



Housing, institutions, money: the failures and promise of human settlements policy and practice in South Africa

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ABSTRACT This paper considers why the housing subsidy programme in South Africa has had so little impact on poverty reduction despite its scale and generous funding. It discusses how this was linked to the government's conception of housing, the institutions involved and who controlled funding flows for housing. Most government funding went to contractors to build new units "for the poor"; it was assumed that these would replace homes in informal settlements that the poor developed themselves. Despite statements about the government's commitment to the People's Housing Process (PHP), informal settlements were only seen in negative terms and there was no support for incremental upgrading and very little support for low-income households to build their own homes. Meanwhile, the contractor-built houses were usually too small, of poor quality and in locations far from livelihoods and services. The paper ends with suggestions for how the formal institutions of government can learn to support and work with the poor. The incremental approaches of the poor to their own housing and livelihoods can serve as an alternative first principle for conceiving of the challenge of human settlements policy and practice. Furthermore, funding flows and their associated institutions should support people-centred development and institutionalize systems that make the informed participation of residents of informal settlements a pre-condition for state support.

KEYWORDS community organization / housing subsidy / incremental upgrading / informality / participation / people-centred development

I. INTRODUCTION

The serious problems that exist in the human settlements policy and delivery in South Africa have been denied by the state and other actors for too long. At first it was possible to be mesmerized by the numbers: more than 200,000 free houses for the poor were being built every year. But the backlog has grown, as has the anger over shoddy building practices, patronage and corruption. Moreover, the spatial development of the new houses has enhanced rather than dismantled the apartheid urban legacy. New formal townships and extensions to pre-existing ones far from city centres have reinforced a long-standing system whereby poor people are pushed further away from the cities they sustain through their labour.

When it comes to “people-centred” development, particularly in terms of water, sanitation and housing in South African cities, there has been so much knowledge, so much policy, so much agreement on what needs to be done, and so little to show for it. Within the terrain that we refer to as “human settlements”, real people’s participation has remained a hope rather than a reality. When we talk about “people-centred” we are talking about an approach that puts paid to the notion that “pro-poor” policy can exist without the integration of participatory processes for policy formulation and implementation. This is an approach that recognizes that effective development interventions require the state to open up the space for informed and organized communities of the urban poor to be included in such projects.

“People-centred” is simply not the way the state does business. It is not the way things are typically done within the institutions dealing with land tenure, basic services and housing. This is true despite the South African government’s People’s Housing Process (PHP), which has actually done little to put human settlements policy and implementation into the hands of poor people.

The government’s housing policy has had a relatively singular focus on “formal” housing delivery. In the process, “people-centred” got lost in the focus on implementation of policy through market actors. The new houses have been built by profit-driven, professional developers. This is happening despite seemingly promising, unique aspects of South African housing policy, namely its relatively generous subsidy for low-income housing construction. Families meeting certain criteria with regard to poverty (earning the equivalent of less than US\$ 500 a month) are eligible for a housing subsidy of approximately US\$ 6,000 to get them a house.

The subsidy could, in theory, empower communities to implement their own solutions to their own housing needs. Communities in informal settlements throughout the country do this already when they do not receive a state subsidy. The official housing backlog has risen from 1.5 million to 2.1 million people since 1994. During these years, poor people have been the most efficient actors in housing delivery. This is not recognized by the formal world. The creativity behind the construction of shacks and, in some cases, provision of basic services, has been entirely informal and, in the absence of effective formal interventions from the state, markedly resourceful. The incremental approaches of the informal world could point the way to different kinds of state interventions in the realm of human settlements. To date, such moves have not been forthcoming.

So why do informal settlement upgrading, incremental housing, socially and economically integrated neighbourhoods and cities get trumped by the subsidy-based housing machine that ensures private-sector profit with limited risk and creates segregated cities characterized by concrete slums and urban sprawl?

In order to understand the reasons behind why a seemingly well-intentioned set of policies and interventions has achieved so little, we can borrow a turn of phrase that an aide to former US president Bill Clinton reportedly used during his first presidential campaign in 1992: “*It’s the economy, stupid*”. We may use this decidedly unsubtle language to begin to understand this phenomenon, referring to three interrelated themes: housing, institutions and money.

II. IT'S THE HOUSING, STUPID

The housing subsidy programme in South Africa has created an aggressive contrast between shacks that need to be “eradicated” and “formal” houses that need to be delivered. The new houses built through this subsidy programme, referred to by the acronym of the government programme that instituted the subsidy, the RDP (Reconstruction and Development Programme), have become all that the state is prepared to support. A fully serviced top structure RDP house is all that the government has been willing to consider as “housing”. This constitutes a problem for human settlements and for integrated cities. The disparity between an illegal, dangerous, informal shack and a formal, titled, standardized house stands in the way of decent human settlements, integrated neighbourhoods and accessible, functional cities.

Unlike countries with much poorer subsidy environments for housing or no subsidies at all, South Africa has refused to consider the incremental approaches to upgrading existing housing. These are central to the relative success of the informal strategies used by the poor to produce and improve housing solutions. Such achievements are all the more notable because they take place in the absence of well-placed interventions by the state. In fact, it is the linking of the terms “people-centred” with “informal”, and “informal” with “eradication” on the one hand, and “subsidized private sector” with “formal”, and “formal” with “development” on the other that is a source of the problem. When shack settlements are seen as a problem, we are assigning blame for the exclusion of the poor from their rights as citizens **on the poor themselves**.

State institutions that deal with housing are structured in such a way that they consider a problem to be solved when a poor person's ingenuity has been declared undesirable, and that person has been blamed for a “harm”. Moreover, this person will likely be punished for that “harm” of living in a shack settlement. The penalty is the social and economic dislocation that comes through relocation to a concrete slum on the urban periphery. This model is replicated throughout South Africa's biggest cities, including the once-heralded, now much-maligned N2 Gateway project along Cape Town's main highway. There, slum dwellers in long-established informal settlements on relatively well-located land have been relocated to far away land in sterile environments of tin and brick one-room houses. Crime, drug use and other social problems are, in some cases, even greater than in the original informal settlements along the highway.

For more than a decade, the state has turned informal settlements into illegal built environments. It has then tried to address these informalities and illegalities by governing them through institutional arrangements that blame poor people for the failures of the state, punishing them through evictions and relocations to newly constructed slums and still sub-standard housing stock. For example, the Ministry of Human Settlements acknowledged in 2009 that tens of thousands of RDP houses were damaged and unfit for occupancy. Minister Tokyo Sexwale claimed that repairs would cost almost US\$ 180 million. This is what the government has called “housing”.

III. IT'S THE INSTITUTIONS, STUPID

The South African government's conceptual approach to “housing” has a direct bearing on the institutions it uses to address housing issues.

The Ministry of Housing changed its name to the Ministry of Human Settlements after a cabinet re-shuffle subsequent to the election of current President Jacob Zuma in 2009. However, we are only beginning to see the early sprouts of institutional change. The institutions governing low-cost housing delivery continue to be constituted through a set of organizational arrangements directed at the “eradication of shacks” and the delivery of “formal” houses.

The eThekweni metropolitan municipality, which encompasses Durban and its surrounding areas, has articulated a strategy that puts such an intention in the starkest possible terms: “one shack, one house”. The implementing mechanisms for such an approach became clear with the introduction in 2007 of the Slums Act by the province of KwaZulu-Natal, which includes Durban. The law made it much easier for the state to pursue evictions of informal settlement dwellers without the necessity of finding suitable alternative accommodation and engaging meaningfully with affected communities around relocation. These two compulsions have been notable, if imperfect, outcomes of a series of Constitutional Court cases related to constitutional rights to basic services and adequate housing. It is little surprise, then, that the KwaZulu-Natal Slums Act was ill-fated. The Constitutional Court struck it down in a landmark ruling in 2009.

Still, the introduction of the Slums Act revealed the state’s intentions. The existing institutional arrangements for human settlements are increasingly directed towards strengthening the state’s capacity to keep the poor out of South Africa’s cities. Although important judgments of the Constitutional Court – tasked with upholding what is widely considered the world’s most progressive constitution – have only stopped individual evictions, the efforts of some civil society actors to pursue changes in policy and practice through the courts appear to have been relatively pyrrhic. Evictions continue and delivery of improved human settlements for the poor has not happened at meaningful scale.

The South African alliance of community-based groups and support professionals affiliated to Shack/Slum Dwellers International (SDI)⁽¹⁾ has long tried to moderate the damaging aspects of the current housing delivery system by piloting community-led housing projects in partnership with the state.⁽²⁾ The main community partners in this alliance are the Informed Settlement Network (ISN) and the South African Federation of the Urban Poor (FEDUP), and the bridge finance facility instituted to engage with the financial institutions of the state on behalf of FEDUP is the uTshani Fund. These partnerships have gone by different names over time: PHP, Enhanced PHP, the “uTshani Agreement” and the latest being simply “the pledge”, referring to a commitment in 2007 by the then Minister of Housing, Lindiwe Sisulu, that 9,000 housing subsidies per year would go directly to FEDUP to build houses.⁽³⁾ Despite the progress made through these arrangements – more than 15,000 houses built, demonstrated community capacity to build at even greater scale – the essential design of a professional developer-driven institutional model has persisted with its attendant dysfunctions.

The principal focus in housing delivery has remained the mass delivery of completely serviced housing sites and contractor-driven housing. This is opposed to the model of incremental upgrading of existing settlements and, where upgrading is not possible, support for those who move to find, and build on, better-located land. It is little wonder that the South African government’s housing policy has failed to both empower the

1. For more details of SDI, see <http://www.sdinnet.org/>. For details on the South African alliance of community organizations and NGOs affiliated to SDI, see www.sasdialliance.org.za

2. See Bolnick, Joel (1993), “The People’s Dialogue on Land and Shelter; community-driven networking in South Africa’s informal settlements”, *Environment and Urbanization* Vol 5, No 1, April, pages 91–110; also Bolnick, Joel (1996), “uTshani Buyakhuluma (The grass speaks), People’s Dialogue and the South African Homeless People’s Federation, 1993–1996”, *Environment and Urbanization* Vol 8, No 2, October, pages 153–170; People’s Dialogue on Land and Shelter (1999), “Negotiating for land: the construction and demolition of Ruo Emoh’s show house in Cape Town in August 1999”, *Environment and Urbanization* Vol 11, No 2, October, pages 31–40; Baumann, Ted and Joel Bolnick (2001), “Out of the frying pan into the fire; the limits of loan finance in a capital subsidy context”, *Environment and Urbanization* Vol 13, No 2, pages 103–115; and Bolnick, Joel and Greg Van Rensburg (2005), “The Methodist Church’s initiative to use its vacant land to support homeless people’s housing and livelihoods in South Africa”, *Environment and Urbanization* Vol 17, No 1, April, pages 115–122.

3. Sisulu, Lindiwe (2006), “Partnerships between government and slum/shack dwellers’ federations”, *Environment and Urbanization* Vol 18, No 2, October, pages 401–406.

poor and create more inclusive cities. The urban poor are increasingly passive, entitlement-driven constituencies, and South Africa's cities are increasingly fragmented, unequal and unsustainable built environments. When we use terms like "passive" and "entitlement-driven" to describe urban poor communities in South Africa, we refer to the insistence that the state **give** them houses and services. Such rights are important, but the communities asking for them are, on the whole, not being empowered to participate and fundamentally change the relevant institutions so that they can actually realize these entitlements.

This is happening despite the South African government's rhetoric about a pro-poor, developmental state. If the most important institutional arrangements are dedicated to enabling a private sector, housing-for-profit approach, there will not be much people-centred housing development taking place. This will be true no matter how deeply the state is committed to the urban poor and how much funding goes to the housing subsidy programme.

Similarly, if people's organizations choose to give their problems to institutions that are designed to do what is at odds with what they want, then they should not be surprised when these institutions deliver solutions that actually work against them. The South African SDI alliance has found just that. Although FEDUP and uTshani Fund have worked with the South African government since 1994, the relationship has been highly fraught. Difficulties in getting the government to release pledged subsidies bridged by the uTshani Fund over the years has meant that the South African government is actually in debt to the uTshani Fund. Reasons for this range from bureaucratic misuse such as those related to house inspections and title deed conveyance, to different understandings at local government levels of FEDUP's relationship with the national ministry, to willful incompetence. Today, the South African government owes US\$ 12 million to a nationwide federation of people from the poorest communities (mainly women) who have organized themselves to save daily and build their capacity to be equal partners with government.

If we want to get cities with better design principles, with poor people participating in development and governance, then we need to ensure that the institutions addressing urban poverty are institutions that are built specifically for these purposes. The challenge for community-based groups and their support professionals is to engage seriously in both reforming existing government institutions as well as building new ones. Demanding solutions from government, blaming them for failure and waiting for them to deliver, simply will not work.

IV. IT'S THE MONEY, STUPID

If we are to understand why "people-centred" is so often a scorned and rejected ideal within the governance of housing and human settlements delivery, then we have to understand where the money goes. The flow of money is rooted in the conceptual understandings of "housing" as only formal housing and the resulting institutional arrangements. Developers, local ward councillors and other local politicians have the power to set up roadblocks to the flow of money for human settlements. It is little wonder that the lists where low-income households register for access to a house are often proven to be inaccurate or false, listing certain people twice and others who are long dead. The same is true for the RDP houses

that fall down after a few years due to shoddy building. There are too many incentives in the current flow of money for those who man the roadblocks to skim off the top. FEDUP is currently pursuing PHP housing projects in the provinces of Mpumalanga, KwaZulu-Natal and Eastern Cape, where federation members have been obstructed by such instances. Councillors and developers are so used to getting their cut of money from housing developments that they stand in the way when poor people seek to get the funding themselves so that they can organize and manage the upgrading of their homes or new house construction.

One of the obvious reasons why there has been so little people-centred settlement upgrading, relocation and development is that there is so little money for it. And when money is available, it is almost impossible for community organizations to access it. Instead, nearly all of the South African government's resources allocated to human settlements upgrading and development is spent on "eradicating" shacks and getting local authorities to enable developers to build new sterile blocks of houses on the periphery of sprawling cities and towns that are still an assault on the dignity of urban dwellers.

The vague prescriptions of PHP, controlled by the institutions that drive the subsidy-based housing bureaucracy, are wholly unpromising prospects on which to pin hopes for dramatic change. The new ministry has been a promising start, but nothing demonstrates the challenge ahead more clearly than the current money flows in the housing delivery system and the vested interests that benefit from them. For example, there is no budgeting outside of PHP that prioritizes people-centred development and everything that goes with it: informal settlement upgrading, more flexible tenure arrangements or a range of land tenure arrangements, higher-density settlements, integrated and mixed-income neighbourhoods, incremental housing and an informed, engaged citizenry. Instead, they give almost all of the resources to initiatives and mechanisms that support developer-delivered, one-plot-one-house projects that create far more blighted neighbourhoods than the informal settlements they are meant to replace.

People-centred initiatives, which account for the vast majority of neighbourhood development, service provision and housing, take place outside the formal system. The people, and their ability to step in where the state abdicates responsibility, are treated as illegal and criminal. The divide between the formal and informal worlds persists without a bridge in sight.

V. FROM "TALKING STUPID" TO "BOXING CLEVER"

Or so it can appear. The Clintonian motif of "it's *x*, stupid" may be crude, but South Africa is in a position to make each of the variables discussed thus far – housing, institutions and money – turn the phrase on its head. We hope that this article can contribute to a nascent discussion on new understandings of how these variables operate in the arena of human settlements. In so doing, we have three fundamental design principles, which will need to be further developed through pragmatic engagements between the relevant actors in practice. They address each factor of housing, institutions and money, which are currently contributing to the vast gap of human settlements policy theory and practice in South Africa.

BOX 1**Houses built by the South African Federation of the Urban Poor (FEDUP)**

Since 1994, FEDUP has built more than 15,000 houses. What follows here are three examples of ongoing FEDUP housing projects as part of the South African government's People's Housing Process (PHP). In each case, although some houses have been built under the current "pledge" agreement with the national Ministry of Human Settlements, the respective projects have encountered problems of bureaucratic hold-ups, confused building requirements and the insertion of semi-private housing developers into the "people's process". These cases demonstrate some of the fundamental challenges as experienced by FEDUP of "people-centred" housing in South Africa.

Town: KwaNdebele (Thembisile municipality)**Province: Mpumalanga**

Forty-one of the 50 units have been completed and completion claims have been submitted to the department. Construction has gone well, as the FEDUP Community Construction Management Team (CCMT) has developed a good working relationship with the newly instituted Project Management Unit (PMU) of the Provincial Department of Housing. The balance of nine units is awaiting approval on the Housing Subsidy System (HSS). As soon as this is obtained, construction will resume.

Town: Lethabong (Rustenburg municipality)**Province: North West**

A contract for 96 subsidy houses has been signed with the North West Provincial Department of Housing. A CCMT has been established and is actively involved in the development process. Initial implementation was impeded by the need for a geo-technical assessment that has since been concluded and approved by the province. Currently, 10 units are at wall plate level and 10 foundations have been cast. A new requirement that the project be registered with the National Housing Building Regulation Commission (NHBRC) has temporarily suspended construction, as synchronization of joint inspections has not been achieved. FEDUP has taken up the matter with the province, the PMU, the NHBRC, Lethabong municipality and the assigned engineer. A resolution was taken that there should be an inspector from the PMU dedicated to working with the engineer to resolve the technical issues at project level. Claims have been submitted to the department for current milestone payments. They have not yet been processed.

Town: Joe Slovo (Nelson Mandela Bay municipality)**Province: Eastern Cape**

The Joe Slovo project falls under the Nelson Mandela metropolitan municipality in the Eastern Cape, and the contract with the Housing Department has been signed for 181 beneficiaries. The FEDUP CCMT is functional. A service provider has been appointed to provide project management and technical support. At a technical level, training has been provided by the service provider to the local FEDUP members by utilizing skilled builders/carpenters/plumbers and small FEDUP technical teams to focus on specialized construction components. In this manner, they completed the initial 10 houses within a fortnight. Currently, there are 15 completed units certified by the NHBRC and six at foundation level.

A major challenge has been unpaid claims submitted to the Eastern Cape province. This is a consequence of institutional problems on the side of the municipal authorities, whereby the subsidies of FEDUP beneficiaries were paid to a now-defunct parastatal housing developer called Thubelisha. The matter was escalated to the provincial MEC (Member of the Executive Committee) level and part of the payment has now been received. The balance of payment is still stuck at institutional level and has been submitted to the National Department of Human Settlements.

SOURCE: uTshani Fund internal report. All figures are accurate as of 31 July 2010.

- **Design principle one:** Develop a multiplicity of strategies to housing and neighbourhood development. One central belief lies behind all of these: an insistence that delivery is always through the leadership of united, organized and informed communities of the urban poor. The current concept of "housing" as an area for policy engagement treats these communities as problems to be removed and "eradicated". Instead, new strategies can be informed by the informal

BOX 2 The Informal Settlement Network

The Informal Settlement Network (ISN) is the first major attempt in the post-Apartheid era to bring the country's disparate settlement-level and national-level organizations of the urban poor under one umbrella. In just one and a half years, networks within the ISN structure have come together in the country's five biggest metropolitan municipalities: Johannesburg, eThekweni (Durban), Cape Town, Ekurhuleni and Nelson Mandela Bay (Port Elizabeth), as well as in the smaller Sol Plaatje municipality, which includes the diamond mining city of Kimberly.

The network is not just about moral solidarity among the urban poor. It is paving the way towards incremental development that leverages up to the ever-elusive holy grail of urban development: scale. This kind of model is being employed to increasing effect within Shack/Slum Dwellers International (SDI), the global network of national-level federations of the urban poor. Their answer to the question of development at scale is unequivocal: put organized communities of the urban poor at the centre of their own development.

The ISN has been organizing in ways that place it in prime position to put people at the centre of upgrading strategies that can make an impact. In Cape Town, eThekweni, Johannesburg and Ekurhuleni, the ISN has undertaken or is undertaking surveys of every informal settlement in each city. Armed with information about the different kinds of needs in settlements throughout a given city, the organizations affiliated to this network have begun to implement upgrading pilot projects that can inform policy and practice based on experience.

In Cape Town, the partnership between the municipal government and the local ISN began because of this kind of learning. The informal settlements that line the main N2 highway stretch as far as the eye can see as one drives along the road. An informal settlement there called Joe Slovo, near the township of Langa, has been a target area for redevelopment as part of the national government's N2 gateway project. But evictions related to the project, and more general accusations of corruption and ineffectiveness, have made what was supposed to be a model government programme something more akin to a laughing stock of public policy in the urban sector.

In March 2009, the Joe Slovo community experienced a fire that destroyed more than 100 shacks. The community mobilized to "block out" the settlement into lanes, which would make it more resistant to such widespread damage from fires in the future. Just days after the "blocking out" exercise was finished, word of the project had spread. Municipal employees came by to see what had happened. Within months the local government was working with ISN to pilot 10 upgrades in settlements throughout the city.

practice of communities that are already delivering most of the urban housing stock in the country, namely incrementalism.

- **Design principle two:** Reshape the institutional environment within which government support, especially subsidies and grants, are delivered. The experience of FEDUP as part of the government's PHP shows that subsidies need to be delivered directly and up-front to the poor, who are organized to help themselves through innovative institutional arrangements with government. Attendant dysfunctions of the current system will continue to grow unless these institutions are reformed drastically.
- **Design principle three:** Change the flow of money so that it flows in ways that support people-centred development. Invest in the growth and capacitation of united and informed communities. Develop and institutionalize systems that make their informed participation a pre-condition for state resource flows.

Civil society actors often pursue legal, human rights-based routes to challenge the state. This is particularly so in South Africa, with its

admirable constitution and recent jurisprudence on socioeconomic rights. But the problems of human settlements go far beyond such discrete, limited and conservative challenges. Community-based organizations and their supporting partners are tasked with finding ways of addressing the heart of the problems of state policy: addressing urban poverty. This means critical engagement – as opposed to a more detached type of contestation – with the conceptual approaches to “housing”, with the institutions of the state such approaches inevitably spawn, and the flows of resources attached to these institutions. Such is the unavoidable task of all civil society stakeholders and government actors alike if housing is to actually improve for low-income groups. Such is the road ahead for “people-centred” to become more than a rhetorical red herring in human settlements interventions by the state, as South Africa approaches the end of its second democratic decade.

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