidy houses. In the informal market, prices for subsidy houses and for shacks do not necessarily differ greatly, although to build an RDP house or subsidy house cost R 15 000-20 000 in 2003, and now can cost much more. Hemson (2003) refers to RDP houses selling for about R 5000 in Inanda, in eThekwini at the time, and RDP housing might sell in the same range in Crossroads in Cape Town (Cross et al

2003): well-equipped shacks sometimes sell for about the same price in Diepsloot in Johannesburg (Cross, Kok, van Zyl & O'Donovan, 2005). Guillaume & Houssay-Holchuch (2002) noted for Thembelihle in Johannesburg that

> A housing market is thriving in this settlement. Starting at R 400 for the smallest shack, a two-roomed shack is worth about R 2500. The maximum price of R 7500 corresponds to a big shack turned into a permanent building. The shacks in secondary ownership were bought at an average price of R 2700 [in 1995-96] (Guillaume & Houssay-Holchuch, 2002: 97).

In trying to establish a fully formal market based on title and registered transfers, DOH is following the well-established international property rights consensus originally promoted by the World Bank and more recently expanded and intensified by de Soto's arguments. Trying to overcome the inconvenience of formal registered housing transfers for poor beneficiaries while still not opening space for down-market raiding by well-off buyers, BNG in 2004 cut the time during which beneficiaries are legally forbidden to sell their subsidized housing from eight years to five years; at the same time, DOH is establishing regulations to legally give the municipality or province first option to buy back subsidy houses.

The poverty objectives of the 2004 BNG housing policy also include raising the traded value of ownership subsidy housing, and defeating the informal market with its blizzard of extralegal transfers at very low prices. Responding to anger over small size and poor quality of subsidy houses up to 2004, DOH is experimenting with providing larger houses of better quality in order to differentiate its product from the competing shacks.

To encourage beneficiaries to see value in their housing asset and to trade it in the formal market at a price reflecting the delivery value, DOH has developed plans for a new three-bedroomed subsidy house, rumoured to cost over R 50 000 per unit. It is not clear yet how many of these houses would be delivered and where: the design was debated in connection with the N2 Gateway pilot project in Cape Town, which went ahead for the first phase with low-rise social housing instead.

However, overcoming the dominance of an existing informal market by persuading beneficiaries to carry out housing transactions in a formal sale context is not an easy job. Unregistered transfers at what appear to be excessively cheap prices may serve the perceived needs of the beneficiary constituency. In discussing the attractions of informal housing markets, Leduka (2006) notes that informal land delivery in Africa supplies 50-70 percent of all land for urban residential development, and comments that the success of informal systems relates to their familiarity for users, which supports compliance:

> The success of informal land delivery systems…can be attributed to their practical attributes and their social legitimacy… Wide understanding and acceptance of the social institutions regulating transactions between actors served to secure wider compliance than is common for formal land regulation based on imported rules and conventions (Leduka 2006: 3).

For the poor and the less educated, formal transfer systems based on legal registration do not have these advantages. The following sections will suggest it is not clear that providing larger and more expensive subsidy houses will easily change beneficiaries' perceptions of subjective housing value enough to make registered transfers worth their inconvenience, delays and restrictions.

### *Supplying enough rental*

As well as ownership, rental housing is a particularly critical aspect of the BNG package: 2.4 million households were noted as lived in shacks or 'informal structures' and only 800 000 of these households were on the waiting list for government-subsidized housing. BNG plans for households unable to afford mortgage finance include both delivery of subsidy houses and rental housing stock, with a range of options for rental aimed at people who were moving in from rural districts or who for some other reason did not want to buy or own a house. Therefore, it is the rental stock that is expected to accommodate both rural-to-urban migration and also many younger households splitting from their parental homes within the cities.

In line with this planning by the Housing Ministry, the 2006 Budget shows social development in the form of welfare transfers to households cooling down its recent

rapid growth, while infrastructure spending shoots ahead and allows the national housing spend to rise past R 9 billion, to meet the BNG commitments.

To further this plan, the Department of Housing is bringing on board additional housing loan finance and is moving ahead to actualize public-private partnership structures. Cabinet has heard as of July this year (Social Sector Cluster media briefing 7 July 2006) that the major South African banks have confirmed R 42 billion in housing finance for households earning R 1 500 to R 7 500 monthly – at the low end of the band demarcated for self-funded accommodation rather than poverty-bracket fully subsidized housing –  and that they had lent R 16.7 billion to this target market by September 2005.

Specifically in the poverty category, DOH is working on an affordable rental-housing programme for people in low-income brackets, and also intends to promote the building of new high-rise rental stock for accommodating low income households. These initiatives are key to the demand for housing that can accommodate in-migration. There are also extensive plans for existing kinds of public rental stock, to be carried out in conjunction with municipalities under the affordable rental housing planning, though the Cabinet briefing notes do not indicate how many existing units there are in this category.

Government has anticipated most of the difficulties and is moving ahead on a broad front. Five new special agencies will promote and monitor the housing delivery enterprise, and SERVCON is to become the special purpose vehicle for identifying well-located land for housing, working with municipalities. According to the Cabinet media briefing of 7 February, there have been discussions with departments and parastatals about identification and release of well-located land for housing. In March of this year, there was reportedly a plenary meeting of all the parties to the Social Contract initiative about the government proposal for developers to put 20 percent of their future development projects into low-cost housing

Whether foreseen or not, the difficulties are also very formidable. The demographic origins of poverty, along with the social assumptions around urban informal tenure

and the institutional factors that go along with delivery at local government level, all come together to make it hard to ramp up delivery to the point where new housing demand can be moved into the formal market either through owning or renting, smoothly enough and fast enough to keep shacks out of the picture. Developing satisfactory access and allocation processes will not be easy, and it may be necessary to accelerate delivery enough so that all the new households of the poor, from inside and outside the city, can be absorbed within days or weeks to keep them from taking the shack option on undefended pieces of land.

The turn in housing policy toward rental opportunities in addition to ownership seems to be aimed partly at frustrating the informal market and preventing down-market raiding; however, a large expansion in public rental housing risks a number of pitfalls. Social housing is a relatively complicated and expensive option to run, and may be popular mainly with a relatively narrow band of prospective beneficiaries (cite thesis). At the same time, any kind of public rental housing is not easy to manage, especially for the poor in a high-rise format: management of maintenance and rent collection are often challenging, and it can be difficult to keep out crime if management is not vigilant and well-supported. Perhaps a little ominously in relation to the push for delivery of more public rental housing, Cabinet was also told that the private sector is reluctant to take on management of hostels redeveloped as low-income housing and flats. Banlieues, if not tenements, hover in the future as possible outcomes.

**Demographics, social values and the housing market**

Findings from HSRC's 2005 Johannesburg City Strategies pilot study of household types that could disrupt population projections (Cross 2005) reflected urban households definitely shrinking, with potential implications for their viability in the housing market. The study results came from ground level and confirmed the demographic trend identified by Department of Social Development from Census data (DSD 2004), which showed household size falling to an average 3.8 as of the 2001 Census.

The Johannesburg results also turned up even smaller urban household sizes associated with larger urban families falling apart under the internal strain of

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unemployment and breaking up into smaller units. Based on 70 qualitative cases at three sites in the city, this pilot inquiry reflected a significant fraction of very weak urban households located in the poverty bracket, including many that contained only one person of economically active age and had no one in a position to travel or work outside the home. These households may not be able to form or exist at all without social welfare grants: even with grant support, it looks as if they may not be able to cover the costs of a formal house, and they may leak back into shack accommodation even without meeting any specific economic shock.

Commonly women-headed but also including men alone or with children, these families appeared as much less viable than married families in relation to the job market. Families in this category tended to move from the townships into shack areas when they split away from the parent household or leave their own house due to shocks: once in the shacks, they remained there living in informal housing either as renters or owners. Once trapped by their move into the shacks, these weak family units seemed to have little chance to improve their housing situation or climb out of poverty without direct government help.

However, delivery of government help through housing and asset accumulation to these very small households running a human capital deficit might not be unproblematic. Questions about housing sustainability also arise. The Johannesburg qualitative results seemed to indicate that social grant income alone was frequently not enough to cover the running costs of a formal house, and could leave the cheap rental housing of shacks as the only feasible option for these women-headed families unless they could obtain additional income. Living isolated in shack areas, costs of transport to jobs or informal earning opportunities were often unaffordable, particularly when figured in relation to costs of child care. A high share of these households had no outside income other than grants, which went entirely on consumption and sometimes were not enough to keep the children in school.

Their splitting off from parent households was linked to availability of social grant support to women with children, and to situations in which such grants were the only support of the larger parent household and therefore became subject to contestation

within the family. That is, women who did succeed in obtaining grants found themselves under so much pressure to share with relatives in the same township household that many left the family and moved immediately into a shack settlement to be able to live cheaply while keeping control of their grant income. For the men, there was local casual labour and hints of petty crime. As Robins (2002) points out, it has been known for some time that the affordability of formal housing for the poor can be an obstacle in itself to re-housing shack communities;  this point has not received the attention it probably deserves.

Robins cites Budlender and Spiegel (2001) making the point that not only services charges, but also in addition the social expectations and living costs in areas of formal housing can often be too expensive for the very poor, and can cause them to move back into informal housing. It would follow that what is often spoken of as 'down-market raiding' – predatory offers from well-off buyers to tempt the poor to sell their government housing –  may often only really reflect the realities of unaffordable total costs of formal housing for shack residents who don't have wage jobs to underpin housing sustainability.

Movement back from formal housing into shacks is therefore a bottom-line factor that needs to be examined in relation to housing policy as anti-poverty. Likewise, we have argued that the possible mismatch between grant support and housing needs is a factor that needs to be considered by government in relation to the unrolling of the anti-poverty housing initiative.

Read against the current situation, the implication is that city indigency policies, which help poor households by reducing services charges, cannot deal with the entire problem of unaffordable formal housing:  in practice, they may have the effect of making it easier for unviable households to split away and enter the housing backlog. Among the implications of the GIDU and Johannesburg studies is the point that delivery of housing alone is precarious in relation to poverty reduction, in that being formally housed depends on enough income in the family to cover linked expenses over and above the indigent service charges.

In addition, the HSRC/URED study of urban poverty pockets done at the same time for Gauteng Inter-Sectoral Development Unit (GIDU) reflected the kind of link between poverty and in-migration that the framers of the inquiry expected, but also confirmed that poverty was not entirely imported, but was also emerging from within the city itself. The study found that poverty pockets were not only due to in-migration, but also occurred in areas of formal housing, underlining the point that housing in and of itself does not always exclude poverty if other circumstances do not support the household's efforts. This migration study indicated a possibility that poverty and decaying urban neighbourhoods may contribute to households leaking back into shack housing in the way that the Johannesburg city household study reflected.

Together, the two reports suggest the presence of numbers of households in the Johannesburg townships that include people who might be described as fissionable material: that is, people and especially women who are likely to leave their families and strike off on their own as new households with very little human capital and few members in a position to enter the labour market or earn income. In this light, the demand for urban housing has at least two major streams, and rural-to-urban migration may not be the larger. More attention needs to go to poverty processes in the city in order to get a better grasp of housing demand in its origins.

### *Some social trends affecting housing?*

On the other side, the Johannesburg pilot household study raises questions as to how far the splitting up or unbundling of South African black households actually relates to government provision of subsidy housing, as it is widely thought to do. The study was not framed to test this hypothesis, but instead investigated the factors underlying changes in household structure that might affect city population projections. What emerged were wide-scale social changes around gender roles and youth expectations, which boosted the numbers of singles households, and at the same time put more women in particular into shack housing. The same social changes act to delay or even exclude formation of married nuclear-family households.

Both young men and young women – but particularly young women – were found rejecting the traditional assumption that they would be married directly out of their

parents' households, and were establishing lifestyles that allowed for a period of independent living before marriage was considered:  an influence from international media and TV depictions of youth in big cities may be encouraging women to strike out alone to gain independence and/or to enjoy life.

Along related lines, Compion and Cook's re-study of young women and gender roles in Phokeng (2006) underlines the trend for female youth rejecting traditional strategies – including higher education in pursuit of well-paid jobs – and focussing instead on living on their own resources through networking and transactional sex, as some of the Johannesburg respondents were doing in Diepsloot, or before they moved there. Opportunities to obtain subsidy housing did not figure as central in either the Johannesburg study or the Phokeng study, though some respondents in Johannesburg said they hoped for eventual subsidy houses when they decided to leave their family homes and move into shack housing.

What emerges is that these non-working young women may be delaying marriage to form singles households without necessarily having secure sources of income other than social-network support.  At a time of extreme unemployment, when many or most jobless young men cannot marry at all, many young women who have left their family homes may find themselves later unable to find partners, facing a future on their own with children and living in poverty from hand to mouth.  When this happens, they join other women staying in the shacks, usually single mothers, who may have left their parent households due to strain over livelihoods, or through being abandoned, or for any other reason.  From the Johannesburg results, most of these households appear to comprise a single woman with at least one child, but not often more than three children.

What these households have in common is great difficulty in engaging the job market, weak structure, and reliance on government poverty relief to survive.  Government's social welfare intervention programme for the poor has not been addressed to sustaining a formal house, with its associated costs.  Even with social grants, the incomes of these very small households appear to be so low – even when

supplemented with low-end microbusiness – that sustaining the total de facto costs of a subsidy house would be in question should they be allocated one.

The recent social-issues discussion paper from the Presidency, *A Nation in the Making*, (2006) gives further information on some of these trends, and reflects anxiety on the part of government toward social trends that may work to disrupt South Africa's key anti-poverty and economic expansion strategies.

**Institutional problems at ground level**

Speed of delivery is crucial to bringing the formal housing market level with the volume of demand: at the same time, it looks as if planning is continuing to avoid the dicey question of the community-level stoppages and breakdowns that frequently hold up delivery as it goes in. To a large extent, these are institutional questions: such institutional factors are commonly ignored in South African planning and delivery contexts, but have become widely recognized in studies of informal settlements in Latin America and the Middle East, as well as other regions. The argument now turns to factors in the local-government context on the ground that may seriously affect the chances to accelerate housing provision and make land and housing markets work for the poor.

Summarizing the literature on land disputes and land administration in informal settlements, Leduka (2006) remarks on the value of institutional analysis in understanding how people act in informal contexts. Citing the research of Razzazz (1994, 1998) in Jordan, he also notes that informal settlements, which comprise social fields that are partly isolated and independent of the institutions of the larger society, often make use of non-compliance tactics

> …to carve out operational niches within the realm of state rules, often by taking advantage of inconsistencies and indeterminacies in the rules and the enforcement strategies of the state.

He adds,

> Because of existing webs of obligation within social fields, their invasion, especially by governments, often leads to unplanned and unexpected outcomes (Leduka 2006, 5-6).

That is, because of the semi-autonomous character of informal settlements, government – and especially local government – needs to step very carefully when intervening in them or when trying to change the rules. Specifically, and a little ominously, Leduka also remarks that shack residents may choose political patronage systems as mechanisms to access resources and/or get redress, in preference to government's formal rules – presumably because such patronage systems may work better for the poor in shacks than bureaucracy.

All of these points have application in South Africa, as local government, sometimes with eyes tightly shut, tries to work with the existing systems of power and exchange in shack settlements/ slums in order to speed up housing delivery. Among others, Robins (2002) has pointed out that the people who construct ordinances and procedures are educated technical specialists, most of whom don't understand the either the economic situation or the perceptions and assumptions of the poor, and who often see these concerns as none of their business. Slowdowns, delays and collapse of delivery follow from mismatched assumptions in an unknown but significant share of South African housing projects. The NGO sector involved in delivery, while often more aware of social context than local government officials, is not free of this kind of complication either, as discussion from Huchzermeyer (2006) and Robins (2002) underscores. So long as these delivery interruption events continue to happen, it is difficult to see South Africa's effort to beat the Target 11 deadline succeeding easily.

South African housing delivery to informal settlements has always taken a community-based approach to eligibility and allocation, conceding the social identity of named shack areas and usually working with one at a time. This approach is useful in limiting access to the delivered houses to a constituency of known and manageable size. At the same time, it also assumes that these shack communities as named and bounded groupings have not only identity but also institutions that can interact with an orderly

and formal city-level bureaucratic delivery process – also, that the community institutions can deliver compliance, and can be convinced that bureaucratic delivery is preferable to informal delivery systems that poor people are most familiar with.

As the Presidential discussion document *A Nation in the Making* (PCAS, 2006) shows, this assumption overestimates present-day community coherence and the level of social capital that underpins it. South African communities of the poor prize social unity, and government tends to assume it, but many communities are deeply divided in fact, and are characteristically vulnerable to new divisions emerging.

This holds especially in shack areas, which are relatively new settlements created by migration, whose social capital tends to be weak compared with that of the rural parent population. Low levels of de facto social cohesion are complicated by the shaky legitimacy of local government officials today, whether elected local councillors, community development workers or ward committees.

In this weakly institutionalized environment, obstructions of delivery keep happening, without being systematically dealt with. Many of these events look similar, with dissatisfied communities passively supporting emergent leaderships in trying to drag control of delivery back from city bureaucracy and the elected councillors and inside community informal processes, where most people feel it belongs. At Crossroads, the major Boystown delivery initiative was stopped in its tracks before the 2003 local government elections, and remained stopped till 2006, when the whole sequence repeated itself under the new N2 Gateway planning (Cross 2003, 2006 forthcoming; see also Kombe & Cross, 2006 forthcoming).

In cases where aspirant leaders seem to arise from within the community to confront the housing delivery process, some honestly represent legitimate grievances against slow or unresponsive delivery, and their concerns on behalf of a more fair and open process can be addressed openly through negotiations, which eventually puts delivery back on track. But there are also cases that seem to be instances of bad faith, where individuals who want political office and its powers and benefits are able to use the weak state of community relations with the delivery bureaucracy – in a volatile climate

of delivery protest – to organize the community into a political constituency around housing dissent, and see themselves into office on its votes.  In some instances, there appears to be an effort to gain access to the procurement process for the redevelopment initiative.  Since the root of these events may be an institutional mismatch rather than a clear grievance, delivery agents may struggle for an extended period to negotiate a new agreement that will let housing provision go ahead.

In either case, the key tactic employed is commonly one of demonstrating political clout by holding up housing delivery.  Rumours of corruption – often specious – on the part of local government or civil society delivery agents appear to be a common factor in obtaining community support, and major delays and cost overruns can result.  Cases in point include the Boystown delivery collapses in 2003 and 2006 (Cross 2003, 2006, and Kombe & Cross 2006); Mamelodi community struggles to take over housing delivery in 2006 (Kombe & Cross, 2006); hijacking of the civil society housing project at Joe Slovo settlement in Eastern Cape (Huchzermeyer 2006); and Diepsloot in 2005, where Benit (2006) shows contestation over control of project procurement among political parties and interested developers leading to breakdowns of housing delivery. Robins' (2002) discussion of the reestablishment of criminal interests, the informal economy and 'power brokers' in the upgraded Marconi Beam settlement in Cape Town is also relevant, as are the rumours that at least one change of top management in the Alexandra Urban Renewal Project was related to struggles between competing interests to gain control of access to the procurement process (for the Alexandra URP, though not the rumours, see Roefs, Naidoo, Meyer & Makalela, 2003).

Other cases are numerous, from Bester's Camp on down the years.  Charlton (2006) is correct in gently saying that South African government delivery is inclined not to learn from its own extensive experience.

Having fought and survived apartheid's bureaucratic  repression, South Africa's poor in shack settlements are skilled at the tactics of non-compliance.  The housing process specifically is vulnerable for two reasons:

(1) the character of the shack settlements as semi-autonomous social fields with a preference for informal process;

(2) housing delivery as the main arena of government delivery interaction with the poor as beneficiaries.

The possible implications for accelerating delivery are very tricky, as the difficulties about the N2 Gateway initiative have illustrated (Cross, 2006).  In this instance, the need for speed acted to make thorough consultation with beneficiaries difficult, and limitations of space and resources seemed to push delivery toward social housing instead of owned single-family units although it was not clear which model was optimal for the demographics of the pre-existing shack population:  while younger single people are often attracted to rental, couples with children tend to have a strong preference for owned houses (Cross, Bekker et al, 1999).  Uncertainty and discontent in the community with modes of delivery and beneficiary selection have led to pressure on the project, while projected rents appear to be unaffordable to the great majority of the shack population in the adjacent settlements (see Kombe & Cross 2006 forthcoming).  Phase 2, now underway under the supervision of Western Cape Province, may be able to overcome these and other challenges now that Phase 1 has uncovered them.

### Community assumptions?

The effects of the kind of stoppage that is inspired more by self-interest than by social perceptions of injustice can be both serious and long-lasting:  the Crossroads stoppage has lasted since 2003 through two local government elections, but has carried several aspiring leaders who used the stoppages to show their clout into office with the ANC or the DA.  In the Eastern Cape, the delivery breakdown at Joe Slovo settlement there also put a new and doubtful councillor into office while effectively stopping delivery to the communities involved (Huchzermeyer 2006).

In these cases, leaders seem to have offered the communities the ostensible reward of a more sympathetic and accessible delivery process with greater transparency in local eyes, plus angry self-assertion through enforcing non-compliance tactics against the local government bureaucracy.  It does not seem that the communities involved gained

any of these benefits, while the leaders themselves have clearly improved their situation.  That is, the usual outcome is not greater transparency or control for the shack community, but indefinite delivery holdups as exchanges with the municipal bureaucracy and/or the delivery NGO grind to a halt.

A lot of this is due to the mismatch in fundamental assumptions about the nature of land and housing allocation, which are rarely examined because formal-side planning assumptions about the superiority of impersonal bureaucratic delivery and allocation are taken for granted in the delivery process, even by bureaucratic staffers who are ethnic Africans.

The rural settlement system, from which emerge most to the assumptions that rural-born in-migrants apply to housing and local government in the urban areas, puts an extremely  high priority on the household's need for shelter, and works on communitarian principles.  The propositions which structure informal land exchange (Cross, 1992) give any community member in need of shelter a presumptive right to claim against the community at large for what they need:  that is, land is now individually held but still qualifies as a community resource, so that anyone who has unused land should be willing to make it available to community members who need housing when they ask.  The same principles leave using cultivation land to make a profit a negative priority in conservative rural communities, and the same applies to landholders who try to make a significant profit from land sales in the informal market – this kind of profit motive often remains socially unacceptable in the light of the urgent need of other community members for land to use for housing.

Settlement issues – allocation of housing, and of land for building houses – are also very much seen as community affairs, intensely social, and central to how communities recruit themselves.  Seen this way, land and housing should be run on a highly local, personal and accessible basis by the community itself, using familar informal criteria of social seniority, and should not be left in the charge of outsiders with little understanding of community social priorities in relation to settlement.  If bureaucracy does not deliver houses rapidly enough to fill local needs, dealing with power brokers

may appear as preferable to dealing with remote, impersonal and inaccessible city offices.

Against this background, the existing informal land and housing market in the shacks or 'slums' needs to be defined as a real market, one that operates on prices and accepts pricing cues –  but it is also a market that is likely to be held down by the rural-derived social assumptions that cluster around housing need in a community context. This means the urban informal market may respond to price cues only slowly, since sellers in poor areas may not want to be seen trying for a profit.  That is, sellers can be reluctant to ask too high a price in a socially constructed exchange, since they can open themselves to hostility and to accusations of profiteering with a social resource.

Since subsidy housing to the very poor is almost free of cost to start with and then sells in the neighbourhood of R 5000, it might turn out to be the case that no matter how much the construction cost of such housing increases, the prevailing market price lags the actual cost by a significant margin.  By itself, formalizing the land and housing market for the poor – if this change can be brought in and sustained against probable non-compliance responses – may or may not have a strong effect on the way prices of subsidy houses respond to pricing cues.

**Conclusions:  the right path for South African housing delivery?**

Aided by the broad thrust of UN Habitat, the MDGs have put an important target in front of all the countries of the world, and put in place a very powerful device to demand action from governments.  Nobody could really quarrel with the goal of improving the conditions of people living in shack housing.  In South Africa, the government's housing delivery strategy is very well conceived as a means of assisting the poor to mobilize their own resources, even in an economy growing much more slowly than the leading economies of the Far East and South Asia.  In its main anti-poverty thrust, toward rapidly building a household asset base to help the urban poor to kick-start accumulation and climb out of poverty, South African housing delivery does look from here as if it is very much on the right track.

Perhaps ironically, although recent Latin American studies suggests that the de Soto argument – that waking up dead capital in housing stock gives the poor access to loan finance – does not hold up well in practice, the same studies also suggest that ownership helps to boost household self-investment. If so, the findings chime in very well with the South African government's asset-based accumulation approach to poverty reduction.

It is suggested here that the critical element in housing delivery is *housing as a platform for accumulation,* to take place through self-investment – that is, the key to poverty reduction is household savings and gradual capital formation rather than credit transactions and entrepreneurial risk-taking on a significant scale. These flashier strategies will not happen often until households have reached some kind of income security and can absorb the risk without fear they will lose their economic foothold and fall back into the shacks.

The implication here is that for land markets to work for the poor, it is a good idea for the housing asset to be able to be transacted freely, but it is more important that housing tenure should be very secure so that it provides a poor household with a reliable urban perch on which to build an asset base. In fact, it is sometimes held in urban and rural districts that land markets that are too easily transacted only make housing dangerously slippery and unstable; such an important asset, carrying the rights of the entire family and not only the designated property owner, needs to be protected from impulses and emergencies. Private property rights have always been relatively secure against outside attempts to snatch away land, but are characteristically vulnerable from the inside, to shocks and emergencies that force the impoverished and financially insecure owners to sell to avoid starvation.

Key actions here are therefore likely to involve accessible land records and interventions to improve tenure security: these records structures that secure ownership will need to be honest and transparent, and will need to recognize fluid layers of rights rather than a single owner. The problem of how to record collective family rights in land and housing is an old one, but now needs to be urgently looked at again.

Beyond security, at least two important questions remain:  should the United Nations, and the South African government, work to abolish shack settlements in the short term?  And if they do, is it likely that government delivery will be able to step in successfully with replacement housing stock that the poor can use instead?  Evidence cited in this paper suggest the answer at this point is equivocal.

Given government's high level of political will and demonstrated willingness to spend the money needed, it seems possible that all existing shack areas can be upgraded or replaced by 2014:  however, as rural-to-urban migration continues, a continual seeding of new shack areas can be confidently expected.  In this light, government strategies for receiving both new rural-to-urban migrants, and new households splitting off within the cities, may come up as a central concern.  Housing this last group is complicated seriously by the low viability of the extremely small households now breaking away on their own in urban areas.

As government has seen clearly, rentals are the essential bridge here.  Cheap and accessible, lease-contract accommodation is the only realistic option for accommodating a rate of human inflow into Gauteng running at perhaps 4 percent per year, and building up at compound interest.

However, it could be said that the current urban shacks themselves represent a massive chunk of rental housing, whose cheapness and instant availability is a powerful attraction even though they undeniably provide a very bad-quality environment and do not offer much location advantage.  For most though not all poor migrants, shack housing is thought of as a temporary option:  in fact, the Diepsloot sample in the Johannesburg households study turned up a surprising number of respondents among young couples with very adequate incomes, who had chosen to move temporarily into a shack settlement so as to save money quickly for their intended future.  Very large numbers of shacks are already on the ground, and occupied.  Is government delivery going to provide a workable substitute form of rental in the short term?  And, further down the line, will government's provision of more

expensively-built subsidy houses act to lift the de facto market price for subsidy housing?

These two issues go together. If the market price of government-provided subsidy housing rises, and at the same time government is able to eliminate all or most shack settlements/ slums in the next eight years, then the household asset base of the beneficiary households will become more valuable, and their accumulation trajectory will be advanced. But at the same time the in-migrating poor will continue to arrive from rural areas, and new urban households with few if any resources in human capital or earning power will continue to split away from parent families.

This new urban unhoused category will then be outside the newly advantaged population that has obtained a housing asset, and will probably remain in poverty unless they receive a government house of their own. Getting a government house will put the arriving households inside the new expensive housing market as soon as it happens, but at the moment, and in spite of massive housing delivery so far, obtaining a government house can take many years, and not all the urban poor have yet been reached.

That is, these new poor households will be in a bad position to obtain housing of any kind if they arrive once shack housing has disappeared or become extremely scarce, and if at the same time large quantities of extremely affordable rental housing have not been made available. The single most important demand of migrant and mobile households is for immediate, very cheap housing: without instant cheap housing access, these households are stranded, and will start in to build new shacks. It is not clear yet how government will meet this need.

This combination of factors makes the speed and cost of community-based delivery – for both rental and ownership units – very critical, unless other models for housing access by individuals and families can be brought in alongside to relieve some of the pressure. In view of the limited size of total housing stock for the poor at present and in the short term, and the fierce contestation by communities and interest groups around it, finding new access models is not necessarily an easy alternative.

The repeating institutional problems reviewed above suggest that community-based delivery may face serious difficulties in getting either rental or ownership units in place on the scale needed, against the resistance of informal process in the semi-autonomous social field of the shack settlements. Both because communities repeatedly try to take over and informalize housing delivery to bring it under their own control, and because the housing delivery process can offer a ready-made ladder to political office, influence and procurement funds if it can be taken over by aspiring power brokers, getting the necessary quantities of housing on the ground may challenge government's determination. Courage, political will and a very large budget may not be the only components of housing delivery needed for a successful outcome against the slums.

These potential problems do not come alone. In summary, some of the most promising current delivery models may have vulnerabilities that are not being directly addressed: Robins, for instance, points out from Marconi Beam in Cape Town that the tendency for the informal economy to re-establish itself in upgraded settlements brings criminals and patronage networks back into play, and makes the chances for mixed-income development doubtful. Huchzermeyer's discussion of Joe Slovo in Eastern Cape suggests that local government officials may be so eager to provide communities with free subsidy housing so as to get political support in return that they may allow power brokers to undermine housing delivery projects run by civil society.

Again in Cape Town, the N2 Gateway pilot seems to have passed the delivery date that would have allowed it to accommodate the Joe Slovo fire victims it was once tagged for, and has also turned out to be too expensive for its target shack beneficiary population. The 700 finished rental units are now to be distributed across a number of communities, using a private-sector database to find candidates able to qualify and afford the rent. Allocation conflicts between and within the communities continue to surface. This kind of pilot experience may suggest that social housing – comparatively expensive, slow to deliver and allocate, and not easy to manage well – may not offer the kind of rent-paying option that could easily absorb the majority of the current and future-probable shack population.

Under these learning experiences there are more general conflicts. Land identification and release in the teeth of sharp contestation by vested interests, community consultation over conflicting needs and demands, and the thorny issue of allocation processes are all serious barriers to fast housing delivery for either rental or ownership units. Mass project construction approaches can often put actual structures on the ground within a few months given the right signatures, but free flow of delivery past the succession of procedural points where contestation can be normally expected cannot be guaranteed.. Both institutional conflicts and local-level interest politics will probably exert a serious drag on efforts to get ahead of the housing backlog, and to make an adequate supply of rental units available fast enough to stay ahead of the large-scale demographic shift to the cities.

It is argued here that the single key demand on the urban housing process is *instant, dirt-cheap housing options in a range of good city locations¸* which will be required to make urban land markets work for the poor. Up to now in South Africa, delivery on this need has been ongoing, but has been relegated to the institution of shack settlements as the low-end private sector. Given the sticky nature of some of the obstacles to achieving this kind of frictionless delivery with public housing, the anti-poverty drive through housing will need perceptive and skilled management to steer through to success, whether by 2014 or within a few years after that date.

Facing all these challenges, South Africa's housing delivery programme has shown intense determination and commitment, as well as flexibility in considering the problem of shack settlements/ slums. Steadily reducing the share of shack housing is surely the right overall approach; as it goes forward, the BNG pilot programme will turn up both new obstacles and potential solutions. From here, South African housing delivery over the next eight years looks like it's in for an extremely interesting ride.

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