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The commodification, commercialisation and financialisation of low-cost housing in South Africa

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Abstract

This paper explores the commodification, commercialisation, and financialisation of low-cost housing in post-apartheid South Africa through the systems of provision (sop) approach. The sop approach is based on the idea that sector outcomes emerge as a result of relations between agents which are themselves embedded in historically evolved social and economic structures and processes. The paper charts the evolution of housing policy, and its production and consumption highlighting the various agents and processes involved. It demonstrates that choices made, both at the end of apartheid and subsequently, have led to a commodified and commercialised approach to housing provision. This has interacted with the general financialisation of the South African economy resulting in the embedding of access to housing within financial markets, with highly unequal, albeit contested, outcomes.

Key words: Financialisation, Finance, Housing, Development, South Africa, Developing Countries, Systems of Provision, Privatisation, Commodification, Commercialisation.

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1 Introduction

This paper explores the commodification, commercialisation, and financialisation of low-cost housing in post-apartheid South Africa through the systems of provision (sop) approach. It does so as part of the WP8 Task 6 case studies for Deliverable D8.25 under the EU FP7 FESSUD grant. The sop approach is based on the idea that sector outcomes emerge as a result of relations between agents which are themselves embedded in historically evolved social and economic structures and processes. This is in contrast with orthodox economic approaches which view the world in terms of deviations from an idealised, market-like state. Originally devised in connection with consumption studies, part of this FESSUD research programme aims to extend the sop scope to consider public sector systems of provision with particular reference to housing and water (for more on this see Bayliss, Fine, and Robertson 2013).

Since the fall of apartheid the South African economy has undergone significant restructuring. Central to this has been the prioritisation of market-led development facilitating the penetration of financial markets into many facets of economic, political and social life. This has influenced the provisioning and consumption of private and public goods and services. This paper explores these changes – and how financialisation has penetrated, shaped and altered these "systems of provision" – with regards to housing.

A system of provision (sop) for a particular good can be understood as 'the integral unity of the economic and social factors that go into its creation and use'.[1] Consumption is examined 'in terms of commodity-specific chains of provisions' (Bayliss, Fine, and Robertson 2013, 2) and understood in the context of the

[1] For a detailed explication of the systems of provision approach see Bayliss et al. (2013)

production or the lifecycle of the commodity, and the myriad competing and interacting influences upon that, processes which are inherently social and collective. In addition 'virtually all sops incorporate some element of public sector involvement or regulation' (Bayliss, Fine, and Robertson 2013, 9). Certain goods are state provided or involve greater state involvement; this affects not only their production and what is consumed, but also how, and by whom. For these public sector systems of provisions (pssops) the state 'can be involved in a variety of ways… reflecting both material and cultural, including political, factors' (Bayliss, Fine, and Robertson 2013, 10).

As the governance of modern states developed so their intervention in elements of social provisioning expanded. This is fraught as these services provide for basic needs and are heavily embedded in social reproduction – the terrain on which the everyday routines of social existence are ordered and institutionalised. States are not the only actors and these systems of provision bring together the state, capital, the populace, communities and civic organisations into various inter and intra relationships of cooperation and contestation. The balance of power between these actors, as well as the shifting dynamics of social, political and economic life, differentiated over time and place, shape these systems of provision.

Financialisation, a complex and contested notion, refers to the predominance of the influence of financial markets over more and more spheres of economic, political and social life and the subjugation of these to the logic, dictates and imperatives of financial markets. Financialisation, privatisation and commodification, as core constituent features of neoliberalism, have deeply altered public sector systems of provisions (and systems of provision more generally) to varying degrees across sectors and countries. In cases where they are prominent, the chains of finance are heavily implicated in both production and consumption. Bayliss et al. (2013, 11–12) note that:

> 'The presence or intervention of finance shapes processes of provision and the behaviour of other agents. More than this, however, financial agencies are often proactive in trying to shape sops in favourable directions, as is most obviously demonstrated by the aggressive promotion of owner-occupation and mortgages by the US subprime mortgage lenders.
>
> Financialisation in the past three decades has transformed public provision in many sectors and locations into a private asset, from the sale of social housing to the privatisation of water. The result is that provision is subject to the vagaries of stockholder and asset value, which has encouraged speculation, sell-offs, and subcontracting at the expense of direct production.'

This paper shows how this is the case in the South African context. The paper begins, in Section 0 with an overview of the political economy of South Africa and an introduction to the process of financialisation that has occurred. Section 3 provides an overview and history of the housing system of provision, followed by, in Section 4, a review of contemporary housing policy. Section 5 proceeds to look at the production of housing, and Section 6 the various actors. This is followed by an analysis of the consumption of housing in Section 7. The subsequent sections deal specifically with the issue of finance, with Section 8 looking at the provision, access and use of housing finance, and Section 9 exploring housing markets and the financialisation of housing in South Africa. Finally, Section 10 gives a brief insight into contestation over housing and Section 11 concludes.

2 Country Context

2.1 Political Economy of South Africa

In 1994 South Africa emerged from centuries of colonialism and over four decades of apartheid. Racially-defined state policy, enforcing, amongst other things, social segregation, restrictions on movement, and the colour bar preventing appointments of blacks to skilled or senior jobs has shaped the demographic and spatial profile of the country. This resulted in a large black urbanised and migratory working class with family homesteads in the Bantustans, a large impoverished rural populace engaged to a substantial degree in subsistence farming, a small black middle class and intelligentsia, and a large pool of poor black migrants from neighbouring countries, the consequences of which are discussed below.

The path of economic (and social and political) development has been shaped by a heavy concentration of economic activity around minerals and mineral related sectors, what Fine and Rustomjee (1996) dubbed the Minerals-Energy Complex (MEC). The institutional expression of the MEC was six massive conglomerates compromising intricately intertwined mining, industrial and financial arms.

The internalising of finance within the conglomerates meant that the financial was substantially geared towards facilitating the expansion of existing sectors, acquisitions by the conglomerates, and transfers of ownership within and between the conglomerates (Fine and Rustomjee 1996, 103). Its activities were also heavily skewed towards short-term lending and money market activity thus encouraging speculative investment. Where it served the needs of the "public", this was predominately the white enfranchised public, including via mortgage lending.

In the 1980s large capital contested the continuation of apartheid as sanctions and international isolation were restricting access to, and participation in, global markets. Global integration has brought the unbundling and streamlining of the major conglomerates, their internationalisation and the general financialisation of the economy.

2.2 Financialisation and Neoliberal Restructuring

Financialisation has been part of a broader neoliberal restructuring of South Africa. This has included widespread liberalisation and deregulation (in capital, trade and to some degree labour markets), conservative macroeconomic policy including tight fiscal policy and inflation targeting, some degree of privatisation, and a capital-friendly taxation regime. [2] Conservative macroeconomic policies have been accompanied by more expansive, interventionist micro-social policies, such as welfare grants or the free provision of social services such as healthcare. However, these, as will be seen in the case of housing, have been shaped by the broader context of market-oriented austere growth models resulting in the commodification and financialisation of pssops.

Financialisation can be witnessed via a range of measures. In the past two decades the gross value added (GVA) of finance, insurance, real estate and business services has grown at a rate of 5% compared with GDP growth of 3.2% and the share of GVA that these sectors comprise has grown from approximately 15% under apartheid (1948-1993) to approximately 21% in the last twenty years (1994-2013) (SARB 2014a). Financial markets, already deep and relatively liquid by the end of apartheid, have experienced significant expansion, including market capitalisation to GDP rising from 123% in 1990 to 291% in 2007 and subsequently declining to 160% in 2012

[2] For a discussion on post-apartheid macroeconomic policy and restructuring see Isaacs (2014).

alongside strong growth in currency and derivative exchanges. Institutional investors play an important role in the economy but the lions' share of net lending and financial investment remains mediated via banks, with the traditional distinctions between banks, merchant banks, instalment credit houses and building societies having dissolved. The banking sector remains highly centralised within four dominant commercial banks that enjoy comparatively high net interest margins (Beck, Demirguc-Kunt, and Levine 2010).

Non-financial firms have also become subject to the imperatives of financialisation with the emergence of a new "market for corporate control" where investors buy and sell companies as bundles of assets, the prioritisation of "shareholder value" orientation and their increasing participation in financial market activity. This has occurred in tandem with their internationalisation and listing on foreign stock markets, which has been accompanied by significant legal and illegal capital flight. Internationalisation has led to their insertion into already financialised global markets and global value chains. This and the general liberalisation of the economy have also meant the importation and imposition of financialised business norms on South African businesses as a whole.

One key consequence of the altered investment patterns, as elsewhere in the world, has been the steady rise in the acquisition of financial assets with the concomitant decline in gross capital formation; this is shown in Figure 1.

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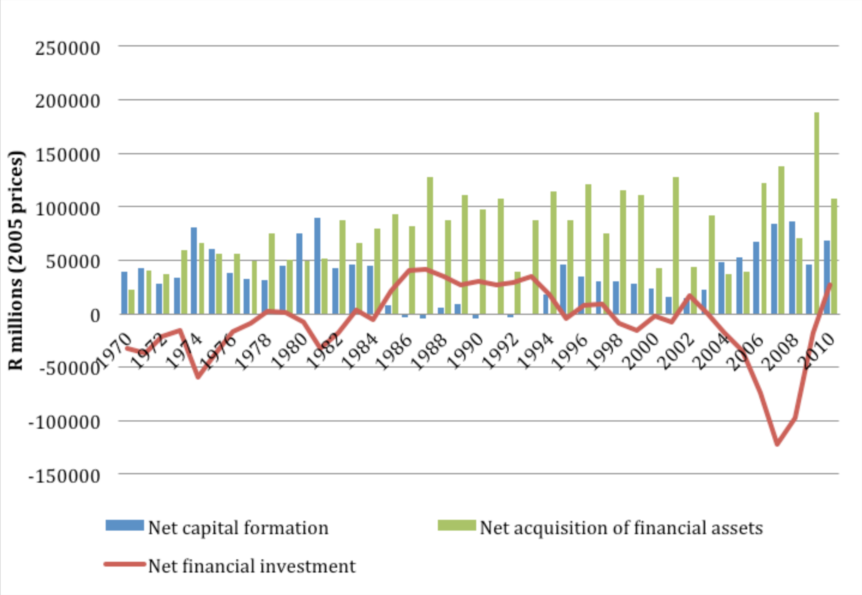
Figure 1: Net Capital Formation, Net Acquisition of Financial Assets, Net Financial Investment (1970 - 2010)



(Source: SARB 2012)

Financialisation has also deeply affected households. Under apartheid the banking system developed a sophisticated range of financial services largely for the white privileged minority. This has been expanded to incorporate the black majority but in 2012 approximately 30% of adults (16 years and above) remained "unbanked" and 18% "financially excluded"[3] despite a steady increase in "access" to financial services. The last decade has witnessed a resurgence of mortgage financing (still skewed against the poor) and expanding consumer credit together with a marked rise in both the assets and liabilities of households with housing having an overall negative net financial position. Together these have led to an astronomical real estate bubble and a consumption boom that is widely recognised to have driven the economic growth of the mid-2000s. This has all been fuelled in large part by short-term foreign capital inflows (as against long-term outflows). Many of these dynamics are fleshed out in Section 9.

[3] "Financially excluded" refers to "[i]ndividuals who use no financial products – neither "formal" nor "informal" – to manage their financial lives" (FinMark Trust 2012, 63).

The South African Government has supported financialisation, as the case of housing will exemplify. On a policy level, significant financial liberalisation in the 1990s spurred financialisation while monetary policy has continued to favour, and accommodate, open capital accounts, with the exchange rate and interest rates dominated by global capital flows. Inflows have been largely "market-seeking" and have predominately ended up in stock market trading, property markets or onward lending to households. There has also been a significant increase in international debt issues rising from just over 3% of GDP in 1988 to just shy of 9% in 2009 (Beck, Demirguc-Kunt, and Levine 2010). Outflows have consisted of FDI, particularly in Africa, dividend disbursements to overseas shareholders with many companies now registered on foreign exchanges and various forms of legal and illegal capital flight.

2.3 Current Snapshot

South Africa is categorised by the World Bank as an "upper middle income" country, some of the country's macroeconomic, social and demographic indicators are given in Table 1. It has pockets of great wealth and cities and towns that – in major parts – resemble the developed world. It is also the most unequal country in the world – with a Gini Coefficient of 0.67 – which is starkly visible in its rural hinterland and urban slums. Unemployment (the expanded definition) has risen over the last two decades and stands at around 35%; unemployment also disproportionately affects the younger black African workers. High levels of poverty prevail with approximately 57% of South Africans living on less than $2 per day (2005 dollars). This has contributed to high levels of violence, in particular in South Africa's informal settlements.

The country remains ruled by the African National Congress, the main political party of the national liberation struggle, who recently won the 2014 national elections with

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62% of the vote. The delivery of promised social services (housing, healthcare, water, sanitation, electricity etc.) has a chequered history with the state making significant strides. However, significant deficiencies and backlogs exist with understaffed healthcare, a failing primary education system, a chronic shortfall of adequate housing, an expensive and dangerous transport system and the absence of water and sanitation facilities in many poor locales.

There are nine provinces with a complex governance structure separating national, provincial and local government spheres. Within and between these, wealth is highly unevenly distributed with the Gauteng province (which hosts Johannesburg, Tshwane and Ekurhuleni metropoles) making up 24% of the population but 35% of GDP, in general economic activity is concentrated around the major urban centres with very poor rural and "traditional"[4] areas. Wealth and services are also unevenly distributed within urban areas with an estimated 2754 informal settlements (HDA 2012).[5]

Table 1: 2013 Snapshot: Economic and Social Indicators

GDP (PPP):	$595.7bn	(2013 est.)
GDP country comparison to world:	26th	(2013 est.)
GDP (official exchange rage):	$353.9bn	(2013 est.)
GDP per capita	$11,500	(2013 est.)
GDP per capita country comparison to world:	108th	(2013 est.)
Unemployment:	25%	(Q1 - 2014)
Unemployment (expanded):	35%	(Q1 - 2014)
Gini coefficient:	0.7	(2009)
Poverty headcount:	57%	(2009)
Tax and other revenue:	25%	(2013 est.)
Budget revenue:	$88.53bn	(2013 est.)

[4] "Traditional" areas refers to those areas under the jurisdiction of the traditional authorities (or traditional chiefs) and can almost exclusively be considered rural.

[5] Some analysts believe that the actual number of households living in informal settlements is likely to be significantly higher than the estimates of Stats SA as often the number of shacks is used and not the number of sub-households which might reside in one shack. In addition, official estimates do not factor in the high number of migrants living in shacks (see Tissington 2011, 37).

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Budget expenditure	$105.5bn	(2013 est.)
Budget surplus (+) or deficit (-):	-4.8% of GDP	(2013 est.)
Public debt:	45.4% of GDP	(2013 est.)
Current account balance:	-$23.78bn	(2013 est.)
Inflation (CPI Headline):	6.10%	(April 2014)
Central bank discount rate:	5.75%	(Dec 2014)
Commercial bank prime lending rate:	9.25%	(Dec 2014)
USD exchange rate:	11.16	(Dec 2014)

Population:	52.98mn
Households:	15.58mn
Female:	51%
Male:	49%
Black African:	80%
Coloured:	9%
Indian or Asian:	3%
White:	9%
0-14:	34%
15-34:	42%
35-64:	34%
65+:	6%
Work force:	18.54mn
Work force:	35%
Rural:	36%
Urban:	64%
(All the above for 2013)	

(Source: Leibbrandt et al. 2010; CIA 2014; SARB 2014b; Stats SA 2014a; World Bank 2014)

3 Housing: an overview

3.1 SOP Overview

In 1994 the newly elected democratic government sought to implement policies to formally house the 1.5mn households comprising the "housing backlog". By 2014 the government claims to have successfully provided up to 3.7million houses and serviced sites, and an unknown number of rental opportunities, but with the overall "housing backlog" having grown to 2.1mn households. The system of provision for low-cost urban housing is our focus.

This sop is characterised by commercialisation and financialisation. The *production* of housing was to be (in the main) government funded but undertaken by the private sector with government establishing a "conducive environment" and "facilitating the functioning" of the housing market, including the commodification of land. Housing policy has progressively sought to turn *the product* (houses) into financial and economic "assets," from the outset focusing on individual ownership of freestanding houses. The *consumption* of houses was to rely, in part, on household's access to private sector loan financing. Together these factors have seen the reinforcement of apartheid geographies with poor quality low-cost housing being established on the urban periphery. Together this has led to heavily contested inter and intra relationships between the various *actors*: the state, capital, households and civil society.[6]

The *financialisation* of this sop, and more broadly the interaction between a wider process of financialisation and this sop, has four dimensions. First is the influence of the financial sector, and capital more generally, on molding housing policy and the imperatives this has imposed (this is seen most clearly in Sections 4, 8.2, 9.3, and 9.4). This has been a somewhat contradictory process with the logic of financialisation insisting on the centrality of private sector finance – wholesale and consumer – but the banks being unwilling to lend to low-cost housing projects and low-income households (Section 8). Similarly, the notion of "housing as an asset" has entered policy discourse but is inoperable within the generally dysfunctional low-cost housing market (and problematic in its own right) (Section 9.4).

[6] The sop approach (see Bayliss, Fine, and Robertson 2013) entails consideration of at least production, consumption, the various agents involved and process of contestation. In addition, there is need for a policy overview and specific discussion of finance and financialisation. This informs the various sections of this chapter and its sprawling nature.

Second, this contradiction together with the more general process of financialisation – including the incorporation of households within financialised modes of social reproduction and the alteration of banking business models under financialisation – have shaped, and ultimately retarded, access to housing for the poor (Section 8). Third, the nature of financial flows and the dynamics of financial markets have negatively impacted on the availability and accessibility of low cost housing (Section 9). For instance, the general dysfunction of the low-cost housing market, as well as rapid appreciation of other market segments has made it impossible for the "potential" of "houses as an assets" to realised. Fourth, developments in the housing sector in South Africa have facilitated the broader processes of financialisation.

3.2 History and Geography Relating to Housing

The dispossession of land from the local black African population began with the onset of colonialism. The systematic marginalisation, exclusion and eviction of people was formalised by the notorious 1913 Natives Land Act, which restricted black land ownership to only 7% of the country's land, enlarged to 13% by the Natives Trust and Land Act of 1936. The separation of the "non-white" population (black African, Indians and Coloureds) into separate "self-governing" bantustans has its roots in the Natives Administration Act of 1927 and was formalised and regulated in various Bantu and Bantustan Acts in the 1950s, '60s and '70s. The Group Areas Acts of 1950, 1957 and 1966 were concerned with urban segregation and relegated blacks to poorly serviced low-density townships on the urban periphery.

Throughout these attempts to achieve first "total segregation" and later "grand apartheid" (or euphemistically "separate development"), housing policy played a crucial role driven by the dual imperatives of maintaining an accessible cheap labour

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force while tightly limiting African urbanisation. The so-called "Stallard principle" which informed the Natives (Urban Areas) Act of 1923 saw the denial of municipal (and, by extension, more general) enfranchisement as only possible if blacks' right to permanent residence – and hence freehold land tenure – in "white" urban areas was withdrawn (Wilkinson 1998, 217). Natives were to be housed in hostels (government or business funded accommodation for labour), planned peripheral "locations" or "townships" (formal and informal settlements) and native villages.

Attempts to regulate black urban settlement in the 1920s, '30s and '40s largely failed due to a mix of rapid urbanisation (particularly during the Second World War) and the reluctance and limited capacity of local authorities to bear the costs involved in fulfilling their statutory obligations. By the onset of National Party rule (in 1948) urban squatter settlements had sprung up around the major urban centres and "black spots" existed within the white urban centres. The architects of "grand apartheid" realised that only 'by the provision of adequate shelter in properly planned Native townships can full control be regained, because only then will it be possible to eliminate the surplus Natives who do not seek or find an honest living in the cities (by removing them to the 'Reserves' or 'Bantustans', as they were beginning to be officially labelled at this time)' (Eiselen cited in Wilkinson 1998, 219).

In this we see the evolving logic of the township – the chief locale of urban black settlement – as segregation, stabilisation, homogenisation and control. A certain section of the black working class would be permitted to settle within urban areas but at a distance from white neighbourhoods, the rest would be displaced to the Reserves; it must be clear that all blacks – even those with urban residential rights – were temporary sojourners.[7] Housing policy and implementation was gradually

[7] This is well expressed by the Transvaal Local Government Commission of 1922 which said that "the native should only be allowed to enter the urban areas, which are essentially the White man's

centralised and by the 1960s the vast shantytowns and urban "black spots" had been largely eliminated and replaced with uniform "orderly" peripheral urban townships. These comprised standardised small rental houses or 'site and service' plots upon which Africans with urban residential rights were encouraged to build their own homes, albeit limited by a 30-year leasehold (essentially as tenants of the municipality). The homogeneity of the townships was an indication that these served as reservoirs of labour and if social mobility was desired this should be attempted in the Bantustans (Wilkinson 1998).

In 1968 a directive from the Department of Bantu Affairs ordered the cessation of the provision of family housing in urban townships. However, urbanisation continued and by the 1970s squatter settlements had reappeared and overcrowding was ubiquitous. With the combination of urban unrest and the need for a larger urban labour force, some laws were relaxed in the late 1970s. In April 1978 for instance, the 99-year leasehold rights for "qualifying" urban blacks were reinstated and private sector finance was made available through building society and employer loans.

Crucially, 1978 also saw the formation of the Urban Foundation (UF) a pro-business think-tank supposedly with the mandate to 'promote improvement of quality of life in urban (and primarily African urban) communities' (Urban Foundation quoted in Wilkinson 1998, 222). The UF pushed for policies to facilitate the emergence, particularly in black townships, of a "stable" community of home-owning families, which would constitute the nucleus of an incipient "property-owning democracy". This would be achieved through a blend of market forces and community self-help and would allow for the state to withdraw from its monopoly of provision of black African housing in urban areas.

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creation, when he is willing to enter and minister to the needs of the White man, and should depart therefrom when he ceases so to minister" (quoted in Goodlad 1996, 1630)

This saw the selling off of public rental stock (the so called "Great Housing Sale") and an increase in private sector delivery of houses for black middle-income families. However, the latter was both insufficient in quantity and halted mid-decade as defaults rose due to higher interest rates and politically-motivated boycott campaigns. A new policy of "orderly urbanisation" – recognising the permanence of black people in white urban settlements but maintaining their racial segregation on the urban periphery under tight control and ensuring full cost recovery – was instated in 1986 followed by the abandonment of influx controls.

The UF published its "Proposal for a National Housing Policy" in 1990 which served as the basis for late apartheid-era government policy. The policy focused on the provision of standardised serviced sites through a once-off capital subsidy upon which people could build their own homes, with emphasis placed on large scale roll-out. To carry this policy out the Independent Development Trust (IDT), overseen by the Urban Foundation's chairman Jan Steyn, was established and granted R2 billion in order to spend R7,500 per site (roughly US$2,600 at the time). Over the next four years standardised serviced sites were delivered to approximately 100,000 households eligible for the capital subsidy (Huchzermeyer 2001, 309; Charlton and Kihato 2006, 270). However, the rapid expansion of urban squatter settlements – within new and existing townships – in the 1980s meant the "backlog" of those in need of shelter greatly outstripped government's intervention.

The UF/IDT approach to housing provision was confirmed in the 1992 Report of the de Loor Task Group, set up in 1990 under Auditor-General de Loor to formulate a 'national housing policy and strategy'. The IDT's capital subsidy programme ended in 1992 and a second round of subsidies were provided to low-income households by the Joint Housing Board, established and implemented whilst negotiations over the future of housing policy was underway (discussed in Section 4.2). This was to have a lasting impact as 'it forced consensus on a set of common policy principles, and necessitated the creation of interim capacity for delivery' (Charlton and Kihato 2006, 272).

4 Policy

Housing policy in democratic South Africa, and the transmutations it has undergone, has, to its detriment, not been underpinned by a consistent, rigorous and unified conceptual framework, nor has it been 'explicitly rooted in a rigorous interrogation of the needs of the poor, such as the impact of housing programmes on livelihoods and economic activity of the poor beneficiaries' (Charlton and Kihato quoted in Tissington 2011, 57). It has also suffered – not always but overall – from a lack of integration between housing and other developmental agendas and a failure to establish an overarching coherent urban policy, resulting for example in housing being handicapped by insufficient land availability at suitable prices.

This has left housing policy open to being constrained by inherited policy paradigms and responsive in an ad hoc manner to political pressures, internal departmental politics and perceived weaknesses in implementation. Its market permissiveness has resulted in policy being shaped and implementation constrained by contemporary market dynamics. In part, at times unwittingly, the neoliberal imperatives of privatisation, commodification and financialisation have powerfully shaped both policy and implementation.

Housing policy, and thus its influence on the SOP within which it is embedded, can be understood to have been primarily concerned with delineating *what* would be provided – the nature of the housing "product" – by *whom* – the differing roles of the state, capital and communities – and *how* – through which mechanisms. In each of

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the five stages listed below the evolution of housing policy is described and then analysed with respect to these conceptual categories. The first stages set the parameters of housing policy and the latter are analysed with particular reference to the extent to which they differ from the former.

The first phased occurred between 1992 and 1994 and was a period of policy formulation dominated by the National Housing Forum (NHF), culminating in the signing of the Housing Accord and the adoption of the Housing White Paper. The second commenced in 1994/5 and was dominated by contractor-driven supply of small housing units. In 2000 a third phase (2000 – 2003) was entered in which the state took a more active role as developer. A policy review which resulted in *Breaking New Ground* adopted in 2004, ushered in the fourth phase (2004 – 2009) which cemented a shift towards more state and local government driven provision and diversification of tenure. The signing of the service delivery agreement, *Outcome 8,* between the Department of Human Settlements and the President in 2010, marks the start of the fifth phase (on-going) which was really a canonisation of shifts that were already underway. These phases are explored below after a brief review of the state of housing at the end of apartheid.

4.1 Situation at the End of Apartheid

Table 2 below provides a snapshot of the housing situation at the advent of democracy. Most important to note is the existing housing backlog of 1.5mn units and the projected annual growth in both households and the backlog of 200,000 and 180,000, respectively. Crucial is the high number of households, 2.6mn, living in informal settlements over half of which do not have secure tenure. While the official figure is 7 people per housing unit in such housing, studies regularly found up to 17, 20 or even 30 people in 4 room houses. In 1993/4 the housing budget was, by comparison to other developing countries, low and housing delivery had slowed to only 50,000 serviced stands in that year (Goodlad 1996, 1633–1634).

This picture was differentiated along race, class, gender and geographical lines (race and class most often overlapping). White, Indian and Coloured groups tended to be more urbanised than black Africans and white people enjoyed a far higher standard of formal housing, while women were less likely to own houses than men. The housing sector was also highly fragmented and inconsistently funded with fifteen different departments implementing some twenty different subsidy systems, many under-resourced (Moss 2008, 9).

Table 2: Housing Snapshot 1994

	Population	HH / Units	HH %
Population	42.8mn	8.3mn	
Projected Population Growth per Annum (1995-2000)	1.0mn	0.2mn	2.3%
Projected Household Growth per Annum (1995-2000)		0.2mn	
Monthly Household Income			
R0 - R800		3.3mn	39.7%
R800 - R1,500		2.4mn	29.0%
R1,500 - R2,500		1.0mn	11.8%
R2,500 - R3,500		0.5mn	5.6%
R3,501 +		1.2mn	13.9%
Housing Backlog		1.5mn	18%
Projected Growth in Housing Backlog per Annum		0.2mn	
Urbanised*	28.2mn	5.7mn	68%
Formal Urban Housing**	25.2mn	5.1mn	61%
Informal Urban Housing	12.7mn	2.6mn	31%
Informal (Tenured) Urban Housing***	7.5mn	1.5mn	18%
Informal Squatter (Untenured) Housing****	5.3mn	1.1mn	13%
Shacks on Service Sites	3.1mn	0.6mn	7%
New Squatters per Annum	0.7mn	0.2mn	
Hostels	2.1mn	0.4mn	5%

Hostels in Need of Upgrading*****	0.5mn	0.1mn	1%
Unoccupied Serviced Sites	0.5mn	0.1mn	1%
Serviced Sites in Need of Upgrading*****	3.6mn	0.7mn	9%
Secure Tenure******	23.9mn	4.8mn	58%
Unrecognised Rural*******	3.9mn	0.8mn	9%
Unrecognised Urban********	7.4mn	1.5mn	18%
Other	6.0mn	1.2mn	15%
Housing Budget in Previous Year (%GNP)			2%
Houses Built in Previous Year		0.05mn	
* Urbanised: functionally urbanised, all those in or around towns as well as those in the vicinity or urban areas who are dependent on it for income (semi-urban)			
** Formal Urban Housing: any housing unit with a housing structure estimated to have a life span of 20 years or longer			
*** Informal (Tenured) Urban Housing: any non-formal housing unit over which tenure is held, with access to at least basic services (water, sanitation and access routes).			
**** Informal Squatter (Untenured) Housing: any non-formal housing unit over which no formal tenure is held. Such housing is generally of a poor standard, with minimal or no access to basic services.			
***** In Need of Upgrading: in order to meet minimal standards of accommodation			
****** Secure tenure: ownership, leasehold, formal rental contracts			
******* Unrecognised Rural: traditional, informal / inferior / officially unrecognised tenure arrangement in rural areas			
******** Unrecognised Urban: squatter settlements, backyard shacks or in overcrowded conditions in existing formal housing in urban areas with no formal tenure rights			

(Source: Department of Housing 1994)

4.2 Phase 1: Policy Formulation (1992 – 1994)

The battle over housing policy took place within the National Housing Forum (NHF) as part of the contested process of the negotiated settlement that brought apartheid to a close. The NHF was established in 1992 by the Independent Development Trust (IDT) (already discussed above) which (together with the Development Bank of South Africa, DBSA) 'had the explicit "strategy" of influencing the future South African housing policy through this forum' (Huchzermeyer 2001, 309); the IDT's team at the NHF consisted of a number of members of the previous de Loors Task Group

(Wilkinson 1998, 223). The key debates revolved around *who* would provide housing and *how* and *what* would the character of that provision be. The first two aspects came to be seen within the paradigm of *state vs. market*. The last, *the nature of the product*, hinged on whether adequate housing would be achieved incrementally or immediately and the form of tenure that would be prioritised. Three key constituencies were active in the forum.

The Mass Democratic Movement (MDM) – the umbrella opposition to apartheid compromising the ANC, the labour movement COSATU and civic organisations – formed one camp. The predominant thinking from this sector centred on 'the need for democratisation and redistribution, with a central role for the state in constructing mass housing. Such housing was understood as a basic human right, and not as a commodity. Private tenure was considered exploitative and therefore inappropriate to the needs of the poor.' (Khan and Thurman 2001, 6; Huchzermeyer 2001, 307).

The second group was the Homeless People's Federation/People's Dialogue alliance, a social movement which encouraged the poor to mobilise their own resources to find their own solutions, in particular through building mutual trust, mobilising community resources and establishing communal credit mechanisms (Khan and Thurman 2001; Huchzermeyer 2001).

The private sector was the third group, consisting of the financial and construction industries at the UF and IDT (Nell and Rust 1993). Its key concerns were stabilising the social reproduction of the labour force and creating black homeowners as a means of political stabilisation. The commodification of land and housing was seen as vital for economic growth and housing, fundamentally as a market driven process (Khan and Thurman 2001; Huchzermeyer 2001). To a large extent these policies mirrored those of the outgoing apartheid regime which deliberately sought to influence the debate within the NHF.

The ideological underpinnings of the camps were clearly diametrically opposed. The private sector (particularly finance and the IDT/UF), in keeping with existing late-apartheid era housing policy and international policy trends (see Section 4.5), promoted the model of capital subsidies, driven on the premise of an individual freehold 'site and service' approach – individual plots of land with basic services upon which beneficiaries could build their own houses. The MDM opposed this and was in favour of formal state-built rental accommodation, along the lines of the European social democratic model but was unable to place a concrete proposal for a mass rental programme and how it would be financed on the table. Interestingly, the private construction companies supported the MDM's approach. In large part the social movements were marginal (Huchzermeyer 2001; Khan and Thurman 2001; Charlton and Kihato 2006; Pitthouse 2009).

The "compromise" was finalised at the October 1994 Housing Summit at which the Botshabelo Housing Accord was signed. These recommendations –the *what*, *by whom* and *how* – are well summarised by Gordon et al. (2011a, 6):

> 'The final recommendation was that government should provide the framework for housing provision and facilitate delivery, while the private sector should apply for subsidies on behalf of communities, identify and service land, and construct structures where possible. With respect to what housing would be delivered, it was agreed that a once-off capital subsidy scheme should be adopted to benefit households with an income of less than R 3500 per month. The subsidy was linked to individual ownership (as opposed to rental), and households effectively "bought" a housing option with their subsidy. The aim of the new dispensation was to deliver housing

> opportunities and options to as many previously dispossessed South Africans as quickly as possible.'

This emphasised a capital subsidy sufficient to fund a "starter house" on a serviced site (originally only a 25m^2 unit with no partitions) and on achieving "breadth" (more households) over "depth" (more substantive housing). Towards this end the government launched the National Housing Subsidy Scheme (NHSS) (see Section 5.1).

Government argued this was a step up from the basic site and service approach but its underlying logic reveals a continuation of late apartheid-era policy. It also sits in contradictions with other aspects of government policy. The ANC's 1994 election manifesto, the Reconstruction and Development Programme (RDP), posits housing as a 'basic need' (ANC 1994, para. 1.4.2) and argues for 'blending of government funds with private sector funding, in order to make longer-term access to finance affordable'; towards this end a national housing bank was proposed (Huchzermeyer 2001, 310). In tandem with this the South African National Civics Organisation (SANCO) proposed a Community Reinvestment Act (modelled on that of the United States) that would force banks to lend in areas that had be redlined. The 1996 Constitution enshrines 'access to adequate housing' as a right (Government of the Republic of South Africa 1996, sec. 26).[8] Very quickly, however, the progressive aspects of the RDP were abandoned in favour of a more limited role for the state, "market friendly" interventions and fiscal discipline (see Isaacs 2014 for a broader discussion of this).

[8] With the state tasked with achieving the "progressive realisation of this right" "within its available resources" (Government of the Republic of South Africa 1996, sec. 26). See Tissington (2011) for a detailed analysis of the constitutional guarantee of a right to housing and how this fits within the broader constitutional framework.

The decision to focus on individual ownership laid the foundations for the commodification of housing. This together with the reliance on private sector financing to "top up" the subsidy quantum in order to expand the "starter house" opened the door to financialisation. In December 1994 the White Paper on Housing cemented this approach.

4.3 Phase 2: Private Sector Led Development (1995 – 1999)

The first period of implementation (1995 – 1999) closely followed the policies laid out in the 1994 White Paper, albeit with certain aspects more successfully implemented than others. The quantitative goal of the White Paper was to increase the national budget allocation of housing to 5% and deliver one million houses within five years. In order to achieve this the White Paper had seven key thrusts (Department of Housing 1994; Mark Napier 2005, 4):

1. Stabilising the housing environment;
2. Providing housing subsidy assistance;
3. Creating an enabling environment for community and private sector provision of housing and facilitating coordinated and integrated action between the public and private sector;
4. Mobilising housing credits and savings;
5. Rationalising institutional capacities within a sustainable institutional framework;
6. Facilitating the speedy release of land; and
7. Support for a people-driven housing delivery process.

After long periods of bond, rent and utility boycotts in the dying years of apartheid, the private sector emphasised the need to *stabilise the housing environment* (point 1 above). Towards this end government launched schemes to restore payments for services provide guarantees for lending in certain "rehabilitated areas", facilitate rescheduling of mortgage loans and provide relocation assistance for defaulters, and regulate quality standards in housing construction (Mark Napier 2005, 5).

The *National Housing Subsidy Scheme* (NHSS) (point 2) became the central pillar of housing provision providing an array of housing subsidies to a broad spectrum of eligible beneficiaries (see Section 5.1). Priority was given to the poor and most marginalised and was supposed to facilitate a range of tenure options for individuals or groups in both urban and rural areas. In practice the subsidy programme was used mainly 'to fund planning, acquisition and local servicing of land and to build top structures, or houses' (Mark Napier 2005, 5), premised on notion that secure tenure and ownership would encourage the functioning of housing markets and allow for upward mobility (Adebayo 2011, 4). These small freestanding houses became known as 'RDP houses' with home ownership prioritised as the dominant form of tenure, with scant attention paid to rental housing.

Much expertise in the *public sector* (point 3) was orientated towards supporting subsidy disbursement, while the construction of houses was effectively outsourced to large *private sector* construction firms funded via the capital subsidies with the process of payment managed by private sector conveyancers. Housing delivery was, therefore, 'a developer-driven process, meaning projects were initiated, planned and built by private construction companies for national and provincial government' (Tissington 2011, 21). Critically, in this phase of policy, the government focused on creating an *enabling environment* in which 'the state supports and facilitates the delivery of housing by the private sector, or by community-based organisations, rather than engaging directly in shelter provision itself' (Charlton and Kihato 2006, 255).

The logic of the policy was to provide a serviced site and basic top structure allowing the new homeowners to improve the house through using *savings and accessing housing credit* (point 4). Despite the plethora of institutions established and agreements signed (discussed above and below) this proved to be the Achilles heel of the programme as the major banks refused to lend to the poorest (see Section 8) (Khan and Thurman 2001, 11). In addition, no framework was established for government support for subsequent improvements of starter houses (Huchzermeyer 2001, 306). The *rationalising of institutional frameworks* (point 5) was largely successful with the restructuring of numerous housing departments into a single department, capacity building and the establishment of a range of housing agencies. Building capacity in local government has been an on-going challenge (see Section 6.1).

Far less successful was the *release of well-located land* (point 6), with the issue of urban restructuring left unresolved in NHF negotiations, something the first phase of policy failed adequately to address. Rather than create integrated cities in which the poor lived close to economic and social infrastructure, the capital subsidy, through requiring the quantum to include the purchase price of the land, relegated low-cost housing to the urban periphery. This together with inadequate policy measures to release well-located land and market-driven decision making regarding land disposal, perpetuated the spatial geography of apartheid; urban sprawl and outlying economically unviable, dysfunctional settlements were reinforced (see Section 5.12).

The policy also failed, on any large scale, to support a *people-driven housing delivery process* (point 7). Despite the rhetoric of "social compacts" between politicians, government bureaucrats, developers and communities, housing projects tended to be developer, rather than community, driven. The introduction of the "People's Housing Process" (PHP) in 1998, a self-help orientated approach modelled after the

Homeless People's Federation schemes, and the establishment of the People's Housing Partnership Trust based within the Department of Housing have not radically altered this aspect and have tended not to be supported by local and provincial governments (see Sections 5.7 and 6.6) (Khan and Thurman 2001).

In addition to these seven key elements, the Housing White Paper also draws an ambiguous link between housing and poverty. Again, there is a tension between the 'basic needs' approach which focuses on the role of large-scale government provision of social infrastructure as a means through which to resolve the issue of poverty and dominant views that economic growth drives poverty reduction. The White Paper draws from the former, without rejecting the latter, and notes somewhat ambiguously that '[h]ousing interventions by Government can at the most be seen as part of an integrated approach by Government to resolve the problem of poverty'. Exactly how housing will contribute towards the eradication of poverty is not clearly spelt out (Charlton and Kihato 2006). The Housing Act, 1997 (Act 107 of 1997) and later amendments legally entrenched the policy principles laid out in the White Paper. It also redefined the roles and functions of the three spheres of government (see Section 6.1), established a rationalised institutional framework, repealed racially-based housing legislation and created a single housing fund, the South African Housing Fund (Mark Napier 2005, 4).

In sum, the *nature of the product* to be provided was clearly a serviced site with a very basic house or "top structure". The *form of tenure* prioritised was individual freehold ownership of freestanding plots. Priority was given to *breadth over depth*, i.e. the "delivery" of mass standardised houses without room for significant personalisation or community participation. Progressive realisation[9] (as worded in

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[9] The obligations inferred from "progressive realisation" within the state's "available resources" have been contested in landmark Constitutional Court cases. The Court has interpreted "progressive realisation" to mean "the dismantling of a range of legal, administrative, operational and financial

This project has received funding from the European Union's Seventh Framework Programme for research, technological development and demonstration under grant agreement no 266800

the Constitution) was interpreted to mean the provision of extremely basic "starter" housing with the opportunity to improve that over time (in the main via private sector financing).[10] The *private sector* was clearly identified as the providers of housing, with G*overnment's role* focusing on subsidy dispersals and establishing favourable market conditions. Expanding social provisioning was clearly on the government's agenda but the form it took had a clear neoliberal market bias. Amendments, additions and alterations notwithstanding the 'fundamental policy and development principles introduced by the White Paper on Housing [elucidated above] continue to guide all developments in respect of housing policy and implementation' (Tissington 2011, 21).

In purely quantitative terms the outcome of the first phase of housing policy was impressive, with the programme getting underway in earnest in 1996 and meeting its one million target in six instead of five years. Compared with the 1996 census data we see that government-supported low-income housing accounted for, by 2001, more than half of additional homes built and, by 2003, a 17% increase in the total housing stock (Mark Napier 2005, 7).

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obstacles which impede access to rights, and the expansion over time of such access, to a larger and broader range of people" (Tissington 2011, 27). In Soobramoney vs Minister of Housing, 1997, the Court found that "available resources" was defined as what the Minister of Finance allocated in the national budget, and in general the Court has not interpreted section 26 to mean that the state must ensure that everyone has *immediate* access to a basic level of housing. This said, in the landmark *Grootboom* case (Government of the Republic of South Africa and Others v Grootboom and Others, 2001) the Court ruled that the state has "an obligation to take immediate steps to provide relief to those in urgent and desperate need and living in "intolerable conditions"" (Tissington 2011, 27).
The state has not, in practice, formulated its housing programme through the paradigm of "progressive realisation" – nor paid due heed to the intricate set of crosscutting rights invoked by the necessity for shelter – rather it has used other paradigms such as "speeding up delivery" or "eradicating backlogs". These are not necessarily bad frameworks but they tend not to be "informed and driven substantially by their positive impact on the poor and their linkages with livelihoods strategies" (Tissington 2011, 28). The focus on quantitative output is one such illustration of this.

[10] This "incremental approach" has failed to lead to "housing consolidation" due to: the peripheral location of settlements away from social services and economic opportunities (in part due to land prices); the lack of available and sustainable credit and the paucity of institutional support; and the inappropriate physical character of RDP settlements to sustain their own economies (Adebayo 2011)

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Figure 2: Delivery of Serviced Sites and Houses/Units via Government Subsidies Since 1994[11]

(Source: Department of Human Settlements 2014a; Department of Human Settlements 2014b)

It is clear from Figure 2 that housing provision peaked in the 1998/99 financial year, a reflection of the problems which emerged during this and the subsequent phase of delivery. From government's side the housing budget failed to reach 5% of fiscal expenditure, the subsidy quantum did not keep pace with inflation (see Figure 4 in Section 5.1) nor could it sufficiently cover the cost of land in advantageous locations and a general lack of capacity in government was encountered. These factors contributed towards the withdrawal of the large (white) construction groups who encountered low profit margins and rising minimum standards alongside increased

[11] There are major problems in reaching an aggregate figure for state-subsidised housing. "First, records in the deeds office do not indicate whether the house was constructed with or without a state subsidy, whilst data on the approval of housing subsidies is incomplete and difficult to match with actual house construction. Second, it seems that a substantial proportion of state-subsidised RDP and BNG houses – perhaps as high as 50% – have not been registered with the deeds office. Third, it seems that state subsidies have been used in some cases to finance transfers of ownership from the state to occupants i.e. leasehold being converted to freehold, which means a house was not actually constructed. Rust believes there are probably less than 1 million registered RDP and BNG housing units, and that the figure of 2.8 million can only be reached if there are as many unregistered RDP and BNG housing units and about the same number of properties where the ownership has been transferred from state to occupant. If this was the case there would still only be about 2 million new houses." (Tissington 2011, 31)

building costs. Concurrently, the integration of emerging contracts into the subsidy market was slow and they suffered from a lack of delivery capacity and technical expertise. Local government also battled to adequately take on the role of developer when the responsibility was transferred from the private sector to them. The big banks displayed an unwillingness to invest in this market, refusing to lend for the provision of poor houses nor provide bridging finance to emerging contractors (Mark Napier 2005, 7–8).

This speaks to the key tension of *state vs. market* provision, or the relationship between them. The state had either failed to establish the "enabling environment" it sought, or misjudged the willingness of the private sector to participate in housing provision, or both. In addition, market-driven approaches, in particular with respect to urban land disposal, retarded the creation of the 'viable, socially and economically integrated communities', sought. Instead the greenfield nature of developments at a distance from city centres resulted in 'vast, peripherally located, standardised dormitory developments' (Huchzermeyer 2003, 595).

The housing programme was also victim of a broader contradiction with Government policy: the difficulty of giving material expression to socio-economic rights in the context of conservative monetary and fiscal policies (Isaacs 2014, see). The ANC self-consciously prioritised the latter, and was 'seen to be defending its housing and infrastructure development policies by extolling the virtues of fiscal discipline and sustainability (Pottie 2003), rather than direct benefit to the poor' (Charlton and Kihato 2006, 274). From the side of the recipient this phase of delivery was characterised by frustration over the size and poor quality of the product received.

The government needed to respond to the above resulting in slight policy shifts. The minimum requirements for *the product* produced were expanded. The first round of RDP houses was based typically on a 25m^2 unit with no partitions. The government increased this to 30m^2 in the 1997 Housing Act followed by a set of "norms and standards" which was codified in the 2000 National Housing Code. The increased emphasis on the quality of the top structure meant that it must consist of: floor space of 40m^2, two bedrooms, a separate bathroom with toilet, shower and hand basin, combined living area and kitchen with a wash basin and an electric distribution board. Also specified were the minimum levels of services that must be provided, for example a single water standpipe per stand, as well as specifications for the top structure.[12]

One catch was that increasing the quality of houses made them more expensive to construct and without significantly increasing the subsidy this meant that a larger share was spent on top structures which tended to undermine services – like sanitation infrastructure and roads – and reinforced the location of housing developments on peripheral land. This shift was not rooted in a deeper understanding of the trade-offs between service levels, location and top structure, but rather a reactive move against incrementalism which was failing to satisfy the housing needs of the poor.

Following complaints by developers, and in an attempt to accommodate the new standards the subsidy quantum was raised in 1998, 1999 and 2000/2001. At the same time, and somewhat inconsistently, government began to talk about 'housing opportunities' rather than houses, thus diverting attention away from houses as the final product, a hint of what was to come (Khan and Thurman 2001, 10). The need to diversify forms of tenure was also gradually recognised and in 1999 the introduction of social housing (see Section 5.9.4), with the Social Housing Foundation (SHF) recognised as a national institution through a 1999 amendment to the Housing Act

[12] The Housing Consumer Protection Measures Act 95 of 1998 was also enacted in order to protect housing consumers.

and the attempt to enhance the rental market via the passing of the Rental Housing Act of 1999 (see Section 5.9).[13]

Finally, we also see the gradual withdrawal of large contractors,[14] indicating a *shift in the roles* played by the private sector and the state and a change in the manner of housing delivery. These shifts while presaging changes to come do not represent a fundamental disruption of the policy prescripts outlined above.

4.4 Phase 3: Public Sector Driven Delivery (2000 – 2003)

The crucial shift which is observable in the third phase is the reconfiguration of stakeholders' roles with a move towards greater state participation in delivery and greater community participation. The Housing Act of 1997, and its subsequent amendment in 2001, paved the way for greater local government involvement with the possibility, from April 2002 onwards, of local authorities, given requisite capacity, participating as developers. This meant they would structure the projects and directly manage private sector contractors (and over time small-scale builders) whom they appointed. It also meant an end to the use of private sector conveyancers in the distribution of the subsidy. This represented an important shift towards a more local-government centred, state-driven approach (see Section 6.1). It was influenced by a desire to build a strong local state and advance integrated local development plans, the need to speed up delivery and government attempts at better coordination and integration of housing developments (Charlton and Kihato 2006).

[13] During this period the Prevention of Illegal Eviction from and Unlawful Occupation of Land Act (PIE) 19 of 1998 was also enacted. This Act, and its recent Amendments, provides for a fair and reasonable process to evict people who unlawfully occupy land and houses and makes it an offence to evict without following the correct procedures.

[14] In addition to the complaints above, allegations of profiteering were made against the developers while smaller developers and contractors complained that they did not have access to the subsidy delivery process. Attempts were made to address these issues in the next phase of housing delivery.

The reconfiguration of roles also included the implementation of the People's Housing Process (discussed in Sections 5.7 and 6.6).

In 2001 a sales restriction was applied in order to prevent speculation and downward raiding (the purchase of subsidised houses by ineligible households with higher incomes).[15] In addition, a savings requirement was instituted whereby subsidy beneficiaries earning more than R1,500 per month were required to make a contribution of R2,479 towards the purchase price of the property; this, it was believed, would engender a sense of "ownership".

Finally, the international discourse of "slum clearance" re-entered the South African lexicon when, in 2001, President Thabo Mbeki mandated the Department of Housing to eradicate informal settlements (this is taken up again in Section 5.4). Notable is that early 'slum clearance' projects which were announced were targeted at shack settlements in city centres with proposed relocation to the urban periphery, calling into question the motives of the initiative. These were fiercely resisted and gave rise to popular protests and community organising (see Section 10) (Pitthouse 2009).

As we can see in Figure 2, delivery of houses during this period was comparatively low. The number of subsidy allocations that were rolled over during these years increased to above 10% (5% to 10% rollover is considered acceptable for major capital budgets and programmes) to 17% in 2000/1, 14% in 2001/2, 23% in 2002/3 and 11% in 2003/4. Government identified the issues discussed above as responsible for this slowdown (Department of Housing 2004, 7–8) to which the incapacity of local government to fulfil their new role as developer should be added (see Section 6.1). At the same time new programmes such as social housing were slow to come on line.

[15] This restriction said that beneficiaries "may not "sell or otherwise alienate" their subsidised dwelling or site within a period of eight years from the date on which the property was acquired" (Gordon, Bertoldi, and Nell 2011b, 11).

Once again the above does not represent a break with the policy approach developed in the early 1990s. The increased involving of the state as a developer is noteworthy but the private sector were still relied upon for actual construction and consumer financing.

4.5 Phase 4: Breaking New Ground – Delivering Human Settlements (2004 – 2009)

The preamble to the Housing White Paper of 1994 declared that the 'time for policy debate is now past the time for delivery has arrived' (Department of Housing 1994, sec. 1) and, with that, space for debate over the direction of policy was closed down. This was cemented by the focus on delivery by the existing machinery established during the NHF, the move of key players in the NHF into government, and the weakness of local government and urban policy in the early years of democracy.

In 2002/2003 the government decided to substantially re-evaluate its *overall approach* to housing and established a wide-ranging research agenda drawing on a large number of experts and an extensive process of consultation, together with building the Department's own research capacity. The research 'provided empirical evidence that showed that the housing programme needed to concern itself with creating socially and economically integrated habitats'. Further, concepts 'such as housing as an asset, integrated development, and sustainable human settlements received high focus in the research, and the empirical evidence reinforced the view that these were major gaps in current policy' (Charlton and Kihato 2006, 260).

The process was clearly intended to lay the foundation for new housing policy; this never happened. Instead the 2004 *Breaking New Ground* policy was drafted, in a matter of months, in response to an injunction in President Thabo Mbeki's 2004 State of the Nation Address which promised expeditious action. Rather than coherently drawing on the commissioned research and providing a unifying conceptual foundation upon which to ground future policy, the document is an amalgamation of 19 different business plans from various sectoral programmes within the department given to a consultant with ties to the World Bank to consolidate into one document (Charlton and Kihato 2006).

Breaking New Ground (BNG) does respond to acknowledged failings in the original policy framework, both rhetorically (and less often) in practice. It had four key thrusts. The first relates to the *housing product* and sought to utilise housing 'as an instrument for the development of sustainable human settlements, in support of spatial restructuring' including '[c]ombating crime, promoting social cohesion and improving quality of life for the poor' (Department of Housing 2004, sec. 1.2). This is in keeping with the United Nations Habitat Agenda (see Section 5.5). It indicates a shift away from a predominant focus on quantity over quality and towards a greater understanding of the importance of spatial and economic integration. This includes densification, spatial planning, releasing well-located land, urban renewal and inner city regeneration, the development of social and economic infrastructure and improving the housing product. It stresses a more holistic understanding of 'sustainable human settlements' rather than simply housing provision. This approach was linked to ideas of "slum clearance", or in this case "informal settlement eradication," despite the regressive nature of this discourse (see Section 5.4). In practice the policies prioritised were two-fold: in situ upgrading of informal settlements and the total "holistic" reconstruction of flagship communities.

Phased in situ upgrading, 'in line with international best practice', would occur in informal settlements through providing services and tenure coupled with the relocation of households 'where development is not possible or desirable,' alongside support for a wider range of tenure options (Department of Housing 2004, sec. 3.1). This is a different form of "incrementalism"; rather than a focus on an incremental top structure, this approach takes a phased approach to the housing project as a whole, focusing first on secure tenure, services and primary social facilities (instead of top-structures) around which communities can be consolidated.

Practically this was to be supported via: new or transformed funding mechanisms (including increasing the capital subsidy amount), for example area-based subsidies for the upgrading of an entire informal "neighbourhood" rather than only individual subsidies; greater coordination between departments; and the release of state land and land owned by parastatals at no cost (thereby removing the need for the housing subsidy to cover the cost of land acquisition) with the possibility of privately owned land to be 'expropriated at market value as a final resort' (Department of Housing 2004, sec. 3.4).[16]

The second relates to the *role of the market* where BNG sought to support 'the functioning of the entire single residential property market to reduce duality within the sector by breaking the barriers between the first economy residential property boom and the second economy slump' (Department of Housing 2004, sec. 1.2). Means through which this was to be achieved included encouraging secondary property markets for low cost housing; supporting access to housing for lower-middle income households who are not eligible for existing subsidies; expanding the role of the private sector in construction and project management, financing and employee-assisted housing provision; ensuring housing provision is more demand sensitive; and a somewhat unexplained integration of the formal upper-end property market and the low-cost market. The last, when it was misrepresented in the press prior to the launch of BNG caused uproar amongst the South African elite who feared low cost housing would be built on their doorstep, the minister assured them

[16] In addition to in situ upgrading various sustainable settlement mega-projects – essentially the demolishing and rebuilding of entire neighbourhoods – were prescribed. These have been very controversial (see Section 5.4).

this was not the intent (Charlton and Kihato 2006, 256). This objective entailed changes to financing mechanisms and the creation of new institutional frameworks. Emphasis was placed on supporting a wider range of tenure options with social housing receiving significant attention. The accessibility of credit was also stressed and commitments by the big banks to lend "downmarket" were made in the 2004 Financial Services Charter (FSC) (see Section 8.3.3).

Third, BNG explicitly tied housing provision to other economic objectives, specifically: poverty alleviation, job creation, housing as an asset and vehicle for wealth creation and empowerment, and leveraging growth in the economy. This view of housing as an asset was to play an important part in policy going forward and is discussed in depth in Section 9.4. Lastly, BNG reformulated *the role of various stakeholders*. It made government more central in direct provision and delegated added responsibilities to local authorities; attempted to re-centre the community in the development process and lend greater support to the People's Housing Process; and tried to draw the private sector back into housing provision (these are taken up in various sections below). There was an apparent consolidation of the shift away from government as only an enabler, to government, particularly local government, serving as a provider.[17]

There is considerable debate over whether BNG, in policy and in practice, represents a rupture with preceding housing policy. Those (e.g. Tomlinson, see Mark Napier 2005, 13) that argue that it does represent a sharp break point to a shift from

[17] There are a number of areas of ambivalence within the housing plan. Is the government a supplier or enabler? Are residents passive beneficiaries or active participants? How much real commitment is there to thoroughgoing urban restructuring? Does the plan truly allow for poor communities to be consolidated within the city and have access to social services and economic opportunities? Does the language of "eradicating informal settlements" sit comfortably next to the role that informal settlements play in providing better access to opportunities and sometimes better housing? And why is there an absence of attention to the quality of the "public spatial environment" (Mark Napier 2005, 14–15)?

"breadth" to "depth" and a transition from a supply-driven to a demand-driven framework. On the other hand, the policy does not address key weaknesses in the then prevailing policy framework. It does not offer clear direction 'with respect to the difficult political issues of land ownership, the land market and rights around property values' (Charlton and Kihato 2006, 259). This, and subsequent failures to integrate poor communities, calls into question the seriousness with which BNG and the Department of Housing views densification and the ability of poor households to access well-located housing. Government failed to release large swathes of well-located state or parastatal owned land and have yet to exercise their right to expropriate privately-owned land even when it is not being used (see Section 5.12). The imperative to "eradicate" informal settlements was taken up with gusto but with a punitive and regressive orientation (see Section 5.4).

The national and provincial government departments have continued to prioritise fully subsidised, complete, low-density, detached, freehold family accommodation over other delivery modes (including community participation) and tenure systems and accommodation choices (Adebayo 2011; Tissington 2011, 67). At the same time government failed to significantly increase the rental accommodation affordable to lower-income households (earning less than R3,500 a month). The key indicators of performance appear to remain largely quantitative, focused on the number of houses produced and budgets spent. In quantitative terms (as see in Figure 2) housing delivery accelerated, but the overall cost of the programme grew far more rapidly than the number of houses built in large part due to the increased per unit cost (Figure 3). Finally, there was no coherent framework developed through which housing's contribution to poverty alleviation is explained and how this will be delivered via the policy package (Charlton and Kihato 2006, 259).

Figure 3: Housing Production and Integrated Human Settlements Grant Expenditure (1999/00 – 2009/10)

The success of BNG is chequered. Peripheral dormitory townships, instead of integrated human settlements, continued to expand without a radical restructuring of urban space or geography. Secondary low cost housing markets remained dysfunctional with access to credit generally low (see Sections 8 9). The provision of serviced sites did increase from 22% in 2003/4 to 37% for the years 2004/5 through 2009/10, although it is unclear how many of these were a product of in situ upgrading; it is likely that (peripheral) greenfield development of service sites have dominated, using funding for in situ upgrading. Government's role in direct provision did increase but without meaningful partnerships with communities (see Section 6.6) and at the expensive of self-help initiatives (see Section 5.7). A positive step forward was that social housing did receive renewed support – both in practice and in the legislative environment (see below) – but this did not translate into mass provision (see Section 5.9.4).

In sum, we witness a policy reorientation of the *housing product* towards integrated settlements, in-situ upgrading and more diversified tenure but with limited translation of this into substantive changes in implementation. While the *role of the state* is further entrenched as a developer a *new market discourse* assets itself in the form of "housing as an asset" (see Section 9.4) and the integration and facilitation of housing markets. In this respect the commodification of land and housing is reasserted and the influence of financialisation extended.

4.6 Phase 5: Outcome 8 and the National Development Plan (2010 – present)

The "Outcome 8" service delivery agreement signed between the Minister of the renamed Department of Human Settlements (DHS, previously Department of Housing) and the President of the Republic in November 2010 cemented significant policy reorientations already visible in *Breaking New Ground* and ensuing policy documents. Outcome 8 is one of 12 high-level strategic priorities set out by National Government to be implemented between 2010 and 2014, each of which resulted in service delivery agreements with measurable targets, between Ministers and the President and Ministers and other spheres of government. The Outcome 8 agreement is entitled 'Sustained Human Settlements and Improved Quality of Household Life' (Government of the Republic of South Africa 2010, 8). It has four key outputs, each with their own subsections.

Output 1 reorientates the *housing product* away from completed top-structures towards informal settlement upgrading and rental and social housing tenure. The former builds off *Breaking New Ground* and the Upgrading of Informal Settlements Programme (UISP), contained within the Housing Act of 1997 and published in the 2004 National Housing Code and revised in 2009. It sets a target of upgrading 400,000 stands in informal settlements by 2014. It also emphasises the importance of the National Upgrading Support Programme (NUSP), established in 2008 to lend support and technical expertise to municipalities (Government of the Republic of South Africa 2010, 8–10) and appears to move away from the "informal settlement eradication" discourse (see Sections 5.4 and 5.6).

The Output also aims to provide 80,000 rental units. 24,313 of these are to come from social housing, with the Social Housing Programme (identified to need some reformulation) gradually gathering momentum thanks to the 2008 Social Housing Act and implementation framework in the 2009 amendment to the National Housing Code. The private sector rental markets of both small-scale private landlords and corporate private sector landlords (see Section 5.9.1), building off the National Rental Housing Strategy approved in March 2008, was to provide 26,600 units. A further 8,487 units were supposed to result from the Institutional Housing Subsidy (see Section 5.9.2) and publicly administered rental stock was to be expanded by 20,000 units via the Community Residential Unit (CRU) Programme aimed at redeveloping apartheid era hostels and public sector owned buildings into serviceable accommodation (see Section 5.9.3).

This output also demands a reorientation of the *role of government*. Government's role as a direct provider of completed houses – after a period of greater state driven delivery – is downplayed and the state once again cast as an enabler;[18] this is particularly obvious in the case of finance provision in which stimulating "market confidence" is seen as crucial. There was also further emphasis on the devolution of responsibilities to municipalities via the accreditation of municipalities to administer national housing programmes, specifically identify certain municipalities as priorities for accreditation and identifying methods for devolution (see Section 5.9.3).

The second output specified in Outcome 8 is to improve access to basic services including water, sanitation, refuse removal, electricity and the like, indicating a further reconceptualisation of the *housing product*. This is primarily the

[18] The Minister of Human Settlements stated in 2010 that the government does "not want to create a beggars culture where people just expect to be given free houses from the State. This is just a safety net for the poorest of the poor, but cannot go on forever." (quoted in Tissington 2011, 8). Such sentiment has been oft repeated in subsequent years.

responsibility of the Department of Cooperative Governance and Traditional Affairs and is detailed in Outcome 9. The DHS is to a play a supportive role in this process but its inclusion signifies the recognition that the existing policy framework 'does not promote or compel an integrated approach to aligning the funding streams of all conditional grants that impact on the built environment and human settlements' (Government of the Republic of South Africa 2010, 35). Outcome 8 acknowledges the need to address this as well as to use government resources to "crowd in" private sector investment in the built environment.

Outcome 8 also builds on previous policies regarding the need to locate and set aside *well-located land* for low income and affordable housing and sets a target of 6,250 hectares. Towards this end the Housing Development Agency (HDA) was established in 2009 to fast track the 'acquisition and release of state, private and communally owned land for human settlement developments' (see Section 5.12). Interesting Outcome 8 makes no mention of releasing privately-owned land under this output.

The final Outcome 8 sub-output is to improve the functioning of the *property market*. While this is a very complex issue Outcome 8 restricts its focus to improving the 'financing of 600,000 housing opportunities within the gap market for people earning between R3 500 and R12 800' almost exclusively via the establishment of a mortgage default insurance programme (Government of the Republic of South Africa 2010, 39). This is taken up again in Section 8.3.3.

The National Development Plan (NDP) was approved by cabinet in September 2012 and is supposed to serve as the guiding developmental framework for the next two decades.[19] The housing chapter is heavy on context, analysis and rhetoric and light on actual policy prescriptions, often simply reaffirming aspects of BNG and Outcome 8.

Regarding the *housing product* it points to the failure of the housing capital subsidy scheme to accommodate diverse housing needs and notes insufficient rental accommodation (National Planning Commission 2011, 268–272). It gives considerable space to detailing the spatial inequalities and dysfunctions of South African geographies and emphasises the need to tackle urban sprawl, account for migration, create efficient urban spaces and appropriate housing mixes in inner cities, and increase housing density which is 'possible in inner cities cities and on well-located land parcels, taking into account property markets' (National Planning Commission 2011, 269–272, 285).[20] In situ upgrading is also stressed with a recognition that 'informal settlements provide the poor with affordable access to urban land and housing markets' (National Planning Commission 2011, 286) but that there is need for better provision of municipal bulk infrastructure and developing quality well-serviced human settlements and not just houses (National Planning Commission 2011, 269–272).

Regarding the *roles of Government and markets*, the NDP reaffirms a movement away from the state as 'a direct housing provider of last resort' to 'a housing facilitator ensuring adequate shelter and greater access to a wider choice of housing options'. Government should rather pay attention to ensuring 'optimal settlement performances by developing public goods through investment in public transport,

[19] The NDP is at times a bizarre and inconsistent document whose economic chapter makes little sense and has been the subject of much controversy (see COSATU 2013; Isaacs 2014).

[20] It places this alongside a call for a "national spatial framework" which will tackle inherited spatial divisions and guide and inform infrastructure investment including greater coordination between different parts of government and other agents towards unlocking development potential (National Planning Commission 2011, 277).

other economic and social infrastructure, quality public spaces and jobs' (National Planning Commission 2011, 284). In line with this market focus is stresses houses as sites of home-based income generation, the need to integrate state-provided houses into the property market, the growing "gap" market, and the low levels of private investment in housing, as well as acknowledging certain market failures (National Planning Commission 2011, 268–272). There is often little discussion of how these recommendations might actually be implemented.

Other key developments during this period included the establishment of the Integrated Residential Development Programme (IRDP) which allowed for area-wide interventions (see Section 5.6) and the Emergency Housing Programme contained within the 2009 Housing Code. More recently there have been moves to situate housing within broader programmes expressed in the evolving Integrated Urban Development Framework and the Green Paper on Rural Development, and the 2013 Spatial Planning and Land Use Management Act. Currently the Department of Human Settlements is in the process of working on a Green Paper to inform future policy. The Green Paper is due to take account of the National Development Plan, the Integrated Urban Development Framework, the Green Paper on Rural Development, the Spatial Planning and Land Use Management Act and current Human Settlements strategy. Progress appears to be slow (Department of Human Settlements 2014c).

A similar assessment of outcomes can be given for this phase of housing policy as for the previous, with the exception that housing delivery has substantially declined (see Figure 2). Regarding the *housing product* the original paradigm remains largely entrenched: there have been few successful and properly executed in situ upgrades in the major metropoles, and social and rental housing continues to expand but too slowly. We continue to see the roll-out of freestanding RDP, BNG and low-income bond houses on the periphery of cities. Regarding the *roles of various agents* there has been devolution of funding and responsibilities to major metropolitan municipalities but this has been highly contested and with mixed results (see Section 6.1). Finally, low-cost housing provision still revolves around capital subsidies with access to finance remaining extremely limited and low cost property markets dysfunctional.

4.7 Summary

As stated at the outset, housing policy has been concerned with delineating *what* would be provided, by *whom* and *how*. Over the last two decades there have been shifts with regards to all three of these facets, however, implementation has not radically changed.

On paper, the "what" has evolved from service sites (1990-1994) to starter houses on serviced stands (1995-1999) to larger, better houses on serviced stands (2000 onwards) and back to in situ upgrading and basic site and service provision (2004 onwards). The "what" also gradually diversified in the 2000s to include rental and social housing but not at scale. In practice, the freestanding, individually-owned family house and site and service schemes, both on peripheral, poorly serviced land, have dominated. This has been funded (the "how") overwhelmingly through once-off individual, capital subsidy grants. The "who" has also evolved from government (1990-1994) to private developers with government playing an "enabling" role (1995-1999) to government playing a more direct developer role (2000 onwards) with a focus on devolution to municipalities (2004 onwards) and a recent attempted minimisation of government's obligations (2010 onwards).

These policy choices – on paper and in practice – have shaped the housing SOP. Quantitatively, the government claims to have successfully provided up to 3.7million houses and serviced sites, and an unknown number of rental opportunities, but with the overall "housing backlog" growing from 1.5million households in 1994 to 2.1mn in 2014. The theoretical paradigm underpinning housing policy – at times incoherent, erratic and contradictory – has commodified housing and refused to tame market forces or compel private actors. Government provision has at times been dysfunctional but the market has also spectacularly failed to provide housing for the poor and low-income earners.

5 Production

The SOP approach locates production as a vital sphere in the overall system of provision. Production itself is a multifaceted domain with numerous processes and actors in cooperation or conflict with one another. In this section we build off the broad policy framework provided thus far and deal with the key dynamics that have shaped the production of housing in democratic South Africa.

5.1 The Capital Subsidies and Commodification

The means through which housing provision is financed is through a range of subsidies that are allocated to eligible households and then paid to the developer who is leading the project from which the household will benefit; the developer could be the private sector or government departments. The bulk of spending has been via the project-linked subsidies. More recently a range of institutional subsidies have been devised which are not necessarily tied to specific qualifying households.

The distinctions between "subsidies," "programmes" and "grants" are confusing. Subsidies – dealt with directly in this sub-section – generally refer to individually earmarked quantums available to qualifying individuals, or to specific qualifying projects. Programmes can generally be understood to be government policy initiatives which may make use of a range of subsidies and funding mechanisms,

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many (but not all)[21] of these are discussed in the forthcoming subsections. Grants (discussed in Section 5.13) generally refer to the headings under which national government funds are distributed, which then fund different programmes and subsidies. However, confusingly, there is sometimes a blurred line between programmes and grants.

The various subsidies exist as part of the National Housing Subsidy Scheme (NHSS). The most widely used subsidies under the NHSS have been:

- *Project-linked subsidies* (1994-2009): these subsidies were disbursed to developers of housing projects on the basis that eligible beneficiaries would acquire ownership of the property upon completion. The subsidy was originally (until 2004) paid out upon completion of the project and transfers in ownerships had occurred. Due to delays in the latter process, an amendment was made to allow for the subsidy to be paid to developers upon completion of the top structure and prior to transfer. The NDoH says this accounts for the bulk of spending.
- *The Integrated Residential Development Programme* (IRDP) (2009-) replaced the existing project-linked subsidies in the 2009 revisions to the Housing

[21] The following, less central, programmes and grants are not discussed in this paper. *The Discount Benefit Scheme* (1994-2009): facilitated long-term tenants of public rental stock to receive a discount in the acquisition of that property. *The Enhanced Discount Benefit Scheme* (2009-): replaced the Discount Benefit Scheme but serves the same purpose whilst improving the implementation mechanism. *Relocation Assistance* (1998-2009): assist households who cannot afford their current homes to relocate. *Emergency Housing Programme* (2004-): was developed to provide temporary housing relief to people in urban and rural areas who found themselves in an emergency situation, i.e. one in which people are homeless as a result of a declared state of disaster (e.g. flood) or non-declared disaster in extraordinary circumstances (e.g. shack fire). *Programme for the Rectification of RDP Stock 1994-2002* (2000-) and Rectification of Pre-1994 Residential Units (2009-): There are two such programmes, one to rectify faults in RDP houses and one to rectify pre-1994 housing stock. *Operational Capital Budget*: allows provincial government to ring fence funds provided by national government for the purpose of appointing external expertise/capacity to assist provinces and municipalities in implementation (regarding all the above see Khan and Thurman 2001; Public Service Commission 2003; Mark Napier 2005; Gordon, Bertoldi, and Nell 2011a; Tissington 2011; Tissington 2013).

Code. It finances mixed-income greenfield development on unoccupied land (see Section 5.6).

Important but less widely used are the:

- *Individual subsidies* (1995-): the individual subsidy is granted to eligible beneficiaries in order to acquire ownership of, or upgrade, an existing property, or to purchase/build a new property.
    - Credit linked subsidies: These subsidies can be linked to mortgage loan finance from a government approved financial institutions. In this case the applications are submitted directly to the financial institution and government pays the lender directly once the subsidy is approved.
    - Non-credit linked subsidies: In this case the subsidy, if approved, is paid directly by government to the seller of the property once the sale is completed. It can also be accessed by small-scale developers.
- *Consolidation subsidies (1995-)*: are available to eligible beneficiaries who have received housing assistance under the previous government in order to 'complete, construct or upgrade a top-structure on the relevant property to the level required by the National Norms and Standards' (Tissington 2011, 93).
- *Rural subsidies (2000-):* are available to beneficiaries who only enjoy functional tenure on the land they occupy which belongs to government or is governed by traditional leaders/authorities. This is only accessible within the framework of registered housing projects undertaken by approved implementing agents.

Finally, and not tied in the same way to individual occupants:

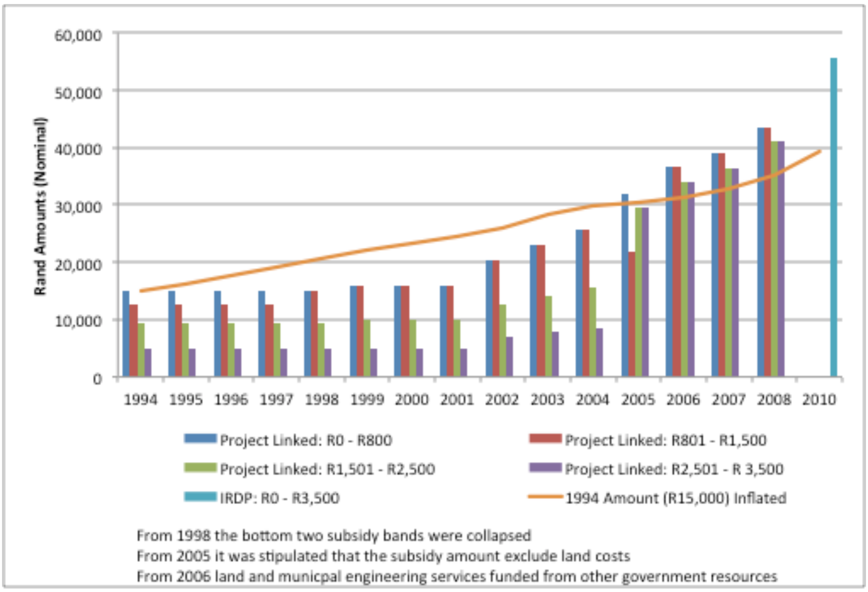
- *Institutional subsidies (1995 -):* are capital grants to registered housing institutions to construct and manage affordable rental units.

Eligible beneficiaries under the NHSS must be: '[l]awfully resident in South Africa (i.e. a citizen or in possession of a permanent residence permit); competent to contract; a first time property owner; be married/cohabiting or be single with financial dependents; and have a monthly income not exceeding R3,500' (Tissington 2013, 14). Importantly the R3,500 threshold has not been raised since the inception of the programme in 1994 (regarding all the above see Khan and Thurman 2001; Public Service Commission 2003; Mark Napier 2005; Gordon, Bertoldi, and Nell 2011a; Tissington 2011; Tissington 2013).

During the first phase of housing policy implementation (1994 – 2000) the subsidy quantum hardly increases. If the 1994 R15,000 allocation had increased in line with inflation it would have been over R19,000 in 1999, instead the quantum stood at R16,000. Between 2001 and 2004 the quantum increased more significantly but only caught up with inflation in 2005. Crucially, with the implementation of *Breaking New Ground* land costs and municipal engineering services were excluded from the subsidy and needed to be financed from other sources. This significantly increased the funds available for top structures but only improved overall settlement patterns and services to the extent to which land and services were made available via other avenues.

Figure 4 shows the subsidy quantums for project-linked / IRDP subsidies. The individual subsidy mirrors this closely and in 2010 stood at R84,000, with R55,706 allocated to top structure (the same as for the IRDP) and the remaining R22,162 for municipal services.

Figure 4: Subsidy Quantum (Project Linked and IRDP) (1994 - 2010)[22]



By 2002 of the 1,524 completed housing projects, 1,439 or 94% were via project-linked subsidies (Public Service Commission 2003),[23] indicating the prevalence of subsidies which involve the once-off transfer of funds tied to eligible beneficiaries. This capital subsidy approach has powerfully shape the "housing product" – indeed even the very notion of housing policy resulting in a standardised "product" is intrinsically tied to this approach – and has remained stubbornly at the centre of housing policy despite the previous mentioned attempts to alter and diversify policy.

This has, more broadly, shaped housing production (and the housing SOP). As Huchzermeyer noted in 2001, the favouring of the project-linked subsidy, requiring home-ownerships of a standardised housing unity, has 'translated into large-scale developments of uniform, free-standing, mostly one-roomed houses with individual freehold title in standardised township layouts located on the urban peripheries' (Huchzermeyer 2001, 306).

[22] Data could not be located for 2009, or more recent years.

[23] The 2002 figure is used because breakdowns of programme allocations are difficult to come by as explained in Section 5.13.

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Writing in 2003, Huchzermeyer also argues that, together with a number of other far-reaching consequences, 'control and patronage' have been exercised through the dominance of this model (2003, 591–592). Crucially, it promotes 'individualized demand-making rather than a rational and holistic engagement with community development' (Huchzermeyer 2003, 597). In *favelas* in Brazil this produced perverse consequences such as residents opposing the installation of urban infrastructure as this would reduce the size of their plots. In South Africa Huchzermeyer argues it demobilises citizens discouraging them from seeking self-help approaches to housing and encourages them to 'postpone consolidation or household investments in permanent construction'. In doing so it 'artificially divides what might otherwise be a gradual transition from that which is popularly perceived as informal or even 'rural' (though within the city) and what is perceived as modern or 'urban'' (Huchzermeyer 2003, 605). In addition, its once-off character did not provide a framework for continuing post-subsidy support towards improvements of starter houses, with households left largely unsupported in their consolidation efforts by local authorities (Adebayo 2011). At the same time, it discourages collective community decision making and disempowers community leaders who seek to 'challenge the disruptive and prescriptive aspects of the standardized intervention' (Huchzermeyer 2003, 598).

This individualisation and promotion of ownership as the dominant form of tenure is also 'clearly associated with a wish to demobilize or stabilize the urban work force and to encourage consumerism'; this stabilisation was an essential part of the Urban Foundation agenda as discussed above. This mind-set has become so pervasive that even civil society formations like SANCO have endorsed the individualised and privatised nature of the development paradigm and the Homeless People's Federation have focused energy on accessing capital grants and proving that their interventions can ensure the largest houses within the capital subsidy constraint.

This obsession with maximising square meterage of the individual houses overrode other considerations such as 'thermal qualities, durability, water and sanitation, spatial quality and responses to individual household needs' (Huchzermeyer 2003, 600). In certain instances viable, but dense, communities have been destroyed in order to make way for uniform 300 square metre plots.

Perhaps the clearest example of the deeply entrenched nature of this paradigm in the minds of future 'recipients' is that in particular instances of land invasions the 'squatters' organised their new settlement in a manner which corresponds with the 'conventional engineer-designed capital subsidy layouts' complete with 'regular 300 square metre plots and obligatory ring road' irrespective of whether this was actually conducive to viable human settlements (Huchzermeyer 2003, 605).

In all these respects we see how the capital subsidy and the housing product as a free-standing individually owned house go hand in hand, laying the basis for the commodification of low-cost housing. This was acknowledged in *Breaking New Ground* when government noted the need to move away from the 'current commoditised focus of housing delivery towards more responsive mechanisms which address the multi-dimensional needs of sustainable human settlements' (Department of Housing 2004, 12). BNG attempted to shift focus to viable human settlements and address the peripheral location and spatial dynamics of low-cost urban settlements. Further, the focus on eradicating informal settlements could be interrupted in a manner than generates community supported *in situ* upgrading, maximising the functionality of existing settlement patterns whilst improving them where needed.

However, as already noted, BNG did not lead to meaningful change in these regards. The subsidies / programmes prioritised in the 2009 Housing Code represented, on paper, a shift away form the free-standing, individual ownerships, once-off capital subsidy model. These, covered in the sections below, were the Upgrading of Informal Settlement Programme (UISP), the Individual Housing Subsidy Programme, Integrated Residential Development Programme, Social Housing Programme and Community Residential Units (CRU) Programme. In addition, the regeneration of inner cities has received recent attention.

Whilst these have emphasised *in situ* upgrading, diversified tenure and integrated development the capital subsidy paradigm appears to remain dominant in the minds of expectant recipients and government civil servants (we revisit this in Sections 6.1 and 7). These perceptions are heightened by the assumption that there exists an orderly "waiting list" for the provision of houses, through which government is gradually working its way. In fact, as discussed in Section 7.2, despite such a view being widespread no such list exists. The capital subsidy remains dominant for "less-ideological" reasons also. It is simply easier to implement (bureaucratically), which is important in the context of limited government capacity (this limited capacity is itself ideological). It also confers legitimacy upon the state because of its ability to provide a tangible benefit to its constituency (Charlton and Kihato 2006).

5.2 Sustainable Human Settlements

It has already been noted that the "product" has evolved over time with priority given to creating "sustainable human settlements", an explicit objective of *Breaking New Ground* (2004, 10) being to utilise 'housing as an instrument for the development of sustainable human settlements, in support of spatial restructuring'. Here, "sustainable human settlements" refer to: 'well-managed entities in which economic growth and social development are in balance with the carrying capacity of the natural systems on which they depend for their existence and result in sustainable development, wealth creation, poverty alleviation and equity'. BNG goes on to note that at 'the heart of this initiative is the move beyond the provision of basic shelter towards achieving the broader vision of sustainable human settlements and more efficient cities, towns and regions' (Department of Housing 2004, 17–18). For the 'present and future inhabitants of sustainable human settlements, located both in urban and rural areas,' this would mean the ability to live in a

> 'safe and a secure environment and have adequate access to economic opportunities, a mix of safe and secure housing and tenure types, reliable and affordable basic services, educational, entertainment and cultural activities and health, welfare and police services. Land utilization is well planned, managed and monitored to ensure the development of compact, mixed land-use, diverse, life-enhancing environments with maximum possibilities for pedestrian movement and transit via safe and efficient public transport in cases where motorized means of movement is imperative. Specific attention is paid to ensuring that low-income housing is provided in close proximity to areas of opportunity. Investment in a house becomes a crucial injection in the second economy, and a desirable asset that grows in value and acts as a generator and holder of wealth. Sustainable human settlements are supportive of the communities which reside there, thus contributing towards greater social cohesion, social crime prevention, moral regeneration, support for national heritage, recognition and support of indigenous knowledge systems, and the ongoing extension of land rights.' (Department of Housing 2004, 17)

Outcome 8 follows a similar tack when it asserts that sustainable human settlements are defined by:

- 'Access to adequate accommodation that is suitable, relevant, appropriately located, affordable and fiscally sustainable
- Access to basic services (water, sanitation, refuse removal and electricity)

- Security of tenure irrespective of ownership or rental, formal or informal structures
- Access to social services and economic opportunity within reasonable distance.' (Government of the Republic of South Africa 2010, 7)

To facilitate this, housing has become part of municipal and provincial Integrated Development Plans (IDPs) and linked to infrastructure and service development (see below).

What marks a shift here is the emphasis on "accommodation" and "shelter", not necessarily "housing" and the stress placed on the provision of basic services. There is a clear change in the conception of "product" being "delivered" with the focus on mega-projects and *in situ* upgrading as the key mechanisms of establishing sustainable human settlements. In addition, as already noted, there has been increasing stress placed on the need for alternative forms of tenure which has necessitated the construction of different housing structures, discussed below. Despite all this, the conceptions of standardised houses remain dominant.

5.3 Infrastructure and Services

It was always envisaged that the provision of infrastructure and services (water, electricity, sanitation etc.) would happen in tandem with the rollout of housing stock. However, some facets of social provision are not the preserve of the Department of Housing/Human Settlements but are housed under the Departments of Cooperative Governance, Public Works, Rural Development and Land Reform and Water and Sanitation. In addition, there are a range of parastatals, particularly Eskom the electricity provider, which are at the forefront of municipal service provision. The provision of community facilities also involves Health, Education, Sports and Recreation and so on. In addition, the National Department is not directly involved in the implementation of infrastructure projects and these are funded through grants transferred to provinces, municipalities and public entities (National Treasury 2014). This has created a fraught environment of contested inter-departmental relations (see Section 6.1) as well as a labyrinth of funding mechanisms.

In general the expansion of such services has been relatively successful. According to the 1996 Census and the 2013 General Household Survey between 1996 and 2013 piped water onsite or in the dwelling rose from 60% of households to 72% (although the main increase is due to taps in yards), flush or chemical toilets (not necessarily onsite and not necessarily working) from 50% to 63% and electricity for lighting from 57% to 89%. This said, the statistics do not always match the reality on the ground and the integration between these and delivering a "housing product" has been poor. More recently the NDHS has emphasised the need to ensure the provision of bulk infrastructure and housing are better coordinated. In 2010 the Minister noted this as a major challenge emphasising that there can be no viable, let alone sustainable, human settlements without the urgent rollout of large-scale electrification projects, the construction of new water treatment, and sewage processing plants, including pipelines to bring fresh and clean water to the people' (quoted in Tissington 2011, 8). The NDHS' role within output 2 of Outcome 8 is an acknowledgement of this. The NDHS has also launched some of its own programmes related to services, most notably the Bucket Eradication Programme that aims to eliminate the use of "bucket toilets".[24]

[24] Between 1996 and 2003 the key infrastructure programme was the Consolidated Municipal Infrastructure Programme (CMIP) given as a grant to local government to provide access to municipal services. In the first phase of policy implementation 65% of the grant served subsidised housing projects. The programme was administered by the Department of Cooperative Governance and Traditional Affairs (CoGTA, formerly the Department of Provincial and Local Government). In 2003 the Municipal Infrastructure Grant (MIG) consolidated the CMIP and a range of other municipal infrastructure programmes and grants and is also administered by CoGTA. In addition, from 2009, the Provision of Social and Economic Facilities Programme provides support to municipalities to provide primary social and economic facilities (such as community halls, taxi ranks, sports facilities and the like) in existing and new housing development and informal settlement upgrading projects.

5.4 Informal Settlements and In-Situ Upgrades

The UISP aims to provide improved services and secure tenure to those living in informal settlements. It is funded through an area-based, rather than individual-based, subsidy and applies to both those who qualify under the NHSS criteria and those who do not. The programme involves the phased[25] provision of both interim and permanent municipal engineering services – i.e. serviced stands – to residents of informal settlements together with formal tenure rights to these properties. Community participation is regarded as important in the UISP and funding is made available to support this (Tissington 2013, 18).

Despite the priority given to in situ upgrading, provincial and local governments have been slow to implement this policy measure and have at times done so in a manner at odds with stated policy. This is in part due to competing discourses and understandings of what this approach means. Huchzermeyer (quoted in Pitthouse 2009, 4) explains that two very different approaches to in situ upgrading emerged in the international literature and policy frameworks:

> 'One is concerned primarily with technological deficiencies, thus packaging a once-off physical intervention... referred to as comprehensive externally designed upgrading. The other is socially... inspired, concerning itself primarily with the people that experience the many and changing dimensions of poverty...referred to as support-based intervention.'

[25] The UISP operates in four phases. Phase 1 involves planning, community consultation and application for necessary funding. In phase 2 the project is initiated including the rapid provision of interim basic services such as water taps and toilets followed by full implementation in phase 3. Phase 4 is described as "housing consolidation".

The Urban Foundation framework that informed the IDT and was pushed during the NHF was a product of the former. Huchzermeyer (2003, 599) contends that this paradigm is premised on four fundamental misconceptions:

> (1) that informal settlement intervention is simply a form of housing delivery; (2) that the role of community organizations is to be dismissed; (3) that support for individual land ownership can be based on market assumptions; and (4) that the stakes of the private sector should be increased.

Each of these, she goes on to argue, is contradicted by a large body of academic literature and the reality on the ground; this literature,

> 'gives evidence that informal settlement intervention cannot be adequately structured merely as housing and service delivery (Merrifield et al., 1993; van Horen, 1996; 1999; Davies and Fourie, 1998; Cross, 1999); that the current intervention approach weakens community organizations and their ability to play a role in the ongoing development and management of settlements (Ardington, 1992: 33; Bremner, 1994: 40; Cross et al., 1994: 95±6); that the delivery of freehold titles is not necessarily appropriate in the lowest income sector (Ross, 1993; Dewar and Wolmarans, 1994; Cross, 1995); that individualization and commodification has a negative impact on the livelihoods of informal settlement residents (Cross, 1999; Spiegel, 1999; Yose, 1999).'

Some of these concerns have been taken into account in later policy iterations with a shift towards the second conception of in situ upgrading mentioned above. The phased approach in BNG includes surveying the community, a process of consultation, and responsiveness to community demands (Department of Housing

2004, 25). The UISP, codified in the 2004 and 2009 amendments to the Housing Code, emphasises the need for 'negotiated agreements with communities on participatory planning' and 'delivery partnerships', this is restated in Outcome 8 (Government of the Republic of South Africa 2010, 4). Outcome 8 also situates upgrading as part of a strategy to not only provide housing but to improve "livelihoods" and persistently speaks of a "livelihoods-based approach". The NDP also takes this line and emphasises, that 'there is an insufficient understanding in policy of the informal and adaptive strategies and livelihoods of the poor,' meaning that the 'relationship between where people live and how they survive is often overlooked' (National Planning Commission 2011, 266). However, it is not clear exactly what is meant by "livelihoods" or a "livelihoods-based approach".

The current government approach to upgrading is:

> 'a staged process of improvement of quality of life in informal settlements, based on incremental provision of services and tenure. It should seek to maximise in-situ development in appropriate areas and minimise relocation. An effective improvement process is built on close community participation and cooperation, aiming to strengthen livelihoods strategies of the poor. Housing is provided by a variety of methods, including self-build, People's Housing Process, social housing or affordable rental, individual subsidy or consolidation subsidy.' (Government of the Republic of South Africa 2010, 42)

Nevertheless the Urban Foundation framework, and its premises, with commodification of housing as a central tenet, has persisted; the entrenched language of "delivery" remains pervasive and consultation with communities is seen as cumbersome and slow and officials are poorly equipped to meaningfully engage. Further, the conceptualisation of "housing as asset" has entered policy discourse and providing secure tenure is seen as the first step in this market-based approach (see Section 9.4). The private sector remains the provider of a range of infrastructure although local or provincial governments act as developers.

The funding mechanisms once again reinforced the prevailing approach. The original version of the UISP found in the 2004 Housing Code tied funding to those who qualified under the National Housing Subsidy Scheme, despite the purported aim of upgrading a particular area, in effect the UISP fell uneasily between an *individual* and *area*-based scheme. Later iterations of the policy allowed for the inclusions of households that do not qualify under the NHSS (Department of Human Settlements 2009; Tissington 2011, 86; Tissington 2013, 18). The last phase of the UISP allows households to apply for individual subsidies in order to build top-structures and achieve "housing consolidation", thereby not completely doing away with the capital subsidy scheme.

The other contending discourse which has overshadowed a progressive interpretation of in situ upgrading is that of "informal settlement eradication" (mentioned in Section 4.5). For instance the KwaZulu-Natal Department of Housing's Strategic Plan for 2004-2007 'ignored almost all of the innovations in BNG, and listed the entirely fantastical aspiration of 'eradicating slums' in the province by 2010 as the first of its strategic objectives' (Pitthouse 2009, 10). One way this has been interpreted, particularly by provincial governments, entails punitive evictions and relocations of shack residents, characterised as a 'security driven approach to the urban poor' (i.e. viewing them as a threat) (Pitthouse quoted in Tissington 2011, 89). This "eradication" discourse does not sit comfortably alongside the notion of upgrading settlements through the provision of services and tenure in order to integrate them into 'the broader urban fabric to overcome spatial, social and economic exclusion' (Department of Housing 2004, sec. 3.1; Tissington 2011). The anti-poor, repressive provincial slum legislation was eventually overturned by the Constitutional Court.

Another means through which informal settlements would be eradicated was via flagship mega-projects piloted in a few (controversially selected) prominent townships such as the Joe Slovo settlement between the Cape Town airport and city centre. Residents were to be relocated, the existing area levelled, and a new "sustainable human settlement" constructed. These projects ran into significant opposition from existing residents who were to be relocated to even more peripheral locations far from transport, economic opportunities and social services and were not always guaranteed new homes within the upgraded settlements. In some instances, e.g. Joe Slovo, the development was held up for many years by community protests and legal battles.

These are both illustrative of the side-lining of the indirect measures associated with the UISP – which seek to address the structural causes of informal settlements via providing access to land and services – and focus rather on direct efforts to completely eradicate informal dwellings (Tissington 2011, 69). This is probably premised on the longstanding, widespread and unsubstantiated view that informal settlements are a temporary phenomenon soon to be replaced by formal housing. Outcome 8 recognising that '[s]implistic interpretations of the ambition to 'eradicate' all informal settlements by 2014 have consequently come to dominate official thinking' (Government of the Republic of South Africa 2010, 8).

To help correct this, and assist under-capacitated municipalities, the National Upgrading Support Programme (NUSP) was launched in 2009 to provide support to successful implementation of phased in-situ, community-driven, upgrading.

5.5 Individual Housing Subsidy Programme

Individual housing subsidies for the purchase of an existing home or the construction of a new one has been part of the NHSS since its inception. The emphasis most recently has been on the finance-linked subsidies and the beneficial impact that this programme could have on the secondary residential property market, this is discussed in Section 9. It maintains a focus on individual freehold ownership.

5.6 Integrated Residential Development Programme (IRDP)

As noted above the IRDP replaced the project-linked subsidies originally contained within the NHSS; both programmes sponsor the creation of greenfield housing developments. The crucial difference is that the IRDP takes a phased approach, prioritises situating these developments on well-located land (either in a new locale or undeveloped land within existing townships), emphasises the need to include the provision of commercial and social amenities in the project and supports the creation of mix-income settlements. Regarding the latter, the settlements foreseen under the programme include subsidised houses (for those earning below R3,500 a month), finance-linked housing (for those earning between R3,500 and R7,000 a month) and social housing, and include commercial, institutional and other land uses within the project. For subsidised units the quantum is R55,706 as of 2011 and the provision of engineering must be financed from alternative sources (with the provision for certain exceptions). The programme also stresses the need for beneficiaries to be involved throughout the process.

As with the project-linked subsidy programme the aim is that the municipality (or province) will take the role of the developer and appoints professionals and contractors. However, most provinces and municipalities have opted for the Turn Key Contracting Strategy where all development responsibilities are shifted to a private sector contractor, including the administration of beneficiaries. The performance of this programme is visible in the delivery statistics (see Figure 2 above) which have steadily declined from 2009/10 despite increased grant allocations, reflecting rising per-unit costs.

5.7 Aided Self Help and the People's Housing Process

As an alternative to developer-driven housing provision there has also been a drive to support "aided self-help" mechanisms of housing production. This usually takes the form of government supported community-based construction of top structures where the community "sweat equity" is used (partially) in place of contractors while government provides infrastructure and allows participants to access that portion of the subsidy assigned to the top structure. It also sometimes refers to "consolidation" which takes place after the provision of serviced sites without direct funding of the latter; here we discuss the former conception as in situ upgrading has been covered.

This approach formed the basis of the People's Housing Process (PHP) launched in May 1998 and supported by the concurrently established, and internationally funded, People's Housing Partnership Trust. The efficacy of both the PHP and self-help housing is widely contested. Supporters argue that it allows groups of people to work together in pooling their resources and contributing their labour. This, it is argued, results in a better quality and bigger house, of various types and sizes, and allows beneficiaries to make choices and exercise control. This can be done by the community themselves or hired contractors.

Is this positive view justified and if it is then why has it not occurred to scale? Both questions can be answered with reference to how the centrality of the capital subsidy and associated individualisation and commodification of housing butts heads with notions of meaningful community participation. Detractors have noted that the

PHP essentially transfers part of the cost of housing onto the poor and that there is a dissonance between 'the collective nature of community-based process and the individualised – and often random, and therefore individualising – nature of plot allocations by the state' (Tissington 2011, 63).

In practical terms the PHP accounts for only a very small portion (as little as 1%) of housing provision. In July 2008 the Enhanced People's Housing Process (ePHP) was adopted to replace the PHP and is included in the 2009 Housing Code. The NGOs who pushed this agenda from 2004 objected to the narrow definition of the PHP as self-built housing and wanted a collective, 'community-based process of decision making that would seek to address housing in the context of other social needs and community priorities' (quoted in Tissington 2011, 84). The ePHP aims to involve communities in the full housing process, involving either organised communities who approach their local authorities, or local authorities actively seeking out the participation of communities. In addition to the capital subsidy, and other infrastructural grants available, there are three other funding streams: capacity-building funding, community contribution/equity funding and bridging finance. The second of these can take the form of time, leadership, participation and ownership of the project by the community.

COSATU has argued that the government's 'appropriation' of self-help housing approaches have stripped them of their progressive substance and real community empowerment (discussed in Section 4.6), they argue:

> 'if anything, government's People's Housing Process underscores its misunderstanding of this approach. It overlooks the philosophy upon which the collective savings are based; as they are geared towards the mobilization of social capital (as much as savings) since joining the Federation is a long-term commitment and a collective, shared way of life.

> In fact, the key issue is not the accumulation of savings but the building of an independent communal pool through which allows members to continue to have access to various forms of credit capital. In addition, it is also available for small emergency loans to counter short-term shocks.' (COSATU 1996, 7)

The impact of the ePHP is difficult to discern. Landman and Napier argued in 2010 that 'self-build informal high-quality housing is said to be gaining ground rapidly' (2010, 302) but the ePHP still contributes a tiny fraction of houses developed.

5.8 Affordable Housing

"Affordable" housing has become central to housing policy discourse and refers to the housing "gap market" of those earning above the R3,500 cut off for government subsidy assistance but unable to access mortgage credit and/or afford most properties on the market. This is the largest market in South Africa, growing faster than the high value market and a target for growing investment (Rust 2011). Intervention within this market has been predominately focused around ensuring access to credit and more recently the availability of a finance-linked individual subsidy (FLISP) to bridge the gap between what is affordable for households and the market price of "affordable" units (for this reason it is discussed in the Section 8 to housing finance). It is worth noting that the focus is once again on homeownership – with the incumbent notions of housing as an asset and household mobility via the "property ladder" (see Section 9.4) – with access to credit being the primary intervention. There have been attempts to cajole the private sector to provide housing in this market, and a hope that interventions will make the market work "properly". Despite failures in both these regards, and the unaffordability of "affordable" houses, there has been no direct provision of houses for this market and the rental sector, which should be catering to this market, remains under-supported.

5.9 Rental Housing

Even without policy prioritisation rental housing has played a crucial role in the housing landscape both historically and in the recent period with approximately one-fifth of households renting.[26] The majority of these are black South Africans and/or poor. It is estimated that 40% of households who rent do so in what can be characterised as slum conditions (Gardner 2010) (why people choose to rent is taken up under consumption in Section 7.3). On the upper end, rental markets include both large institutions and individual landlords and do not involve rent controls nor government incentive or disincentive schemes; the market functions fairly smoothly for those that it serves.

Regarding low-cost public rental we have already noted (in Section 3.2) that the apartheid government moved away from this from the 1970s and 1980s onwards in favour of freehold ownership and that mass publicly-provided rental along the European social-democratic model favoured by the MDM was defeated in the NHF. The Housing White paper did include mention of making rental and social housing affordable to the lower end of the market and since the introduction of the institutional subsidy in 1997 Social Housing Institutions (SHIs) have undertaken social housing projects. This was further solidified when the Social Housing Foundation was recognised as a national institution through a 1999 amendment to

[26] The accuracy of the available data on accommodation is difficult to determine. The 2011 Census reports 23.6% of households living in rental accommodation, the General Household Survey (GHS) from the same year reports this at 16.2% and the 2012 Wave 3 of the National Dynamics Income Survey (NIDS) reports those paying some rent at 18%. This problem is repeated for almost all housing data. Due to the inconsistency of the data a range of percentages using all three data sets is sometime used, at other times only the GHS is used because it is a consistent yearly time series.

the Housing Act and the Support Programme for Social Housing (SPSH) established in 2000. However, rental and social housing has not been achieved on a massive scale and government failed to prioritise diversified tenure in favour of the capital subsidy.

In 1999 the Rental Housing Act addressing how government will promote rental housing and regulating the relationship between landlords and tenants was passed and Rental Housing Tribunals enacted (although not established in all provinces). The Act tasked government with promoting 'a stable and growing market that progressively meets the latent demand for affordable rental housing among persons historically disadvantaged by unfair discrimination and poor persons, by the introduction of incentives, mechanisms and other measures that improve conditions in the rental housing market' (cited in Tissington 2013, 17). The minister was empowered by the Act to introduce rent subsidy programmes to stimulate the supply of rental housing properties for low-income persons. The Act divided responsibilities between national, provincial and local government in a similar manner to other facets of housing (see Section 6.1) and placed importance on a 'partnership with the private sector' (cited in Tissington 2013, 17). The Act was amended in 2007 and 2010 to increase tenant's rights and stimulate the rental market.

In 2004 *Breaking New Ground* supported advancing social housing and inner city regeneration, gave impetus to new funding mechanisms for social housing and acknowledged the role of backyard rental and the need for future research and policy innovation in this regard. However, it stopped shorted of a comprehensive plan to significantly bolster the rental sector. In 2005 a Draft Social Housing Policy (SHP) was published and Implementation Guidelines released in November 2006. The Social Housing Act was finally passed in 2008 to provide the legislative and regulatory framework for social housing and the Social Housing Programme (SHP) codified in the 2009 Housing Code. In 2010 the Social Housing Regulatory Authority

(SHRA) was established (replacing the SHF established in 1997) in accordance with the Act, with a mandate to 'regulate and invest to delivery affordable rental homes and renew communities' (cited in Tissington 2013, 19). This was supplemented with the publishing of the Social Housing Regulations in January 2012. This was one facet of broader rental policy encapsulated in the 2008 Rental Housing Strategy which sought to deliver 100,000 rental units between 2007 and 2012.

In terms of government-supported initiatives there are currently three key programmes in this sector: the Institutional Subsidy Programme, Social Housing Programme and the Community Residential Unit (CRU) Programme. There is no programme to support the private rental sector, with which we begin, despite this making up the lion's share of the rental market.

5.9.1 Private Rental

Small-scale private rental

As of 2008 35% of renters occupied "small-scale rental units", about 10% of all households. Small-scale rental is an ill-defined term, Gardner (2010, 8) proposes the following working definition:

> 'Generally a small-scale activity seldom exceeding five units per property, small-scale rental is produced on privately held land and is produced and managed by private individuals. Accommodation is offered to occupants who are separate households through a private rental treaty, whether formal (written) or informal (verbal) in nature. All other characteristics and outcomes of such accommodation are variable.'

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These other characteristics include the location of the rental (suburb, informal settlement, etc.), the nature (room, house, shack etc.), quality and legality of the unit, and whether the owner resides on the property or if it is a second dwelling. Approximately half of these units are formally constructed (houses, flats or rooms) and half shacks. Between 2002 and 2006 the sector experienced a growth of 83%, an average increase of 33,500 units per annum. Gardner argues that '*the small-scale rental delivery system must be viewed as a viable potential producer of appropriate, acceptable and affordable rental accommodation at scale*' (emphasis in original, 2010, 8).

Physically, the provision of such rental units has been limited by availability of on-site space and access to on-site infrastructure. In policy terms, notwithstanding the goal in Outcome 8 to create 26,600 such units, no coherent programme for this subsector exists. While the 2008 national Rental Housing Strategy and current housing legislation and regulations relate to this sector they fail to provide sufficient structure, support or guidance; various provincial and municipal policies have attempted to fill this gap but with limited success (Gardner 2010; Tissington 2013).

As a constituent of this subsector, informal dwellings/shacks make up 12% to 19% of all rental accommodation with 8% to 13.5% of rental accommodation taking the uniquely South African form of informal dwellings/shacks in the backyards of other dwellings, either formal houses or other shacks. For the landlords of these backyard dwellings (and for many poor landlords who rent out rooms in their houses) the motivations are mixed. Many landlords report agreeing to rent based on a sense of community or compassion for those who literally knock on their door looking for space and who erect their own shacks (Gilbert et al. 1997; Watson and McCarthy 1998; Lemanski 2009; Gardner 2010; Gilbert et al. 1997) or using backyards to accommodate family members. While the rental does provide them with an often much needed supplementary income, few land landlords are "profit maximizers" (Gilbert et al. 1997, 136).

Other low-income private rental

Those not occupying "small-scale" private rental units, or forms of government supported rental units, will be occupying "larger-scale" private rental units usually in larger apartment blocks or complexes. A substantial portion of these units service the upper-end market, while many inner city buildings housing the poor have become dilapidated or taken over by "slum landlords" (see Section 5.10). Nevertheless such accommodation plays an important role in housing low-income households.

5.9.2 The Institutional Subsidy Programme

Introduced in the 2000 National Housing Code the Institutional Subsidy Programme provides capital subsidies to develop low-income housing stock with different tenure arrangements to immediate ownership, such as rental, instalment sale, share-block or cooperative tenure. The programme was slow to get going, by 2002 only 24,181 subsidies have been provided out of the expected 1.5mn total subsidies (FinMark Trust 2013b, 29). The subsidy is paid to the institution but on the basis of housing provided per qualifying household. Projects must include capital contributions over and above the institutional subsidies provided (Tissington 2013, 20–21). Social Housing Institutions may apply for the Institutional Subsidy but it is also available to other housing providers.

5.9.3 Community Residential Units (CRU) Programme

In 2006 the CRU programme replaced the Hostel Redevelopment Programme contained in the 2000 Housing Code which was focused on redeveloping apartheid era hostels into serviceable accommodation. The CRU programme is intended to redevelop or develop public sector owned housing or abandoned buildings in inner cities and townships and targets households earning R800 to R3 500 per month who are not able to enter the formal private rental or social housing market (discussed below). These include current residents of public housing stock, people displaced by informal settlement upgrading or eviction, new eligible applicants drawn from the housing waiting lists and qualifying indigent groups.

The programme targets existing government housing stock for redevelopment and provides for the creation of new housing assets. The programme only allows for renting and stock cannot be transferred to private ownerships. The management of the stock may be administered in-house by provincial or local government or outsourced to an accredited SHI, private company or municipal entity. The funding allows for development or refurbishment of the property but operating costs must be covered by rental income (Tissington 2013, 21).

Information on the outcomes of the programme is difficult to come by but to date there are still approximately 2 000 public hostels with approximately 1mn beds and 200 000 residential units owned by provinces and municipalities. These hostels remain poorly integrated within the communities and many are in dire need of maintenance (Ngcuka 2010, 50; Honwane and Takalani 2014, 247).

5.9.4 Social Housing

Social housing is defined as "a rental or co-operative housing option for low-income persons [those whose household income is below R7 500 per month] at a level of scale and built form which requires institutionalised management and which is provided by accredited social housing institutions or in accredited social housing projects in designated restructuring zones" (National Housing Code quoted in Tissington 2013, 20). It aims to "provide good quality [usually urban and medium or high density] rental accommodation for the upper end of the low income market ... but with a primary objective of urban restructuring, and in doing so it transforms society and creates pockets of sustainability within the urban fabric that have many spinoffs" (Government of the Republic of South Africa 2010, 30). This "urban restructuring" includes spatially (via providing medium- and high-density well-located accommodation), economically (by creating jobs and locating people closer to work opportunities) and socially (through mixed income and mixed race housing and crime reduction at a neighbourhood level) (NASHO and HDA 2013, 10).

The delivery models employed by SHIs have varied and include pure rental, co-operative housing, instalment sale options and hybrids of these. SHIs can be both private and not-for-profit institutions. Two government grants are available, the Institutional Subsidy and the Restructuring Capital Grant (RCG) which together cover approximately 64% of financing for a social housing project accessing both grants (acquiring the former is a precondition to the receiving the later) (NASHO and HDA 2013, 7). Loan funding can also be accessed from the NHFC while donor funding and local authority grants have been used to cover set-up and operational costs. The latter has created problems with SHIs being reliant on donor prerogatives (Tissington 2011, 98). It is also envisaged that SHIs can access private capital (see Section 8) and that social housing can be a component of larger mixed-income housing developments (see Section 5.11).

Previously RCG funding was based on individual subsidies. More recently a project-based approach has been taken amounting currently to R125,615 per unit. The purpose of the grant is to cover the difference between rental revenues and the cost of providing the units. Rents may not exceeds 33.3% of monthly household income and projects must include a minimum of 30% of units targeted at those earning between R1,500 and R3,500, with rents between R500 and R1,200 and up to 70% for those earning between R3,501 and R7,000 with rents between R1,200 and R2,500. Thus far projects have prioritised the latter group, in neglect of policy priorities.

In terms of implementation, in the initial period up until 2005, approximately 60 SHIs were formed with approximately 30,332 rental units delivered. The 2005 SHP aimed to deliver 22,500 in the first three years and 50,000 in five years. Over the four-year period of 2006-2010 only 4,991 were delivered (SHRA 2011). Between 2010 and 2014 the Social Housing Investment Programme has made grants for approximately 12,429 units (SHRA 2014) against the backdrop of the Outcome 8 target of 24,312 units over a similar period.

In addition to the failure to meet targets a number of other concerns exist about the implementation of the SHP. The project is not conceived of as mass public rental housing provision but rather supports the supply of private rental units. In addition existing projects have not catered for the lowest at the lower end of the mandated spectrum; a 2009/10 SHF study found that 62% of units provided are unaffordable to those earning below R3,500 per month. Like with other tenure types SHIs' development costs are raised due to the unavailability of affordable well-located land, high bulk-infrastructure and municipal and utility charges and escalating construction costs (FinMark Trust 2013b). There has also been concern over the complex and time-consuming regulatory environment and limited management capacity of social housing; for the latter a capacity building grant has been made available.

5.9.5 Rental and Commodification

It is possible that rental housing can follow a very different logic to home ownership. The latter involves acquiring a commodity whose value lies not only in its use in providing shelter but in its role as an asset, subject to a complex set of market relations. The former, while its contractual obligations may be embedded in market processes and relations, has, for the renter, a more limited concern with shelter provision. For the landlord the picture is more complex. Small-scale rental housing can follow different imperatives to large commercial rental, social housing explicitly aims at providing rental at costs below those available elsewhere. This said, South African housing policy has not divorced state-subsidised rental housing from market imperatives: SHIs for instance must be self-sustaining and fully recover running costs placing a floor on the rents chargeable while their bank or equity financing is subject to the same constraints as for other borrowers. Such concerns are limiting the role that government subsidised rental is having on denting the massive unmet rental demand in South Africa's major cities. Finally, social housing as part of the "regeneration" of inner cities is, by design or accident, playing a role in displacing poor people from these locales.

5.10 Regeneration of Inner Cities

From the 1960s and 1970s onwards a number of inner cities, most notably Johannesburg, underwent significant transformation as businesses and relatively better-off white residents fled to the suburbs and established new business hubs. In concert with this poor black people moved into often-abandoned buildings and to date are living in at times overcrowded and squalid conditions. Some cities, most notably Cape Town in view of its physical geography, did not witness such flight and have consistently resisted the provision of low-income housing in the inner city.

In the South African discourse "urban restructuring" refers to the need to compact (reduce urban sprawl) integrate (remedy racial segregation) and connect (densify with more effective public transport) South African cities. "Urban regeneration" refers more specifically to addressing "urban decay" and revitalising "the whole physical, social and economic environment" of urban centres. Whereas, the former is a "consensual notion of the post-apartheid planning, 'urban regeneration' has a more polemical content" (NASHO and HDA 2013, 10).

There is no comprehensive national policy framework for urban regeneration. Instead specific programmes have been tied to various pieces of legislation and a few provinces, most notably Gauteng and Western Cape, have developed their own strategies which differ considerably and are not adequately linked to delivery mechanisms. The key national government intervention focused on demarcating specific zones to be regenerated. The framework for demarcating Urban Development Zones (UDZs) was established in the mid-2000s and takes the form of "a tax incentive aimed at encouraging inner city regeneration … [through] accelerated depreciation of investment made in either refurbishment of existing property or the creation of new developments" (NASHO and HDA 2013, 14). The Social Housing Act also established restructuring zones (RZs) – "geographic areas identified for targeted investment based on the need for social, spatial and economic restructuring" – with which social housing must be located in order to qualify for the RCG.

Beginning in the 1990s most "urban regeneration" programmes have been business-driven in the form of Community or Business Improvement Districts (CIDs and BIDs), motivated as a means to protect their investment in the CBD, and strongly emphasise tackling "crime and grime". CIDs can be defined as: "geographic areas in which the majority of the property owners determine and agree to fund supplementary and complementary services to those normally provided by the local authorities. Legislation allows for CIDs to raise an additional levy to be charged on all property within the defined area" (NASHO and HDA 2013, 14). CIDs have been implemented in cooperation with provincial and local government, with the large metros playing the leading role. One motivation driving municipal involvement has been the desire to protect their own asset base and support their fiscal objectives. According to a report by NASHO and the HDA (both government agencies) municipalities have been "facilitators for these business and property owning interests" which has "given form to the content of their urban regeneration strategies" (2013, 14).

This has meant a primary focus on economic growth and attracting private investments and creating a functioning property market that will facilitate rising property values. Emphasis is often placed on improving municipal infrastructure and regulating – even expelling – informal trading. It has been accompanied by a proliferation of private security and heavy surveillance and policing. All this has resulted in most plans and strategies being "either silent on the role of affordable housing or at best vague keeping it to statements within broad policy objectives" or, as with the Cape Town's Central City Development Strategy and Johannesburg's Inner City Charter simply not being implemented (NASHO and HDA 2013, 14, 16). There remains a lack of linkages between social housing and other facets of urban regeneration which is partially a product of policy design and partly a result of a dysfunctional intergovernmental framework (see Section 6.1). In addition, major metros have in fact diverted funding from the Urban Settlements Development Grant (USDG) away from housing and towards general infrastructure such as roads and bridges (Tissington 2014).

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This sidelining of housing in inner city regeneration initiatives is less true of Johannesburg which, particularly during the 1990s, took housing in the inner city seriously. Johannesburg – predominately through three large SHIs – has been the site of the majority of social and low-cost housing initiatives. The orientation and failure of various Johannesburg housing projects is illuminating.

The Transitional Housing Programme offering temporary accommodation for the homeless lasted only 5 years (1995 – 1999) and failed to "get people back on their feet" within the allotted time period. The overwhelming majority of those leaving the temporary housing could not find affordable rental housing and many ended up homeless again or in slum buildings. This has been compounded by ongoing evictions – without provision of alternative accommodation – as a consequence of the programmes described below and the failure to ensure that very low-cost rentals exist.

An ambitious programme – The Bad/Better Building Programme (BBP) – designed to transform Johannesburg's derelict buildings into low-cost housing floundered upon the rocks of private interests. The BBP identified buildings that were in particularly poor repair and or where arrears on rates and services charges exceeded the value of the building with the aim of taking those over by the city and transforming them (or the land upon which they stood) into housing (NASHO and HDA 2013, 16). The programme existed in various iterations but was essentially a "property-led and market-based vision of urban renewal" (Tissington 2013, 35). The project collapsed because buyers could not be found, loan funding was not available, the prevailing discourse of fiscal rectitude meant the City's Finance Department opposed writing off the debt owed, and the City was not willing to compel building owners to turn over the properties against their wishes (Adler 2014; Tissington 2014). Only 12 of the 122 buildings went through the entire process. Despite this thousands were evicted from these buildings many of which still lie empty.

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A slew of policy documents – recently the Joburg 2040 Growth and Development Strategy (GDS) and Inner City Transformation Roadmap – have spoken to the need for affordable inner city housing including for the poor. However, in practice these have not been sufficiently acted upon. Where regeneration has been undertaken there is a clear class bias. The 2000 Inner City Position Paper and the 2003 Inner City Regeneration Strategy (ICRS) self-consciously prioritise enticing businesses and middle- and upper-middle class residents back to the inner city. Where social housing has been a requirement for property acquisition – for instance in the Inner City Property Scheme (ICPS) programme – only 30% of units are required to be social housing and generally these cater to the upper-band of eligible beneficiaries not the poor.

The supply of rental accommodation includes private sector formal (e.g. large property agents) and small-scale informal (e.g. subletting a room) rental. In both these groups rents are unaffordable for the poor and low-income households, in addition deposits are often required and municipal service fees levied. In social housing insufficient units are available in general, and in particular to the lower end of the market. Increasing the supply of social housing is hampered by the private sector focus of the initiatives undertaken, for example the ICPS envisages the transfer of the city's property portfolio to private developers. Another key problem has been the loose definition of what qualifies as a Restructuring Zone – within which social housing must be located in order to qualify for the restructuring capital grant (RCG) with the result that 49% of all RCG funds was spent in "outer suburbs" (NASHO and HDA 2013, 4). This is partially a product of the price of land, a problem persistently stressed here, which has made it unaffordable for SHIs, whose margins are often slim, to acquire well-located sites (Scholtz 2014).

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Underpinning all of the above, especially the neglect of housing for the poor or lowest earners, is the agenda of striving to establish a "world class African city". Huchzermeyer unpacks this notion and explains how the concept of "competitiveness" has entered into urban policy discourse even "before being well-defined or even proven relevant"; Turok (2004, 1070) observes that "its prolific use has outstripped coherent definition or robust evidence of its validity". Huchzermeyer (2010, 26) explains:

> "At its core, urban competitiveness is about managing mobility. On the one hand, there is the task of attracting and holding onto what Mike Douglass (2002: 56) refers to as "hyper-mobile" capital. On the other hand, there are mobile people. Policies for urban competitiveness actively seek to encourage those with relevant skills to move to a particular city, while they actively discourage the same of those without skills or formal economic means. The literature is silent on this discouragement of poor people's migration to the aspirant competitive city."

This means that governments "devote scarce public resources to economic growth through global investment" and divert "attention away from the environment, social welfare and other social concerns" (Douglass 2002, 58). Integral to this discourse is the "removal of restrictions on the urban land market and increasing privatisation of public land and its release into a profit-seeking residential and commercial market" (Huchzermeyer 2010, 27) (this is taken up again in Section 5.12).

5.11 Inclusionary Housing

One attempt to combine many of the forms of housing production described above is via "inclusionary" housing projects. Inclusionary housing "provides incentives to private developers to incorporate affordable or social housing as a part of market-

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driven developments" (Calavita and Mallach 2010, 1 quoted in Klug, Rubin, and Todes 2013, 667). Essentially, large residential developments are mandated or incentivised to provide low-cost or social housing alongside upmarket units. Such policies attempt to promote socially integrated forms of affordable housing within well-located areas and allow low-cost units to benefit from property market appreciation (a form of "value capture").

In South Africa in 2007 a national policy on inclusionary housing was drafted but has never been instituted. It followed a Social Contract on Rapid Housing Delivery which emerged from the 2005 Housing Indaba, and stated that "every commercial development including housing developments that are not directed at those earning R1,500 or less, spend a minimum of 20% of project value on the construction of affordable housing (currently defined as housing targeting households earning between R1,500 and R8,000 per month) (DoH 2007, p. 3)" (quoted in Klug, Rubin, and Todes 2013, 670). The policy was vehemently opposed by the South African Property Owners Associations (SAPOA), an organisation primarily representing large property companies, who argued against any form of compulsory approach.

The 2007 draft national framework attempts to achieve a "win-win" scenario with a combination of "voluntary pro-active deal-driven" and "compulsory but inventive linked regulation" based components. The draft policy argued for developers to ensure 10-30% of units were affordable housing but allowed for these to be built off site or for payments to be made in lieu of units. This framework was never adopted at national level and in 2009 the Human Settlement's Parliamentary Portfolio Committee noted several concerns: the potential for the policy to ''bring the private sector housing development market to its knees' (p. 35); the ability of municipalities to administer the complex programme; the cost of offering incentives in the form of reduced contributions for infrastructure; and the ''high amount of effort with limited impact'' (p. 36)... [and] whether a mandatory approach was constitutional in the light of recent court rulings" (Klug, Rubin, and Todes 2013, 671).

Some metros, most notably Johannesburg, have attempted to implement inclusionary housing but these have only been applied in specific deal-driven contexts rather than as general policy. Such initiatives have not been very successful and have encountered opposition from surrounding communities and cost pressures particularly as the property boom ended and the higher-end units could no longer cross subsidise the lower-end units (Klug, Rubin, and Todes 2013). The South African "price cliffs" (i.e. the gap between high- and low-end units) are some of the steepest in the world, in one Johannesburg project this stood at R1.3million and thus make projects very susceptible to property market fluctuations.

More success has been "mixed income" housing developments which contain "fully subsidised low-income housing, rental housing/rent to purchase housing for the 'gap' market, and affordable housing for the private market" but exclude high-end units (Klug, Rubin, and Todes 2013, 674). In Johannesburg a number of these have been successful and delivered on scale, with one development – Cosmo City – including 12,500 units. The projects make use of a range of government subsidies associated with the different housing types as well as enjoying various municipal partnerships to reduce risks faced by developers and have been highly profitable making returns of 25% to 30%. Many developers have also voluntarily donated crèches, schools and police stations as part of their "corporate social investment" (Klug, Rubin, and Todes 2013).

5.12 Urban Land

In the preceding analysis it has repeatedly been stressed that access to well-located affordable land has been a major constraint on low-cost housing production. This issue has various dimensions. The role of land in housing policy and the state's ability to provide appropriate land is dealt with here – essentially the "production" of land – while other aspects are taken up in forthcoming Sections.

The history of land dispossession and subsequent use was discussed in Section 3.2. It has also been noted that this meant the democratic regime inherited dysfunctional urban geographies characterised by urban sprawl and the peripheral location of the poor black majority. These of course were not ideologically neutral; what Henri Lefebvre noted about shack settlements in general – that the "duality of space itself creates the strong impression that there exists a duality of political power" and that this duality is "a space that *sorts* – a space that *classifies* in the interests of class" – is acutely true in the case of apartheid South Africa (quoted in Pitthouse 2009, 4 emphasis in original). Unfortunately, post-apartheid housing and urban policy have reinforced these geographies. Three reasons for this stand out: the failure of housing policy to tackle this issue head on, the centrality of the capital subsidy and market bias of housing policy, and the fragmented and ineffective urban planning regime that prevailed for more than a decade.

Regarding the first it is clear that during the NHF negotiations this issue was wilfully neglected; as Tissington (2011, 57) notes two decades later, "the contentious issue of well-located land for housing was never adequately addressed and some have asserted that this has to do with the reluctance of the urban elite to grapple with an issue in which they themselves may hold a significant stake". The urban elite has expanded to include the formerly excluded black upper-middle class who now have substantial stakes in the urban/suburban property market. The democratic government did initiate a land reform/redistribution programme through which the historically dispossessed could lay claim to land from which their families were uprooted. Tellingly, in urban areas the majority of claims were settled financially rather than by the transfer of the land in question (Mark Napier and Ntombela 2006).

Second, the housing regime that was adopted was market orientated and viewed the commodification of land as vital for economic growth (Huchzermeyer 2001, 308). Early on market-driven decisions were made that perpetuated the urban geographies, as the Western Cape Provincial Government explained: "[t]he problem with most of the vacant land in Cape Town is that it is prime land, and therefore not suitable for low cost housing" (quoted in Huchzermeyer 2001, 318). Huchzermeyer (2001, 318) contends that this approach is "the main obstacle to the socially responsive functioning of South African cities".

Once again the capital subsidy funding mechanism was a key culprit in this dysfunction. As noted, the quantum was originally supposed to cover the land purchase in addition to the top structure. This meant that only cheap land was affordable. In 2005 land costs were removed from the individual capital subsidy and new funding mechanisms were instituted to provide for area wide upgrading of informal settlements, including purchasing the land if necessary; public land was also to be made available at no cost. As noted, there has also been movement away from sole reliance on the capital subsidy and the private sector has been encouraged (including via various incentive mechanisms) to provide "affordable" or "inclusionary" housing in well-located areas. Despite these measures, the release of well-located land for housing development has still been pitifully slow. A key reason for this, the third factor mentioned above, is the fragmented and ineffective urban planning regime. Urban land is highly regulated but until recently governed by highly fragmented apartheid-era policies.

There were three regulatory routes to township development: the provincial Planning Ordinances (Ordinances), the national Less Formal Township Establishment Act, 113 of 1991 (LEFTEA) and the national Development Facilitation Act, 67 of 1995 (DFA) (Kihato and Berrisford 2006, 15). In practice not all of these operated in all provinces and the town-planning schemes (the Ordinances), which govern land use once it has been developed, differ according to the old apartheid-era provincial boundaries and the racial classification of different locales (with very rudimentary schemes governing historically black African areas). This means there are multiple town planning schemes in urban areas causing untold administrative problems. In addition, many of these laws previously served as protectors of racial spatial privilege and have found on-going use in the democratic era to protect high property values in certain areas thus pricing out socially driven development (Kihato and Berrisford 2006). Even where laws do not directly favour the wealthy the complexity of the system has often meant the exclusion of poor communities from the process (sometimes because local government finds it too cumbersome) while more affluent communities have the resources to engage with, and object to, proposed plans or obtain their own building permits (Ovens 2012, 32). Finally, the law disempowers poor communities in other ways, for example there is no recognition of local dispute mechanisms used to manage land claims conflict.

There has also been considerable conflict between spheres of government and land-owning parastatals, leading to duplicate regulations, uncertainty over responsibilities and fractured authority. The owners and developers of land are often different entities and land can be used as a potent political tool and "bargaining chip" in managing relationships between different spheres of government. The legislative framework failed to give sufficient backing to municipal plans and so the aim of the Integrated Development Plans (IDPs) (which from 2009 were mandated to include a housing chapter) to "bring together many urban interests in the focusing of municipal and other state infrastructure investment" floundered (Mark Napier and Ntombela 2006, 3; Kihato and Berrisford 2006, 16). The maze of regulations, highly procedural and technocratic, is compounded in that other regulatory processes must be undertaken separately, for example the environmental impact assessments. Finally, it has also proved difficult to coordinate planning across municipal and provincial boundaries and thus advance coherent regional interventions.

Napier and Ntombela conclude that the "competing and overlaying land development, planning and management legislation" have meant that "opening up (particularly well located) urban land for the poor … remained illusive" (2006, 3). It has also meant that housing, provision of social services, access to economic opportunity and urban restructuring have not been coherently integrated; as BNG (Department of Housing 2004, 16) notes: "The lack of integration between housing delivery and land use, transportation and bulk municipal infrastructure investment planning has meant that the existing spatial fabric has shown little change." There is also a shortage of the requisite skills, both in the public and private sector, e.g. there are only approximately 500 registered land surveyors and 20 million informal sites in need of surveying. Given this, Ovens (2012) argues that land management, not necessarily land ownership, is the major problem.

These failures have resulted in vast tracts of urban land remaining vacant. There is no centralised database of vacant land but by way of example in 2000 an ANC land audit found approximately 40,000 vacant pieces of land in Cape Town, most of which were privately owned (a 2007 estimate put this number at 27,000). They also identified 2,900 parcels of public land larger than one hectare suitable for housing (Brown-Luthango 2010, 129). The issue with vacant land is summarised by Furtado and Jorgensen (2006, 12; quoted in Brown-Luthango 2010, 128):

> "In general the antisocial nature of vacant urban land can be seen basically from two angles. The first is retention of such land while the areas around them are being equipped with public infrastructure, leading eventually to private appropriation (by the owners) of the value increments. The other is the social perverseness of retaining unused land within a context of scarce

public resources that could be used to provide urban infrastructure for all the land concerned".

In addition, vacant land incurs opportunity costs such as forgone tax revenue and has been associated with various illegal activities.

Despite the legal provisions which make it possible, the state has tended not to expropriate private urban land for development. According to Taffy Adler, CEO of the Housing Development Agency (HDA), this is both because the official process is cumbersome, difficult and costly and because of a lack of political will; by contrast in the building of the prestigious high-speed Gautrain rail line between Johannesburg and Pretoria, (used by wealthy residents) private land owners were compelled to sell (Adler 2014).

A decade into democracy these problems were increasingly acknowledged. The Presidency's (2003, 110) *Towards a Ten Year Review* mentions the "need to place greater emphasis on overcoming the spatial disjuncture between home and work by promoting more compact designs that increase residential densities". *Breaking New Ground* noted that the "ability of local government to facilitate the establishment of sustainable housing environments is threatened by a lack of capacity to … acquire affordable land" (Department of Housing 2004, 8). It proposed a strategy to "facilitate the release of well-located public land to municipalities" at no cost; where necessary to acquire private land preferably via a negotiated sale but with the option of expropriation at market prices; provide new funding mechanisms for land acquisition; and explore fiscal incentives to support the development of well-located land (Department of Housing 2004, 20–21). Outcome 8 reinforces these objectives and makes the more efficient utilisation of land one of its four key outputs, it commits to the release of 6250ha of well-located public land over the following four years for low income and affordable housing with densities of 60 units per ha through proper planning at a provincial and municipal level (Government of the Republic of South Africa 2010, 12, 36). More recent policy and institutional interventions have attempted to address these issues, these include the Integrated Urban Development Framework, the Green Paper on Rural Development, and the Spatial Planning and Land Use Management Act.

In August 2008 the Housing Development Agency was established with the primary objective to "identify, acquire, hold, develop and release state and privately owned land for residential and community purposes and for creation of sustainable human settlements" (Brown-Luthango 2010, 133). At the same time the national Department of Land Affairs launched the Land Acquisition for Sustainable Settlements (LASS) programme which will provide grants to "poor" municipalities for the acquisition of land for residential development.

By January 2014 the HDA had requested the release of 70 934 hectares of publicly-owned land from various custodian departments. However, only 7587 hectares had been released, with a total of 8924 hectares released and acquired for human settlement development. The HDA relies on other departments or parastatals to release land to them and repeatedly stresses in their plans and reports (HDA 2014a; HDA 2014b) that release of large tracts is impossible without a capital budget to purchase land; Adler also emphasised this point (see Section 6.2 for discussion of other facets of the HDA's work). HDA Chairperson Sakhumzi Somyo notes that "release of identified land into the delivery cycle" is the biggest obstacle in housing delivery, with many delays as a "consequence of the lengthy processes involved in the transfer of assets between government departments, or the transfer of assets from state-owned enterprises to government". These "challenges apply across the entire housing delivery value chain, but land acquisition remains the major bottleneck" (HDA 2014b).

That the spatial reconfiguration features prominently in the 2011 National Development Plan is telling about how little progress has been made. Interestingly the generally market-orientated document notes:

> "One of the consequences of weak spatial governance is that spatial planning has tended to follow patterns set up by private-sector investment. While the private sector has a role to play, the overall pattern of spatial development should be shaped by the long-term public interest." (National Planning Commission 2011, 275)

It also notes that there are "powerful interests at all levels concerned with maintaining the spatial status quo" (National Planning Commission 2011, 276). Similarly, there is an interesting tension between the potentially progressive aspects of in-situ upgrading and that such a programme has cemented the existing spatial geographies. The NDP goes on to call for the drafting a "National Spatial Framework" and an overhaul of the many regulations giving rise to the inefficiencies noted above.

5.13 State Funding

A final element influencing housing production is the allocation of state funds, tightly controlled by the National Treasury (finance for consumption is discussed in Section 8). In general, Treasury disperses funds to national departments and these departments transfer them to provinces and municipalities based on a range of socio-economic attributes. However, over the years a range of funding streams or grants, either automatically dispensed but more often application driven, have been made available to municipalities and provinces that bypass national departments. The grants allocated to the various departments (national, provincial and local) are what fund the programmes and subsidies discussed above. As noted already the subsidies are most often not paid directly to the recipients but rather to developers, contractors, organisations or banks.

There are currently two grants which make up 93% of the housing budget: the Human Settlements Development Grant (HSDG) and the Urban Settlements Development Grant (USDG). How these grants are actually spent is somewhat opaque as they do not correlate directly with the programmes/subsidies, and would require an analysis of provincial and municipal budgets for which there is a paucity of accurate information. Further, the line items recorded in these budgets do not always match the programmes or subsidises listed above, or one line item may pertain to more than one programme or subsidy. The general flow of funds is laid out in Figure 6. The Department of Human Settlements' budget has four key funding steams: 1. administration; 2. policy, strategy and planning; 3. programme delivery support; and 4. housing development finance. The third plays largely a planning, oversight and capacity building role, while the fourth is the main stream through which the various programmes are funded.[27]

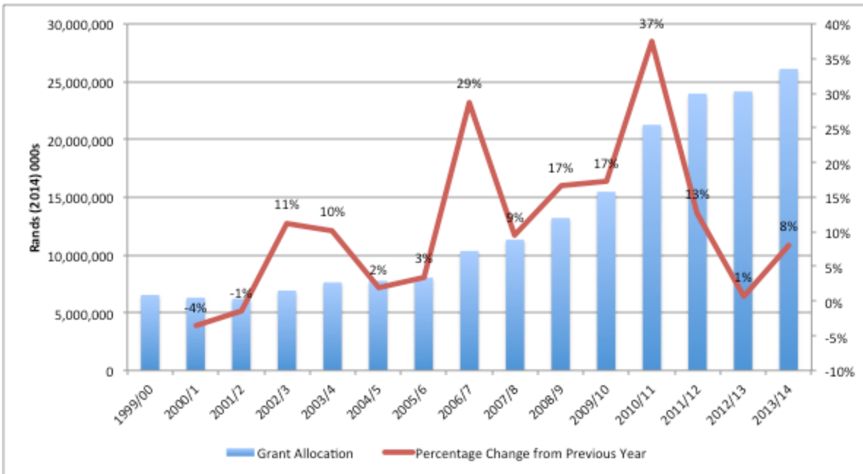
We see in the Figure that the largest grant is the HSCG. Almost two-thirds of this is allocated towards provinces and non-metro municipalities. One-third of the HSDG and all of the USDG is allocated to the eight large urban metros, meaning that they receive approximately 60% of housing development finance, showing an urban bias in line with population distribution. The distribution of these funds between housing programmes is not clear and is, in part, at the discretion of the receiving metros, provinces and municipalities. Formally, the national department says that all metro funds and a quarter of provincial funds are allocated towards the Upgrading of Informal Settlements Programme. However, it is doubtful this is occurring in

[27] The following is drawn from NDHS reports and National Treasury Expenditure Reviews and National Treasury Budgets. Unfortunately, the various budgets and reports reveal discrepancies, both in the line items accounted for, the manner in which these are broken down and the amounts specified.

practice given the on-going building of completed housing units. In addition, it is alleged that metros (and possibly provinces and other municipalities) are using their USDG/HSDG funds for non-housing infrastructure, such as roads and bridges not necessarily even in residential or low-income neighbourhoods (Tissington 2014). A clear mandate has been given to prioritise informal settlement upgrading and the provision of bulk infrastructure over building housing (Department of Human Settlements 2014d); the extent to which this has been successful in the past, or is actually happening in the present, is limited.

In real terms the national housing budget has grown (Figure 5) but there has also been significant under spending with over 5% of the budget not spent in 2011/12 and 2012/13 (Dawson and McLaren 2014).

Figure 5: National Grant Allocation Amounts and Percentage Change from Previous Year (IHHSDG / HSDG and USDG) (1999 - 2014)



A small portion of housing development finance (3.3%) has been allocated towards various agencies. Not show in the Figure are other agencies which have previously been capitalised or are self-financing; some of these are discussed in Section 6.2.

5.14 Production: Conclusion

This section has offered a detailed, rather sprawling, account of the various facets of the "production" of low-cost housing within the broader system of provision. We have seen the changes and continuity in the nature of the housing product provided as well as the means through which this is achieved. The product has evolved – more on paper than in practice – to take account of broader issues of human settlements; however the individual owned, freestanding RDP house has remained dominant. Production has been undertaken with a market-bias, although as we shall see in the next section elements of this have been contested with multiple agents attempting to influence the sop in a range of, sometimes contradictory, directions.

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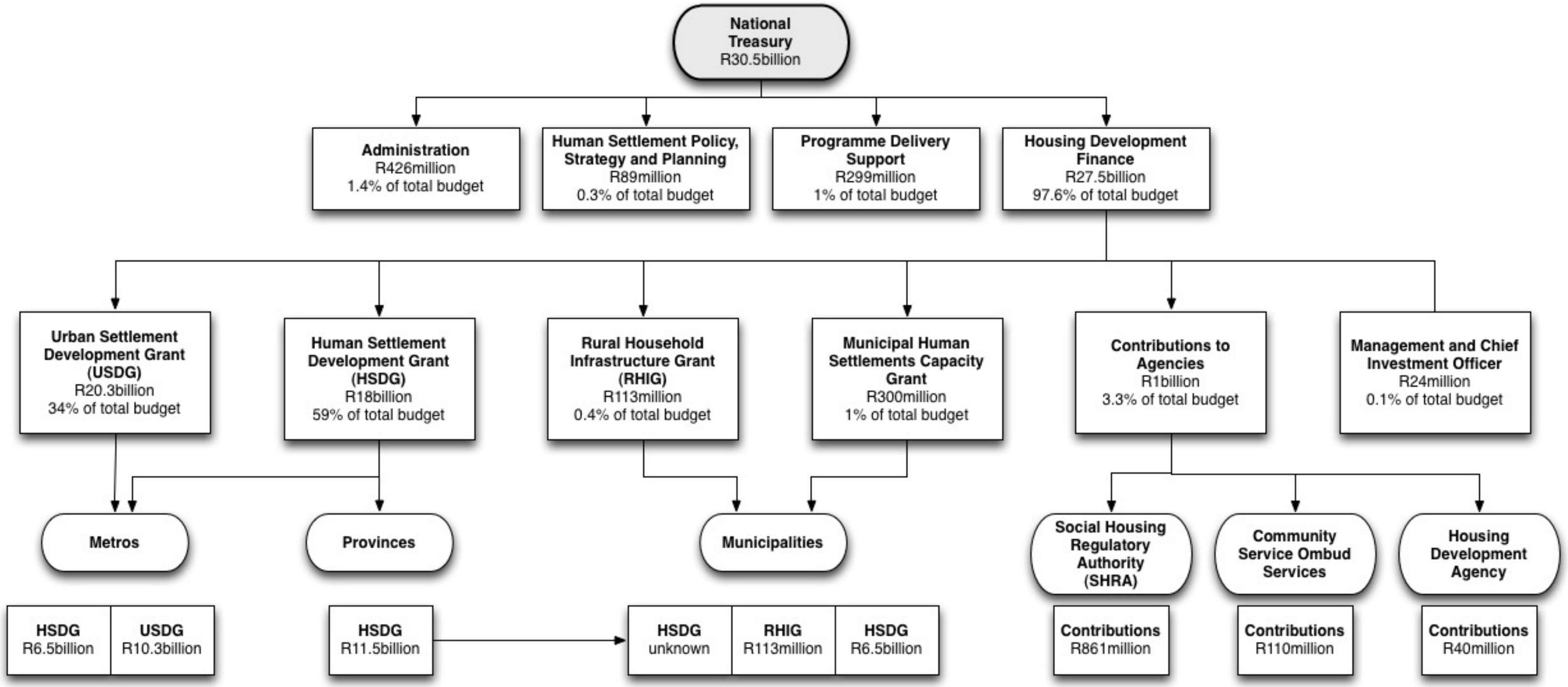
Figure 6: Flow of Funding (2014 Budget)



6 Agents

6.1 The Three Spheres of Government

In understanding the system of provision it is crucial to unravel the various agents and their respective roles. The state has been a central role player both in policy formation and in the "delivery" of that policy. As already noted the role of the state has evolved with the shifts in policy, both between different spheres of government and with relation to the private sector and communities.

The South Africa Constitution is based on a broad division of functions between three spheres: national, provincial and local. Local government is further divided into three categories of municipalities (from largest to smallest): metros, local municipalities and district municipalities. The Constitution and subsequent legislation highlights that local government has "the potential to be viewed as the most appropriate sphere of government for carrying out delivery" (Tomlinson 2011, 420). Chapter 14 of the Constitution lists housing, urban and rural development and regional planning and development as concurrently areas of national and provincial legislative competence. It lists building regulations, electricity and gas reticulation, water and sanitation services and municipal planning as the responsibility of local government. It also mandates (in Section 156(4)) national and provincial government to assign to municipalities those matters which can best be administered locally (Tissington 2011, 13).

The 1997 Housing Act and 2000 National Housing Code assigned various roles to the tiers of government with respect to housing. National government was tasked with formulating housing policy, including national norms and standards and the design of the Housing Subsidy Scheme; establishing delivery targets and the apportionment of funds via the South African Housing Fund; land acquisition, and infrastructure development; monitoring implementation; assisting and enhancing the capacity of provincial and local government; and creating an environment for all parties to realise housing goals. There was in early housing policy, premised on the Housing White Paper, a bias towards casting government's role as that of creating an "enabling environment".

Provincial government was to act within this framework in order to establish an enabling environment for the provision of adequate housing, including adopting legislation when necessary and approving and allocating housing subsidies to municipalities. These municipalities, i.e. local government, were responsible for realising the right to housing by actively pursuing the development of housing through addressing issues of land, services and infrastructure provision. It should pursue housing delivery and administer national housing programmes either in its own capacity, by acting as a developer or establishing a separate entity to do so, or by delegating this responsibility to private sector developers or participating in partnerships with them. Local government should support the participation of all actors, including community participation, for housing delivery in its jurisdiction (Khan and Thurman 2001, 4; Khaki 2009, 8–10; Tissington 2011, 14–15).

As noted already the first phase of policy implementation saw private sector developer-led project-based housing development. This meant that little attention was paid to the role of local government. For the reasons outlined above the National Department of Housing signalled in 1998 its intention to change this procurement regime and allow local authorities with the requisite capacity to act as developers. Central to this was the accreditation of municipalities which from 2002 were able to take on a greater responsibilities (as first outlined in the 1997 Housing Act and 2000 Housing Code). BNG cemented this approach with the agenda of municipalities to "manage the full range of housing instruments within their areas of jurisdiction" (Tissington 2013, 16–17).[28]

There are three levels of accreditation and municipalities can choose which level they wish to achieve. Level One accreditation involves beneficiary management, allocation and budgeting of subsidies and management and administration of priority programmes; housing projects and plans must still be submitted to, and approved by, provincial government. Level Two entails all Level One functions as well as full programme management and administration of all national and provincial housing programmes including: project approval and evaluation, subsidy registration, programme management and technical quality assurance. Level Three comprises all the above and assigns the responsibility for financial administration including subsidy disbursements and financial reporting/reconciliation to municipalities.[29]

The decision to devolve housing responsibilities to the local level was driven by a number of genuine concerns. Government wished to empower local authorities and to integrate housing within broader developmental plans, for instance the 2009 Housing Code required the inclusion of a Housing Chapter in municipalities' Integrated Development Plans. This was connected with negative perceptions of the largely-white construction sector and their own withdrawal from low-income housing provision. It was also part of shifting to a "substantially increased emphasis on the role of the state in determining the location and nature of housing as part of a plan to link the demand and supply of housing" (Department of Housing 2004, 30)

[28] For non-accredited municipalities the delivery functions remain with provinces.
[29] The legal framework allows for either "delegation" – a non-permanent transfer of responsibilities in which ultimate authority still vests with the delegating authority for whom the other party acts as an agent – or "assignment" – which is permanent transfer of a function and includes the right to directly receive funds and assets necessary to perform the function. Thus far progressive delegation with the long-term agenda of assignment has been preferred, partly because it is a less cumbersome legal process (Government of the Republic of South Africa 2010, 27).

within a demand-driven housing process. Behind all this the concept of more "efficient" delivery of the housing product lurked.

The process of accreditation has been extremely slow due to lack of capacity at local level and lengthy procedural deliberations at national level. BNG foresaw the process beginning in December 2004 with nine municipalities, followed by twenty more per year over ten years, until all 284 municipalities were accredited. Outcome 8 reaffirmed commitment to the process and established a protocol for expanding accreditation. The National Upgrading Support Programme was also initiated to support municipalities, specifically with regards to the upgrading of informal settlements but with an acknowledgement that broader support is required (see below). Despite this, as of February 2013 only seven municipalities had been granted Level 1 accreditation and eighteen Level 2 (three with conditions). The intention is to completely transfer housing functions to in the six main metropolitan municipalities in 2014 (Tissington 2013, 97–98).

A number of problems have plagued the strategy. The decision to delegate greater responsibilities to local government did not take account of the parlous state of local government's capacity and finances. Writing in 2001, Khan and Thurman note that levels of non-payment of rates and services in subsidised projects were very high (up to 80%) and that the greatest cost was born by local authorities. Perversely, many municipalities with the best record in housing delivery are suffering the most severe financial burden due to non-payment. In 2001 municipalities were serving five times more people then they did in the past (the number continues to grow) and were expected to raise 90% of funding from local sources (Khan and Thurman 2001, 25–26). More recently Tissington notes that "cost-recovery pressures" on the local level has "dominated delivery and had an often adverse effect on the poor" (Tissington 2011, 11).

It has been argued that this shift in procurement regime failed to take account of the very real constraints on the state's ability to manage delivery, it placed "yet another set of demands on an overburdened local government" and has been identified as "one of the factors leading to a downturn in delivery volumes since the peak of delivery in 1998" (Charlton and Kihato 2006, 265). The fiscal crisis in many municipalities is not just the prevailing reality against which housing delivery must be understood; rather aspects of housing policy, and devolution of those responsibilities to local government, are causing or perpetuating these crises. At the heart of the matter has been the individual capital subsidy approach to housing delivery.

On the simplest level there exist a variety of unfunded mandates not included in the subsidy, for instance in the provision of basic services, which local authorities must fulfil. In recent years national government has stepped up efforts to provide funds to cover these, for example through the infrastructure support programmes mentioned above. However, these programmes are often insufficient or poorly targeted[30] and in poor areas the inherited infrastructure is often of low quality and thus requires greater maintenance.

On a deeper level the dysfunctional urban geographies perpetuated by this funding model have had perverse financial consequences. As Huchzermeyer (2001, 325) notes, "the greater the quantity of housing delivered, the smaller the effective municipal tax base in relation to the actual size of areas requiring maintenance and services". She also questions whether municipalities might be "less bankrupt if their poor constituencies had access to better located land, thus were more likely to have a sustainable source of income, and lower expenditures on transport" (2001, 318). In

[30] The early Consolidated Municipal Infrastructure Programme (CMIP) grant was a fixed allocation (of R3,000) per poor household and therefore did not take account of the existing services and different requirements of vastly differentiated locales.

addition there is the potential that property speculation – in which land is bought and held but not used – may be to the detriment of local government liquidity, and exacerbate the inaccessibility of affordable land. Huchzermeyer (2001, 325) concludes that "[h]ousing delivery is therefore said to have caused financial crises in many local governments. At the centre of this fiscal dilemma is the overly simplistic subsidy mechanism of the once-off product-linked capital subsidy".

Tomlinson (2011, 420) goes on to argue that the transformations in housing policy have not resolved this, she notes that "shortly after the shifting of responsibility for housing to local authorities, the policy become far more complex in terms of its aims than had been the case in the first ten years of delivery". This raises the issue of local government capacity which is in equally perilous position as its finances. Most municipalities do not have a dedicated housing department, nor are they able to retain a dedicated set of housing officials, and housing delivery needs to be "parcelled out to existing departments of engineering, planning, and/or community service" (Tomlinson 2011, 421) with local governments often failing to effectively "package and align departmental funding streams" (Mark Napier 2005, 12). The distribution of resources and capabilities between municipalities is also highly unequal, Tomlinson (2011, 420) notes:

> "Municipalities possess vast differences in capability due to geographic, economic and human resource factors. For example, out of a total of 283 local authorities, approximately 50 have a dedicated housing department. Capacity therefore ranges from well-staffed departments in the metropolitan areas, to poorly capacitated secondary cities. Rural small towns often have one lone housing official making it impossible for them to deliver on their mandate."

It is not only technical skills which are lacking as there exists a range of competencies and capabilities required by officials and politicians to execute their developmental mandate in a socially responsive, politically sensitive and organisationally sustainable manner (Khan and Thurman 2001, 23). Outcome 8 acknowledges the severe capacity constraints at local government level, what Tissington (2011, 11) calls "a crisis at local government level around both governance and technical capacity".

Given all this, provincial governments continue to manage housing policy implementation and act as developers leaving local authorities with "responsibility" but no "authority" with respect to what is/is not delivered (Tomlinson 2011, 420). National Treasury has confirmed this stating that "limited powers are given to municipalities in housing deliver, despite the significant responsibilities they hold for the provision of infrastructure and the long term management of settlements" (quoted in Tissington 2011, 11). Where municipalities have been accredited provincial government's role is to provide "support". It has also been acknowledged that capacity remains insufficient at provincial level, particularly with regards to the informal settlement upgrading programme. In general, capacity constraints, which are supposed to be addressed in the accreditation process, are a compounding factor in the failure to employ innovative planning and housing approaches.

The on-going role of provincial government is not only a case of them fulfilling a duty which municipalities are unable to execute but speaks to the contested and dysfunctional relationship between the spheres of government. Provincial governments have actively resisted municipal accreditation and the delegation of responsibilities downwards. Tomlinson (2011, 421) explains that "provincial governments do not want to give up the housing function as it provides them with political control over the delivery process as well as direct access to substantial housing budgets and resources from national government". She goes on to note (2011, 422) that:

> "the fact that in stepping in to fulfil their mandated role of 'supporting' municipalities, provinces have, in fact, ended up 'denying' or 'stripping away' what in administrative terms should fall within local government's responsibility as well as authority. Moreover, communities are often unaware of this situation; they expect their municipality to carry out the role of housing deliverer and hold them accountable when there are problems which need to be addressed."

This is the case in all stages of delivery: planning, procurement, management and allocation. In the planning phase provincial housing projects, handed down to local authorities, may or may not match local IDPs and are usually more in line with the province's political motivations than municipally determined needs. This is most prevalent in smaller municipalities where housing capacity at the local level is most limited. According to Treasury "municipalities regularly complain of inadequate notice of housing projects, which often conflict with the priorities identified and financed in their own plans" (quoted in Tissington 2011, 11).

The procurement process is fraught as provinces rarely consult with unaccredited municipalities over aspects of the tender specifications, for example the use of local project managers and contracts, often leading to the appointment of outsiders. This can heighten conflicts between project managers and contractors with local officials claiming that outsiders are more likely to walk off the projects when problems arise than members of the community. This also makes project management difficult in that local authority officials find it difficult to effectively monitor contractors they have not themselves commissioned. The provincially appointed managers also have a tendency to act as both player and referee, supervising construction and inspecting the outcome. Allocation can also be contentious with provincial officials selecting beneficiaries in highly irregular ways (Tomlinson 2011). It is also unclear whether provinces are following tender procedure properly.

The attempt to "get around some of the problems of inter-governmental relations and the dominant role of the provinces in housing delivery" appears to be a driving motive for municipalities seeking accreditation (Tissington 2011, 78). From the municipal perspective of particular concern have been:

> "the allocation of housing subsidies on an ad hoc basis and local governments' resulting inability to plan long-term; the lack of a mechanism to negotiate the number of subsidies allocated, and confusion over what to do to improve allocations; little control over the appointment of developers; difficulties in multi-year planning in housing development; and the lack of sufficiently long-term allocations to ensure that developments do not simply take place in peripheral areas where serviced sites are available." (Tissington 2011, 78)

This has all led Tomlinson (2011, 419) to argue that "conventional wisdom regarding accusations of corruption that one hears from communities, and which arise in the press, do not fully take into account the fact that housing officials have little or no authority when it comes to delivery"; in fact "because, in the current environment, it is the provinces that have authority for administering delivery".

The main implication of all the above – fiscal crises, capacity constraints and inequality on the municipal level – is that delivery cannot be reduced to a purely technical process, it is inherently political and involves the contestation between different agents within government over scarce state resources. Given the well capacitated nature of wealthier jurisdictions some interpreted early calls for decentralisation and greater autonomy for local authorities as largely "a conservative attempt to protect minority privilege" (Huchzermeyer 2001, 321). This may not be an accurate representation of the motives of national policy but there is no doubt that the technical obstacles translate into highly charged political dynamics when communities hold local authorities responsible for the their failure to deliver on housing. The relationship between the state in the process of housing policy implementation and communities is taken up in Section 6.6.

6.2 State Institutions

In addition to the departments housed within the three tiers of government a number of state institutions or government agencies play crucial roles in housing. Arguably most important of these is the National Housing Financing Corporation (NHFC), the Housing Development Agency (HAD) and the Social Housing Regulatory Authority (SHRA); also playing important roles are the Rural Housing Loan Fund (RHLF), and the National Urban Reconstruction and Housing Agency (NURCHA).

The NHFC, established in 1996, is a development finance institution (DFI) aimed at broadening and deepening access to affordable housing finance among the poor and low- to middle-income households. It was also established with the intent of developing funding models for non-bank lenders and institutions lending for non-freehold tenure (Freeman 2008, 700). The current three key programmes are wholesale lending, mortgage insurance and a subsidy provision programme (Ahmed et al. 2013, 46–47). The NHFC has also invested in housing mega projects (discussed in previous sections) where funding was used to prepare infrastructure for these projects.

Between 2008 and 2013 annual disbursements increased by 165% from R250mn to R664mn but housing opportunities supported only increased by 15.8% over the same period. This can be attributed to rapidly appreciating property prices (see Section 9). The NHFC has also been criticised for failing to expand its outreach with persistent difficulties in building internal capacity and know-how regarding how to support and sustain healthy retail financial intermediaries (Calvin and Coetzee 2009, 15)

Founded at the same time, the RHLF is another DFI focused on expanding loans in rural areas through wholesale lending to other financial institutions, particularly small or non-bank lenders (see Section 8). It offers structured loans to support development housing loan operations addressing the needs of rural households, pilot loans to support retail lenders to explore new markets and/or new products and equity investments to help build up operations capacity of retailers. Over the last five years the RHLF has facilitated approximately 41,000 new loans per annum. Both the RHLF and NHFC are for-profit entities in the main disbursing loans or equity financing not grants. After struggling in the mid-2000s the former has recorded cumulative growth in profits of 63% between 2011 and 2013. The NHFC has remained profitable but with decreased margins due to government's reversal of its request for the NHFC to offer retail loans into which resources had been sunk and the drop in interest rates from 2009. The integration of these institutions within financial markets is taken up in Section 9.3.7.

The National Urban Reconstruction and Housing Agency (NURCHA) was actually the first DFI formed as a joint venture between Government and donor agency Open Society Institute of New York, and originally provided guarantees for the housing development sector to ensure access to capital. It now focuses on providing bridging finance and construction support services to contractors and developers (Mark Napier 2005; Gardner 2008b; Nurcha 2014).

In 2009 the Housing Development Agency (HDA) was established in order to fast track the "acquisition and release of state, private and communally owned land for human settlement developments". Its broad mandate is to "facilitate and accelerate the development of large-scale integrated sustainable human settlements' by ensuring "the availability of land for development, facilitating the effectiveness of structure of projects and overseeing their implementation, ensuring appropriate government funding flows and subsidies for development, and promoting an appropriate policy and regulatory framework". In addition to acquiring and releasing land, it has helped to ensure effective project management in a range of housing developments by serving as a mediator between municipalities, provinces, contractors, suppliers, parastatals, utility providers, communities and anyone else involved in the housing process (Adler 2014). It has been highly effective in this role but its core mandate of releasing land, as well as its other functions, remain handicapped by budget constraints (see Section 5.12).[31]

These state institutions reflect the policy paradigms which have been outlined above. There is a bias towards development finance institutions and facilitation agencies as opposed to direct providers, a reliance on financial markets for funds (see Section 9.3.7) and strong focus on government as facilitating an "enabling environment" for capital.

6.3 Capital

Different sections of capital have played crucial roles in housing policy design and implementation.

[31] Other important institutions include the Social Housing Regulatory Authority (SHRA) are discussed in previous subsections.

6.3.1 Influence Over Policy

The influence of the private sector in early policy making has been clearly laid out with regards to the role the IDT and UF played in policy design in the early 1990s (see Sections 3.2 and 4.2). Once again, the decision to centre housing policy around and prioritise the implementation of a capital subsidy supporting freehold individual property ownership is at the heart of this. As noted, there was a clear assumption that this would assist in stabilising the social reproduction of labour and create quiescent homeowners. Interesting when this did not materialise as hypothesised the government was blamed rather the policy paradigm itself.

In the years which followed capital's role evolved, partly in line with the dominance of various sections of capital. The direct involvement of these sectors is explored below. More indirectly housing policy was straightjacketed by government's adherence to market-friendly neoliberal economic precepts, clearly encapsulated in the 1996 GEAR macroeconomic policy framework, but maintained in various forms since.[32] This has led to a situation in which housing and infrastructure development policies are defended by extolling their virtues in terms of fiscal discipline and sustainability, rather than their direct impact on the poor (Charlton and Kihato 2006, 274).

6.3.2 Contractors and Construction Companies

As already noted private contractors played an instrumental role in the developer-led phase of housing implementation. This included their role in designing and managing projects, building houses, identifying recipients and paying out subsidies (via private conveyances). This followed the active role that construction companies

[32] See Isaacs (2014) for a discussion on South Africa macroeconomic policy in the post-apartheid period.

had played in supporting the ANC and its allies in opposing policy premised only on providing serviced stands. Also, as already noted, the private construction companies became less enamoured with low cost housing provision as requisite standards were raised, construction costs escalated, procedural requirements (such as environmental protection) became more onerous while subsidy quantums remained low and bureaucratic bottlenecks (for example in the transfer of title deeds) emerged and increased financial risk (Charlton and Kihato 2006, 264). At the same time allegations of profiteering were made against the private-sector contractors and the poor quality of construction was revealed.[33]

This did not lead to a total withdrawal of private sector contractors and no state-owned construction company has been established. Instead government took over the role of developer (although in reality some locales continued to outsource this) and employed contractors to undertake the actual building. Despite government acting as developer it has continued to appoint professionals and external consultants to design and monitor projects, rather than developing in-house professional capabilities, a problem endemic to all levels of government. This lack of capacity partly reflects the conscious decision not to establish a strong state apparatus along the lines of a developmental state paradigm.

During this phase (at the end of the 1990s and beginning of the 2000s) increasing emphasis was placed on small and medium (black-owned) contractors. It is difficult to acquire data with respect to housing construction in particular but of the approximate seventy-two thousand registered (general) construction contractors almost 90% or sixty-four thousand are black-owned. Government sought to leverage

[33] The National Home Builders Registration Council was established in 1998 with a dual mandate. On the one hand, it must "protect the interests of housing consumers, by providing warranty protection against defects in new houses, and to regulate the home building industry so that it delivers sustainable and quality houses" (Tissington 2011, 24), and, on the other, it promotes the interests of the construction sector.

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its social spending as part of its Black Economic Empowerment programme. However, approximately 80% of public sector tenders are awarded to large contractors – 1.2% of contractors account for 64% of turnover in the industry – and only around 10% of these are black owned, meaning that the construction industry remains highly centralised and firmly in the hands of white capital (Cottle 2014, 140).

Despite the latter's disenchantment with public housing, social infrastructure – of which housing is a large component – helped pull the construction industry out of a slump that had begun 1970s and '80s. Between 1993 and 2012 real gross operating profit rose 412% in real terms and by 2012 gross operating surplus was six times higher than in1993. As shall be discussed in Section 6.4 labour benefit extremely little from these gains (Cottle 2014, 140).

According to a survey of Western Cape contractors involved in the "affordable housing market" (Khaki 2009) contractors face numerous challenges with increasing building and associated development costs the key impediment. Respondents attributed this to higher wage costs due to a shortage of skilled labour and increasing input costs of raw materials. Land availability and cost, and inappropriate zoning, was also recognised as blocking residential development. 70% of respondents indicated that their interactions with government had been frustrating, referencing ineffective procurement systems and the withdrawal of tenders for technical reasons or the substandard quality of the tender documentation. Developers also complain that the planning constraints (e.g. limitations on development densities) are too onerous, and subsidies insufficient. Constrained access to finance, particularly in the wake of the 2007/8 financial crisis, the relatively short-term nature of loans available, increased bank lending and administration fees, and more stringent lending criteria have proved a major stumbling block. These factors have led to a slowdown in construction in this sector.

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6.3.3 Financial Institutions

The 2013 FinMark Trust *Housing Finance Yearbook* (2013a, 153–154) aptly notes that: "South Africa has a sophisticated banking industry that serves the upper-income segments of the population well. The country has 32 registered banks (18 of these foreign), of which four dominate: Absa Bank, First National Bank, Nedbank and Standard Bank". The various types of financial sector agents, the focus of this section, are summarised in Table 3.

Table 3: Financial Institutions Active in South African Housing Market

TIER AND CATEGORY	DESCRIPTION	EXAMPLES IN SOUTH AFRICA (registration source)
First Tier – Regulated by Banks Act – 8 Registered with NCR		
Major Commercial Banks	Deposit-taking institutions offering mortgage and other secured housing loans as part of financial service offering. Portion of lending used for housing purposes. Have advanced administrative systems and can lend at scale. Targeting high or moderate income market.	ABSA, Standard Bank, Nedbank and First National Bank (FNB)
Alternative Banks / Microfinance Banks	Largely targeting entry level or lower income market. Portion of lending (often microloans) used for housing purposes. Secured and unsecured lending.	Africa Bank, Capitec Bank, Ubank and Post Bank
Second Tier – Regulated as Non-Banks via NCA, SARB and CBDA – > 2000 registered		
Non-Bank Microfinance Institutions	Commercial providers of microfinance. Portion of lending used for housing purposes	> 2 200 entities. Includes Blue Financial Services and Mafori Finance
Housing-Focused Microfinance Institutions (MFIs)	Most to all microfinance lending is housing related. Supported by Development Finance Institutions (DFIs), e.g. NHFC	+- 10 entities Includes Kuyasa, Lendcor
Co-operatives and Credit Unions	Generally focused on savings and loans to members. Extent of housing lending unclear and often coincidental.	< 30 entities registered
Retailers	Store credit, insurance products and value added services. Some construction retailers offer store credit for housing and others have teamed up with microfinance institutions.	Lendcor (housing), RCS group, Clicks, Ackermans, Pep etc. (general)
THIRD TIER – Generally Unregulated / Outside Formal System – Numbers Unknown		
Mutual Entities, Community-Based Shelter Funds	Usually donor-support membership-based savings funds targeted at the poor. Sometimes geared with debt.	Numbers Unknown. Stokvels, SA Homeless Peoples Federation,

		uTshani Fund, Fedup
Informal Moneylenders	Limited compliance with governing legislation. Non-specific, small, high interest loans.	Numbers Unknown. Sourced from friends, family, employers and money lenders
Informal Savings Groups	Group savings based, locally defined approach often involving revolving credit.	Numbers Unknown. Stokvels/Saccos and burial societies

(Source: Adapted from Gardner 2008a; Gardner 2008b; Rust 2012a; Ahmed et al. 2013)

The key legislation regulating these institutions is the National Credit Act which was passed in 2005 and came into effect in 2006 and 2007; it regulates all forms of consumer credit and repeals the Usury Act and Credit Agreements Act. It pays particular attention to supporting "financial inclusion" by promoting developmental credit which includes low income housing financing and gives the National Credit Regulator (NCR) to promote access to credit for previously disadvantaged population groups. Cooperative Financial Institutions (CFIs) are required to register with the Cooperative Banks Development Agency (CBDA) and reregister as a Cooperative Bank with the SARB under the Cooperatives Bank Act of 2007 when their savings deposits exceed R1million. Credit Bureaus, which serve as the hub for creating consumer credit profiles, are also private institutions. There are four primary credit bureaus and seven "niche" bureaus. The NCA sets the standards for the type of data collected.

Big Banks

Four big banks – Absa, FNB (FirstRand Bank), Nedbank and Standard Bank – dominate the highly concentrated formal banking sector, holding approximately 84% of banking assets and liabilities (PwC 2013); the rest is held by smaller, foreign or niche banks. These banks – or their predecessors – have traditionally served the wealthier white South African population and continue to focus "up market" in housing offering mainly conventional mortgage loans (see Section 8.3.3). These banks are regulated by the National Credit Act and in general have strong balance sheets that have easily weathered the recent financial turmoil.

Smaller Banks and Alternative and Micro Lenders

Alongside the large banks are a number of smaller banks and micro, niche and housing lenders, which have played an important in housing-loan lending (here we provide an overview of these institutions and the dynamics of the sector which informs our discussion in Section 8). Micro lenders, only a small portion of which are specifically focused on housing, are subject to different regulation and pressures from than the major banks. Until 2007 they operated under the Usury Act which set interest rate limits that could be charged, and under the Usury Act Exemption Notice which from 1999 exempted loans of less than R10 000, repayable over 36 months and offered by a registered micro lender, from this interest rate cap (the exemption was first instituted in 1992 for loans below R6 000) (Rust 2002b; Calvin and Coetzee 2009). Their activities are overseen by the Micro Finance Regulatory Council set up in 1999. They are generally much smaller than banks in their size and portfolio diversity. These "alternative lenders" have specifically targeted low-income households who are formally, informally or self-employed.

The sector saw explosive growth in the 1990s and began to attract the attention of the traditional banking sector. Both competition and cooperation emerged between large commercial banks and smaller financial institutions, particularly in the sphere of micro-lending. These relationships were structured through outright ownership of smaller lenders by a larger bank; large banks funding niche loans which micro lenders originate; and strategic alignments where the institutions offer each other's products to their clients or the big banks provide preferred debit order facilities.

In the early 2000s a number of larger micro lenders were taken over by banks. These takeovers were often not successful with bank pressure to change the micro lending model which had made them successful in the first place. In 2002 two key micro lenders which had been taken over by large banks failed throwing the sector into crisis and disrepute. This was foreshadowed by the deregistration of 23 (mostly small) banks between 2000 and 2002, years during only a single (different) entity reported a positive return per annum (Rust 2003; Rust 2005). The sector struggled to recover with not a single lender reporting a positive return in 2003 and 2004. Loan size shrunk even further during this period. Many micro lenders also lack effective risk management and administrative systems (Pearson and Greeff 2006).

The sector underwent a process of consolidation and capacity building and gradually recovered. The FSC indirectly imposed greater participation in the sector by larger banks and the NCA brought stability to the regulatory environment. This sector is subject to oversight by the NCT and NCR and subsections are also governed by the Co-operative Banks Act and would be subject to the now stalled Dedicated Banks Bill (Calvin and Coetzee 2009, 7–9). The NCA impacted on micro-lenders primarily in five ways: "1) lowering rates of return on loans below R10 000; 2) raising rates of return on loans above R10 000; 3) new reporting and record-keeping requirements; 4) new consumer protection mechanisms; and 5) new requirements regarding debt collection and counselling" (Calvin and Coetzee 2009, 7). By limiting the rates and fees which can be charged on loans the profitability of micro-lending has been reduced but this has forced credit providers to become more professional and efficient. The rates charged on short-term unsecured loans are still orders of magnitude higher than long-term mortgage loans (see Section 8.3.5). This said, the fees have not been revised since 2007 and this is making it difficult for small lenders to survive.

The scope for growth of smaller lenders is constrained by the dynamics of the sector. The larger banks capture the most secure loans leaving smaller lenders with greater risk. They manage this by making small, short-term loans. They struggle to access sufficient capital and achieve economies of scale and are not entitled to take deposits. A substantial portion of available market capital is directed towards the unregulated, cash-lending market. Together this means an inability to grow and diversify their risk. As a result they are less inclined to see housing as their core business and turn to consumption loans to grow their loan books. Contrary to this, specific housing microfinance (HMF) institutions are able to access capital from the NHFC and the RHLF upon which they rely heavily. In 2008 it was estimated that the two institutions together facilitate through their clients approximately 45 000 mostly housing-related loans per annum.

6.3.4 Socially Engaged Microlenders

A substantial share of micro lending takes place via financial institutions that also provide a range of support products including education, training, lobbying and advocacy in order to assist borrowers to manage their financial and credit requirements. In South Africa the Kuyasa Fund is the leading such provider in the housing sector, attempting to extend credit to the most marginalised, including those in informal employment, women and pensioners. Kuyasa was set up in 1999 by the community development NGO, Development Action Group (DAG), and generally lends to those in the process of accessing or having already accessed the government subsidy scheme and have secure tenure.

The Kuyasa model is rooted in the group savings culture prevalent throughout the country (see Section 6.6) and often operates in partnership with such groups. This allows the organisation to assess people's ability to repay, to develop relationships and supplement the loans with savings. Because of this it has often extended loans

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to projects that form part of the People's Housing Programme (see Sections 5.7 and 6.6).

The uTshani fund, not strictly speaking a micro-lender, has been "the largest single PHP-oriented institution in South Africa and has facilitated more PHP houses than any other process". It provides funds directly to community housing saving schemes and recoups these through subsidies, donations or repayments, it has also pre-financed land purchase and infrastructure development. In line with the recent focus on informal settlement upgrading uTshani has established the Community Upgrading Financing Facility (CUFF) which funds small community-initiated upgrading projects; it hopes to see the CUFF capitalised by government in order to expand its operations (SDI 2014a).

6.3.5 Consultancies

Behind the physical production of housing is the important sphere of knowledge production. This sphere involved everything from academic research to international organisations like the World Bank. There are also for-profit consultancies engaged in this arena, relevant to this subsection. The Development Innovations Group (DIG) is one such international player which in South Africa has undertaken a market assessment of housing finance for the poor in South Africa and piloted a credit scoring system for housing microlenders. Domestically, the consultancy Eighty20 has played an important role research role in, amongst other things, the sphere of housing finance and promoted housing access through making housing markets "work for the poor".

6.4 Labour

Labour has had a dual role in housing provision. On the one hand construction workers are central to the physical production of housing. On the other, the labour movement, through its powerful umbrella body the Congress of South African Trade Unions (COSATU), which is in a formal political alliance with the ruling ANC, has exercised influence over housing policy; the role of organised labour in such negotiations dates back to the NHF.

Regarding the latter, COSATU's policy critique and proposed alternatives have been largely consistent over the last two decades. Commenting on the 1994 White Paper (COSATU 1996) COSATU argued that housing provision should be state-driven and market-assisted not market-driven and state-assisted. Government should have a leading role in direct provision of housing and there should be a transformation and regulation of the role of the private sector. It noted that it was necessary, not sufficient, to correct the existing market failures. They considered subsidies and attempts to "encourage the private sector to lead the way" as misdirected (COSATU 1996, 3).

COSATU cautioned that the market bias posed the risk of capital holding the government to ransom in order to insist on more favourable incentives and subsidies. This did not come to pass and instead the large construction firms – who COSATU argued, made up a highly concentrated and cartel-like sector and should be regulated in order to keep costs down and avoid profiteering – withdrew. COSATU may also have been wrong to put the minimal delivery of houses in 1994 and 1995 down to the policy paradigm but it was correct in arguing that the risk averse and profit driven financial sector was unlikely to provide the envisaged housing finance to low-income households. They also argued that it was untenable that poor households should pay higher interest rates and advocated for the regulation of interest rates and insisted on the imposition of lending quotas to the lower-end of the market. They were also critical of the assistance given to financial institutions in stabilising the market, arguing that these may amount to subsidies for capital.

Instead of Government's market-centric focus Cosatu proposed a state-centric policy paradigm central to which was a housing parastatal, this entity would:

- "manage current government and parastatal housing stock,
- build new housing stock, both for purchase and rental,
- manage newly built housing stock, for example the collection of rental
- manage the process of subsidy applications and allocation,
- establish financing mechanisms, for long term viability." (COSATU 1996, 6)

There would be a concomitant emphasis on public, rather than private, financing, less emphasis on individual ownership with more diversified tenure options and direct investment by government in housing stock – whose quality could be more easily controlled – and related infrastructure which would stimulate domestic demand and employment (see Mark Napier 2005, 8 for some discussion on the potential number of jobs which could be created). This would all be financed through the existing fiscus, special taxation and investment requirements imposed on institutional investors.

A few years later in COSATU's submission on the Rental Housing Bill (COSATU 1999) they joined the government in stressing the need for more and better suited rental housing but raised a number of concerns. They emphasised the need for rent controls and questioned the logic that this was "market distorting". They also called for a housing parastatal to play a direct role in providing new rental accommodation rather than leaving this to the market. COSATU's 2006 critique of *Breaking New Ground* – which it argues is an implementation plan rather than new policy framework – carries forward some of these themes with robust criticism of the perpetuation of a market driven framework.

Despite COSATU's strident calls the two unions representing construction workers – the Building Construction And Allied Workers Union (BCAWU) and the National Union of Mineworkers (NUM) – have not campaigned on these issues. These unions have also not been particularly successful at defending the interests of construction workers. While there is a paucity of research and data with respects to workers in housing construction lessons can be drawn from the sector as a whole.

Despite the recovery of the sector (outlined in Section 6.3.2) construction workers have not faired particularly well due to a reorientation of both construction and labour practices. The former has seen a significant rise in capital intensity within the sector, for example increasing by 50% between 1994 and 1999 and 26% between 2009 and 2012.[34] Despite this, due to the expansion of the sector as a whole, the workforce has risen from 438,655 workers in 1994 to 1,204,000 in 2013. Regarding altered labour processes we have witnessed a huge increase in outsourcing, through subcontractors and labour-brokers with up to 70% of building projects subcontracted out and up to two-thirds of the workforce "informally employed". This has go hand-in-hand with a lack of emphasis on skilling the workforce with 50% of workers remaining unskilled and 26% semi-skilled (Cottle 2014, 141–142).

Together these factors have led to significant wage pressure and while labour productivity has increased significantly wages have failed to keep pace. This is evident most dramatically between 2006 and 2013 when annual average labour productivity increased from R40,000 to R90,000 but average wages from R20,000 to R40,000. Tthe wage share has drop steadily from a high of 72% in 2013 to 46% in

[34] Comprehensive statistics are not available.

2013; this has occurred in tandem with a decline in average real wages. Similarly, the median wage has remained fairly constant since the end of apartheid despite gains for those earning above this level. Finally, income inequality in the sector has burgeoned, with the wage gap between lowest and highest paid growing 74% between 2004 and 2013 (Cottle 2014, 144–146).

All of this speaks, in part, to ineffective labour organising. This trend was bucked in the build up to the 2010 World Cup when the workforce swelled due to infrastructure construction with union membership growing from 70,736 workers in 2006 to 98,195 in 2009 representing a 39% increase in union density. Unfortunately this was not sustained and membership sharply decline between 2010 and 2014 (Cottle 2014, 147).

6.5 International Community

International actors and shifts in global policy discourse have considerably influenced housing policy. Van Waeyenberge (2014) charts the course of World Bank housing policy and it is remarkable to observe the congruence between this and South African policy. The Bank's 1993 strategy document *Housing: enabling markets to work* (World Bank 1993) in which the state is cast as planning an "enabling" rather than provider role is a remarkable portent to the outcome of the NHF negotiations. Similar perspectives are found in the approaches taken by other large international agencies; for example, the UK's Department for International Development (DFID) and the Swiss Agency for Development and Cooperation strategy *Making Markets Work for the Poor – M4P* clearly emphasises the need for the commodification of urban land and integration of the poor into property and land markets (Brown-Luthango 2010). The twin pillars of homeownership and private sector housing finance, with government financing executed via capital subsidies to promote the former and in purported concert with the latter, are what both World Bank and South African housing policy (differentiated in certain ways as they may be) are built upon.

Housing finance was promoted as a key lever in housing delivery by the Bank from as early as the 1960s and 1970s, aimed at funding and stimulating the emergence of a private housing finance sector rather than lending directly towards housing construction (Van Waeyenberge 2014, 10). In the 1980s and 1990s there was an enhanced focus on private sector incentive-related interventions as well as the reform or dismantling of public retail housing banks or agencies in favour of the private sector. Housing finance rose rapidly as a share of shelter lending with over 80% of this channelled to financial intermediaries rather than non-financial public sector housing authorities. As Van Waeyenberge notes "Bank housing finance projects aimed to replace public with private sector finance for low-income housing by incorporating local (market-based) financial institutions (mutual credit associations, building societies, commercial banks) in the provision of housing finance and by "discouraging" the use of subsidized and directed credit towards housing" (2014, 13). These emphases clearly speak to South African policy discussed above.

The once-off capital subsidy was developed in Chile in 1978 by American academics advising the Pinochet dictatorship therefore clearly placing it within early neo-liberal experiments in the developing world. It later became the standard approach of the World Bank on the grounds that it brought an end to illegal land occupation, involved restricted expenditure and successfully provided housing to the poorest. Many of the same problems identified here – peripheral location, failure to integrate housing with other forms of development, the dominance of large construction firms etc. – arose in Chile and later elsewhere. Similarly, the Bank, led by the United States, prioritised homeownership and private provisioning in the context of state supported, private sector facilitated "self-help".

In the 1980s there was a general shift internationally towards recognising the functionality of shack settlements to their residents, leading to the moniker of "informal settlement" (as in South Africa) opposed to "slum". This precipitated focus on in situ upgrading and site-and-service programmes as opposed to mass relocations and greenfield development; recall that site-and-service was the approach taken by the late apartheid regime. As previously noted the form this approach took was one which emphasised technocratic solutions, did not adequately engage with communities and often distorted the progressive potential of in situ upgrading by a quasi-criminalisation of slum living with concomitant violent measures undertaken by the state (Pitthouse 2009). This is an arena of contestation in South Africa with stated policy often emphasising the more community-driven progressive aspects of this approach but practice not always being informed by this.

The evolution of housing policy coincided with a decline in support to state-centric responses to social welfare issues and the emphasis on commodification and individual forms of provision, approaches which according to Van Waeyenberge (2014, 3) had crept into World Bank thinking in the preceding decade. This meant that the "housing agenda as promoted by the Bank was thus subservient, from its inception, to an agenda that sought to expand the realm of markets in general, and, subsequently, of finance more particularly, to resolve an urgent issue of deficient provisioning of a core service (or an essential item in reproduction)" (Van Waeyenberge 2014, 4). Not only did housing projects need to provide shelter but they should be undertaken in a manner that they recovered as great a cost as possible, and therefore be replicable by, and profitable for, the private sector (Van Waeyenberge 2014, 7). Like South Africa, "the original conceptualisation of preferred modes of housing provisioning - individualised provisioning through the market – which had characterised Bank housing interventions from their inception, would remain solidly at the centre of Bank housing policy" (Van Waeyenberge 2014, 12)

The World Bank was not shy to push these policies, for example a 1992 appraisal of a loan made to the Housing Development Finance Corporation (HDFC) in India (similar to the South African NHFC) notes that "uncertainty about the direction of NHB and the housing finance sector in general at the time presented the Bank a good opportunity to promote development of market-oriented housing finance" (quoted in Van Waeyenberge 2014, 16). In addition the Bank "sought to consolidate the role of the HDFC at the centre of private housing finance and promote its role as an apex institution that would encourage entry of other similar private institutions" (Van Waeyenberge 2014, 16).

In South Africa the World Bank noted that the country provided the Bank with a "unique opportunity to pilot its evolving role as a "knowledge bank"" (World Bank 1999b, 1). This meant that it exercised influence not through conditional loans but by attempting to shape policy through "knowledge exchange" and policy advice, with housing being a chosen sphere. In 1994 the Bank endorsed a bank-centred housing policy and recommend smaller housing subsidies (Bond 2004, xii). There is, however, some debate as to the extent to which international and World Bank thinking influenced South African policy. Gilbert argues that there was not an *overt* adoption of World Bank thinking because of the ANC's wariness towards Bank policy and that the resultant policies represent a range of influences. While policy bears many similarities to elsewhere in the world, and some learning process was involved, both Gilbert and Goodlad argues that there was "not much sign of copying" with "no close similarities to any other nation state's strategy" (quoted in Charlton and Kihato 2006, 274).

The Bank's broad view of housing at the time of the NHF negotiations can be summarised as:

"The role of the state was explicitly relegated to that of a facilitator. In particular, the state was to limit its attention to the following interventions (see World Bank 1993: 5). On the demand side, the state was: to develop property rights, to develop mortgage finance (including fostering "innovative arrangements for providing greater access to housing finance by the poor") and to rationalise subsidies (by reducing them, improving their targeting, and shifting from financial to fiscal subsidies). On the supply side, it was: to provide infrastructure for residential land development, undertake regulatory reform of the land market (by removing regulations "which unnecessarily hinder housing supply"), and to organise the building industry by creating greater competition and reducing trade barriers applying to housing inputs. Finally, the state needed, in general, to develop an "appropriate" policy and institutional framework (through coordination with macro-policy; the strengthening of regulatory institutions; the promotion of partnership across the organisations participating in shelter provision including public agencies, private sector and NGOs; and the fostering of participation of the poor).

The emphasis was on creating the regulatory environment and institutional capacity for the expansion of private sector activity, to the detriment of direct involvement of the state in housing provision. Governments were explicitly advised "to abandon their earlier role as producers of housing and to adopt an enabling role of managing the housing sector as a whole" (p. 1)… The Bank sought, p. 62, to redirect governments from engaging in building, marketing, financing and maintenance of housing units "toward facilitating the expansion of the private sector in such activities". …

In sum, the formalisation of the enablement paradigm sought to combine a move away from fiscal commitments in housing, towards enablement of individuals or communities "to help themselves", with subsidies, preferably as one-off cash transfers. The idea of up-front housing subsidies targeted at the poor would combine with private-sector suppliers delivering housing through the market, offering "a counterpoint to the old model of supplying mass-produced subsidised units through state or state-controlled companies" (Gilbert 2004: 197-8). ...

In general, World Bank Group housing interventions during the 1990s remained steered by private sector development concerns, in finance and more broadly, across other sectors bearing on housing provision, including land markets (where programmes sought to encourage land titling, the sale of public land, and changes in zoning laws), the construction industry (where competition was to be fostered and trade barriers eliminated and where standards were lowered to increase "affordability" of houses), and subsidy programmes (which were to serve as a buffer in access to privately-provided finance)." (Van Waeyenberge 2014, 18)

The details may vary but the policy paradigm adopted in South African certainly chimed with that promoted by the World Bank.

Post-apartheid policy has also evolved over the last twenty years in line with international thinking. In 1996 South Africa signed up to the "Habitat Agenda" and developed its 1996 Urban Development Framework in line with this. It was immediately criticised as too market-centric, a departure from the RDP, a continuation of UF-inspired thinking, and failed to make mention of the need to curb land speculation or implement other forms of urban land reform. A 1999 government commissioned study found that local policy was broadly in line with the Habitat Agenda (Huchzermeyer 2001, 319–320; Moss 2008, 33; Adebayo 2011, 6). In 1999 the World Bank and UN-Habitat (UN Human Settlements Programme) launched the Cities Alliance with Nelson Mandela as the patron and a focus on mobilising resources for slum upgrading and facilitating community participation. It also emphasised the broader issues of "good governance", legal systems protecting property rights and secure tenure and financial system development.

Also in 1999 the World Bank's South African "country assistance strategy" noted that "the development of housing finance and expanding the availability of financial services to a broader segment of the population will also receive high priority," reflecting an earlier policy priority (World Bank 1999a, viii). Further, the IFC was in the process of expanding its investments in South Africa with one of its targeted projects to: "providing support for housing finance, including support for the introduction of sophisticated securitization techniques, and providing financial support for private provision of infrastructure in townships and former homelands" (World Bank 1999a, 20).

The World Bank continued to play a role in policy formulation with a Bank consultant tasked with collating the 19 different sectoral business plans into BNG. The Cities Alliance went on to support the Department of Housing in formulating and implementing the UISP (World Bank 2007, 53). The Bank's role was not monolithic nor the only external influence, for example, social housing was strongly influenced by governments and organisations in the UK, Norway, Netherlands, European Union and Canada, many in a progressive manner (Charlton and Kihato 2006, 266).

The ideological infiltration of the Post-Washington Consensus (PWC) is also apparent in local and international housing policy. This saw a re-visitation of the state-market dichotomy and a movement towards broader partnerships including the state, market and non-market institutions such as NGOs, communities, families and individuals, however, with the state still playing an "enabling" role albeit a broader one. This restrictive state inherently imposes limited capacity with wich to actually empower communities. In the 2000s housing policy continued to be dominated by: "the imperatives of titling ("land tenure regularization") and the fostering of "efficient" land markets; access to housing finance, including for low-income households, either by fostering micro-credit schemes or by incentivizing mortgage providers to move down-market (e.g. through guarantee schemes); expanding the role of the private sector in the delivery of affordable housing; and, subsidy reform, seeking to integrate one-off capital grant subsidies in finance-led housing provision for the poor" (Van Waeyenberge 2014, 26). It is remarkable how well this summarised recent South African approaches and how stubbornly it has remained central to both international and local praxis following the subprime meltdown, recent global financial crisis and on-going property market busts.

6.6 Community Participation and the People's Housing Process

The "partnership" approach envisaged in early housing policy sought to include government, business, civil society, and communities. The meaning of community participation had, however, been poorly defined and its interpretation varied widely across projects. In general, large developer-driven projects (whether by private, public, or publicly-managed developers) have excluded communities. In addition, projects specifically aimed at drawing communities into the process have failed to achieve this at any scale, one such imitative is the People's Housing Process (PHP) discussed in Section 5.7.

Community participation has, until recently, mainly been limited to housing construction and many aspects of the housing SOP, such as the location of housing projects, remain out of the hands of beneficiaries. Government sought to address this in the ePHP but a number of structural obstacles to community participation remain. As Bradlow et al. (2011, 268) note: ""[p]eople-centered" is simply not the way the state does business". This speaks to both the bureaucratic "top-down" nature of state intervention but also to the specificities of the policy approaches chosen.

The focus on "delivery" and of this being (initially) driven by profit-orientated market actors inherently neglects communities. The duality established between the "formal" and the "informal" and the denigration of the latter inherent in the discourse of informal settlement "eradication" leaves little room for innovative community participation, rather it tends to blame the poor for their own exclusion (Bradlow, Bolnick, and Shearing 2011). The individualisation of the capital subsidy sits uneasily next to community-wide development. These conceptualisations – inherent in commodified approaches to housing – by default restrict community engagement.

Another key mechanism through which communities have engaged with housing provision is localised, community saving schemes. Such schemes, using through burial society or stokvels, are ubiquitous in poor South African communities. Savings are not necessarily used for housing but there are many housing-focused savings schemes. There are also networks which support such schemes such as the Federation of the Urban and Rural Poor (FEDUP) and the Informal Settlement Network (ISN).

6.7 Civil Society and NGOs

A range of civil society and non-governmental organisations have played important roles in housing policy, implementation and contestation dating back to the NHF. The South African Homeless People's Federation (SAHPF) has been on the scene since 1994. It has always had a strong focus on community mobilisation self-help housing solutions premised on a politics of dignity, poverty eradication, citizenship and self-affirmation (Khan and Pieterse 2004). It is deeply ideological with an anarchist-like view that the "state and the market act in ways that are universally against the interests of the poor" (quoted in Khan and Pieterse 2004, 7). This said, it imbues some of the same tensions found in the PHP in that its participation in housing provision is also reliant on accessing state capital subsidies and proving that it can achieve better outcomes in this form of housing provision than the state (see, for example, Ashoka 2005). The SAHPF is supported by the People's Dialogue, structured to be the dedicated professional support arm.

Also facilitating and advocating for community participation, with a less "radical" ideological position, is the Development Action Group (DAG) which arose out of the forced evictions Crossroads, an informal settlement in Cape Town, in 1986. It has subsequently diversified away from a focus on tenure to urban and regional planning issues and advances people's participation in the planning and development process, as well as acting as a facilitator of the development process itself. In the latter vein it runs a variety of training programmes, partnerships with communities and several housing projects as well as with informal settlement upgrading projects in the Western Cape Province (DAG 2014).

Abahlali baseMjondolo, the largest shack dwellers' movement in South Africa, has been the most prominent activist group contesting government housing policy, growing out of anti-evictions protests in Durban and still largest in that region. Abahlali, whose influence and prowess is often overstated, is most well known for its Constitutional Court challenge to the Slums Act (mentioned above with regard to laws enforcing the informal settlement "eradication" agenda) and the ultimate striking down of that law. The organisation's politics are erratic but it is openly antagonistic to the ruling ANC.

In addition to such large national groups there is a plethora of smaller local-level structures focusing on housing loosely connected to one another through structures like the Informal Settlement Network (ISN), a bottom-up agglomeration of settlement-level and national-level organisations (SDI 2014b). The Community Organisation Resource Centre (CORC) is a group of professionals and grassroots activists that provide support to such local organisation in a similar way to the People's Dialogue.

In the housing finance world FinMark Trust, the HLGC and the now closed Housing Finance Research Programme have been central. According to their website:

> "FinMark Trust, an independent trust based in Johannesburg, South Africa, was established in 2002, and is funded primarily by UKaid from the Department for International Development (DFID) through its Southern Africa office. FinMark Trust's purpose is 'Making financial markets work for the poor, by promoting financial inclusion and regional financial integration' as well as institutional and organisational development, in order to increase access to financial services for the un-served and undeserved. FinMark Trust commissions research to identify the systemic constraints that prevent financial markets from reaching out to these consumers and by advocating for change on the basis of the research findings." (FinMark Trust 2014).

FinMark Trust's housing work is predominately undertaken by the Centre for Affordable Housing in Finance in Africa (CAHF) which in May 2014 became an independent organisation. The CAHF offers wealth of information and research with a pro-market bias. Its mission is to "make Africa's housing finance markets work, with special attention on access to housing finance for the poor" with the goal of seeing "an increase of investment in affordable housing and housing finance throughout Africa: more players and better products, with a specific focus on the poor" (CAHF 2014).

With a more operational focus the Home Loan Guarantee Company (HLGC) is a non-profit that guarantees end-user home loans in the lower end of the market, it services its obligations through premiums paid and has its own capital base for running costs (HLGC 2014). HIVOS supports the expansion of microfinance in South Africa.

6.8 Agents: Conclusion

In this section we have reviewed the various agents operating within the low-cost housing SOP. This has revealed complex relations of cooperation and contestation. Within the framework of international policy trends, which South Africa mirrors quite closely, the government defined its role as creating an "enabling" market environment. However, the private sector partially withdrew from housing provision – both the construction sector as discussed above and the finance sector tackled below – blaming government for this decision. National government then pursued another form of decentralisation – not to the market this time, but to local government and various state agencies. This led to deep contestation between different spheres of government without disrupting the reliance, that these new agents of provision now encountered, on market players. The combination of limited resources, intra governmental contestation, and the commodified and market-reliant housing SOP premised on the capital subsidy has meant business as usual: the marginalisation of communities, poor delivery, and large capital involving itself only in the most lucrative aspects of the SOP while shunning the rest. Labour meanwhile has failed to provide a policy bulwark and received little of the spoils of an expanding construction sector.

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7 Consumption

We turn now to consider housing as experienced by the "consumer", a critical facet of the housing SOP.

7.1 Housing Demand and Supply

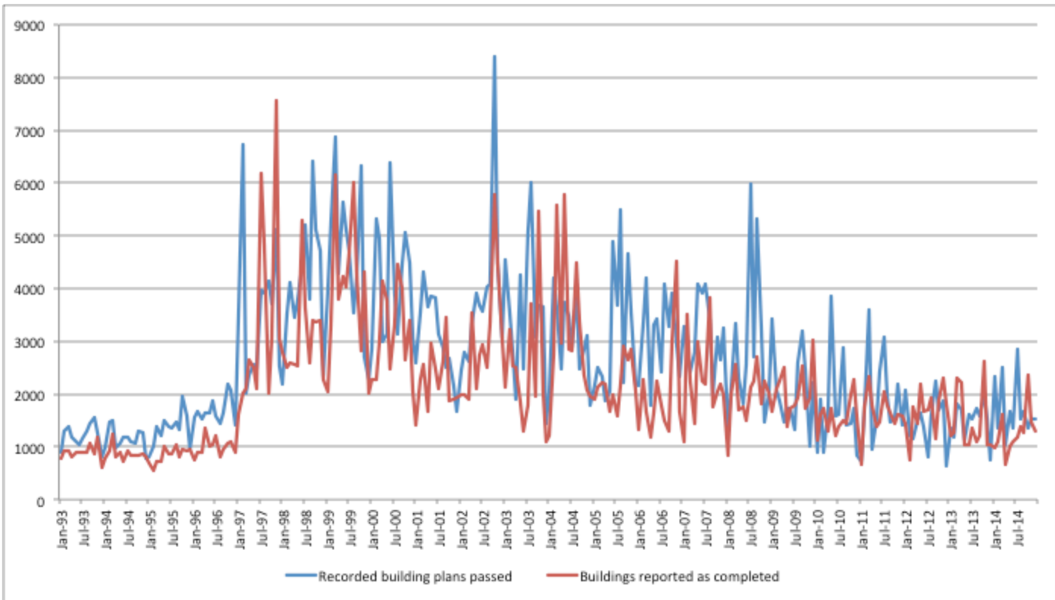
Calculating the demand for housing is a tricky business. At the most basic level, according to the 2013 General Household Survey (GHS) 12.6% of South African households (approximately 1.9mn households) live in informal housing.[35] Of the 11.8mn households living in formal housing, approximately 15% of these are RDP or state-subsidised and approximately 10% complained of having "weak" or "very weak" walls or roofs. According to FinScope over 11mn formally housed adults, in 2005, did not live near to retail economic activity. In addition, there is significant evidence of overcrowding even within formal dwellings (Melzer 2005). Housing need, therefore, is probably greater than the 6.7mn people currently inadequately housed. Of course, housing need and housing effective demand are very different as many of these households are unable to afford the houses which may be available.

Regarding supply, government subsidised houses accounted for 75% of all new homes registered on the deeds registry between 2010 and 2013; subsidised properties make up 24% of registered properties and, given the backlog in titling, the number is most likely substantially higher. Figure 7 gives an indication of decreased supply in recent years of new private sector housing units smaller than $80m^2$.[36]

[35] The official housing backlog is estimated at 2.1million units.

[36] $80m^2$ does not constitute low-cost housing but is the lowest bracket available.

Figure 7: Plans Past and Buildings Completed for Houses < 80 Square Meters for Larger Municipalities (1993 - 2014)



(Stats SA 2014b, Source:)

7.2 Allocation Processes

The "eradication of the housing backlog" has become as much a political target, as a broader developmental goal. The dominant discourse around housing delivery is that:

> there is a 'waiting list system' which constitutes a housing 'queue', and that people must wait patiently until their name comes up in terms of a rational process of 'first come first served'. Any perversion of this system is referred to as 'queue-jumping', and this term is consistently evoked by politicians and government officials. Anti-Land Invasion Units have been set up in various municipalities, which operate on this premise and use the rhetoric of 'the queue' to justify evicting people from land, houses or buildings they occupy. There is an assumption, often unarticulated, amongst the public that the system in place operates in a rational way. (Tissington et al. 2013, 7)

However, "[b]oth these assumptions, in most cases, appear to be wrong and the 'housing waiting list' does not exist or function in any way that it is understood to exist or function" (Tissington et al. 2013, 7). According to the DHS "there has never been an official national housing waiting list and the institutions and administration of housing waiting lists is not a national policy requirement" (Tissington 2011, 30).

At the end of apartheid a range of housing lists did exist and in the early years of the new dispensation, provinces and municipalities attempted to consolidate these lists with varying degrees of success. Some of these lists were so unusable that they were abandoned altogether. For example, in 2002 the eThekwini Metropolitan Municipality took a decision to scrap the existing waiting list and institute a system where housing opportunities are advertised and then beneficiaries selected via a random selection or lottery system (Tissington et al. 2013, 26).

Appearing on one of the lists that does exist also does not mean that a process is underway to provide a house for that individual; being on a list is not the same as applying for a subsidy which entails its own distinct process. Separate from the housing lists mentioned below is the Housing Subsidy System (HSS) which is the operational system in place to keep track of housing subsidy applications and for monitoring the allocation of housing subsidies. Linked to this is the National Housing Subsidy Database (NHSDB) which keeps records of all subsidy applications approved by provinces in order to ensure households do not benefit from more than one subsidy. Problems with these include loopholes for corruption and fraud, double subsidisation, delays in approval and the general functionality of the systems. According to the Public Protector – a statutory body tasked with government oversight – 10% of all complaints received during 2010/11 related to maladministration pertaining to the delivery of low cost housing.

At the national level the most comprehensive list is the National Housing Needs Register (NHNR) launched in 2009 in accordance with the 2008 National Housing Allocation Strategy. The choice of language is important, the NHNR is not a "housing waiting list" but "represents a database for planning and development purposes"; it is "a tool made available to municipalities to capture the need of their citizens for adequate housing" (SAHRC and DHS cited in Tissington et al. 2013, 31). The NHNR is based on household surveys. The National Housing Allocation Strategy outlines the procedures to be adopted for housing allocation. It is unclear whether these procedures are followed by provinces and municipalities and whether allocation in practice actually works in the prescribed manner. Various provinces, most notably the Western Cape and Gauteng, have established their own demand databases and allocation strategies.

Tissington et al. (2013) highlight five key "systemic problems" related to the current policies and procedures. First, no comprehensive "waiting list" exists and respondents in Tissington's study referred to the waiting list system as "a tool of political and social control". In early years where imperfect lists were used, the current location of households – and the social and economic fabric that goes along with that – was not considered and recipients were simply allocated houses in a greenfield development. This is another clear indication of the individualistic orientation of the individual capital subsidy approach that does not consider communities as integrated units. Second, the demand databases are not perceived to be utilised in a manner that actually takes accounts of community *needs* and rather collapse into glorified waiting lists. They are also not sufficiently integrated into IDPs and provincial databases not linked directly to the HSS. Presently the NHNR collects far more data than are perceived as necessary by municipalities and there is uncertainty over how best to use the NHNR to determine individual and household needs. In addition municipalities struggle with how to work the system.

Third, the HSS has been the site of substantial maladministration, fraud and corruption with people being moved up the list and ineligible or double subsidies being processed. The HSS is also perceived to be slow and inefficient. In addition, once a subsidy has been approved they are marked as such on the HSS/NHSDB but this does not mean the approved beneficiary has actually received a house. If the housing development to which they have been allocated stalls the onus is on the individual to cancel the subsidy application in order to show they have not yet received a house. Fourth, a major frustration appears to be the lack of information (and subsequent frustration) over the process through which houses are allocated. The process is perceived as corrupt. Fifth, the failure of municipalities to be accredited (discussed in Section 6.1) means that the allocation of houses takes place one step removed from communities and without adequate municipal involvement or control.

One reason for the persistence of the rhetoric of "housing waiting lists" is the pervasiveness of the once-off capital subsidy approach to providing "RDP houses" which focuses on the provision of a completed "product". Another, is the lack of information and transparency over how the system actually works. The chaos of the system indicates that "[h]ousing allocation, while loosely regulated by numerous policies and systems, appears to be fundamentally about access to resources and power, and has little to do with individual housing needs" (Tissington et al. 2013, 8).

7.3 "Adequate Housing" and Consumer Choices

In Section 26(1) of the Constitution the right to access adequate housing is enshrined. But what does "adequate housing" mean in terms of the law and the perceptions of those attempting to access housing? Adequate housing is not easy to define "as it depends on the specific context and circumstance of households and individuals, together with their needs and priorities" and is "bound up with access to

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other socio-economic goods and amenities… [and] with a number of other cross-cutting rights" (Tissington 2011, 25). Important considerations include: the adequacy of location, shelter, services, habitability and space; affordability and availability; physical security; cultural appropriateness; and legal security of tenure.

How people conceive of adequate housing is also shaped by preferences – often socially constructed – and by the culture and meaning attached to housing. There is a strong aspirational desire for homeownership, most pronounced amongst the poor who do not currently own a house. A 2004 FinScope survey found that approximately 60% of those earning below R3,000 would prefer to spend a large lump sum of money on buying a house. This question was contrasted against other potential lump sum expenditure and other tenure types – in different surveys a significant portion of respondents (up to 50%) indicated a preference for rental over ownership.

We should qualify this in two ways. First, this preference may itself be the product of government housing policy that has actively prioritised this form of tenure. It is also possible that purchasing a house is conflated with other desires such as privacy, secure tenure and more space which could conceivably be achieved through a variety of tenure types. Second, it is doubtful that this represents the most efficacious solution to provision of housing, for both the household and the state. Many urban households transfer a significant portion of income to rural areas and are unable to meet the service and upgrading charges that ownership can bring. They are also, as is discussed in Section 9.4, unable, or unmotivated, to leverage the supposed benefit from the "housing asset". Poor households also attached meaning to houses that sometimes do not gel with housing policy. For example, as discussed in Section 9.4, there has been a push towards seeing housing as a financial asset which can be sold, but most poor households view housing as a social asset, to be retained and passed onto children.

7.3.1 RDP Housing

As noted above "RDP houses" – originally associated with Reconstruction and Development Programme (RDP) – has become the moniker given to all government provided houses, which has been effective at targeting the poor. Interestingly it has also disproportionately favoured female headed households in comparison to their relative weight in the population overall. Unfortunately, as noted already, these have not been received without some discontent, particularly regarding quality and location.

Table 4: Head of Household for Ownership of Government Subsidised Houses Compared with Share of Population

	% Population	% RDP
RDP Houses		15%
Male Headed Household	59%	53%
Female Headed Household	41%	47%
African/Black	80%	90%
Coloured	7%	9%
Indian/Asian	2%	1%
White	11%	1%
15-29	28%	12%
30-44	22%	37%
45-64	15%	39%
65+ %	5%	8%

7.3.2 Informal Settlements and Squatting

As has been noted informal settlements can be highly functional to their residents, providing potentially better-located and cheap (or free) accommodation within well-functioning communities. Unlike in some of the notorious *favelas* of Rio de Janeiro, which are ruled by drug-dealing gangs, South African informal settlements tend to be organised by "voluntary, largely non-party political civil society organisations that seek to make a positive contribution to urban development" although, of course "community leaders are corruptible and occasionally enrich themselves" (Huchzermeyer 2009). This functionality can be applicable to both formally established informal settlements and to those occupied illegally via "land invasions". In fact (as discussed again in Section 9.4) there is even a tendency for recipients of government-subsidised houses to revert to shack living for financial or locational reasons. Despite the recognition in policy since BNG (on paper at least) of the functionality of these settlements and the need for in situ upgrading, there is still a tendency for local governments to view this as a disruption to planned or orderly development.

Residents, particularly in well-located settlements with access to transport, schooling, job opportunities and commercial hubs, are very reluctant to accept relocation to far-flung greenfield developments or "relocation sites" far from these amenities. The preference for in-situ upgrading is clear, but there is also a need for residents to be given a choice as to the modality and sequencing of this upgrading (Del Mistro and A. Hensher 2009). There is also a need to evaluate the consequences of upgrading on the settlement as a whole, for example paying attention to the consequences for informal traders (Donaldson and Du Plessis 2013). The breakdown of shack households is given in Table 5.

Table 5: Head of Household in Shack Compared with Share of Population

	% Population	% Shack
Shack		9%
Male Headed Household	59%	67%
Female Headed Household	41%	33%
African/Black	80%	97%
Coloured	7%	3%
Indian/Asian	2%	0%
White	11%	0%
15-29	28%	19%
30-44	22%	49%
45-64	15%	28%
65+ %	5%	3%

7.3.3 Backyard Rentals

Backyard rentals (discussed in Section 0), most often in shacks within informal settlements, also provide much needed accommodation and are in high demand (Gardner 2010). Lemanski (2009, 476) notes that the "principal reasons identified [for backyard rental] are positive agency factors such as access to services, location and flexibility, and reduced threat of eviction, in addition to structural reasons related to the failures of the housing policy". Most backyard rental is done either out of a sense of social solidarity or as a survival mechanism enabling homeowners to meet daily needs and not premised on market relationship. In general these relationships tend to be relative, equal and mutually dependent between family members or cash strapped homeowners and paying tenants, indeed "in some cases the balance of (financial) power is held by the tenant, particularly in state-subsidised housing settlements" (Lemanski 2009, 480). Most tenants paint a picture of relatively harmonious, or neutrally indifferent relationships with conflict or a sense of exploitation the exception. Table 6 gives the breakdown of backyard shack households.

Table 6: Head of Household in Shack in Backyard Compared with Share of Population

	% Population	% Backyard Shack
Shack in backyard		5%
Male Headed Household	59%	73%
Female Headed Household	41%	27%
African/Black	80%	93%
Coloured	7%	7%
Indian/Asian	2%	0%
White	11%	0%
15-29	28%	32%
30-44	22%	47%
45-64	15%	19%
65+ %	5%	2%

7.4 Land

For low-income households land is not primarily an investment asset, rather it is "consumed" on the basis of the livelihood it facilitates, providing living/social space, access to infrastructure and depending on location, access to social and economic opportunities. This emphasis is at odds with the commodified view of land as an economic and financial asset (see Sections 5.12 and 9.3.8). Unfortunately, the regulatory systems governing land use are not geared towards this, as Kihato and Berrisford note:

> Acquiring urban land is deemed investment in an asset, which can be realised by sale of the land, or its use as collateral. Regulatory systems are intended to protect and enhance this investment, for instance zonings and other regulations that prevent uses of land that negatively affect property values. However, this rationale for asset acquisition may not be the most significant reason for the urban poor to acquire land. Instead the land is more important as a place that provides access to employment, income generation through home based industries and rental income or for purposes of building social networks. These uses of urban land pose important questions on the reasons for entry and involvement in the urban land market among the poor, and consequently whether the underlying regulatory systems are relevant and appropriate.

This has given rise to informal land and property markets for transaction and the "invasion" of unoccupied land, the latter sometimes giving rise to violent confrontations (see below).

7.5 Housing Consumption: Conclusion

This section has provided a brief overview of patterns of housing consumption and how various forms of low-cost housing are experienced by the occupants. In general there is a level of satisfaction amongst government-subsidised housing occupants. However, supply remains tightly constrained and allocation a messy process full of contestation. Further, there remain discrepancies between consumers' conception of land and houses – essentially as a social asset – and government policy, as explored more fully below.

8 Housing Finance

Housing finance is a sphere in which a number of facets of the housing SOP interact. The accessibility and affordability of housing plays a determining role in people's ability to consume housing which is crucially determined by bank lending practices and in turn by policy and financial market pressures. Aside from government subsidies, sources of finance include major and smaller banks, micro lenders, employer loans, savings and collective savings schemes. In this section a range of facets of housing financing are considered, in the next the issue of the impact of financialisation and market dynamics is considered.

8.1 Background and Overview

The formulation of new housing policy in the early 1990s was occurring against the backdrop of the near universal exit by the large banks from the low-cost housing market, which they had only first entered in the 1980s. Finally able to purchase houses, first-time homeowners found themselves unable to make their mortgage bond payments. This was a consequence of rising interest rates in the mid-1980s and a simultaneous downturn in the economy that left many unemployed. This was compounded by politically inspired bond and rates boycotts and fierce resistance to banks' attempts to repossess houses for which mortgage payments had lapsed. As non-performing loans (NPLs) rose the banks concluded that the commercial and political risks of lending to this market were just too high (Kajimo-Shakantu and Evans 2006, 27; Tomlinson 2007, 79; Moss 2008, 13).

Access to finance has remained a stubborn problem and not just in the sphere of housing. Despite this, access to financial services was dramatically improved especially since the signing of the Financial Sector Charter (FSC) in 2003. According to the 2012 FinScope survey current access can be summarised as:

> "67% of the South African adult population is banked, and 72% are financially included, using some financial product or service from the formal sector. Just over 19% of the population is financially excluded and does not use either formal or informal financial products. Interestingly, only 2% of adults rely exclusively on banking services; 40% use a combination of formal and informal mechanisms to manage their financial needs." (FinMark Trust 2013a, 153–154)

8.2 Legislative / Policy / Institutional Framework

Securing the extension of private sector credit was integral to the national policy that emerged from the NHF in the early 1990s. The provision of "starter houses" was agreed to on the understanding that low-income earners would be able to access credit in order to extend and improve these homes over time. Housing finance was to be provided by the financial sector in three forms (each with its own set of obstacles): development capital to small-scale developers which essentially acts as bridging finance; end-user credit; and institutional or wholesale finance to support end-user lending. The Housing White Paper placed emphasis on stabilising the housing market, creating an environment for private sector participation and accessing credit.

The first steps towards achieving this was the Record of Understanding (ROU) entered into between the Department of Housing and the Association of Mortgage Lenders (AML) in October 1994, later updated with the so-called New Deal signed by the Banking Council South Africa and Government in April 1998. The ROU increased pressure on the financial institutions to re-enter the low-income market using veiled threats of nationalisation, it also obliged government to intervene to stabilise the housing market and increase the availability of credit (Tomlinson 1997, 4; Rust 2002a, 10). Government did so by launching the Masakhane ("let's build together") campaign to persuade consumers to resume payments and reinstate "law and order"; by creating SERVCON to take over from lenders, NPLs and properties due to be repossessed and help mortgage owners in default to relocate to affordable homes; and by launching the Mortgage Indemnity Fund (MIF) to promote lending in underserved areas.

The MIF provided indemnity insurance for a limited period in certain areas if lenders were unable to repossess properties due to a breakdown in the due process of the law. It lasted until May 1998 and is credited with generating 144,000 new loans worth R10 billion with R4billion of this in the government-subsidised market (Rust 2002a, 25; Moss 2008, 12). The Home Loan Guarantee Company (HLGC) is a non-profit that guarantees end-user home loans in the lower end of the market, it services its obligations through premiums paid and has its own capital base for running costs (HLGC 2014).

Servcon, a 50-50 venture between the DoH and the Council of South African Banks, took on a loan book of 33,306 properties in possession of NPLs valued at approximately R1.3bn for a period of eight years between 1998 and 2006.[37] Servcon sought the "satisfactory disposal of" the properties mainly through settlement of debt, vacation of property, rescheduling loans, sales to ex-owners, rightsizing and evictions (PMG 2001). To assist in rightsizing (relocating households to appropriately affordable stock) the DoH and Servcon established Thubelisha Homes to procure or develop housing for rightsizing. Relocation assistance equivalent to the capital subsidy was available to each household. If the loan was "normalised" it was passed back to the bank. In 2006, the Banking Association South Africa's stake in Servcon was bought out by government and the company was wound down in 2009/10 after all its properties were disposed of.

The decision in 1996 to establish the National Housing Finance Corporation (NHFC) and not a State Retail Housing Bank is revealing of the bias towards private sector provision as well as a consequence of the poor performance and financial loss of the previous South African Housing Trust that acted as both a developer and provider of end-user finance pre-1994. In 1999 the NHFC set up Gateway Home Loans which purchased loans from banks and other originators; in 2001 Gateway was closed and the products offered, brought back within the NHFC (discussed further in Section 9.3.4) (Rust 2002b).[38]

The concept of public sector partnership was and remains central to Government's approach to mobilising finance. This partnership was envisaged to work along similar lines as the general approach outlined in the White Paper with government

[37] A survey of Servcon loans in Gauteng showed that 80% of respondents felt it was necessary to continue to repay the loan but that socio-economic factors such as unemployment were a major impediment (Perlser and Botes 2003).

[38] Other institutions include: The Housing Institutions Development Fund (NIDF) to provide group loans to housing associations and the Niche Small Market Lenders (NSML) to provide small loans for urban housing, secured through the clients' retirement funds, were also established (Huchzermeyer 2001, 314) but there is a paucity of information available on these initiatives and it is unclear whether they still operate.

acting as a "facilitator" and the private sector as the delivery vehicle. The perception was that this would allow access to finance and enable the effective functioning of the housing market. However, the different partners have continually accused the other of failing to "come to the party" (Rust 2002a). The acrimony that followed the failure of the ROU is one such example where government accused financial institutions of failing to be proactive about affordable lending and meeting their target of 150,000 new loans agreed to and redlining without cause. The banks in turn expressed "frustration over the government's failure to 'normalize' the lending environment by properly enforcing the rule of law and order, addressing poverty and unemployment, and promoting the development of infrastructure" (Freeman 2008, 701). A "chicken-and-egg" situation emerged where "government expect[ed] the market to be stabilised by means of increased lending [and] the banks believe[d] they [could] only increase their lending once the market [was] stabilised" (Rust 2002a, 21).

In response government began rolling out a package of legislation beginning with the Equality and Prevention of Unfair Discrimination Act, 2000 and followed by the Home Loan and Mortgage Disclosure Act, 2000 (Act 63 of 2000) (Tomlinson 2005; Tomlinson 2007). The Equality Act makes it an offence to discriminate in lending on the basis of race or gender, while the Disclosure Act "requires financial institutions to disclose information, and identify discriminatory lending practices" towards "promoting equity and fairness in lending" (Moss 2008, 19). Regulations to make the act operable were only released in July 2007 and to date there remain severe deficits in both capturing and disclosing the requisite information (PMG 2014). This Act was followed by the release in 2002 of a draft Community Reinvestment Bill (CRA). The Bill sought to broaden access to banking services by reducing potential discrimination in application procedures including in acceptance or denial of the loan, determining the terms of the loan and loan administration. The most contentious aspect of the proposed law was mechanisms through which to compel (or "encourage") banks to "meet or exceed targets and standards prescribed by the Minister for lending to households with low- and medium-income levels" (Freeman 2008, 701–702).

The CRA was jettisoned after the Financial Services Charter (FSC) was adopted (the demise of the CRA is discussed in Section 9.3.1). The FSC is a negotiated voluntary agreement between Government and the banking sector pertaining to a range of issues around access to financial services. The ensuing memorandum of understanding (MoU) between the CEOs of the largest four retail banks and the Minister of Housing set a target of R42billion to be lent, for housing purposes, to low-income households with income of between R1,500 and R7,500 (with inflationary increases to the upper threshold); in 2004 somewhere in the region of one third of households fell into this income band and less than 4% had mortgages (Melzer 2005). Government agreed to support the development of securitisation, provide loss limit insurance to cover some abnormal "political" risk still associated with this market and develop a fixed interest loan in order reduce volatility that had previously pushed low-income households into default (Tomlinson 2005).

The first phase of the FSC ran from 2004 until 2008. During this period there was a general perception that banks had failed to be innovative and honour their commitments. As one member of the drafting team noted: "The Financial Sector Charter lacks legislative teeth, if the banks fail to meet their targets there is nothing the government can do" (cited in Moss 2008, 56). An assessment of FSC targets is given below.[39] Between 2009 and 2011 focus shifted to what has been dubbed the "affordable" market, defining this now to be households earning less than R15,000

[39] A deeper tension lurks within the FSC. On the one hand it is framed around strong delivery orientated targets and time frames, on the other hand it aims to transform the entire sector over a much longer period of time. Moreover, the charter includes crosscutting sets of responsibilities that require the banks to operate individually and collectively and alone or in tandem with government (Tomlinson 2005).

(also adjusted upwards by inflation so that it now includes all those earning below R18,000). This change has been billed as an attempt to address what has been described as the "credit gap", those that neither qualify for housing subsidies nor for mortgage credit. The dynamics of this "gap market" is discussed below. In November 2012 the Department of Trade and Industry gazetted the second phase of the FSC to span January 2012 to December 2017. This phase does not have specific housing financing targets but it is assumed that this will make up a sizable share of funds committed (FinMark Trust 2013a, 154).

In tandem with these developments was the promulgation of the National Credit Act (NCA) already discussed above. The NCA is broadly supported by the main credit providers but has not succeeded in spurring expanded access for low-income earners and has had a number of unintended consequences. In the housing market:

> "Mortgage lending has become less attractive to credit providers due to a combination of market factors [the financial crisis and effects] in terms of supply and demand, property prices as well as the cost of funding and acquisition (including bond origination costs) in combination with a changed risk profile attributed largely by the providers, to the length and uncertainty around outcome of the debt counselling process, resulting in changed consumer behaviour around default on their home loans. This has led to a bias towards unsecured lending rather than providing increases on mortgages, specifically within the banking sector." (NCR and Devnomics 2012, 16)

The envisaged protection to be offered to consumers in the form of restrictions on "reckless lending" and the ability to write off bad debts that result as well as debt counselling and rescheduling, have not occurred at scale.

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A deeper, arguably more intractable, set of problems emerged that were not tackled by these legislative moves but continued to weigh on the housing market. These included: poverty, unemployment and the growing impact of the HIV/AIDS pandemic;[40] poor education and a lack of understanding of housing issues amongst borrowers; competing financial priorities; structural defects in government sponsored housing leading to non-payment; poor community leadership; and a further erosion of the rule of law including non-enforcement of contractual obligations (Rust 2002a, 22–23). Rust argues these perpetuate a downward spiral so that:

> houses are not adequately maintained; rates and services aren't paid, leading to local authorities being unable to maintain and improve public spaces; crime rates increase; and so on. As a result of the negative equity that accompanies such problems, institutional and individual investors alike abandon the neighbourhood, adding to the spiral of disinvestments, and further entrenching the factors creating the 'swamp'. This leaves owners with property that is worth much less than what they paid; as a result, there is currently no secondary market to speak of in the townships. (Rust 2002a, 23)

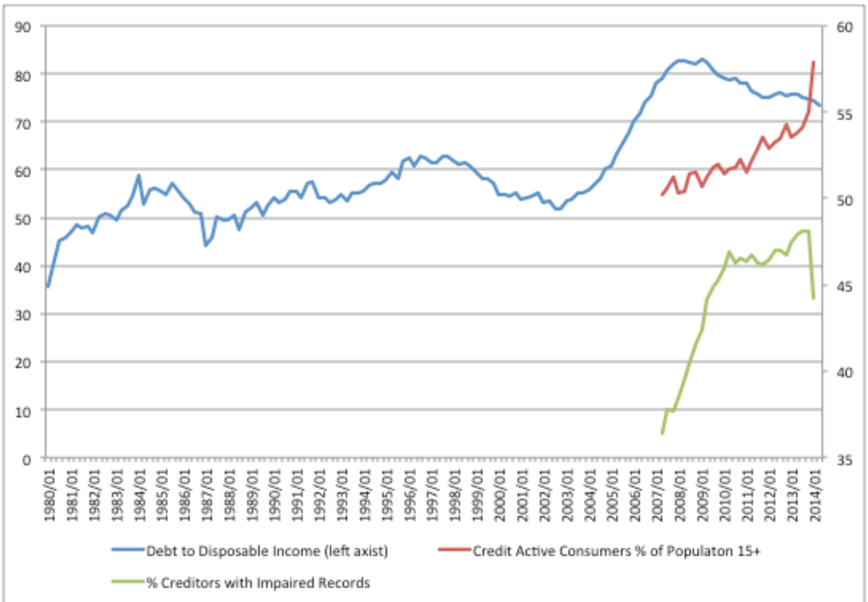
[40] Besides the devastating economic and social consequence that HIV/AIDS has had on households – particularly prior to the mass roll out of anti-retroviral medication from 2005 onwards – the disease has had a more indirect impact on access to housing finance products through the stipulation that banks require life assurance in conjunction with mortgage loans. HIV positive persons have more difficulty accessing this or are likely to pay a higher premium. Insufficient attention has been paid to this obstacle in the literature (Moss 2008, 5–6).

8.3 "Producers": Patterns of Lending/Availability of Finance

8.3.1 General Access to Credit

There has been an overall expansion in household debt over the last three decades. This is very pertinent, and is taken up in Sections 8.4.4 and 9.3.6, but does not necessarily say anything about access to credit: are more people accessing credit or the same people just accessing more credit? Supply-side data provided by registered credit providers in Figure 8 show the number of "credit active consumers" as a percentage of the total adult population (16 years and above); as of March 2014 this stands at 21.7million people which is 41% of the population or 57.9% of the population aged 15 and above.

Figure 8: Debt to Disposable Income, Credit Active Consumers and Creditors with Impaired Records (1980 – 2014)



(Source: NCR 2014; SARB 2014a)

Demand-side analysis (i.e. participant surveys) suggests that in 2012 only 35% of the population considered themselves to be active debtors. This is heavily skewed

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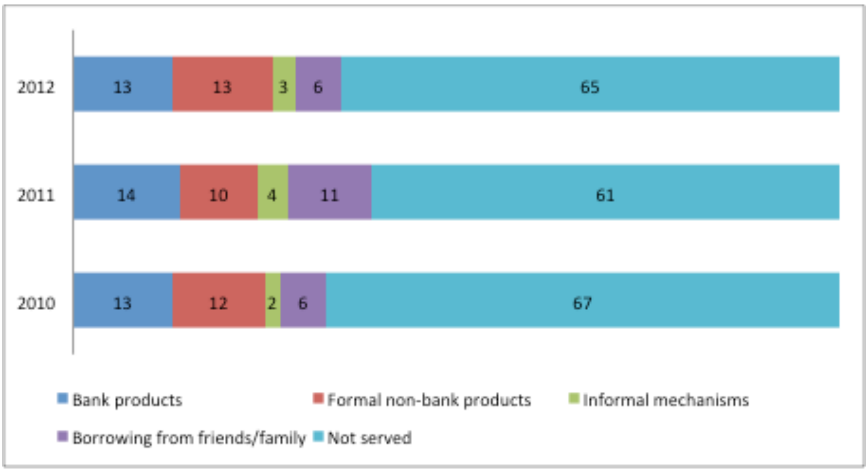
towards to higher concentrations of debtors in urban metros and between the ages of 30 and 59 (not shown here), as well as by income categories (see Table 7).

Figure 9: Type of Loan Accessed (2010, 2011, 2012)



(Source: NCR and FinMark Trust 2012, 38)

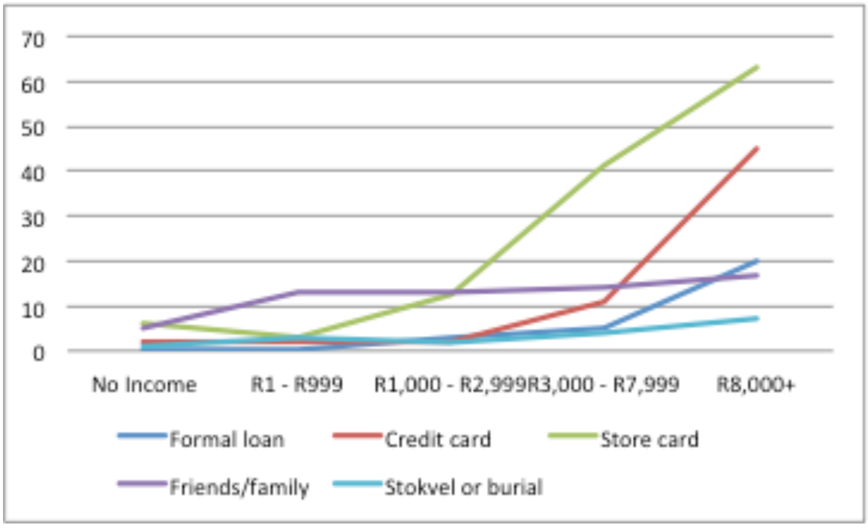
Table 7: Use of Credit by Income Band (2012)

	% of Population	Active credit consumers (%)	Formal credit/loan products (%)	Informal credit/loan products (%)
No Income	12	17	13	6
R1 - R999	21	24	10	15
R1,000 - R2,999	26	35	26	17
R3,000 - R7,999	10	65	59	22
R8,000 - R11,999	3	90	88	27
R12,000 - R24,999	4	93	93	23
R25,000 +	1	100	99	22
Refused/Uncertain/Don't knov	24	45	39	12

(Source: NCR and FinMark Trust 2012, 38)

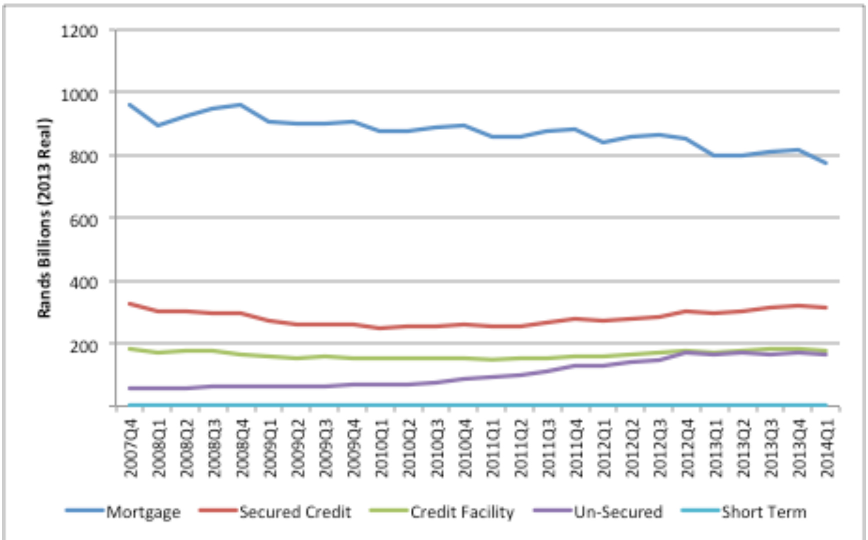
The increase in borrowing has been spurred by the ready availability of retail and credit cards (Figure 10) and a general strong growth in unsecured lending (see Figure 11). The majority of unsecured loans are for small amounts, short-term and given to lower-income households, particularly those earning between R3,500 and R15,000, the "affordable" housing market (Compliance & Risk Resources 2012, 50–52).

Figure 10: Product Uptake by Income (2012)



(Source: NCR and FinMark Trust 2012, 33)

Figure 11: Gross Debtor Book by Loan Types (2007 - 2014)



(Source: NCR 2014)

The lending environment has both long-term and cyclical trends. In 2009, in the wake of the financial crisis, there was increasing concern that access to finance was being severely constrained as banking and administrative fees increased and criteria become more stringent (Khaki 2009, 55). More recently, from 2012 onwards, the rate of rejection of credit applications within the formal sector has increased dramatically.

8.3.2 The Housing Credit Market: Overview

The housing credit market can be roughly divided into various segments all of which have particular products and agents associated with them. A breakdown of the country's financial institutions was already provided in Section 6.3.3. Table 8 provides further information on the various financing products.

Table 8: Types of Loans

Loan Type	Provided By and Used For	Loan size and subsidy eligibility	Requirements and Terms
Conventional mortgage loan	- Major banks - Purchase of formal houses	- More than R500,000 - Not eligible for subsidy	- Income > R15,000 - 20% down payment (80% LTV) or employer guaranteed - Self amortisation over 20-30 years - Mainly variable interest rates - Foreclosure on default
Affordable loan	- Major banks or alternative lenders - Bridge gaps between earnings, deposit and monthly repayments	- Up to R500,000 - Could qualify for government subsidy (depending on income)	- Income R3,500 – R18,000 (usually > R8,000) - Pledged against pension or provident fund - Employer guarantee - 20 year term - Up to 35% household payment-income ration - Foreclosure on default
Non-mortgage loans	- Small banks and micro lenders - Incremental house building	- Up to R50,000 - Could qualify for government subsidy (depending on income)	- Generally low-income earners in formal employment - Pledged against pension, provident fund or payroll deductible - 2-5 years term - Risk based pricing +-13% above traditional rate - Provident fund taken on default
Individual unsecured loans for the informally employed	- Alternative and micro lenders - Build own house	- Usually very small, up to R10,000 - Could qualify for	- Low income earners - Very short term - Risk based pricing up to +-40% above traditional rate

		government subsidy	- Defaulter denied further loan
Unsecured micro loans and grants for informally employed from NGOs	- Usually grant or soft loan from charitable organisation to vulnerable people - May be group loan	- Amount varies by circumstance - Could qualify for government subsidy	- Must qualify according to donor policy - Must show enthusiasm for the programme - Small interest rate may apply - Defaulter denied further loan

(Adapted from Karley 2003)

8.3.3 The Big Banks and Mortgage Lending

Mortgages are the mainstay of housing finance and are almost exclusively the preserve of the big four banks. By February 2013 of the 32 registered banks 18 have mortgage portfolios, with the big four banks accounting for 92% of the mortgage loan book (see Table 9). Until recently Absa led the market but Standard Bank has considerably expanded its lending in recent years. Overall mortgage lending (in real terms) has decreased since 2007 with the gross mortgage debtor book declining from R961bn in the fourth quarter of 2007 to R775bn in the first quarter of 2014. As visible in Figure 12 mortgages remain skewed in favour of the wealthy despite various attempts to alter this.

Table 9: Mortgage Market Shares (February 2013)

	Gross Mortgage Assets (R'mn)	Share of Market
The Big Four Banks		
Absa Bank Ltd	277,482,231	25.61%
FirstRand Bank Ltd	174,604,395	16.12%
Nedbank Ltd	221,696,956	20.46%
The Standard Bank of SA Ltd	321,934,935	29.71%
Smaller Banks		
GBS Mutual Bank	500,545	0.05%
Grindrod Bank Ltd	839,608	0.08%
Mercantile Bank Ltd	2,441,034	0.23%
The S A Bank of Athens Ltd	986,401	0.09%
VBS Mutual Bank	235,637	0.02%

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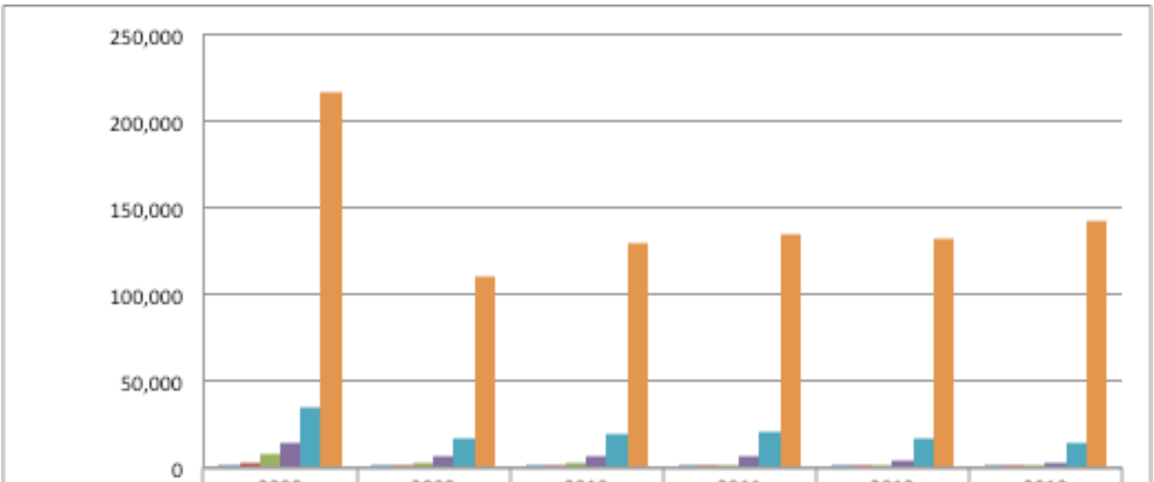
Large Corporations with Small Mortgage Portfolio		
Bidvest Bank Limited	127,085	0.01%
Investec Bank Ltd	79,613,224	7.35%
Islamic Banks		
Albaraka Bank Ltd	1,965,845	0.18%
HBZ Bank Ltd	227,170	0.02%
Foreign Bank Branches		
Bank of Baroda	92,628	0.01%
Bank of China Ltd - Jhb branch	7,975	0.00%
Bank of Taiwan - SA branch	533,742	0.05%
State Bank of India	20,076	0.00%
Standard Chartered Bank	139,744	0.01%
Total	1,083,449,231	

(Source: PwC 2013)

Figure 12: Number of Mortgages Granted by Income Category (2008 - 2013)



	2008	2009	2010	2011	2012	2013
R0-R3500	1,121	229	107	54	24	25
R3501-R5500	3,555	1,043	602	479	233	215
R5501-R7500	7,893	2,996	2,345	2,163	1,221	889
R7501-R10K	14,685	6,415	6,413	6,532	4,155	3,125
R10.1K-R15K	34,741	16,839	19,463	20,560	17,174	14,138
>R15K	216,980	110,618	129,377	134,313	132,798	142,897

(Source: NCR 2014)

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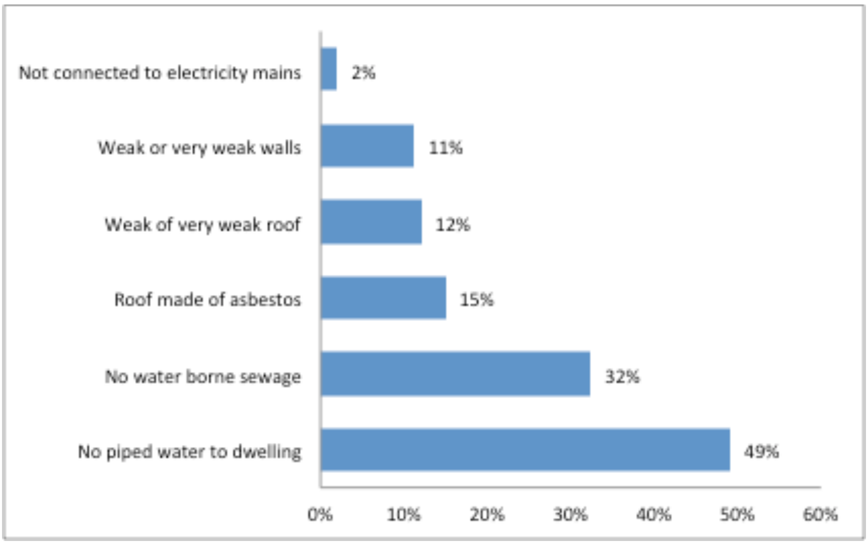
ROU, New Deal and Banks' Reluctance to Lend

The early agreements between government and the banks failed to open the tap to housing finance for low-income households. Between 1994 and 1997 only 14% of subsidised housing delivered were credit-linked (Khan and Thurman 2001, 12). A national study in 2000 commissioned by the NHFC and focused on the R1,000 to R6,000 income range found that a third of this submarket applied for financing and that only 5% of the overall submarket was successful in obtaining finance (Moss 2001, 34).

From the banks' perspective reasons for this included: the perception that township markets had not been normalised; that end-users withheld bond payments because of shoddy workmanship; that there was little or no conventional collateral; that the poor quality of available stock disqualified them from having mortgages attached (Figure 13); that there was a paucity of institutional infrastructure to serve this market who often did not want long-term mortgage loans; and that such mortgages were complex and costly with small returns. Banks also argued that they were constrained by prudential regulation and their position as "private entities whose main objective is to maximise returns for shareholders" (Kajimo-Shakantu and Evans 2006, 31) (this is revisited in Section 9.3.7). Further, banks claim they are not unwilling to lend to low-income households but just have not yet found the right model (Kajimo-Shakantu and Evans 2006, 32–33); many analysts would contend that they have failed to innovate (Kajimo-Shakantu and Evans 2006; Tomlinson 2007) although in recent years this appears not to be the case.

Figure 13: Disqualifying Housing Characteristics (2013)



(Source: Stats SA 2013)

Interestingly, banking personnel have argued that government should play a more active role where particular ventures are not financially viable and/or that they could participate in providing finance to alternative intermediary financial institutions to service this market (Rust 2002a; Kajimo Shakantu and Evans 2006). Given this, with time, emphasis has shifted to promoting bank lending further up the income ladder.

FSC and Affordable Markets

Figure 14 is revealing of patterns of lending since the introduction of the FSC. We see also that the average rate of interest on these loans fluctuates in line with prime and that it spikes between 2007 and 2009, the period of the subprime meltdown in the United States and ensuing financial crisis. The upper threshold of what constitutes "affordable housing" rises, and the interest rate drops, when the income band of included households is significantly expanded. This picture is supplemented by Figure 15, which shows that during both periods loans were skewed towards the upper end of the eligible income bracket and that despite the lending taking place in the low-income and "affordable" markets, overall lending remained heavily skewed

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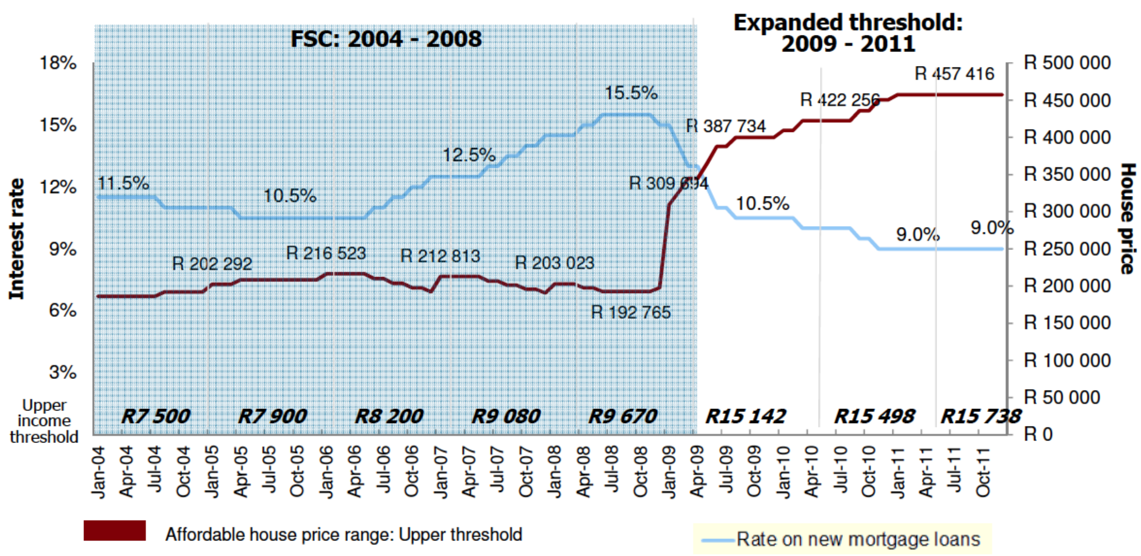
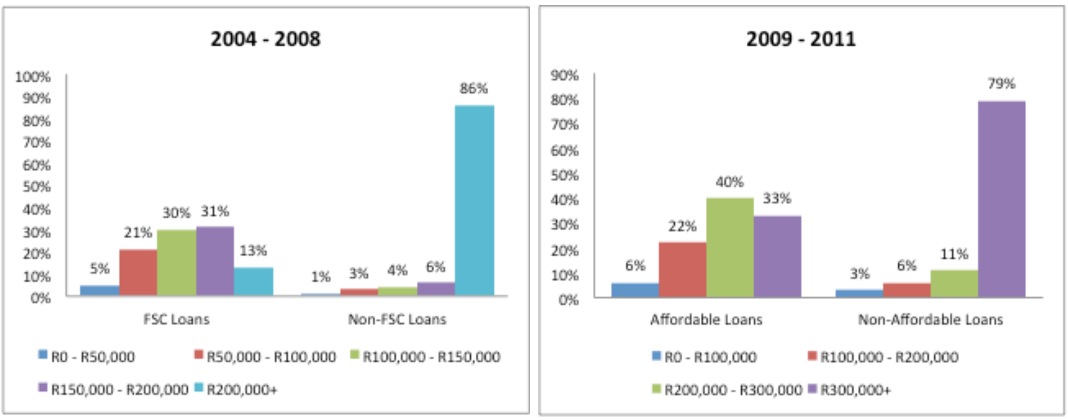
towards wealthy households despite these accounting for a small fraction of the population. Finally, Figure 16 shows that whilst the average rand value of the loans increased, the number of loans simultaneously decreased.

Figure 14: Maximum "Affordable" House Price and Dominant Rate on New Mortgages (2004 – 2011)



(Source: Eighty20 and FinMark Trust 2012, 5)

Figure 15: Number of Loans Granted by Size (2004 - 2008 and 2009 - 2011)



(Source: Eighty20 and FinMark Trust 2012, 8–9)

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Figure 16: Mortgages Granted to FSC / Affordable Market (2004 - 2011)

(Source: Eighty20 and FinMark Trust 2012, 7)

8.3.4 Microlending

Housing Microfinance (HMF) Products

There has long been a perception that mortgages are inappropriate for low-income households both from the perspective of the households (dealt with below) and the banks (dealt with here). It has been argued that "banks are not appropriately structured to deal with the low-income market ... [their] products (and how they are marketed), payout mechanisms, collection methods, and – critically – their pricing are inappropriate" (Rust 2002b, 13). In response to this a thriving microfinance sector has developed in South Africa. Microloans are provided by: the large banks; smaller banks, micro lenders and niche housing lenders; or NGOs and community organisations. This sector and the financial institutions that make it up were discussed in Section 6.3.3.

Micro-lending typically involves extending small loans to those excluded from or on the periphery of the formal banking sector. Housing-related microfinance (HMF) is used to purchase land, access services or improve existing services, construct either a complete dwelling or more often build incrementally, renovation and maintenance.

On average these loans are larger than general microloans but less than the smallest readily available mortgage finance products; sizes range from R800 to R10 000 with some loans extending as high as R50 000. The duration is usually 12 to 36 months although sometimes shorter-term general microloans are used to finance housing. Whereas traditional mortgage loans are generally priced at Prime +2, unsecured microloans are typically 40+ (Tomlinson 2007; Gardner 2008b). A summary of the various loan types is given in Table 10.

Products are also differentiated by disbursement methods, while some lenders offer loans for housing in the form of cash or direct transfer others pay over the money to a third party, such as a building supplier. This ensures that the loan is used for housing purposes which is important if the lender is funded by the NHFC or RHLF or if it is secured by pension or provident funds. Payment collection methods also vary and include payroll deductions, preferred and standard debit orders and direct cash collections. The first two structurally advantage larger banks or those with a relationship with them and sometimes restrict account holders' ability to "shop around" (Tomlinson 2002; Rust 2002b).

Unfortunately no composite statistics are kept relating to the scale of housing micro lending in South Africa. The MFRC, Africa Bank and a study by DIG estimated that 10.1%, 24% and 33% of microcredit respectively was used for housing.[41] However, it is even difficult to get figures on overall micro lending, these are available from 2003 to 2007 but not thereafter. Ahmed et al. estimate in more recent years by assuming that all lending to persons with an income below R10,000, is micro lending. Combining these approaches housing micro lending is charted below in Figure 17.

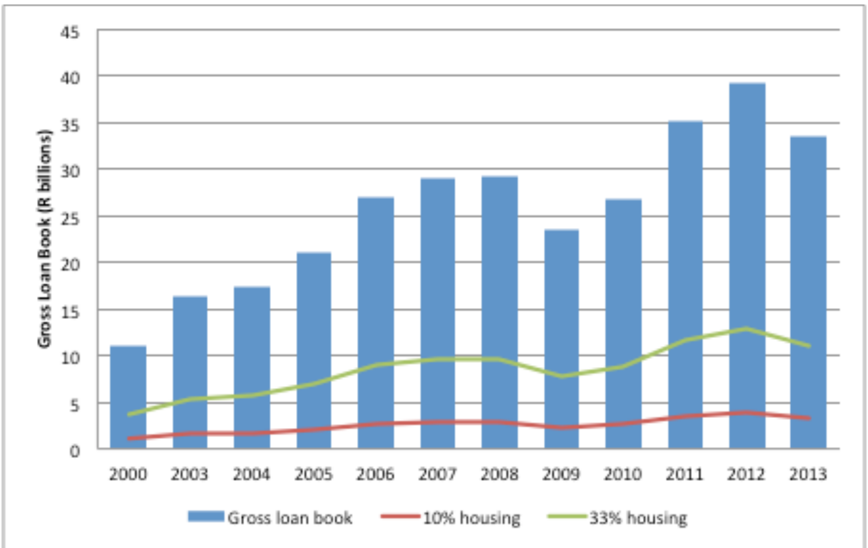
[41] An earlier 2003 study estimated this at 45% (see Kajimo Shakantu and Evans 2006, 28).

Table 10: Types of Micro-Finance Loans

TYPE	DESCRIPTION	EXAMPLES	SIZE	TERM	MAXIMUM INTEREST RATE (Repo Rate = 5.75% (August 2014)	MAXIUMUM INTIATION FEES
Secured Loans	Fully or partially secured by attached assets, e.g. accumulated pension / provident fund, title deeds, fixed or movable property or joint signatories	Pension and provident fund-backed housing loans (all major banks, many MFIs)	Unregulated: >R5 000	Unregulated: 1 to 30 years	Government by NCA: (Repo rate x 2.2) + 10% = 22.65% per annum	Government by NCA: R150 + 10% of amount greater than R1 000 Maximum of R1 000
Unsecured credit facilities	Most common form of microfinance. Unspecified use. Estimated that between 10% and 33% of all household microfinance is applied to housing-related purposes	Provided by almost all credit providers in one form of another, including banks, MFIs and community groups	Unregulated: Unlikely to exceed R15 000, average amount was x in 2013	Unregulated: 7 to 60 months	Government by NCA: (Repo rate x 2.2) + 20% = 32.65% per annum General provided at ... effective interest (incl. fees & charges) up to ...	Government by NCA: R150 + 10% of amount greater than R1 000 Maximum of R1 000
Housing-specific developmental credit - low-income housing loans - SME loans	Use is limited to housing purpose. Majority applied to housing, small leakage into other categories	Housing-focused MFIs (e.g. Lendcor) and housing-specific MFIs (e.g. Blue Dot Housing)	Unregulated: Average of R7 000 to R12 000. Unlikely to exceed R30 000	Unregulated: 7 to 60 months	Government by NCA: (Repo rate x 2.2) + 20% = 32.65% per annum	Government by NCA: R500 (housing) / R250 (SME) +10% of amount greater than R1 000 Maximum of R2 500
Savings-backed housing microloans	As above, except loan is preceded by a specified savings period to demonstrate ability to repay. Savings are held as collateral. Close to 100% used for housing	Kuyasa Fund savings-backed housing microloan, requiring a 3 to	Unregulated: Unlikely to exceed R15 000	Unregulated: 7 to 60 months	Government by NCA: (Repo rate x 2.2) + 20% = 32.65% per annum (unsecured) (Repo rate x 2.2) + 10%	Government by NCA: R500 +10% of amount greater than R1 000 Maximum of R2 500

	purposes	6 month saving period			= 22.65% per annum (secured)	
Short-term loans	Loans of up to 6 months in duration. Unspecified use. Low proportion (2%) used for housing.	Small cash loans from banks and MFIs	Regulated by NCA: <R8000	Regulated by NCA: < 6 months	Government by NCA: (Repo rate x 2.2) + 10% = 22.65% per annum (secured)	Government by NCA: R150 + 10% of amount greater than R1 000 Maximum of R1 000
Credit facilities / cards	Credit cards, store cards with predetermined credit limits on revolving credit basis. Between 10% and 33% applied to housing.	Credit cards, store cards	Unregulated: No limit	Unregulated: < 12 months	Government by NCA: (Repo rate x 2.2) + 10% = 22.65% per annum (secured)	Government by NCA: R150 + 10% of amount greater than R1 000 Maximum of R1 000
Debit cards	Mechanism for accessing capital in banks account such as balance of approved loan or salary. Relies on positive balance in account	Lendcor Maestro debit card	N/A	Variable	Depends on underlying credit or overdraft agreement (if any)	Depends on underlying credit or overdraft agreement (if any)
Informal loans	Loans from family and friends, informal lenders and employers. Low proportion (2%) used for housing.	Various consumption loans	Unregulated: < R2 000	Unregulated: 30 – 90 days	Unregulated. Often interest-free from kin. Up to 50%-100% from money lenders	Unregulated. Generally included in interest rate.

Figure 17: Gross Microloan Loan Book (estimates) (2002 - 2013)



(Source: Estimated using NCR 2006; NCR 2007; Gardner 2008b; Calvin and Coetzee 2009; Ahmed et al. 2013; NCR 2014)

The above excludes informal lending which is very seldom used for acquiring or upgrading housing but which impacts on overall levels of indebtedness. One severe limitation to most micro lending is that it excludes the very poor because of the requirements such as formal employment, assets and methods of collection employed (Kajimo-Shakantu and Evans 2006, 31)

Micro-lenders

MFIs in general and housing microloan finance (HMF) providers face specific constraints. One constraint is the availability of wholesale finance to lenders, although this has improved since the mid-2000s. Very few housing-focused MFIs exist and those that do rely heavily on either the NHFC or RHLF for wholesale finance. A number HMF providers have moved towards diversifying their lending and becoming general MFIs. Gardner notes that this is a response to "changes in the operational environment in which commercial imperatives are of paramount importance. Mergers, buy-outs and loan book consolidations have had a lot to do with this. Also, a housing policy environment that overtly and covertly constrains the potential of HMF has constrained the growth of housing - specific lending methodologies." (Gardner 2008b, 19)

Even much of the formal microfinance excludes the poor through requirements such as formal employment, assets and methods of collection employed.

The Big Banks and Microloans

The big banks also have a stake in the microloan sector and (as outlined in Section 6.3.3) a variety of avenues of competition and cooperation exist between big and small lenders. The major banks manage to capture the most credit worthy clients at the higher end of the target market and have greater access to capital. They also have significant stakes in smaller banks and microlenders.

Over the last decade the major banks have made efforts to reach down the market, these include: offering low-cost or pay-to-use bank accounts; making accounts easy to open and to access including partnering with retailers to provide in-store banking services; and prolific use of technology, in particular cell phones and smart devices. Regarding lending, FNB offered microloans from as early as 1999 for salaried individuals followed by Absa in 2006 (Calvin and Coetzee 2009, 35) who is the undisputed leader. The personal microloans, offered by all four banks, range up to R150,000 some of which is presumably spent on housing (see Ahmed et al. 2013 for details).

None of the major banks offers specific micro housing loans choosing to follow a traditional mortgage model and focus on the affordable market; Absa's MyHome home loan is available to those earning below R18,600 and FNB's Smart Bond to those earning between R3,500 and R25,000. Standard Bank and Nedbank focus further down with Standard's Dream Start target at those earning less, between R1,500 and R6,000.

Kuyasa

Kuyasa, the community orientated microlender already discussed in Section 6.3.4, has achieved success in lending further down the market. Currently on offer are loans of between R1,000 and R30,000 with an interest rate of 2.6% per month and a loan term of 6 to 24 months. No collateral is required although eligibility is determined by previous savings behaviour. To date the Kuyasa website offers the following statistics.[42]

Table 11: Kuyasa Portfolio Details

Client Profiles	
Informally employed or pensioners	84%
Earning between R0 and R1,500	38%
Earning below R3,500 per month	42%
Average family size	5
Average house size	60m2

Impact Stats	
Total Value of Loans Disbursed	R196,643,107
Total Number of Loans Issued	31,094
Total Number of Clients	15,106
Average Loan Amount	5,500
Percentage of Female Clients	73%

(Source: Kuyasa 2014)

[42] In 2010 Kuyasa launched a small business loan which means that not all the figures here relate to housing. More detailed information was unavailable.

8.3.5 Unsecured Lending

Not all microlending is unsecured but it is worth saying something specific on unsecured lending as this has grown considerably in South African in recent years. Unsecured loans in excess of R150,000 and repayable over as many as 7 years are now available. Medium-sized banks Capitec and African Bank indicated that "the increase in amounts and terms are a direct result of the lack of interest [on the part of the larger mortgage lenders] in providing home loans to the market". The National Credit Authority commissioned report goes on to acknowledge that while "the purpose of this lending is not recorded, indications are that the main uses are either consolidation of other debt, deposits as required in terms of a home loan application and for incremental housing or renovations" (NCR and Devnomics 2012, 58).

There is some dispute as to which income bracket is receiving the majority of such unsecured lending. NCR data (Table 12) shows a shift away from low-income customers up the income ladder. However, other studies using LSM deciles does not show this (NCR and Devnomics 2012, 59). Such a shift could make sense in light of greater reluctance in recent years by the large banks to extend mortgage loans.

Table 12: Unsecuded Lending by Income Bracket (NCR Data)

	Share of Credit Granted in Rand		Share of Loans Granted	
Income Category	2007Q4	2013Q4	2007Q4	2013Q4
R0-R3500	33%	7%	48%	15%
R3501-R5500	14%	6%	17%	10%
R5501-R7500	11%	9%	10%	10%
R7501-R10K	11%	12%	9%	13%
R10.1K-R15K	13%	19%	9%	19%
>R15K	18%	47%	8%	33%

(Source: NCR 2014)

8.3.6 Non-bank Mortgage Originators

Independent bond originators only emerged in South African in 1999 and have grown enormously (although slowly at first) so that by 2007 60% of all new home loans were secured through mortgage originators (Home Loans South Africa 2014). These originators act as brokers and generally handle the legwork on behalf of buyers, comparing rates available from different banks, collating the supporting documentation, performing credit vetting and preparation and capturing the application online into the lenders' systems (Gyamfi-Yeboah and Ziobrowski 2010; Home Loans South Africa 2014).

In these cases it is still the banks providing the housing finance. However, a small group of non-bank mortgage lenders has also arisen. The most prominent of these is South African Home Loans (SAHL) who pioneered securitisation in South Africa (see Section 9.3.4). According to Gyamfi-Yeboah and Ziobrowski (2010, 341) the "most distinguishing feature of the mortgage product offered by the non-bank originators is that, unlike the traditional banks who tie their mortgage rates to the prime rate, most of the non-bank institutions index their loans to the Johannesburg Inter-Bank Agreed Rates (JIBAR)".

8.3.7 Upper End

As is indicated in Figure 12 and Figure 15 above the majority of lending is directed towards mortgage lending at the upper end of the market. This segment of the market has ready access to housing finance within a fairly typical housing market (discussed below). Beside the absence of securitisation until recently, the only distinguishing feature of South African mortgages at the upper-end is the sizable share of those with "flexible mortgages" which include a "redraw" facility through which mortgages holders can draw funds out of their mortgages without needing to refinance their home. Such products only exist in a few other markets such as the UK, Spain and Australia. South Africans also appear to use this facility in a different way to their international counterparts, withdrawing funds to finance short-term debt and also paying in surplus cash to reduce the mortgage balance level below that associated with a normal amortising mortgage loan (Fitch 2003).

8.3.8 Conclusions

The review of patterns of lending illustrates that for low and lower-middle income households credit is, from the side of housing credit providers, severely restricted and actively rationed by the big banks. There exists therefore a mismatch between demand requirements of poor households and supply by the financial sector.

8.4 "Consumers": Access and Affordability

On the other "end" of the System of Provision is the consumer who may or may not attempt to access the housing finance that is available. Various "gaps" have emerged with both the very poor ineligible and the qualifying market grossly underserved. Borrower characteristics are one set of barriers to borrowing that is often cited and includes ability to pay (affordability), the lack of collateral and attitudes and behaviour towards credit (Moss 2008, 48). Another is bank credit rationing discussed above. A further problem is shortage of suitable supply.

8.4.1 Perceptions of Housing Finance

Three key issues stand out with regards to how lower-income households perceive housing borrowing.

First, there has been long-term distrust by the poor of the conventional banking system (Huchzermeyer 2001, 313). This said, microlenders are also not viewed as ideal suppliers of credit; in a 2004 study 47% respondents listed conventional banks as ideal leaders, with 4%, 4% and 1% listing microlenders, cash loans and retailers, and a full 48% responding "none or don't know" (Rust 2005, 10). Second, there is widespread agreement that most low-income households don't want access to traditional mortgage loans. They see interest charges and the length of loans as prohibitive and exposing households to the risk of repossession should they default on payments (Kajimo-Shakantu and Evans 2006, 28). Instead most households who can afford credit take an incremental approach to housing development using multiple smaller loans over a period of time. Third, poor households often perceive the availability of housing credit to be even lower than it is.

8.4.2 The Cost of Borrowing

The average cost of housing borrowing is presented in Table 13; APR is a measure that includes the cost of fees and is shown with and without the mandatory insurance (for mortgages). As is noticeable smaller mortgage loans are more expensive than larger ones, especially once insurance cover is added, although the difference is not huge. Microloans are more expensive than traditional mortgages with unsecured and development loans averaging above secured and short-term loans and retail credit. Lower-income borrowers clearly face higher borrowing costs.

Table 13: Interest Charges on Various Loan Types

Loan Types	Cap Formula	Cap	APR (with credit life)	APR (without credit life)
Mortgage loans, various sizes (2010)				
R 280,000	Repo x 2.2 + 5%	17.1%	9.6%	9.0%
R 650,000	Repo x 2.2 + 5%	17.1%	9.3%	8.7%
R 1,300,000	Repo x 2.2 + 5%	17.1%	8.9%	8.7%
R 4,000,000	Repo x 2.2 + 5%	17.1%	8.8%	8.7%
Secured microloan	Repo x 2.2 + 10%	22.1%		
Unsecured microloan	Repo x 2.2 + 20%	32.1%		
Housing specific development microloan	Repo x 2.2 + 20%	32.1%		
Savings-backed housing microloan (secured)	Repo x 2.2 + 10%	22.1%		
Savings-backed housing microloan (unsecured)	Repo x 2.2 + 20%	32.1%		
Short-term microloans	Repo x 2.2 + 10%	22.1%		
Credit facilities / cards	Repo x 2.2 + 10%	22.1%		

(Gardner 2008b; NCR and Devnomics 2012)

8.4.3 Affordability

The question of affordability is critical. Housing prices have long excluded poor and low-income households from homeownership. In 1989 the cheapest houses on which bonds were granted were around R43,000; only the top 10% of urban black families could afford them (Tomlinson 1997, 5). This has remained a stubborn problem.

Approached on a narrow basis the consensus is that it is affordable to spend up to 25% of monthly household income on servicing a housing loan. According to this criteria all households earning some income should be able to afford a loan of some size (see Moss 2001, 32, 34; Gardner 2008b, 38 for a specification of income brackets and loan amounts theoretically affordable). Considered more broadly it becomes clear that affordability is not only a question of income, rather the economic context of poverty, unemployment and financial priorities become important as does the social cost, for example the impact of HIV/AIDS and large numbers of dependants and other financial responsibilities. Despite earning sufficient income to qualify for a form of housing finance, research shows that a significant proportion of households cannot meet their family's basic requirements for food, water and fuel (Rust 2005; Melzer 2005). For instance, according to the 2013 GHS, 23% of households reported running out of money to buy food sometime in the previous year (see also NCR and FinMark Trust 2012, 13).

Interest rate fluctuations also play an important part in shaping affordability over time; this includes the ability to take out loans and to continue to service them. The interest rate premium charged on loans to the FSC and affordable markets (between 2% and 4% above prime) is an additional obstacle. Lenders argue this is necessary to cover administrative costs and the increased risk of lending to this market. However, as discussed, the performance of loans in this market segment is very close to that of the so-called normal market. This premium – a purported risk management strategy – may actually increase the risk of default (FinMark Trust 2013a, 155).

Paying off a housing loan is also not the only new cost incurred by owning a house. Formal housing includes service fees such as electricity and water as well as rates and taxes. This is one reason cited why many households choose to rent out (or sell) their state subsidised home and continue to live in informal housing. Often households simply cannot afford the houses that are available in the market. Table 14 gives the average income and corresponding house price that would be affordable using average underwriting terms[43] and compares this with the average house sales price; the housing gap is clear.

[43] The sales price affordable to the average monthly income, calculated using average underwriting terms (5% deposit, 11% at 20 years) using 25% of average monthly income.

Table 14: Affordability Ratio, Ten Major Metros (2012)

Municipality	Average Monthly Income	Target Affordable House Price	Avg Sales Price	Housing Gap	Affordability Ratio
Buffalo City	R 8,714	R 222,174	R 744,750	R 522,575	3.4
City of Cape Town	R 13,164	R 335,628	R 1,046,333	R 710,705	3.1
City of Johannesburg	R 14,777	R 376,754	R 1,017,327	R 640,573	2.7
City of Tshwane	R 15,566	R 396,853	R 687,623	R 290,770	1.7
Ekurhuleni	R 10,694	R 272,638	R 726,681	R 454,043	2.7
Ethekwini	R 9,759	R 248,805	R 916,451	R 667,646	3.7
Mangaung	R 8,368	R 213,336	R 783,584	R 570,248	3.7
Msunduzi	R 9,582	R 244,287	R 684,673	R 440,386	2.8
Nelson Mandela Bay	R 8,482	R 216,239	R 577,616	R 361,377	2.7

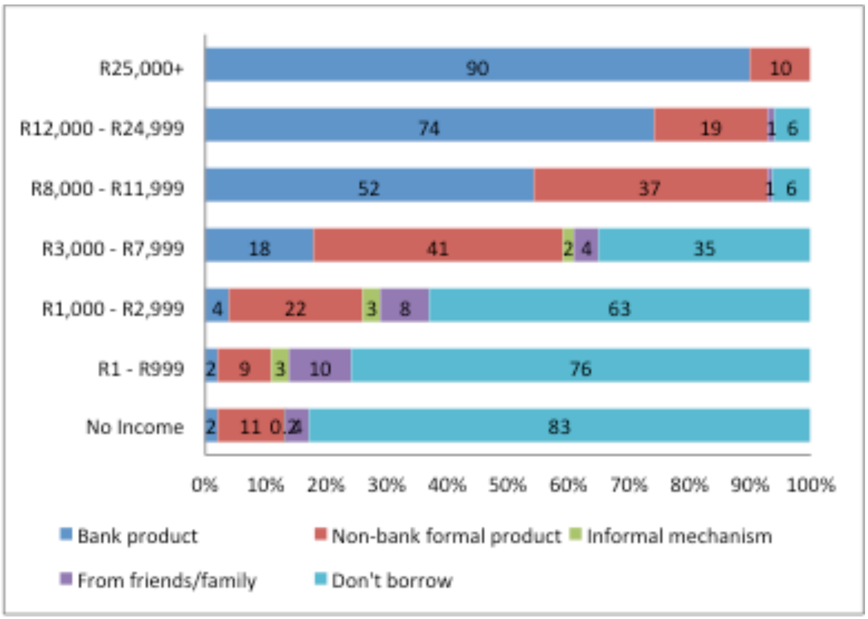
(Source: CityMark 2014)

For all these reasons the moniker of "affordable housing" is misleading. Affordability is ultimately not a characteristic of housing but a constraint placed on households and many households that purportedly fall within the "affordable housing market," still cannot afford the houses on offer (Khaki 2009).

8.4.4 Indebtedness

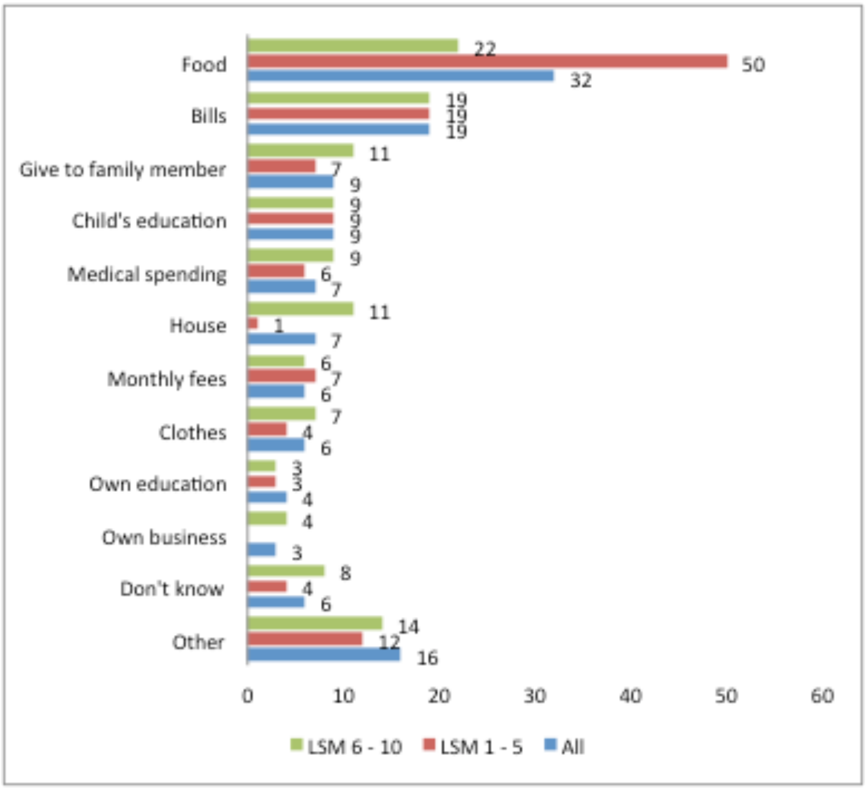
High levels of indebtedness are a critical constraint on both accessing and repaying housing finance particularly amongst the "affordable market". As show in Figure 8 (debt to income ratio) the level of debt has been steadily rising since the 1980s and has precipitously risen from 2003 onwards. The recent downward trend has been attributed to rising incomes which have not been fully leveraged into increased levels of debt and to comparatively lower interest rates (Compliance & Risk Resources 2012, 30). The composition of debt varies considerably according to income bracket, a snapshot of this is given for 2012 in Figure 18. In addition (as shown in Figure 19), borrowing by low-income households is skewed towards basic necessities with little going towards housing.

Figure 18: Type of Borrowing by Income Bracket (2012)



(Source: NCR and FinMark Trust 2012, 36)

Figure 19: Use of Borrowing by Living Standards Measure (LSM) (2012)



(Source: NCR and FinMark Trust 2012, 41)

The level of credit impairment has risen considerably in recent years as seen in Figure 8. Consumers with impaired records (as captured by the credit bureaux) are unable to engage in future borrowing or open certain types of accounts (for example, long-term cell phone contracts). Government appears to be concerned by this. One measure that has been taken is two rounds of credit amnesties – in 2007 and 2013 – in order to clear the records of particular customers (for details see Ahmed et al. 2013, 35–36). Government is also considering imposing further measures to protect borrowers, including limiting the use of payroll deductions. In this context, Rust asks whether it is important to consider not only access to finance but also the question of "what is responsible lending?" (Rust 2008, 1)

Given this Melzer argues that in "an environment where housing markets do not function and housing assets cannot be readily leveraged or sold, increasing access to formal housing and housing finance can perversely increase the burden of poverty" (Melzer 2005, 16). Melzer's (2014) key contention is that without addressing broader economic factors of unemployment and poverty adequate housing provision is virtually impossible.

8.4.5 Mobilising Savings

Savings have proven to be an important component in accessing housing. A 2000 survey of households earning between R1,000 and R6,000 revealed that 66% had saved money specifically to buy a house with the average amount being R8,702 over an average period of 24 months (Moss 2001); a 2002/2003 survey amongst township residents placed this at 30% for all income groups (Melzer 2005, 25). This indicates that end-users may be able to save towards the requisite deposit but that the availability of low-cost housing stock and access to housing finance are key stumbling blocks.

In the first decade of housing policy, savings were inadequately mobilised (Khan and Thurman 2001, 11) but later housing strategy recognised the need to change this. The introduction of low cost Mzansi bank accounts assisted this. Amongst low-income households use of other formal savings products is low. Informal savings schemes such as stokvels and burial societies are relatively common. These are not necessarily leveraged for housing finance but illustrate a real capacity and desire to save and highlight a potential market for formal savings products (Melzer 2005, 26–28). The National Savings Scheme initiated by NURCHA confirmed this finding (Kajimo-Shakantu and Evans 2006, 33).

8.4.6 The Capital Subsidy, Finance Linked Individual Subsidy Programme and the Gap Market

Access to finance is not exclusively limited by borrower characteristics. As has already been pointed out banks are reluctant to lend for a range of reasons; the dynamics of financial markets also play a critical role (taken up in Section 9). The capital subsidy approach has also played its part. The inadequacy of the "starter house" has led both to banks' unwillingness to consider it sufficient collateral and default by borrowers due to dissatisfaction. This was compounded by meagre subsidy quantums, cost inflation and developer led building projects, as well as by the peripheral locations of settlements with few services which depressed housing values.

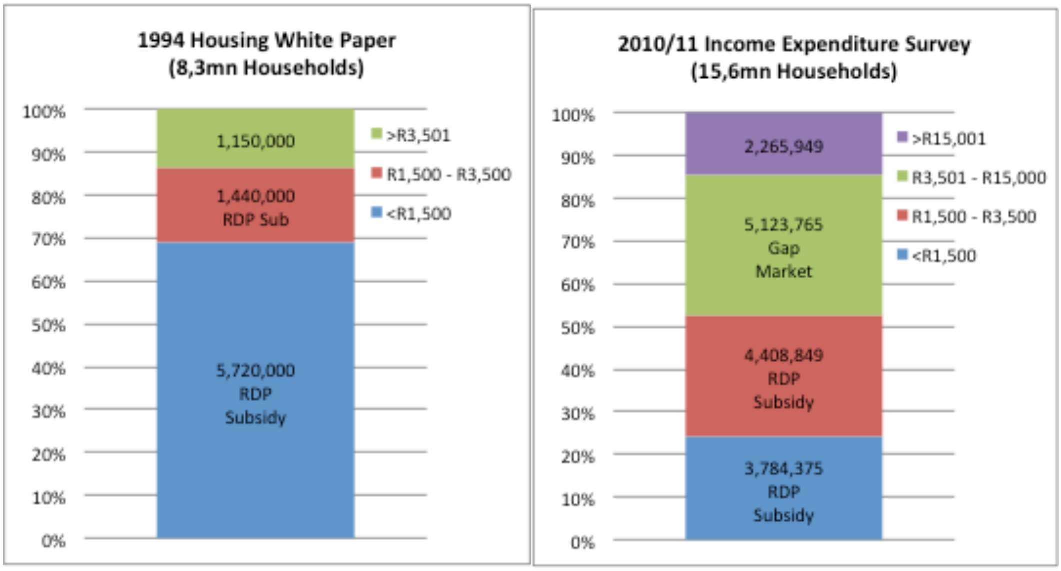
A further problem was a mismatch between the policy intention that subsidised starter houses would be complemented by credit and expected minimum deposits and monthly premiums; in essence households who could afford "top up" mortgage finance were ineligible for the subsidy in the first place. Of the 1.35 million subsidies provided by end of April 2001 less than 1% were linked to credit, although greater lending was occurring after the subsidy had been disbursed (Rust 2002a, 11).

Recently attempts have been made to revive this approach in the form of the Finance Linked Individual Subsidy Programme (FLISP) but with subsidy support for this "gap market".

FLISP, which was introduced in 2005 and originally targeted the R3,501 to R7,000 income band but was revised in 2012 to include those earning between R3,501 and R15,000 who do not qualify for traditional subsidies but have a difficulty accessing finance. The subsidy offers the beneficiary a once-off capital contribution of between R10,000 and R87,000 (depending on household income) towards the purchase of a new house costing less than R300,000 when the purchase is linked to mortgage finance. For those earning between R3,501 and R7,000 it guarantees them access to a serviced stand in a housing development if they cannot secure mortgage finance. The programme has been slow to get going and by May 2013 only 114 applicants had been approved. Its budget in 2013/14 financial year was R165million with an aim to benefit 3,250 applications. In an attempt to stimulate this market segment two other measures have been proposed (but not implemented): a tax incentive for developers supplying houses costing less than R300,000 and R1 billion in mortgage insurance to be administered by the NHFC.

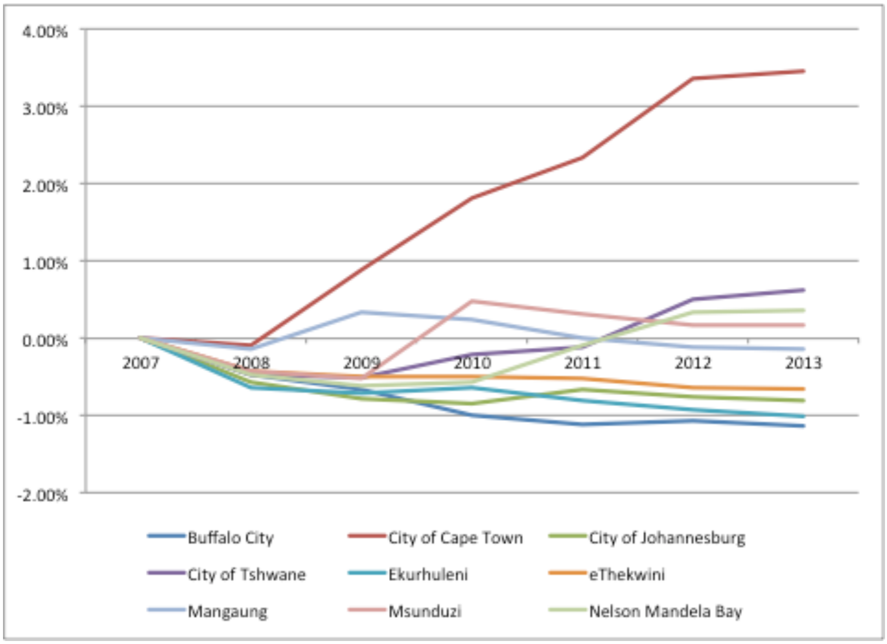
The growth of the gap market can be seen in Figure 20. As clear in Figure 21, the supply of houses in this market segment – with the partial exception of Cape Town metro – has been unable to keep pace with demand. The very upper end of this income band (household income of between R14,000 and R15,000) are estimated to be able to afford a house of R300,000; small houses of 40m^2 to 80m^2 sell for up to R545,000 and average at R368,300 as of the third quarter of financial year 2014 (Absa 2014b).

Figure 20: Change in Composition of Household Income Brackets (1994 and 2010/11)



(Department of Housing 1994; Stats SA 2011)

Figure 21: Change in Percentage of "Affordable" Properties (<R500k) as a Share of All Properties from 2007 in Nine Major Metros



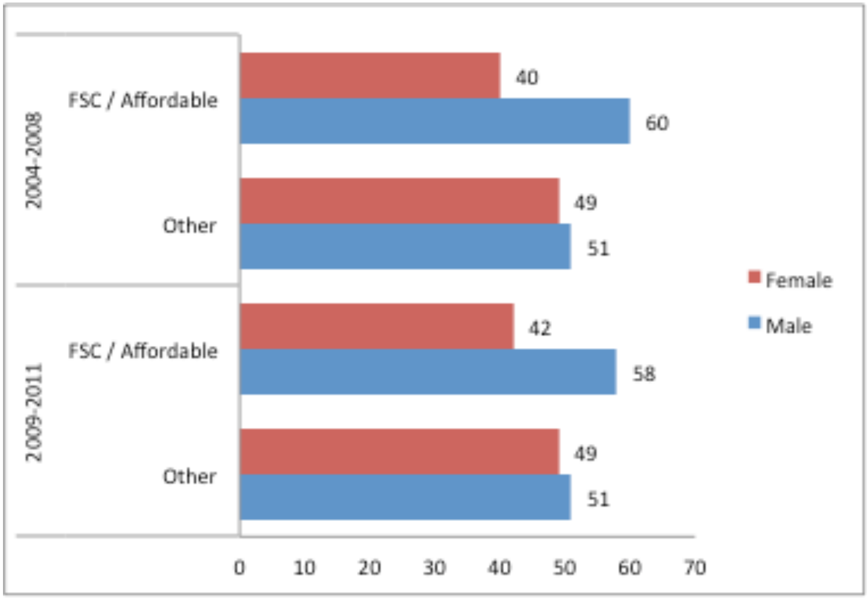
(Source: CityMark 2014)

A shortage of suitably priced houses is a key constraint in this market segment but so is access to housing finance, affordability and household indebtedness as discussed above.

8.4.7 Who is Accessing Finance?

Who is accessing housing finance within households is an important facet in understanding housing consumption. Unfortunately there is a paucity of data on this. We point here only to gender, and see in Figure 22 that mortgage origination by gender in the upper end of the market is almost equal, whereas in the FSC/affordable market it is skewed towards men on a 60:40 basis.

Figure 22: Access to Mortgage Loans by Gender FSC/Affordable Market vs. Other (2004 – 2008 and 2009 – 2011)

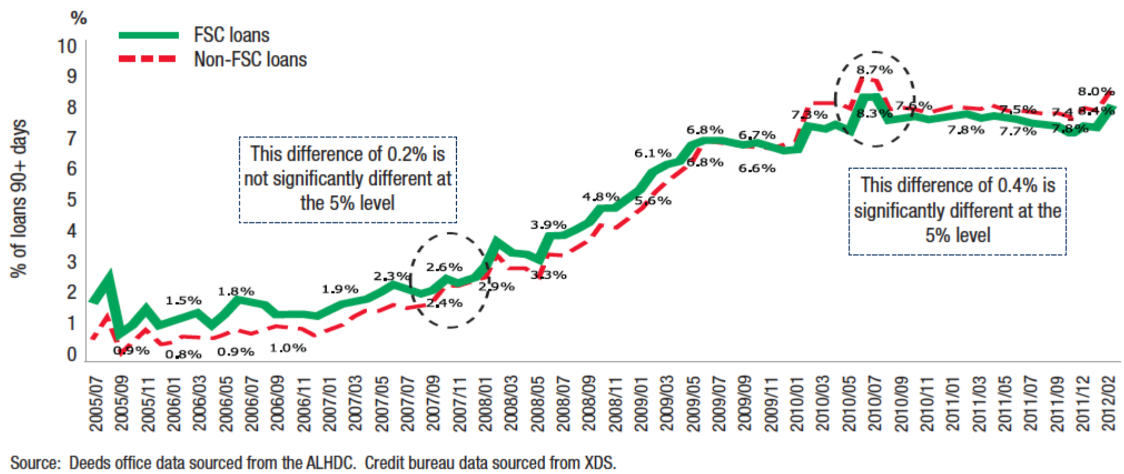


(Source: NCR and FinMark Trust 2012, 16–17)

8.5 Defaults and Sustainability

The hesitation of banks to lend in the low-income and affordable markets is motivated by the risks involved and the returns available. Risks generally include default risks – premised on affordability and norms around repayment – location risks – failure to realise capital value of homes because of inadequate surrounds – and political (organised resistance to payment), development (houses not completed as per schedule) and property risk (properties not meeting customers' expectations) (Kajimo-Shakantu and Evans 2006, 31). Here we ask whether the first of these, default risk, is justified. In general, FSC and affordable loans have performed in line with loans to further up the market. This is shown in Figure 23 and Figure 24.

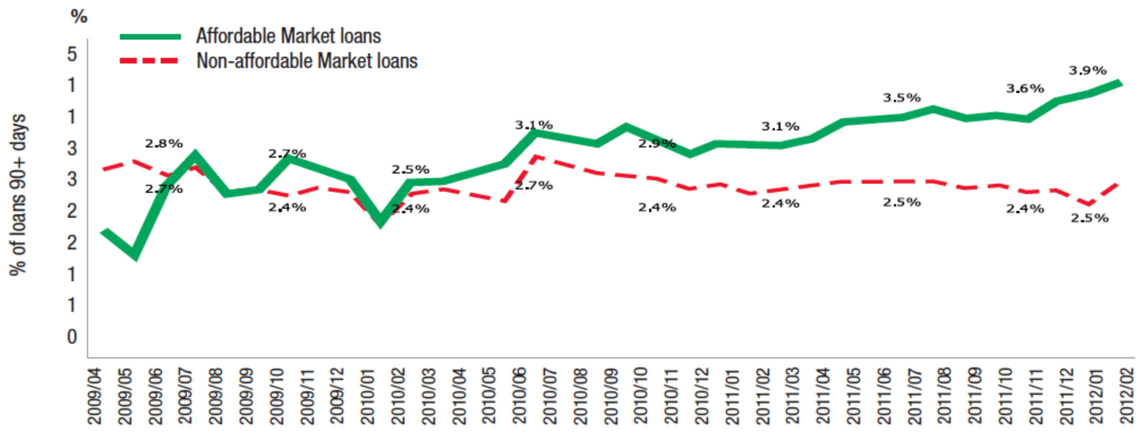
Figure 23: Percentage of Non-Performing Loans (90 Days or More in Arrears) FSC vs. Non-FSC Loans Originated Between 2004 and 2008 (2005 - 2012)



(Source: Rust 2012b, 3)

Figure 24: Percentage of Non-Performing Loans (90 Days or More in Arrears): Affordable Market vs. Non-Affordable Market Originated Between 2009 and 2011 (2009 - 2012)

This project has received funding from the European Union's Seventh Framework Programme
for research, technological development and demonstration under grant agreement no 266800



Source: Deeds office data sourced from the ALHDC. Credit bureau data sourced from XDS.

(Source: Rust 2012b, 3)

Interestingly, smaller loans within the FSC and affordable market segments have performed the worst. Presumably these loans are skewed towards lower-income households. This has probably reinforced banks' tendency to favour lending to the upper end of the eligible income bands.

A few other trends are worth noting. First, for FSC loans, those made for property purchase have performed better than those originated for equity release, the reverse is true for affordable loans. Second, an aging analysis shows that FSC and affordable loans tend to have more erratic payment patterns. Third, males, particularly in the FSC and affordable markets, appear to have considerably higher default rates (up to 2.5% points) than females. Finally, in the FSC category younger borrowers (20–35) display the highest level of default although this is not mirrored in the affordable market.

The housing microlending (HML) market also yields some interesting findings. The rate of default from a study using data from 2005[44] fluctuated between 20% and 25% which is considerably higher than for big bank mortgage lending (Pearson and Greeff

[44] Unfortunately more recent comparable data were not available.

2006). Interestingly neither household income nor loan size were the best predictors of default. In fact, the study found that within the low-income bracket (median income between R0 to R3,500) default rates were higher for households at the upper end of this bracket (Pearson and Greeff 2006, 40).

Women do have a slightly lower default rate than men (47.5% of defaulters are women) but this is higher than for the FSC and affordable market segment. However, the authors note that women do have better repayment histories when looking at a wider range of credit products and that women in the study spent a larger share of their average monthly income on repayments than men (R3,469 on HML on repayments out of income of R6,547 vs. R2,881 out of R7,520) (Pearson and Greeff 2006, 36).

If household income is by itself not a good predictor of default then what is? Two key factors stand out: over-indebtedness and the low prioritisation of housing loans. As the ratio between the size of instalments and household income gets larger, particularly after the ratio exceeds 40%, higher rates of default occur. This points to the fact that greater levels of debt sharply push people to default with HML borrowers twice as likely to default after receiving an HML (Pearson and Greeff 2006, 42, 46). Past default is also a good predictor of future repayment behaviour. In line with the fact that most lending to the poor and low-income households supports daily consumption (Figure 19 in Section 8.4.4), the study finds that the prioritisation of repayment of housing microloans is low with food, water and electricity taking priority. The conclusion is that, HML borrowers are "20% more likely to default on their micro loan, than they are to default on their credit card, store card, cell phone account, etc." (Pearson and Greeff 2006, 38).

Default should not only be considered from the perspective of the borrower. For example, Rust notes in 2005 that in the case of non-bank housing lenders the arrears management strategies were inadequate. Poor understanding of the repayment requirements, irregular statements from lenders with insufficient information on repayment procedure and confusion over the identity of the lender when account take-overs occur, all contribute to repayments lapsing (Rust 2005).

8.6 Production and Consumption of Finance: The Mismatch Between Supply and Demand for Housing Finance

The system of housing finance in South Africa results in a mismatch between the demand for and supply of housing finance, which reflects and contributes to a broader disjuncture between supply and demand for housing. In the NCR and FinMark consumer survey, only 1% of households in the five lowest income deciles (LSM 1-5) said they had borrowed for housing, with 11% in LSM 6-10 and 7% overall. However, 26% said they would definitely borrow to acquire a house (NCR and FinMark Trust 2012, 41, 39). There is also a discrepancy between the dominant housing finance products, in particular mortgages, and the borrowing needs of the majority.

8.7 Finance and Financialisation

At the outset of this paper it was argued that the low-cost housing sop has been impacted by financialisation in at least four ways. In this section the first of these, the impact of the financial sector and financialisation on policy, was clear with regards to the centrality of private finance and the (largely unsuccessful) attempts by government to cajole the financial sector into lending to lower-income households. This has interacted with the second facet, the more general influence of financialisation upon households and business, seen for example via high levels of indebtedness or financialised banking business models, which together, as illustrated, have retarded access to, and affordability of, housing finance. This has meant that low-income households are either unable to obtain credit or forced to pay high interest rates in the microloan or informal market. Underpinning the policy approach, and the necessity of accessing end-user finance is the commodification of the low-cost housing sop.

This critique should not be read to imply that should constraints on household credit access be lifted, and more affordable homes appear on the market that the problem of access to low-cost housing would be solved. On the one hand, ready access to finance and housing opportunities can have perverse effects, such as in the sub-prime markets in the United States and the subsequent financial meltdown. On the other, given the nature of contemporary financial markets in South Africa and the path of financialisation, such access is unlikely and the outcomes described here and in the next section are not aberrations but rather the product of financialised systems of provisions. In the next section other dimensions of the impact of financialisation on policy, together with the two other aspects of the financialisation of the low-cost housing sop are discussed.

9 Property Markets, Financial Markets and Financialisation

9.1 Introduction

The financialisation of housing, property and land markets in South Africa demonstrates trends congruent with the international experience but also some of which are idiosyncratic. There can be little doubt that the dominance of financial markets and the strength of capital has shaped policy making and the trajectory of the economy; the housing sector is no exception; this is explored in Section 9.3 after an introduction to South African property markets in Section 9.2. In Section 9.4 it is illustrated how the commodification of housing – through the capital subsidy paradigm and other policy choices outlined above – supports the idea of housing as a financial and economic asset and how the supposed benefits of this have failed to materialise. All of this is congruent with international trends.

The idiosyncrasies are discussed in the final section (Section 9.5) when we question the financialisation of housing in the context of lending patterns outlined in Section 8. We see that upper and middle end mortgage markets have supported international trends such as securitisation, but that the paucity of housing mortgages at the lower-end of the market is in marked contrast to, for example, the subprime market in the United States. This, and the presence of alternative lending mechanisms, are not a negation of financialisation in this sector but its manifestation in the South African context.

We therefore explore the financialisation of the housing sop and the interaction between the sop and the broader financialisation of the economy in three facets: policy, the interaction between the sop and financial flows and the dynamics of financial markets, and how the housing sop has supported the broader processes of financialisation. Throughout we see how financialisation has limited and restricted access to housing for the poor majority. This is all summarised in Section 9.5.

9.2 Trends and Dynamics of South African Property Markets

9.2.1 Property Cycles

Below we explore the relationship between South African property markets and broader economic dynamics but it is useful to first understand this interaction theoretically. A central dynamic of property markets is their cyclical fluctuations. The UK 1994 study by the Royal Institution of Chartered Surveyors (RICS) defined

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property cycles as "recurrent but irregular fluctuations in the rate of all-property total return, which are also apparent in many other indicators of property activity, but with varying leads and lags against the all-property cycle" (quoted in Myburgh 2008, 5). Property cycles have complex interactions with the economy at large. There is a definite correlation between the business cycle (and hence GDP growth) and property cycles, as well as between property cycles and financial market fluctuations. The nature of this relationship is inconclusive but some evidence suggests (e.g. in the UK) that property cycles lead (rather than follow) changes in economic activity (measured through GDP growth).

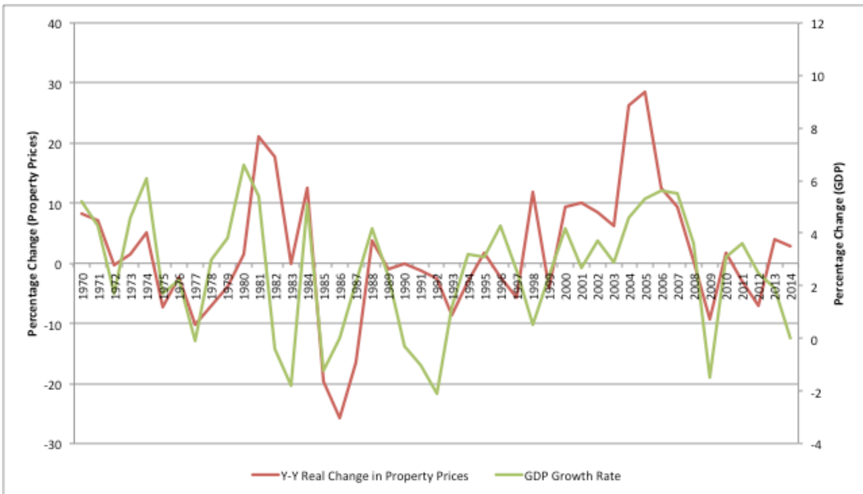
Unlike many other financial assets, property purchases are directly debt-financed and so are particularly vulnerable to credit cycles. These cycles, if poorly regulated, are themselves subject to booms and busts particularly because easy credit may lead to overbuilding and/or unsustainable property appreciation. The expansion and globalisation of property markets have gone hand in hand. Real estate is the largest asset class in the world and has received increased attention from financial market investors in recent decades leading to substantial indirect ownership of property via financial market instruments. Property cycles have therefore become more complex with international capital flows, deregulation and volatility in exchange and interest rates.

In much of what follows the property market as a whole, or middle- and upper-end property dynamics are discussed, a departure from the focus in the rest of the paper. This is because property markets *in toto* or particular sub-sections thereof interact either directly or indirectly with low-cost housing markets; these interactions are explicated later on.

9.2.2 Property Market Trends and Trend Drivers

The overall oscillation of the South African property market is captured in Figure 25, Figure 26 and Figure 27. We note in Figure 25, a strong correlation between growth rates of property prices and GDP, although this is not uniform. Simo-Kengne et al. (2012) find a positive relationship between housing prices and economic growth and argue that this occurs through two channels: the wealth effect – increased borrowing and spending against asset appreciation – and the collateral effect – easing debt constraints. There are wide regional variations – hypothesised to be the result of divergent socio-economic circumstances – in the magnitude of impact and which channel dominates.

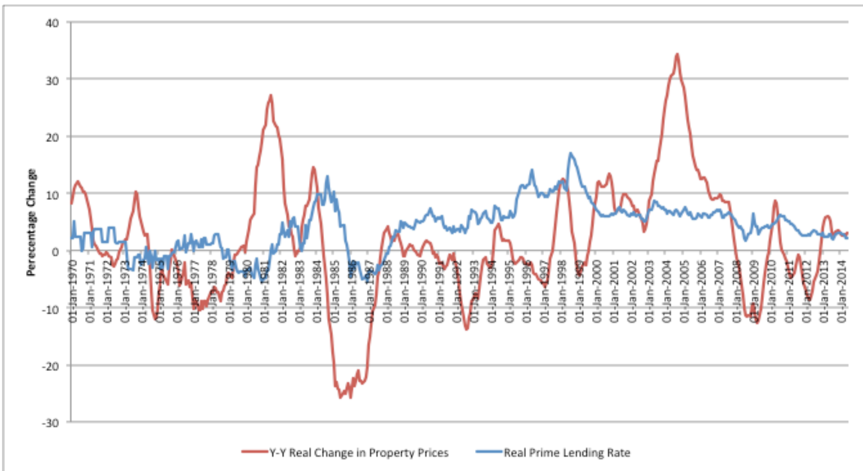
Figure 25: Year on Year Real Change in Property Prices and GDP Growth Rate (1970 - 2014)



(Source: Absa 2014a; SARB 2014a)

In Figure 26 (showing the year on year change in property prices and the prime lending rate) one may have expected to observe an inverse relationship between property price changes and increases/decreases in interest rates, that is, that lower interest rates spur greater property appreciation. Lower real interest rates are associated with more robust property price growth (and vice versa) in the 1980s and second half of the 1990s but do not seem to have great bearing on the negative growth of the early 1990s, nor the massive boom in the mid-2000s and the oscillations which followed. We will argue in Section 9.3.5, that the role of capital flows is an important factor in explaining the trends seen in the latter periods.

Figure 26: Year on Year Real Change in Property Prices and Real Prime Lending Rate (monthly, 1970 - 2014)

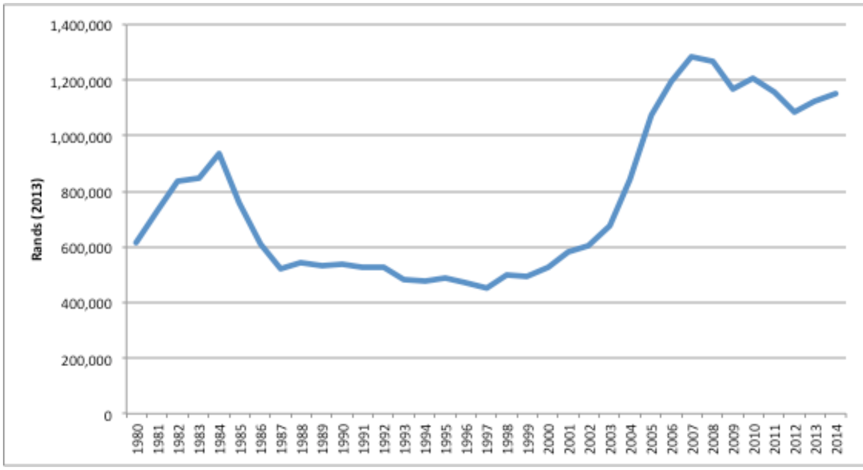


(Source: Absa 2014a; SARB 2014a)

Using both descriptive statistics and an econometric regression, Myburgh (2008) found that housing price changes in South Africa between 1980 and 2008 were positively correlated with changes in GDP, construction cost escalation and building plan submissions, negatively correlated with interest rates and neutral with regards to population growth. These relationships are all as expected. One other output of the model was a negative correlation between house price changes and the household income to debt ratio. However, these indexes rise in tandem in the 2000s, something taken up below. Myburgh notes that a range of variables are excluded including the availability of finance. In the sections below we explore the relationships (using only descriptive statistics) between property price changes and mortgage financing, financial market trends, credit extension, capital flows and macroeconomic policy more broadly.

Finally, the recent housing boom is clearly visible in Figure 27 which reveals a doubling of average house prices between 2002 and 2010.

Figure 27: Real Average Housing Prices (1980 - 2014)



(Source: Absa 2014a)

9.3 Property Markets, Policies and a Financialisied Economic Growth Path

The strength of capital in the neoliberal period and the dominance of financial markets in the concomitant era of financialisation has severely constrained policymaking, and post-apartheid South Africa is no exception. It has also shaped business models, household consumption, market dynamics and economic growth paths. These themes are explored here with reference to housing and property markets.

9.3.1 Policy Making

The two central tenets of housing policy – the capital subsidy and the role of government as "market enabling" – both directly favour financial institutions and

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property developers. Other sections of capital, for instance the construction sector, would still have benefited from housing provision even if housing was directly state provided. It is financial institutions – through the provision of finance – that stood to benefit the most from an approach which sought to bring households into the capitalist property system (as discussed in Section 9.4). The irony, discussed in Section 9.5, is that these institutions failed to come to the party vis-à-vis lending. It is also financial institutions which benefited from the various mortgage guarantee schemes and the taking over by SERVCON of NPLs, despite these being incurred prior to the end of apartheid; government's attempts to "stabilise the housing market" amounted to large subsidies for the financial institutions.

These institutions have continued to exercise influence over policy making and the speedy demise of the Community Reinvestment Act (mentioned already in Section 8.2) and the Department of Housing / Human Settlement's inability to legally compel financial institutions into the low-income lending market is an instructive example. It is indicative of the prevailing neoliberal and financialised economic paradigm including the power and conservatism of certain economic policy makers and the influence of the financial sector and financial markets. The banks have claimed (and not only in the face of the CRA) to be caught between prudential regulation (both local and international) that constrain risk taking and demand strong balance sheets, competition to raise (increasingly short-term) capital and the need to maintain good credit ratings, on the one hand, and on the other hand the "desire" to participate in developmental lending practices (see Tomlinson 2005; Tomlinson 2007; Freeman 2008). One banker is explains it thus:

> "... if [CRA] went in right now, I think based on the proposed targets that they're putting in, you would actually undermine all of banking in the country. Within a year or two of the implementation of it, we would probably lose our international ratings, [because] we wouldn't be from day one

complying with the Basel requirements. So at that point you destroy your total bank infrastructure. (Interviewee 6)" (quoted in Freeman 2008, 705)

The veracity of such apocalyptic claims is questionable. Nevertheless such a view, with more than a nudge from National Treasury, won out; another banker explained that "both [the] regulators and the National Treasury have basically taken the decision that not only will the banks in South Africa meet international best practice, but [they] will be at the cutting edge of international best practice" (Interviewee 3b quoted in Freeman 2008, 705).[45] Freeman expands on this noting that the National Treasury and South African Reserve Bank share a common agenda with the banks of "maintaining and enhancing the profitability of the country's financial sector". This "alliance of interests" (wrapped in the rhetoric of "sound lending practices") meant that "when the Department of Housing challenged the banking sector with its proposed Community Reinvestment Bill, it was by proxy challenging the Reserve Bank and National Treasury. In essence, the Department of Housing took on a fight against a coalition that it could not beat." (2008, 708)

Such a view is supported by Freeman's interviews where several interviewees felt that "this alliance was directly responsible for the withdrawal of the draft Community Reinvestment Bill". One government official noted that the banks are "using Treasury… to put pressure on Housing to back off". Another employee said it was it hard to tell the banks and government financial departments apart, so closely aligned are they in their views, that when "reading letters or documents from National Treasury, sometimes you feel that it's not them writing the letter, it's the Banking Council" (Freeman 2008, 708–709).

[45] In 2008 the banks argued that they had over-lent to the low- and moderate-income market and cited loans in default and the need to conform to best banking practices as reasons for reluctance to expand in this market (Moss 2008, 37).

Not only is power asymmetrically distributed within government (a bias towards conservative finance departments being a feature of contemporary politics) but so too are staff skills (real or perceived). In the case of the CRA there was doubt as to whether the Department of Housing could draft a workable bill. Freeman raises a number of other reasons for the failure of the community reinvestment legislation which, together with ways in which monetary policy (broadly conceived) has benefited the financial system and retarded access to housing, are taken up below. Zooming out, it is clear that the DoH/DoHS is caught in a broader bind. The policies pursued (particularly the capital subsidy) make substantial fiscal demands of government but do so within the context of relatively austere fiscal policy (although not uniformly so).

9.3.2 Privatisation

Privatisation has been an inextricable part of the Washington Consensus / neoliberal market-orientated policy paradigm. In South Africa the market-centric housing programme discussed throughout this paper has been accompanied by the privatisation of almost all the 500,000 state-owned housing units mainly constructed during apartheid in former black townships. The privatisation began in the 1980s and continued into the post-apartheid period in the form of the Discount Benefit Scheme (see Section 5.1). Privatisation is uniformly prioritised with the CRU programme focusing on turning hostels into rental and social housing (see Section 5.9.3).

The decision to continue privatisation in the democratic era represents a complex confluence of influence. On the one hand it fits within the market-based property-owning approach that emerged from the NHF. On the other hand it also emerged as a counterweight to apartheid era practice which forbade the majority of black South Africans from permanent tenure within white South Africa and was thus a transfer of land assets to the historically dispossessed.

The consequences of housing privatisation are contested. Marais et al. contend that in South Africa neither the neoliberal view of privatisation spurring efficient markets and providing households with a leveragable financial asset, nor critiques that argue that housing privatisation leads to "landlordism, an over-reliance on housing bonds, the inability to afford mortgage finance and the subsequent displacement of poorer households", is born out (2014, 2). Privatisation of utilities has negatively impacted on the quality and cost of housing as cross subsidisation for housing related services is no longer possible (Kihato and Berrisford 2006, 34).

9.3.3 Financialisation and Banking Business Models

Financialisation has involved the transformation of banking business models and this is clear in the South African context as both a consequence of global competition and internal regulatory control. On the ground this has entailed a roll back in retail banking services (Rust 2002b; Moss 2008). Despite innovative and technologically driven attempts to maintain client contact (whether it be partnerships with retailers or cell phone banking) this has not been conducive to housing lending. At the same time banks have come under the dual pressures of maximising short-term returns while maintaining robust balance sheets and strong credit ratings. The need to compete for mobile investment capital has forced banks away from low-yield "riskier" loans that may only show profits in the long run towards high yielding "safer assets" despite the fact that these assets may not be as safe as popularly thought. The same pressures have maintained banks' skewed focus on the upper end of the market (Freeman 2008).

Such pressures have brought new players and products into the housing market. The growth of mortgage originators and the securitisation of the ensuing loans are a pertinent example of this as they have reduced the risk exposure of the major banks.

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This has not necessarily improved access to housing finance for low-income households and has at times involved exploitative practices by these originators (see for example Finance Week 2005).

9.3.4 Integration between Property and Financial Markets

The deepening integration between property and capital markets is another feature of financialisation. This is principally the result of the deregulation of financial markets and the subsequent emergence of secondary markets for mortgages. Secondary mortgage markets allow for the onward selling of mortgage loans once they have been originated by a mortgage originator, bank or other suitably licensed financial institution. This allows them to enter financial markets as tradable assets; securitisation (discussed in below) is a favoured method of facilitating this.

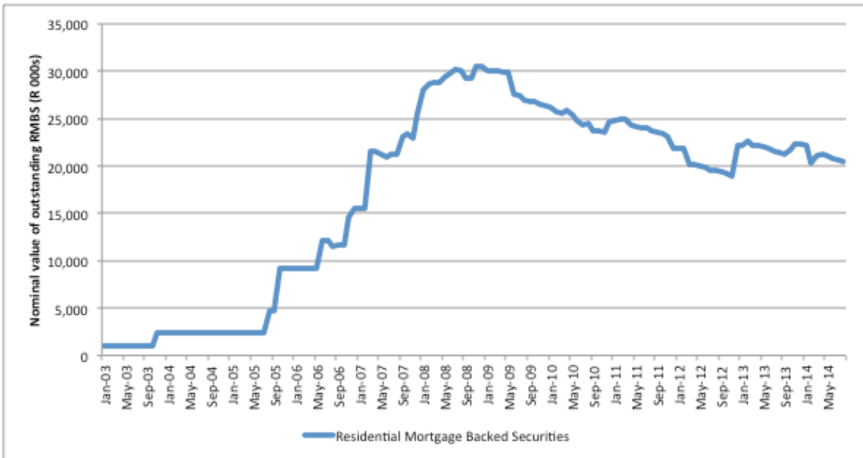
Such secondary mortgage markets emerged in South African in the late 1990s and early 2000s. Prior to this, activities in the market were restricted to mortgage origination and servicing dominated by the traditional banks offering long-term variable rate mortgages. This began to shift with the consideration of a secondary mortgage market in 1998 and the licensing of non-bank mortgage originators in 1999 (discussed in Section 8.3.6). In 1999 the NHFC established a subsidiary called Gateway Homeloans which piloted a project to securitise a "non-conventional mortgage product known as the Makhulong Home Loan (non-mortgage home purchase products guaranteed by the borrowers' pension fund)" (Gyamfi-Yeboah and Ziobrowski 2010, 342). The choice to securitise non-mortgage loans is unusual (Asset Sales Report International 1998). The pilot failed based on a lack of adequate volume of this class of loan.

In 2001 a viable secondary market for conventional mortgages emerged led not by a government entity – as with the US's Government Sponsored Enterprises (GSEs)

Fannie Mae or Freddie Mac – but by a private non-bank institution, South African Home Loans (SAHL), jointly funded by JP Morgan and Standard Bank, which was the first to issue residential mortgage-backed securities (RMBS). The market expanded rapidly between 2001 and 2007 and is one of the most active securitisation markets in emerging market economies. This said!!, the market is tiny by comparison with large developed economies, with RMBS representing only 3% of outstanding mortgage loans as of the first quarter of 2007 (Long, Goswami, and Jobst 2009).

The big banks were latecomers to this market with their residential securitisation portfolios only growing substantially from 2005 onwards. They peaked in December of 2008 and subsequently declined but have not suffered a devastating blow.

Figure 28: Growth of Outstanding Residential Mortgage Backed Securities Held by Major Banks (2003 - 2014)



(Source: The Banking Association South Africa 2014)

The primary alleged benefit of secondary mortgage markets is channelling greater capital into mortgage markets and thus increasing the availability of mortgage financing. Gyamfi-Yeboah et al. (2010) find that this was the case in South Africa and that it did not lead to a significant change in spreads but is associated with greater volatility. Evidence for this includes an estimated 211% increase in "mortgage credit availability" over the 1993 – 2007 period (with 1993 marked as the beginning of

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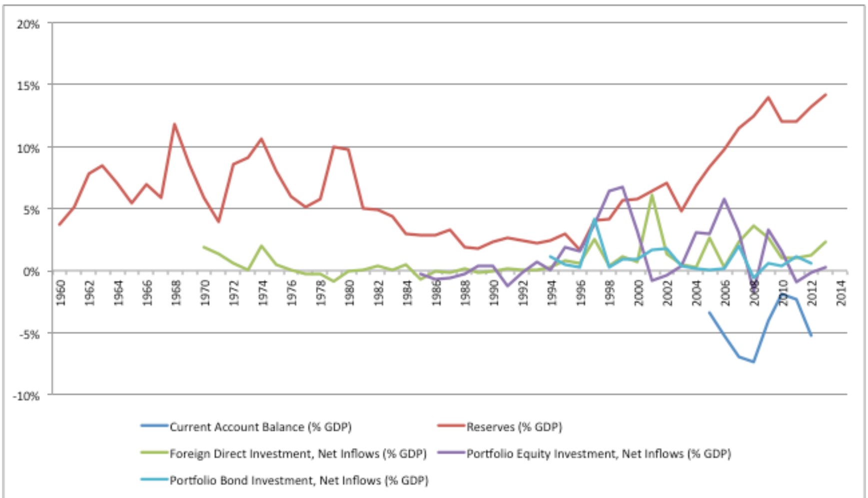
financial deregulation), new mortgages as a percentage of GDP rising from 7% in 2001 to 16% in 2006 and the reduced impact of primary mortgage credit supply on housing, starts suggesting that the secondary mortgage market attracted new capital into the housing sector.

There is however concern that securitisation at the upper end of the market will have adverse effects on the lower end. Moss (Moss 2008, 41) argues that competition between banks could "force the banks - as occurred in other areas of banking - to recover the full costs of doing business in each segment of the home loan market and eliminate cross-subsidisation from high-value to low-value customers". Securitisation could therefore "reduce interest rates in the high-value home loan markets and increase rates in the low-value markets". Financial deregulation and the subsequent growth in secondary mortgage markets cannot be considered outside of the fact that it imposes certain financial market imperatives, such as those discussed with regards to capital flows.

9.3.5 Deregulation and Capital Flows

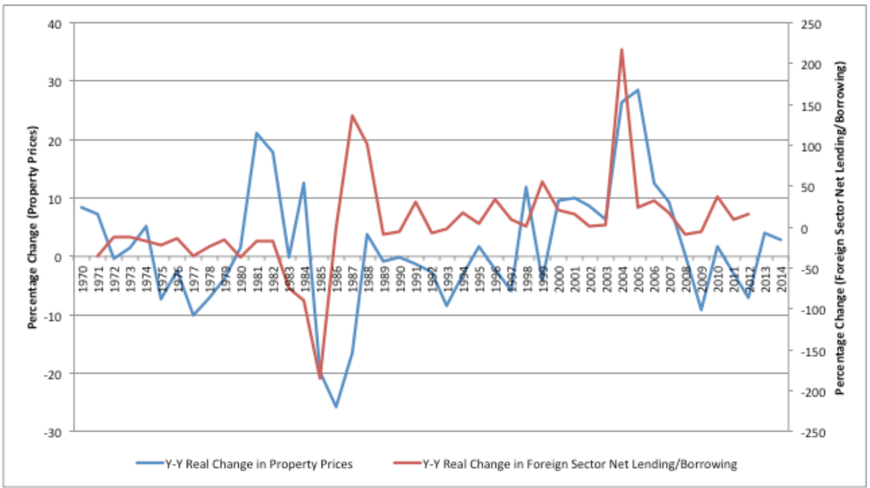
Monetary policy (broadly conceived) has served the interest of large financial institutions in ways which have not fostered access to housing. Liberalisation of financial markets consecrated in the 1996 Growth, Employment and Redistribution (GEAR) programme, has allowed for significant capital flight and made the economy increasingly reliant on short-term capital inflows. Capital flight, both via legal means, including the relisting on overseas stock markets and dividend outflows (as discussed in section two), and illegal means, as with transfer pricing, has been estimated to average at 5.3% of GDP between 1980 and 1993, 9.2% of GDP between 1994 and 2000 and 12% of GDP between 2001 and 2007, peaking at 23% in 2007 (see Mohamed and Finnoff 2004; Boyce and Ndikumana 2008; Mohamed 2008; Ashman, Fine, and Newman 2011; and see Strauss 2012 for a critique of the methodology employed). Figure 29 shows the breakdown of net capital flows between South Africa and the rest of the world in which short-term portfolio flows play a significant role. Figure 30 shows the correlation between net inflows from abroad and housing appreciation, particularly pronounced during the mid-2000s property boom.

Figure 29: Net Capital Flows (1960 - 2014)



(Source: World Bank 2014)

Figure 30: Year on Year Real Change in Property Prices and Foreign Sector Net Lending/Borrowing (1970 – 2014)



(Source: SARB 2012; Absa 2014a)

Regarding housing this has had four main consequences. First, comparatively high real interest rates have been maintained in order to compete for footloose capital and ensure on-going capital inflows; this has made borrowing more expensive. Second, outward mobility of capital has led to liquidity constraints at various points, in particular for smaller lenders, as Rust notes: "With investors tending to keep much of their money offshore, investments in South Africa need to produce high returns at low risk – which low-income housing does not do. Investors who do consider lending to low-income housing initiatives also seek equity, and expect a level of return on these investments that are generally not achievable in this market." Third, capital inflows have predominately entered the financial sector (particularly large financial institutions) and have been leant onwards thus spurring a debt bubble and upper-end property market speculation and appreciation. Such appreciation has been closely linked to broader trends within financial markets with, for example, JSE market capitalisation more than doubling between 2003 and 2009, the same period as the property boom.

Finally, reliance on capital flows has also made the South African economy more susceptible to the vagaries of international financial markets leading to, for example, currency crashes (e.g. in 1996 and 2002) and liquidity freezes (e.g. in 2007/8). This has very real consequences for property markets, for example concerns were raised in 2009 that the banking fraternity was "shutting down the property development market" with high fees, stringent lending criteria and constrained credit (Khaki 2009, 55). There are also direct consequences for housing, for example, one study found that "irrespective of house sizes, during the period of financial liberalization, interest rate shocks had relatively stronger effects on house price inflation" (Kasai and Gupta

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2010, 67). The study found these effects to be negligible but various methodological concerns cast doubt on this latter finding.[46]

9.3.6 Debt and Consumption Boom

A close association between debt, consumption-led economic growth, an expansion in mortgage lending and property price appreciation or bubbles has been in evidence across the globe; this has been a key feature of financialisation's inculcation of the household into financial markets. This pattern was on display in South Africa in the mid 2000s with a boom in GDP growth between 2004 and 2007 of, on average, over 5%, driven by consumer spending and the financial sector (Isaacs 2014). Both debt levels and the share of bad debt rose following the 2002 banking crisis (Rust 2003, 13). At the upper end of the mortgage market this was a period of exceptional growth and high returns on investments. Moss (2008, 50–51) argues this was driven by "historically low interest rates, and low inflation… [and] underperforming asset classes such as equities". In response to this: "New home buyers took out bigger loans, while existing home owners increased their mortgage loans to turn capital appreciation into cash for consumption purposes". This was made easier by the fact that flexible mortgages which incorporate "access" or "redraw" facilitates comprise a significant share of the market. Such products allow a mortgage holder to withdraw cash from their mortgage, often to finance short-term debt (discussed in Section 8.3.7).

[46] In particular, the periodisation presented is problematic with "liberalisation" proposed to have begun in the last quarter of 1983. If one breaks the sub-periods in the mid-1990s when liberalisation got underway in earnest there is indicative evidence that the finding is far more robust.

9.3.7 Market Financing

The market bias of housing policy also places the wholesale financing institutions such as the NHFC and RHLF looking to raise capital in a Catch-22. Their clients, usually smaller lenders, come to them because they cannot compete for finance in capital markets on favourable terms. The bind for the NHFC is that to contain its own borrowing cost it must pursue a strong credit rating, this however "requires that it compete with the traditional banking sector and other large public institutions, which, as has already been established, are risk-averse and not particularly interested in low-income housing ... The result of this combination of factors is that the NHFC has to be even more conservative than the banks in order to get the rating it needs to attract investment capital at low cost, and lend sustainably to the low-income housing market." (Rust 2002a, 27) This raises the borrowing costs it must pass onto its clients. SHIs and housing NGOs also faces challenges raising capital that similarly constrain their ability to service the low-income market.

This illustrates a broader contradiction lurking within the policy framework, as Rust explains:

> "On the one hand, it [the DoH] is trying to ensure that the constitutional right to access adequate housing is realised; on the other, it is trying to build a housing market that will operate in the long run without government intervention. In the latter framework, its 'housing finance institution', the NHFC, should not function any differently from other financial institutions in the housing market. In the former, however, end-user access to housing finance is constrained for reasons that fall beyond the workings of the normal market, and the NHFC is meant to facilitate a bridge to the market. That the housing policy's two goals are not mutually supportive was never considered." (Rust 2002a, 32)

9.3.8 Land Markets

The unaffordability of well-located urban land has been a pivotal element retarding a pro-poor spatial restructuring of urban metros. Once again government's market bias has played an important role. Conventional economic wisdom argues that the land market, if left free from state regulation, will operate efficiently and automatically allocate land to the poor, fulfilling the following four functions (Brown-Luthango 2010, 126):

> "1. they bring buyers and sellers together to facilitate transactions;
> 2. they set prices for land;
> 3. land markets allocate land by setting prices so that the land market "clears", that is, the quantity of land offered for sale equals the quantity of land demanded and
> 4. land prices play an important role in ensuring that land is efficiently used."

There is little evidence to suggest that this functions efficiently and even less to show that lightly regulated land markets allow access to the poor.

Land market speculation – the holding of land in the belief that its value will appreciate and so can be sold for a profit – is one crucial reason for this. This is a problem in South Africa with regards to both undeveloped urban land and inner-city derelict or under-utilised buildings (Adler 2014); we have already noted (in Section 5.12) that vast tracks of urban land remain unused. Napier (2007, 13) argues that the confused regulatory environment has been used by more sophisticated private land owners to their advantage, "with the outcome that private land operators often acquire land from municipalities for higher income settlements at below market values (EProp, 2007), or buy up land ahead of the directions of urban growth more successfully than municipalities".

This is all bound up in the conception of land as an economic asset, which focuses on its exchange not use value (a similar conception exists with regard to housing and is taken up in Section 9.4). As Kihato and Berrisford (2006, 5) note:

> "Acquiring urban land is deemed investment in an asset, which can be realised by sale of the land, or its use as collateral. Regulatory systems are intended to protect and enhance this investment, for instance zonings and other regulations that prevent uses of land that negatively affect property values. However, this rationale for asset acquisition may not be the most significant reason for the urban poor to acquire land. Instead the land is more important as a place that provides access to employment, income generation through home based industries and rental income or for purposes of building social networks."

Even when land speculation is not at play, serviced vacant land has carried a premium and overwhelmingly gone up-market "with high cost land being available mainly within luxury security estates" (M. Napier 2007, 8). The shortage of serviced, well located land available in the market leads to extraordinary appreciation, for example, between 2004 and the third quarter of 2006 the average cost of land doubled (M. Napier 2007, 11), poor communities have not garnered any benefit from this.

The South African government has shied away from compelling urban land sales or development of low-cost housing. There has been sparing use of policies tools, such as higher taxes on vacant land made possible by the 2004 Municipal Property Rates Act, and great scope remains for other policy initiatives such as value capture. At the same time, fiscal constraints – particularly those experienced by local governments – limit government's ability to afford desirable land in competitive bidding processes. In addition, various prevailing regulations have worked against progressive planning measures, for example the Development Facilitation Act allows those with vested property interests to speak against the location of low-income housing projects close to them (Urban Landmark 2011, 8).

The release of publically owned land has also been inhibited by market imperatives. Despite the success the HDA has had in releasing land, HDA CEO Taffy Adler (Adler 2014) notes that various spheres of government are hesitant to release land without compensation or at below market rates because this negatively impacts on their balance sheets or the need to generate revenue from such sales (Mark Napier and Ntombela 2006, 5). This is particularly true of state owned enterprises such as Transet (rail) and Eskom (electricity) who hold sizable land portfolios. This illustrates a related problem of the disjuncture between owner and developer, for example local government may be tasked with implementing a housing project on provincially owned land (Ovens 2012, 40).

Other market dysfunctions exist because of poor or badly enforced regulation, for example the unaffordability of obtaining building permits (Ovens 2012, 37–38) or the backlog in the provision of ownership deeds. There is also a feedback between land access, housing supply and the availability of housing finance. The banks contest that the scarcity of the first two, restrict their ability to advance the latter. The supply-side nature of the housing subsidy programme (and the subsequent paucity of well located low-cost housing) means there is no market mechanism through which low-income households can express demand for location within the formal market (M. Napier 2007, 8).

More fundamentally, the dynamics of land markets have reinforced apartheid geographies and maintained a dual property market: a functioning medium- and upper-end market on well located urban land and a dysfunctional low-cost market (see Section 9.4). This is a product, not perversion, of the capital subsidy, "market enabling", commodified, but fiscal austere housing policy.

9.3.9 The Subprime Financial Crisis

In much of the heterodox economic literature the specific form of the recent financial crisis that began with the subprime meltdown in the US has been characterised as a consequence of financialisation. How then did a heavily financialising economy like South Africa fare? The answer is "fairly well". The National Credit Act is credited with preventing the emergence of a subprime market in South Africa and in maintaining a robust, well regulated banking system (FinMark Trust 2013a). Myburgh argues that the SA authorities, unlike their US counterparts, raised interest rates in mid-2006 enough to gently arrest the further growth and a subsequent burst of a housing bubble (Myburgh 2008, 27). As we saw in Section 8.5, levels of default were not excessively high. The lack of a specific subprime crisis could less charitably (and more accurately) simply be attributed to the major banks' unwillingness to lend far down the market, as has been evident above, and their ability to continue to generate handsome profits from the upper-end of the market.

The crisis has not left the economy, nor housing markets, untouched. The freezes and floods in international liquidity have certainly had consequences for domestic liquidity and banks' willingness to lend and at what cost. Similarly, global interest rates, and the varying pressures to attract global capital over the last six years, have impacted local borrowing costs. More broadly the economy has been hit by depressed global demand (particularly eliminating Europe as major trading partners) and rising unemployment. This places stress on consumer debt levels and on housing affordability, and has dampened property markets (not necessarily a bad thing to happen in the case of the upper end). Despite substantial cost to the general public, the formal South African economy and financial sector have weathered the storm without any acute crisis.

The consequences of all the dynamics discussed above for low-cost housing are summarised in Section 9.5.

9.4 Housing as an Asset and the Dysfunction of Low-Income Property Markets

The dominance of the once-off capital subsidy has been repeatedly stressed. We noted above that this choice was far from ideologically neutral. It typifies an attempt to create a black property owning class "to demobilize or stabilize the urban work force and to encourage consumerism" (Huchzermeyer 2003, 601). Huchzermeyer argues that it exercises control and patronage and furthers community demobilisation via "individualized demand-making rather than a rational and holistic engagement with community development" (2003, 597).

The market logic was explicit, and part of the "market enabling" approach adopted; through "housing consolidation" (the gradual improvement in houses) "the dwellings would change into attractive properties whose market value would improve, and which would kick-start a vibrant housing market through which households would become upwardly mobile" (Adebayo 2011, 4). This has been elaborated on with stress placed on the need to "unlock this potential [housing's potential to increase equity and create wealth] through encouraging beneficiary use of the house as a financial and economic asset" (Adebayo 2011, 7–8). This has failed to happen; this section explores the thinking behind this agenda and its failure in the South African context.

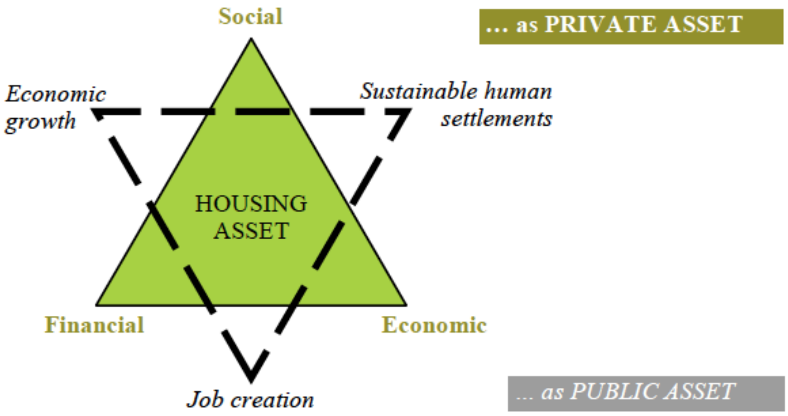
In 2005 then Housing Minister Lindiwe Sisulu said during an interview:

> "We are moving towards the concept of a house as an asset. You have to give people title deeds to give them complete ownership of the house. Then they can rebond a house and have access to more money . . . or they can improve the house and sell it a few years down the line and make a profit" (quoted in Lemanski 2011, 58).

This represented a potential shift in housing policy towards seeing houses not only as a social good – as envisaged in the RDP – but also as an economic and financial asset. This occurred simultaneously with a greater emphasis on the provision of title deeds and drawing links between poverty-alleviation and homeownership. BNG listed "[e]nsuring property can be accessed by all as an asset for wealth creation and empowerment" as part of its "new vision" and insisted that backlogs in titling, restricted mobility, choice and asset creation (Department of Housing 2004, 9, 15). Such an approach is congruent with the stress on homeownership and state withdrawal from certain forms of provision, for example via privatisation and draws from a range of international literature often inspired by Hernando de Soto's work in Peru. The dual logic is well captured in Sisulu's comment: housing as an economic asset for collateral and housing as a financial asset that can appreciate in value.

Rust offers a more nuanced formulation conceptualising housing as a private and public asset with various dimensions (captured in Figure 31). As a private asset housing can function as a financial asset – appreciating in value over time – economic asset – leveraged for capital or used in business activity – and a social asset – fulfilling a household's shelter needs. As a public asset housing provision can contribute to economic growth, sustainable human settlements and job creation.

Figure 31: Dimensions of Housing as an Asset



(Source: Rust 2008, 6)

A fundamental obstacle to housing functioning as a financial asset is the dysfunction of low-cost housing markets. Of course effective demand is limited – inhibited in the main by insufficient income, lack of access to housing finance, inappropriate housing financing products and over indebtedness (topics explored above) – but even if this was not the case, market transactional failures and supply shortages would retard market functioning.

Housing supply is constrained by both a shortage in privately built stock and because government stock is not entering the secondary housing market. The latter is because of sales restrictions and a lack of title deeds (see Melzer 2005, 10–11),[47] peoples' reluctance to sell, substandard construction and the inability to realise a decent return. The ability to improve RDP (government provided) houses is limited by the availability of, and access to, finance (already discussed above). The shortage of privately built homes stems from a lack of access to finance for both individuals and developers, a shortage of well located and reasonably priced land, delays in land proclamation and servicing processes, delays in registration of titles and mortgages,

[47] The lack of title deeds is a problem but far from the only – or most important – contributing factor.

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low profit margins for developers and the need to build en masse leading to the squeezing out of smaller firms and lack of capacity in the sector (see Neil and Matthew Neil and Associates 2006, 7 for some data on new builds).[48]

Lizarralde and Root (2008) argue that to this list should be added the inability of products in the informal to move "upwards" and enlarge the stock of the formal sector. They argue that in "many countries, this transition usually takes the form of either (1) formal housing modified and extended through informal interventions; or (2) slum consolidation, reinforced by infrastructure upgrading and legalization" (2008, 104). This is compounded, they argue, by restrictions placed on informal construction whether these be economic (the under-pricing of informal houses) "moral" (perceived minimum requirements) or legal.

To this we should add a range of transactional market failures. In many townships and low-income areas there is a paucity of estate agents and a lack of information on what a house is actually worth. In the case of government built stock this is exacerbated by the registration of the property value – at point of transaction – being given as the cost of the top-structure and excluding other (such as land) costs. When RDP houses do change hands it is often at prices considerably lower than the cost of construction; although this is less the case in better located settlements (Lemanski 2011). Sometimes middlemen buy houses below market value and resell them for more after a short time without making any improvements (M. Napier 2007). The

[48] Rust (2014) argues that this set of problems has been exacerbated by distortions created in the market by government subsidised housing provision. According to Rust the current total cost of a government subsidised house is now approximately R160,000 and that FLISP subsidies are available for properties up to R300,000. This means that in order to differentiate privately built homes from the basic state provided houses, homes of around R280,000 – R300,000 for households earning R8,000 or R9,000 and above are the favoured choice of developers. This is also the price range of homes for which developers can secure bank financing. In this vein, other researchers have contended that the capital subsidy scheme discourages people from investing in building or financing their own home when a government provided house is expected.

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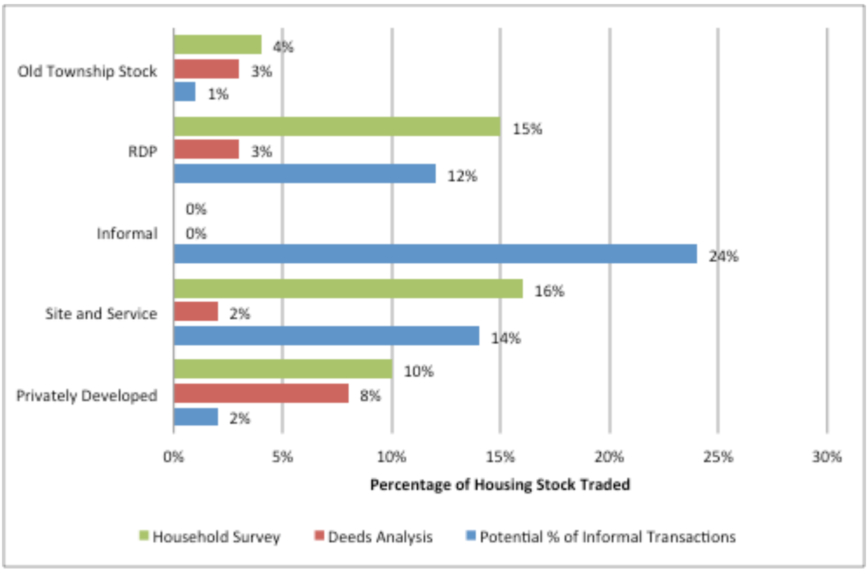
difficulty and cost of transactions – including transfer and registration – pose a further barrier for low-income households.

The dynamics within five township housing sub-markets vary. The submarkets are:

- Old township stock: free standing row or semi-detached houses and flats often old and in poor condition.
- RDP housing stock: government subsidised housing stock built since 1994.
- Informal settlements: non-conventional building material on untitled land.
- Site and service: conventional and non-conventional building materials on serviced and titled land.
- Private (middle-income) stock: formal freestanding units.

The number of housing transactions as a portion of yearly registrations in the various sub-markets (shown in Figure 32) reveal two key insights: a low level of housing transactions compared with the 30% norm in functional formal property markets, and the large scope of informal transactions. Despite the informal component, transactions in township markets are clearly limited. A 2004 study found that only 7.5% of properties formally traded hands that year and that 65% of these transaction were in the privately developed market, despite this market only accounting for 12.4% of the properties surveyed (Moss 2008, 46).

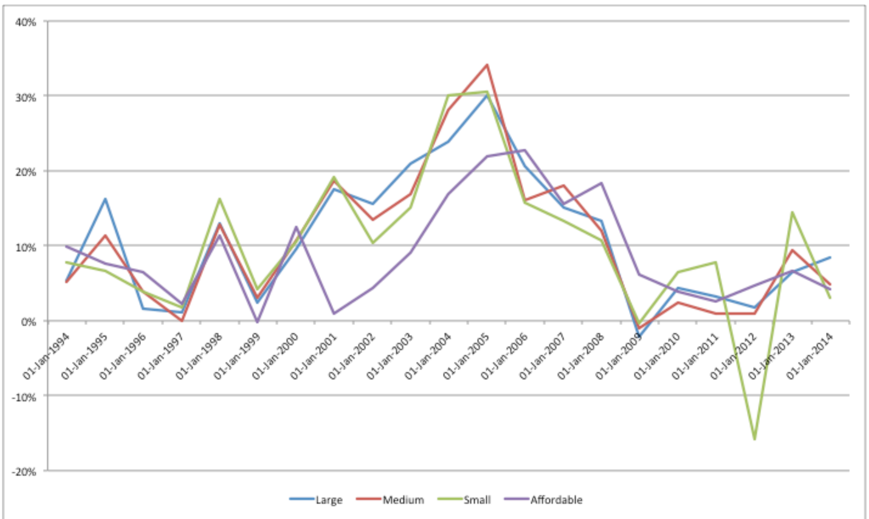
Figure 32: Volume and Type of Transaction for Township Housing Stock



(Source: FinMark Trust and Rust 2010, 6)

A further obstacle to houses fulfilling their "potential" as a "financial asset" is that lower-cost houses have appreciated far less than their larger and more expensive counterparts, meaning less financial value can be realised, as seen for affordable houses in Figure 33. However, it should be stressed that the appreciation which has happened (for all the reasons discussed in the previous section), particularly during the mid-2000 boom, has pushed these houses out of reach of the market they attempt to serve (as discussed above). These households are in a double bind: most cannot afford "affordable" housing (in part due to such property bubbles) and for those that can, their "financial asset" has appreciated more slowly than other houses thereby placing the next rung on the "housing ladder" further out of reach.

Figure 33: Year on Year Nominal Change in House Prices by Housing Type

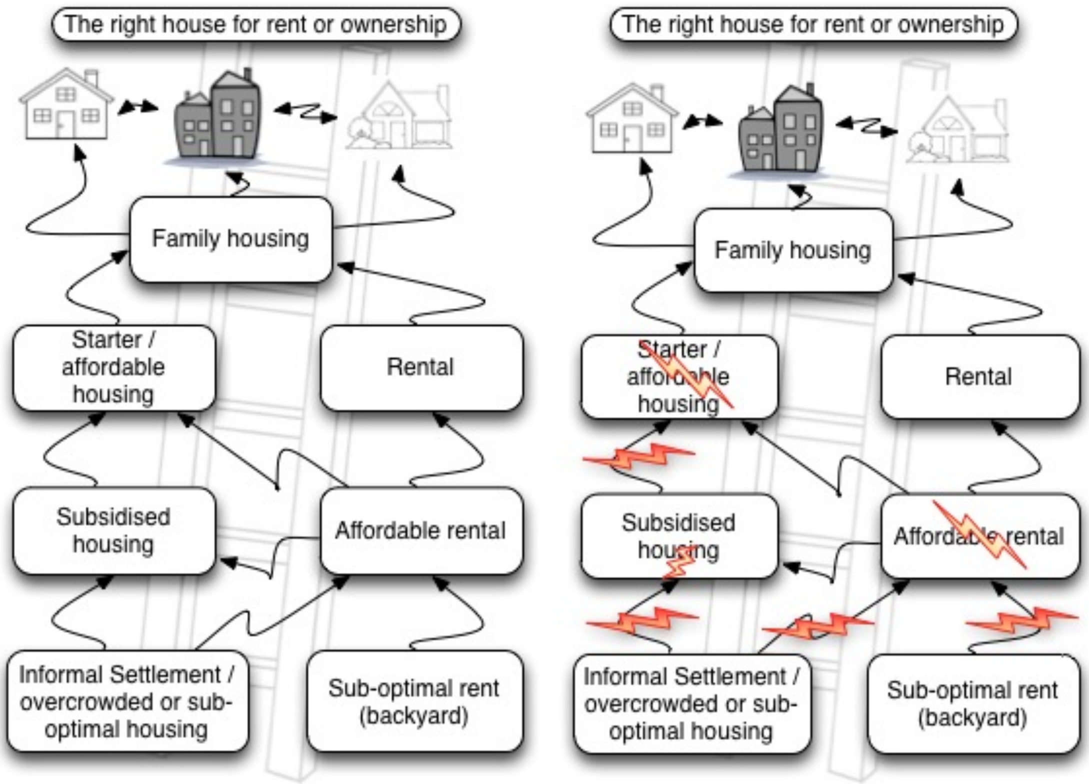


(Source: Absa 2014a)

The situation is even worse for government-subsidised houses. One study (Gordon, Bertoldi, and Nell 2011b, 39) found that in 2008 the cost of developing an RDP house was between R99,000 and R120,000 while the resale price was only R54,439. Kajimo-Shakantu and Evans argue that this, in part, because "integrated community development is essential for housing to have an investment value" (Kajimo-Shakantu and Evans 2006, 31). The irony here is that it is the individualistic commodified paradigm which has partially retarded integrated community development thus impeding the realisation of the value it is supposed to bring.

The following graphics of housing pools and flows, adapted from Rust (2007), show the stylised notions of how households are supposed to climb the "property ladder" and the various points of dysfunction in both stocks of housing and movement between housing types.

Figure 34: The Mythical Property Ladder



(Source: adapted from Rust 2007)

Not only is this "climbing" of the "housing ladder" not a reality for most township households but Lemanski argues that high transaction rates in RDP housing areas are "generally perceived as problematic, indicating downward mobility as vendors sell to alleviate financial pressures and/or are unable to purchase better properties, rather than a 'healthy' market of upward mobility" (Lemanski 2011, 63). Even in areas were RDP housing prices are closer to their construction value and have appreciated inline with national housing price trends, the resale value is well below market prices for alternative (non-RDP) low-income property (and other nearby properties). Therefore, even where "RDP properties are a highly tradable asset, transaction values are too low for low-income vendors to secure upward movement to the next rung on the housing ladder" (Lemanski 2011, 64). This means that "the majority of RDP recipients are 'locked' into a self-contained market (and settlement), trapped on the bottom rung of the ladder because of the low price of RDP housing (reflecting their large supply) as well as the difficulties of securing sufficient household income to afford a more expensive home, ensuring that the gap to the next rung (township housing) is too large for the majority of RDP beneficiaries" (Lemanski 2011, 65). Lemanski's case study found "*no* evidence of RDP house vendors who had sold their house and subsequently moved up the property ladder," instead "downward movement is the norm" (Lemanski 2011, 66).

Steven Robins has referred to informal RDP property sales as instigating a dual process of "re-informalization": "homeowners are 'reinformalized' when they sell an RDP property and move back into informal housing, while the land is 're-informalized' when property transfers are unrecorded". While one may contest the formal – informal duality it is clear that "the 'formalization' inherent in receiving RDP property is not necessarily permanent" (Lemanski 2011, 68). Indeed, it is sometimes the costs associated with homeownership that motivate people to sell and return to informal housing.[49] In 2004 the Minister of Housing admitted this noting that "homeownership is a burden rather than representing wealth creation" somewhat contradicting her subsequent statements (quoted above) regarding property as an asset (quoted in Lemanski 2011, 72).

The use of housing as an economic asset through direct use in rental or productive activity or leveraging it for obtaining financing faces similar obstacles. Although small-scale renting accommodates up to 15% of the population (Rust 2007) most backyard and room rental in low-income locales is done either out of a sense of social solidarity or as a survival mechanism enabling homeowners to meet daily needs. This is very valuable income but contradicts theories of capitalist property

[49] Interestingly Lemanski notes that in addition to formal housing costs such as utility bills, "homeownership brings pressure to exhibit "proper living", for example purchasing furniture, electrical appliances and decorative ornaments that were not deemed necessary in informal settlements, thus further increasing the financial burden of homeownership" (Lemanski 2011, 71).

ownerships which sees rental as capital generating, a means of releasing capital from the property.

Home-based enterprises are relatively common with up to 13% of the population of townships and inner cities involved in some home based enterprise whether it be retail, production or service orientated (Rust 2007, 23). However, in one comprehensive study approximately 40% of formal homeowner respondents agreed with the statement: "You often think you would like to start your own business but can't get credit" (Melzer 2005, 13). This indicates that houses are not seen as leverageable assets to serve as collateral. The same is the case in the face of emergencies where "only 1% of homeowners would use their houses as collateral or security for additional finance, if faced by events such as the death of the main wage earner, the failure of a business or a serious illness of a household member" (Melzer 2005, 13). The reluctance of banks to lend with low-cost housing as collateral is an obvious factor, but in one survey of RDP homeowners it was found that 4% of respondents had used their house as collateral indicating that it is possible (Lemanski 2011, 68). It is possible that property ownership actually contributes towards risk aversion amongst poor households as they have something significant to lose.[50]

The dysfunction of housing markets is therefore not the only reason why houses fail to function as financial and economic assets; many poor homeowners simply don't view them in this manner. As Lemanski (2011, 65–66) notes:

> "data from the research survey indicate that poor homeowners highly value their homes as social and symbolic assets that represent the end of

[50] Households in the affordable market seem less reluctant, with 44% of loans, and 30% of the rand value of all loans, in this market, between 2004 and 2011, going towards equity release as opposed to purchase (Eighty20 and FinMark Trust 2012, 11).

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problematic and precarious physical and economic tenure in the city, rather than conceptualizing them primarily as financial assets that represent the first step to secure future economic prosperity (e.g. by selling to move up the ladder), as assumed by both capitalist theories of homeownership and the department of housing ... For many low-income households property is understood as a social and familial asset, with both physical (e.g. shelter) and symbolic (e.g. emotional attachment) functions, rather than primarily a financial asset per se (e.g. Varley, 2002; Cousins, 2007)."

This does not mean they are not also seen as a financial asset but rather that the dimensions of physical shelter and emotional symbol – what Rust called a "social asset" – loom large. This would account for why 66% of respondents answered that their dwelling is "a home, which I will NEVER SELL – even if I have to move, family members will take over" (Melzer 2005, 13).

Table 15: Are Homes Viewed as Tradable Assets? Percentage of Adults by Household Income

	Formal Dwellings			Informal Dwellings		
	Yes	No	Don't know	Yes	No	Don't know
R0 - R1,500	21%	53%	25%	9%	66%	25%
R1,501 - R3,000	35%	44%	21%	25%	46%	29%
R3,001 - R8,000	56%	28%	16%	6%	54%	40%
> R8,000	74%	14%	12%	22%	39%	39%
Refused to answer	66%	19%	16%	0%	76%	24%
Don't know income	29%	29%	42%	7%	69%	24%

(Melzer 2005, 12)

Proponents of the housing-as-an-asset approach tend to assert that the market dysfunctions above, as well as people's reluctance to view their house as a financial and economic asset can be corrected. As Melzer argues:

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> "The relatively low level of interest among lower-income households in investing in property, is not surprising given banks' past reluctance to lend to certain market segments and the non-functioning state of secondary property markets in many low-income or township areas. It reinforces the need for institutional and market reform, in addition to a widespread titling programme, if the 'dead' capital tied up in housing is to become a source of enrichment. It also emphasizes the need for greater awareness, on the part of homeowners, of the full value of their housing assets." (2005, 15).

The dimensions of housing as a public asset – contributing to employment, economic growth and sustainable human settlements – are less relevant to our discussion here. We have already touched above on the first two facets above. What is worth questioning here is whether a commodified, and subsequently highly financialised, approach to housing is necessary to realise the positive potential of housing as a "public asset". The answer is no. Job creation and economic growth spurred by the construction of houses – and associated industries – is certainly unrelated to the form of tenure those homes take. This does not hold true for the use of housing as collateral from which to release equity, but such capital released is often used to fuel consumption spending. This contributes to both increased debt levels and sets up unsustainable consumption-led growth. Certainly the aim of achieving sustainable human settlements is important and decent housing is a vital facet of this, but this, once again, does not rely on that housing taking a particular form. In fact, in the context of deep poverty, it is possible that housing stock might be better maintained if not individually owned.

Approaching housing as an economic and financial asset, as described above, is one logical outcome of a commodified and financialised system of provision. There can be little doubt that in the South African context it is failing to serve the occupants of low-cost housing. But does this imply a need to correct these "market failures" or is there something dysfunctional about the paradigm itself?

There are three levels of responses. First, we must perceive that the market failures are not accidental but a consequence of the market-biased approach taken. Second, the underlying premise to this approach is that the capitalist property system (if functioning correctly), and by extension neoliberal capitalism, is able to serve the poor. This is a ruse. Thirdly, the housing-as-an-asset market paradigm fails to take account of various South African realities. Essentially, it takes a particular market paradigm, with a series of alleged benefits and attempts to impose this upon a context to which it may be ill suited. Formalisation of property rights does not necessarily promote increased security and can place extra cost burdens, it also does not necessarily guarantee access to lending and could create extra risk of default and eviction. This approach also does not take cognisance of the various informal or extra-legal systems that exist in poor communities which may be distorted by the imposition of uniform homogenous individual ownership (Cousins et al. 2005). The principal reality which this paradigm glosses over is the enormous levels of unemployment and the large number of households without much or any income. Without a steady income, capitalising on your home as an asset is impossible.

The South African picture is, however, more nuanced. While the paradigm may be inappropriate there is something legitimate about attempting to redress the systematic disposition of property. As Lemanski notes:

> "De Soto argues that giving people legal title to a property (either one they already "own" or a new property) allows to engage 'with the capitalist property dream by building an asset and securing collateral'…

However, while this vision of a 'normalised' housing market (epigraph quote) arguably demonstrates a neoliberal desire to eradicate informality and promote a nation of homeowners, or, in the words of social anthropologist Steven Robins (2002), an idealistic vision of 'suburban bliss', it also incorporates a pro-poor redistributive element, providing opportunities for poor black urbanites to become homeowners after prohibition under apartheid. This indicates the tensions and complexities of South Africa's dual policy focus on economic neoliberalization alongside a pro-poor agenda (Rogerson, 2000; Lemanski, 2007)." (2011, 58)

Lemanski perhaps overstates the case here. What is crucial to realise is that the social welfare element of housing policy – like some other spheres of social policy – was partially eviscerated by the approach taken towards social provisioning. We are not left with a neoliberal incorporation into capitalist property markets *versus* a pro-poor redistributive social policy. Rather we have a neoliberal redistributive social policy.

9.5 Conclusion

Once again this section highlights various facets of the financialisation of the housing sop first outline in Section 3.1. First, regarding policy, this section showed the influence of privatisation in reinforcing housing as a private asset and how commodification of land markets has shifted emphasis from land as a necessary ingredient in the provision of a basic necessity to land as an investment asset, reinforcing an anti-poor bias and dysfunctional geographies. The priority given to housing as an asset is indication of a financialised policy discourse, while in practice this approach has failed to yield the promised benefits.

Second, the general processes of financialisation have altered banking business models which have perpetuated an anti-poor bias while promoting financial engineering such as securitisation which may steer lending away from the poor or raise the costs. The business models of government lenders have also been shaped by a financialised economy in ways that have restricted their ability to support low-cost housing. Third, this section has illustrated how capital market liberalisation and consumption-led growth (reliant in part on high debt levels) has further boosted housing prices, which compounded by the refusal to compel bank lending to low-income households, has retarded access. Fourth, the property market provides an essential outlet for speculative relatively short-term financial inflows that are a key characteristic of financialisation in South Africa.

The tension present in this summary, the local idiosyncrasy, is that on the one hand we critique the financialised paradigm which prioritises the incorporation of households into financial markets and on the other we point to the manner in which this incorporation has failed (unlike, for example, in the United States). For instance, the dominant discourses – capital subsidies, "starter" houses, credit-linked subsidies, individual ownership, housing-as-an-asset – rely on access to credit and functional property markets to work as their architects would wish; however, as shown in this and the previous section this has failed to materialise. Does this suggest financialisation as an inappropriate rubric?

No. Rather it speaks to the specificities of financialisation in South Africa in the context of a sector (low-cost housing) in which the majority of people have very little, or no, income. Essentially, the broader financialisation of the economy has imposed a policy paradigm that has failed in its own terms and is ill suited to ensure access to adequate housing. In addition, the measures which have emerged in order to compensate for these failures – such as the growth of the microcredit sector – have, in their own way, extended financialisation. We must recall, that financialisation is not the dominance of large finance capital per se, rather it is the dominance of financial markets, and financial market imperatives, such dominance is clear in the function and dysfunction of the South African low-cost housing sop.

10 Contestation

It should already be clear that there has been fierce contestation in the design and implementation of policy as well as the form that housing provision has taken (or failed to take). We offer a brief summary of that here and then demonstrate how this has translated into active conflict "on the ground" within poor communities.

10.1 Policy Contestation

The positions put on the table at the NHF, with the exception of those of the ANC, have remained remarkably consistent in the ensuing two decades. Labour has advanced a more state-led approach, various community organisations have stressed the importance of community self-help initiatives, and the private sector has continued to push a market-driven, fiscally austere, minimalist agenda. The ANC has essentially shifted from the position of labour, to which it was closely aligned at the NHF, towards that of the private sector – as reflected above – a policy transformation not atypical for the ANC since it assumed power. Labour and communities have managed to nudge certain policies in their directions but have largely lost the key battles.

10.1.1 Finance and Labour

Despite the position that organised labour has taken in opposition to government policy (Section 6.4) Freeman argues that one of the reasons for the enactment of various policy measures, in particular the failure of the community reinvestment legislation is the "paucity of popular support" (Freeman 2008, 709). COSATU, the South African Communist Party and various communities did launch a campaign, in 2000, targeting the financial sector with the slogan of "Make the Banks Serve the People". At the culmination of the Red October march they presented a list of demands to government and the Banking Council. They called for banks "to invest in affordable housing, provide credit to small, medium, and micro-enterprises (SMMEs), and provide finance for infrastructure in black areas". In addition, the Campaign "called for diversification of the financial sector through the establishment of community-based banks (such as co-ops and credit unions)" (Freeman 2008, 710).

These demands became incorporated into the positions these groups took in the NEDLAC negotiations – a forum comprising government, labour and business – which eventually resulted in the FSC. Freeman argues that access to general financial services and the creation of a new layer of community-centred financial institutions, took precedence over the issue of mortgage financing. The former may have been the priorities but the conclusion seems odd given the FSC's R42bn commitment to expanding mortgage finance. Arguably one could conclude that the NEDLAC process and the resulting FSC provided business with the space it needed to negotiate favourable conditions which ultimately did not result in a radical restructuring of the sector. Further, this restructuring would need to address a wide scope of issues such as limited capital controls, a curb on speculation, forced reinvestment, prioritising industrial financing etc.

10.2 The Rich and the Poor

The South African elite has also managed to hold at bay a radical restructuring of urban geographies and thus maintained the perceived value of their properties.

Indeed their properties have continuously appreciated, at times given an extra lift by the establishing of public services (such as the Gautrain, a high-speed rail line between Johannesburg, Pretoria and the international airport). Most often however space has been enclosed and privatised in these neighbourhoods and social amenities have been supplanted by private spaces such as large shopping malls.

The law has been a potent instrument for allowing resistance to the integration of the poor into better off neighbourhoods (Kihato and Berrisford 2006, 4), at times leading to brutal evictions, discussed below. Market pressures, particularly the cost of urban land, have also retarded integration. Even when no overt obstacles are thrown up, the bureaucracy of property transactions has meant it has become the preserve of relatively expensive specialists, the technical and arcane rules and regulations have circumscribed poor people's access (Kihato and Berrisford 2006, 28; See *In Search Of Land and Housing in the New South Africa: The Case of Ethembalethu* 2014 for a case study of obstacles to obtaining land).

10.3 Evictions

The Prevention of Illegal Evictions (PIE) Act sought to safeguard both those with and without legal rights to the land upon which they lived. The Act places stringent criteria on orders for eviction and the courts are reluctant to grant an eviction order if they are satisfied that homelessness will be the result and alternative accommodation is not available (Tissington 2011, 16–18). Despite this, evictions are rife. These have been facilitated by certain competing pieces of legislation, particularly those focused on "informal settlement eradication" like the KZN provincial Slums Act (subsequently struck down), and by a sense of impunity by the state. Tissington notes that "public interest lawyers are inundated with cases relating to illegal evictions of residents from inner city buildings, shack demolitions in informal settlements, and repossessions of houses in township areas (and subsequent evictions of owners or tenants)" (Tissington 2011, 9).

In certain instances local governments have set up special eviction law enforcement units, such as the City of Cape Town's Anti-Land Invasion Units (ALIU) disparagingly known as the "red ants," which according to the City's website are the "biggest unit in Law Enforcement" and mandated "by the City's Human Settlements Department to stop people who attempt to illegally occupy City and Provincial owned land that has been identified for residents on the City's housing waiting list". This, they argue, "is in fairness to the majority of law abiding people on the list" (City of Cape Town 2014). Only founded in 2009, by 2011 these units were demolishing shacks erected on privately owned land at the rate of 300 per month.

Communities have fiercely resisted evictions and the recent cases of Marikana and Lwandle settlements in the Western Cape, serve as perfect examples both of local level contestations but also highlight many of the problems with housing provision raised above.

10.3.1 Case Study: Marikana Settlement

On the 27th of April 2013 – the public holiday, Freedom Day, which commemorates the 1994 first democratic election – activists from Abahlali baseMjondolo (discussed in Section 6.6) occupied a piece of land in the eastern part of Philippi township on the outskirts of Cape Town; they named the settlement "Marikana". The complaints of the residents were fairly typical: years spent on the housing "waiting lists" without receiving houses, overcrowding in their current locales, no income to pay for backyard rentals and empty land not being used. Being politicised and organised, Abahlali may have also been making a political point.

Hours later the ALIU arrived heavily armed and with military vehicles in tow, together with the South African Police Service (SAPS) and dozens of day labourers. They proceeded to dismantle the shacks, destroy the property within, beat the residents when they protested and make two arrests. After hours of confrontation including a protest outside the police station, those arrested were released. In the days, weeks and months which followed the pattern of evictions and re-occupation was repeated over a dozen times. The matter eventually went to the Cape Town High Court.

In August 2014 thousands of residents progressively occupied land adjacent to the original settlement. Law enforcement evicted these people destroying hundreds of shacks but could not stem the tide of occupants and eventually gave up (Sacks 2014). Besides for the general pattern of land occupation, brutal eviction and reoccupation, the case is revealing in three ways.

First, the ALIU arrived on the site without a warrant for eviction and rebuffed the lawyer present when asked to produce one, claiming they did not require a warrant. The City justified this on the basis that the shacks were "unoccupied" and therefore not truly "homes" and thus the rightful owners of the property could reclaim the land, without a warrant, before it was fully settled. Constitutional law expert Pierre de Vos called the evictions "brutal, inhumane and totally unlawful" (de Vos 2013). On March 14th 2014 Judge Gamble in the High Court handed down judgment, finding the City's approach to be "fundamentally flawed" and the demolitions unlawful and ordered the shacks to be rebuilt (SERI 2014). The ruling strengthens the existing anti-evictions legislation and implies that much of the activity of the ALIU is illegal.

Second, the City's defence makes use of a "divided-and-rule" tactic in which the mythical housing list is invoked and the land occupiers are contrasted with "law-abiding" citizens peacefully waiting in line. Third, for a number of weeks the City referred to the land as "City-owned land". It emerged later that they were fully aware that the land was owned by one Iris Arillda Fischer, a 78 year-old white pensioner who lives on a portion of the land, as does her son. The property is large, unfenced and not demarcated, and the Fischers were not originally aware of the settlement. This instance demonstrates the City's unwillingness to force sale of potential land for housing even when there are patently no plans to make use of the land.

The more recently occupied land comprises a number of different land parcels owned by private companies. Apparently, many of these companies, like NTWA Dumela Investments who owns another piece of occupied land adjacent to Marikana, appear to be land speculators, others may be planning industrial concerns on the land down the road but none appear to have immediate plans to the develop the land. Dumela is listed as investing in "movable and immovable property". This seems to indicate the City's willingness to protect what amounts to land speculation.

10.3.2 Case Study: Lwandle

The Lwandle evictions are even more revealing of the layers of contestation which can occur over housing. In the midst of a heavy storm in the first week of June 2014, the start of the Cape Town winter, hundreds of families were evicted from their shacks in the Nomzamo settlement, Lwandle. Lwandle, abuts the town of Strand in the Western Cape, about 45 minutes drive outside of Cape Town, and is situated on pieces of land owned by the City of Cape Town and the South African National Roads Agency (SANRAL). In late 2013 and early 2014 residents moved on to vacant land adjacent to already established shacks and on the boundary of Strand. The residents claim they were renting in backyards, following their relocation in 2007 after another portion of Lwandle was burnt down during a shack fire, and they could no longer afford the rent. SANRAL was given a court interdict on the 24 January 2014 to prevent new occupants moving onto the land and claimed this entitled them to evict the residents in June without a further evictions order; legally it did not. Despite this, law enforcement agencies carried out the evictions, destroying homes and confiscating property that has subsequently disappeared.

Two facets of this case are instructive. First, when one digs below the surface the dysfunction of intergovernmental relations becomes apparent. SANRAL was previously in negotiations with the City of Cape Town about relocating the residents. It would acquire land elsewhere and the City would provide services. The City had apparently previously provided services – such as portable toilets – but more recently SANRAL had prevented them from renewing these. Relations between SANRAL and the City apparently broke down in 2011 after the City said it would oppose the controversial toll-road initiative that was being mooted to be installed in the Western Cape. The situation is even more fraught than usual because the opposition Democratic Alliance runs the City of Cape Town and the Western Cape province. During and following the evictions each of these actors has cast aspersions on the other and attempted to portray their own role as one of benevolence. ANC local and national politicians have distanced themselves from the actions of all parties concerned. The National Minister of Housing established a commission of inquiry to probe the incident.

Second, SANRAL claims that the evictions were to clear the way for a bypass of the national highway (the N2). However, this seems highly unlikely given the location of the land, its distance from the existing road and its proximity to neighbourhoods within Strand. It has subsequently emerged that SANRAL acted under pressure from Strand resident's associations and local property owners who expressed fear at living adjacent to an informal settlement. In another racial twist the largely coloured residents of a proposed relocation site in Kuils River objected to the black African Lwandle residents being resettled on their doorstep.

Following a public outcry and intergovernmental hostility, the shacks were rebuilt on the land and interim services provided while land is readied for relocation. Residents continue to be concerned that relocation will move them further from work, schools, shops and public amenities.

10.4 "Service Delivery" Protests

South Africa enjoys one of the highest rates of protest action anywhere in the world. One research initiative by the University of Johannesburg's Social Change Research Unit found that "service delivery" protests grew from just 13 in 2004 to 470 in 2012. Many of these are community level protests, about half involving less than 500 people, and not formally connected to national movements. Between 2005 and 2008 the majority were "peaceful", between 2009 and 2011 the share of "peaceful", "disruptive" and "violent" protests was about equal, while in 2012 and 2013 "disruptive" and "violent" protests climbed to approximately 40% each, while "peaceful" protests declined to 20% (Alexander, Runciman, and Ngwane 2013).

This uptick in protests and their ferocity, are indicative of growing anger within poor communities. The moniker of "service delivery protests" refers to a wide range of complaints ranging from dissatisfaction at the lack, or inadequate provision, of water, sanitation, municipal infrastructure or housing. The role of housing is difficult to discern but housing – as the core of basic services – has featured prominently in residents' complaints and demands. The protests are not only spurred by these practical failings, but also represent a breakdown in trust between government and communities and an opposition to what is perceived as widespread corruption. Whether because of incompetence, corruption or a government which just doesn't care, these residents no longer believe that what they consider their due – an RDP house included – will be delivered if they simply wait their turn in the queue.

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11 Conclusion

Various policy choices – the centrality of the capital subsidy, private ownership and housing finance – have meant that post-apartheid publicly financed low-cost housing has been heavily commodified. This commodification paved the way for a deeper insertion of housing into a broader range of financial market networks. The entire housing system of provision has thus been shaped by these dynamics. This has been clear in our discussion of policy, production, actors, consumption, finance and property markets. It has also been dysfunctional with regard to the adequate provision of shelter for South Africa's poor. This has ultimately contributed to the civil unrest seen on an almost daily basis in which the right to a dignified place to live is a central demand made by poor communities. Without a policy paradigm shift – difficult given the economic broader trajectory and balance of forces – this legitimate desire will remain out of reach.

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THE ABSTRACT OF THE PROJECT IS:

The research programme will integrate diverse levels, methods and disciplinary traditions with the aim of developing a comprehensive policy agenda for changing the role of the financial system to help achieve a future which is sustainable in environmental, social and economic terms. The programme involves an integrated and balanced consortium involving partners from 14 countries that has unsurpassed experience of deploying diverse perspectives both within economics and across disciplines inclusive of economics. The programme is distinctively pluralistic, and aims to forge alliances across the social sciences, so as to understand how finance can better serve economic, social and environmental needs. The central issues addressed are the ways in which the growth and performance of economies in the last 30 years have been dependent on the characteristics of the processes of financialisation; how has financialisation impacted on the achievement of specific economic, social, and environmental objectives?; the nature of the relationship between financialisation and the sustainability of the financial system, economic development and the environment?; the lessons to be drawn from the crisis about the nature and impacts of financialisation? ; what are the requisites of a financial system able to support a process of sustainable development, broadly conceived?'

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1 (Coordinator)	University of Leeds	UK
2	University of Siena	Italy
3	School of Oriental and African Studies	UK
4	Fondation Nationale des Sciences Politiques	France
5	Pour la Solidarite, Brussels	Belgium
6	Poznan University of Economics	Poland
7	Tallin University of Technology	Estonia
8	Berlin School of Economics and Law	Germany
9	Centre for Social Studies, University of Coimbra	Portugal
10	University of Pannonia, Veszprem	Hungary
11	National and Kapodistrian University of Athens	Greece
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13	Lund University	Sweden
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