International shifts in shelter and settlement policy and their implications for South African praxis

Final Report
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Abstract

This report examines the trends in international thinking on housing policy. The purpose behind the report is to assist the Department of Housing to compile a new Policy & Research Agenda by indicating the main trends in international thought and their implications for policy development in South Africa.

The report covers the global shifts in thinking that occur at the level of the World Bank and the United Nations' agencies, as well as covering the alternative voices raised in response to these two institutions. The report then describes the specific trends in thinking that relate to: post-occupation support; housing construction; beneficiary contribution; financing; tenure arrangements; land assembly & development; institutional arrangements; integrated development; and planning & participation.

Key findings are made in relation to each of the following four objectives of the SA Department of Housing: better urban efficiency & equity; poverty eradication; asset creation & wealth re-distribution; and affirming & deepening citizenship.

The report concludes with recommendations on issues to pursue in the new policy and research agenda as well as identification of issues suggested for immediate action.

Executive Summary

The international literature on housing and shelter is vast. This report obviously cannot capture it all. It focuses on overall shifts in global thinking, those shifts that have had a global effect on housing practice, and which have been identified in the terms of reference for the research project.

The brief of this report is to examine the major trends and shifts in international housing policy. This is done by firstly addressing the historical origins of housing policy in developing countries through arguably its principle shapers: the World Bank and the United Nations. Although less easy to encapsulate under one heading the report also covers alternative voices – views and opinions raised in critique of, or simply different to, those espoused by the World Bank and the UN. Secondly, specific topical issues regarding housing delivery are analysed, and the 'mini-shifts' in each one identified. In conclusion, the findings are placed in the context of the imperatives facing housing in South Africa.

World Bank, United Nations and global alternative voices

The purpose of this section is to describe the evolution of policy in housing as espoused by the World Bank and the United Nations though its agencies. While the two have largely worked in tandem with regard to housing policies, it is important to draw some subtle yet important distinctions between the different themes which have informed the way in which their respective policies have unfolded. Firstly, the World Bank has generally tended towards the economic as a basis for its housing policy. In contrast, the United Nations Centre for Human Settlements (UNCHS) has tended to rely more on sociologists, geographers and other social scientists in developing its housing policies. Secondly, and we shall deal with this in greater detail later, comprehensiveness in housing processes for the UNCHS requires the implementers to incorporate environmental concerns, community self-help projects, increased access by women to credit, institutional support for strengthening tenure rights, social partnerships and so forth. The World Bank does not totally ignore these concerns, but they are less conspicuous in its work. Thirdly, the UN sets the trend in its advocacy on issues of sustainability and sustainable development. To it, environmental, social and economic development matters need to be joined and considered holistically.

World Bank

Pugh (1997; 2001) traces the evolution of housing policy from the 1950's to date, by dividing it into *three phases* that reflect broad shifts in the Bank's thinking. These phases are:

Phase one: The formative stages (1950-1971)
The inffluence of Charles Abrams and John Turner was particularly strong during this phase. For the first time a global debate began to form that minstreamed informal settlements, looking at issues such as incremental housing and the value of self-help projects.

Phase two: State driven self-help housing
The notions of aided self-help initiated in the earlier phase began to be implemented, at the injunction of the World Bank, by borrower country's governments. These projects did not meet the expectations of success that preceded them.

Phase three: The enablement approach (1986-1996)
In this phase there was a fundamental review of housing and urban policy. Housing was understood to be but one part of a complex package of processes and services. The role of market forces in enabling housing delivery became a prominent theme. A 7-point set of principles emerged:
- Developing housing and finance institutions to mobilize and disperse capital for housing construction and purchase.
- Rationalizing subsidies for housing and infrastructure to make them more transparent, better targeted and affordable.
- The development of property rights, for example the regularisation of tenure in squatter settlements and in the removal of rent controls
- Infrastructure improvements.
- The introduction of regulatory audits to remove regulations inhibiting housing sector development.
- Improved organisation and competition in the building industry.
- Appropriate institutional reform

Phase four: The emerging paradigm
At this point it was acknowledged that the economic growth and savings arising from more efficient spending on housing was not generating sufficient investment to alleviate poverty. The emphasis of housing policy was the balancing of poverty eradication and the achievement of macro-economic stability. The Bank introduced 'second generation lending', with a focus on urban development and governance. During this period the Bank and the UN formally agreed to align their policies.

United Nations

The evolution of UN policy can be tracked through the high-level documents and conferences it arranged during the last decade or two:

The Global Strategy for Shelter to the Year 2000 (GSS)
In 1990, the United Nations Centre for Human Settlements (UNCHS) developed a ten-year Global Strategy for Shelter to the Year 2000 (GSS). Importantly, the document was produced at the height of certain ideas that were fashioning an approach towards the political economy of urban development. In this context therefore, it furthered the conceptualisation of housing as economically productive, focusing upon whole sector development rather, than specific projects. The role of the market was emphasised in delivery, and it focussed interventions on regulatory and institutional reform, not on direct housing production.

Earth Summit
The Earth Summit of 1992 in Rio de Janeiro was a crucial event in the evolution of international development policy in general, with specific implications for housing. Urban development needs were placed squarely within the ambit of environmental concerns (Pugh 1997). The emergence of the 'brown agenda' provided the basis for extending environmentalism into local government practices, and for ensuring that environmental

thinking started to look at the environment differently, taking into account people – especially poor people – and their needs.

Istanbul 1996

The two documents that emerged from Habitat II in Istanbul in 1996 were the Istanbul Declaration on Human Settlements and the Habitat Agenda, including the Global Plan of Action (chapter IV of the Agenda), reflected these trends. A number of the salient issues addressed included:

- Prioritising homelessness, unemployment, and lack of basic infrastructure.
- Goals towards *inter alia*, equitable human settlements, poverty eradication in the context of sustainable development, citizens rights and responsibilities and health care.
- Commitments towards among others adequate shelter for all, including the obligation of governments to promote, protect and progressively realize this right; sustainable human settlements; enablement and participation; gender equality and the financing of human settlements.
- Strategies that included, in ensuring adequate shelter for all, varied tenure options, encouraging people who individually and collectively act as producers of housing and responding to the diverse needs of the disadvantaged; attaining sustainability through eradication of poverty, creation of productive employment and social integration; enabling capacity building and institutional development through for example decentralization, popular participation and civic engagement and implementation promoting international cooperation through technology and information transfers and ensuring follow up through performance evaluation.

Habitat II represented the confluence of two separately evolving lines of thought with regard to housing policy. Firstly, a well-established pedigree of market rationality fed into the two documents that emerged. For instance, the agenda setting process of the Istanbul Declaration noted that '[t]hey (governments) … called for urban policies that expand the supply of affordable housing by enabling markets to perform efficiently in a socially and environmentally responsible way'. Further, the Istanbul Declaration affirmed that the private market was still the 'primary housing delivery mechanism' and forms the backbone for the 'shelter for all' policy. Secondly, the following concerns were key in shaping the eventual outcomes of housing as a right: the imperative of poverty alleviation, sustainability and empowerment through processes of decentralization and democratic decision making were also important in shaping the eventual outcomes.

Millenium Development Goals

The MDG's were a result of the compilation of the goals and targets formulated in the various United Nations conferences and summits of the 1990s. One notable goal is ensuring environmental sustainability, which requires that by 2020, nations must 'have achieved a significant improvement in the lives of at least 100 million slum dwellers', mainly by increasing their tenure security with a particular emphasis on protecting them from unlawful eviction (World Bank, 2003). Additional criteria for determining whether the lives of slumdwellers have been improved include: the proportion of households connected to services such as water, sanitation and electricity; the proportion of houses that are permanent structures; and the proportion of houses that comply with applicable building laws (ibid).

Alternative voices

Three strands of argument have been voiced by the alternative writers. Firstly, they advocate for increased recognition of the potential of informal private housing provision. Secondly, there is a call for recognition of various modes of housing delivery. Finally, they challenge the conception that deregulation is necessary to create market efficiency. Instead, they call for increased state involvement.

Summary of the global debates

The early fifties to the early seventies were the formative stages of self help housing as advocated by the writings of John Turner. This era was characterised by relative inactivity of the World Bank in shaping housing policy. The United Nations on the other hand through its specialised agencies, was already pursuing policies of self help. . The early seventies to the mid-eighties saw the World Bank buy into self help housing policies. The state was encouraged to initiate and drive housing projects that concentrated on sites and services as well as *in situ* slum upgrading. However, with the failure of these policies to meet the demand for housing, the mid eighties to the mid nineties saw a shift to the enablement approach. This time, the state took a back seat in terms of actual provision of housing. Rather, it was encouraged to create a conducive environment so that communities could be better placed to house themselves. This period also saw, through a number of world conferences, the emergence of the rights based approach to development increasingly advocated by the United Nations. This fed into housing policy, and particularly influenced the Istanbul declaration and Habitat II Agenda. Finally, from the late nineties to date, there has been a rethinking of lending policies pursued by the World Bank, with increased focus on poverty alleviation. In tandem with these orthodoxies strong alternative voices have also emerged, which have been opposed to what they perceive as the inappropriately hegemonic effect of these two institutions' policies.

International shifts in relation to selected elements of housing delivery

Post-occupation support
There is an obvious insufficiency of attention paid to post-occupation support in international thinking on housing. The debates have tended to remain stuck on the idea that the purpose of a housing programme is simply to provide a dwelling. This is an area of thinking that it is critical in South Africa but for which there is not a great deal of guidance available in the international literature. The manner in which the South African social housing programme unfolds may start to provide some useful lessons for post-occupation support, even if on a limited scale at first.

Housing construction
Overall the trend in construction has been towards a more holistic approach in terms of the production of sustainable settlements, looking at the longer term, cumulative impacts of housing development. As far as quality is concerned, with a less than generous subsidy, it is very difficult to create a high quality house using the formal methods of delivery. The international literature shows little change in this regard. Gilbert (in press) notes that as a percentage of GDP, housing expenditure is still very low although any suggestions to increase it would not prove popular in terms of World Bank and IMF promulgated economic orthodoxies. The trend therefore is still to produce as many houses, at as little cost as possible. Some form of aided self-help housing on the other

hand, the 'next best solution', is being accepted, sometimes reluctantly, for instance in Chile and South Africa (the latter through the Peoples Housing Process).

Beneficiary contribution
Internationally, there is strong support for some form of beneficiary contribution. There is however also an acute awareness of the precarious position of the very poor. In such cases, various countries for instance Chile and Columbia have developed systems of identifying and targeting these very poor with subsidies that have no contribution attached

Financing
This section has addressed three components of financing. Firstly, subsidies where the international trend is towards demand side subsidies. It was however noted that while subsidies are important for low income households, they have very limited utility in addressing segregation, and can even serve to accentuate it. While this has not by any means been mainstreamed, there is increasing recognition of the need for rental subsidies. Secondly, the persistent lack of sufficient funding to enable adequate provision of houses has resulted in a search for alternative methods of raising money. While formal private sector financing has been limited, lessons learnt from micro finance enterprises are increasingly been transferred to housing finance. While this form of lending is still in its infancy, Ferguson (1999:197) notes that there is cause for 'cautious optimism'. Finally, there is a move towards greater use of end user financing. Through the experience of NGOs in housing, governments are recognizing the need to channel finances directly to end users, often through community based organisations.

Tenure arrangements
While tenure security is seen as an imperative, there are many, significant shifts in the types and modes of delivering this security. Firstly, there is the move away from formal delivery systems. New and innovative ways of providing tenure, for instance special zones of social interest in Brazil have been established. Secondly, the terminology of 'security of tenure' has been broadened to encompass more than just leasehold and free hold titles. Thirdly, gender is being incorporated as an important issue to address in the tenure provision process.

Land assembly & development
In summation, thinking around the land assembly and development process in many rapidly expanding cities generally points to the need to reform regulatory frameworks, planning standards, regulations and administrative procedures. The Special Zones of Social Interest in Brazil are useful here in that they demonstrate the benefits of strategically relaxing conventional planning standards (Fernandes 2000). Huchzermeyer (2003) notes that in some Latin American countries, zones are not pre-defined but are retrospectively determined by already existing development. This allows for a more flexible approach to zoning. Secondly, there is increasing recognition of the utility of partnerships between the private sector, NGOs and CBO's and the public sector in the land acquisition process. Finally, due to the high costs of land, not least because of the speculative forces increasingly prevalent in globalised cities, it is emerging that governments in fact need to commit more funds for the purchase of appropriate land for housing the poor. Again, this goes to show that the amounts governments currently put into housing subsidies provision may not be enough to acquire suitable land.

Institutional arrangements

The three relevant themes running through the international literature are 1) increased decentralisation of decision-making to local government; 2) a concomitant growth in support to institutional and governance questions, with a particular focus on building local government capacity; and 3) deeper and more effective forms of international cooperation, particularly on the South-South axis.

Integrated development

Integrated development is the buzz-word most frequently heard in housing circles internationally. Putting it into practice, especially for the purposes of tackling residential segregation remains an enormous challenge. Isolated examples of good practice suggest that it is possible, in both rich and poorer countries, but in all likelihood effective solutions to this challenge need to be found locally.

Planning and participation

Within current international literature on urban planning process the two most frequently cited examples of good practice are the participative budgeting process in Brazil (more precisely, but not exclusively, in the city of Porto Alegre) and the South African IDP. The challenge both internationally and for South Africa is to combine the positive elements of these two instruments to guide planners towards an instrument that is able to translate a municipality's priorities into effective and appropriate plans, policies and strategies. Clearly an essential part of this must be a stronger focus on the need to develop new tools for implementing urban plans, such as those advocated by De Souza.

Insofar as participation is concerned clearly there is a great deal to learn from the participative budgeting experience of cities such as Porto Alegre. The advice of Werlin (1999), that the most effective approaches to public participation are those that are 'generally tough-minded while also sensitive to public opinion' is certainly applicable here.

Key findings

Better urban efficiency and equity

Urban efficiency and equity require that the urban areas are capable of functioning cost effectively, while allowing equal access to benefits to all its citizens, without disproportionately burdening others with its costs. International experience has shown that private land markets tend to impact negatively on the efficient development of housing for the poor in that it has often determined that poor households are priced out of well-located areas. Further, the experience has also shown that capital housing subsidies in any form have not been a successful means of income redistribution. This is of particular relevance to South Africa with its legacy of spatial inequality

Poverty eradication

Internationally housing and shelter provision has been seen as a basis for poverty eradication. Specific trends have been towards the encouragement of home-based work and encouraging, more rental housing (including the renting of backyard rooms/shacks) etc. The house is increasingly seen as a base for income generating activities. The importance of this fairly fundamental point needs to be grasped and taken forward by the national housing programme in South Africa, particularly in response to the phenomenon of 'backyard shacks'.

Asset creation and wealth re-distribution
Encouraging ownership and granting legal title to poor households theoretically means that they can eventually sell their property in order to make capital gains. To this end, many developing countries are involved in offering credit to the poor, providing low income families with subsidies, issuing title deeds to the informal occupiers of land, and generally assimilating more families into the legal and 'formal' economy. But is the granting of ownership of a house to poor households so desirable? Does it create an asset in the hands of the poor? There is increasing evidence to show that poor households do not get incorporated into a functional property market of any kind after all. International experience is shifting away from the conventional approach predicated upon centrally registered freehold titles or registered leasehold to the 'right to the city' approach, encompassing the concept of social rights to the city, collective land and property ownership, publicly owned land, incremental approaches to the acquisition of rights, informal rentals etc A sharp about-turn in South Africa's urban land and housing policy is needed if it is to provide beneficiaries with something more valuable economically than simply a house.

Affirming and deepening citizenship
A key challenge facing South African urban policy is still the legacy of apartheid. This legacy is not only about spatial exclusion but is also manifested in political and social exclusion, despite a decade of democracy. Realizing Lefebvre's 'right to the city' – in all its dimensions - remains an ongoing priority. This is not only for the important reasons of achieving social and political inclusion, of countering centuries of anti-urbanization ideological effort by colonial and apartheid governments, but is also important for the more immediate and prosaic imperative of municipal financial solvency. Programmes such as Masakhane, for example, show the importance attached by the state to increasing the number of citizens paying for the services that they receive from the municipalities. Currently municipalities depend disproportionately on the revenue generated from the municipal rates paid by home- and business-owners in the traditionally white parts of their cities, primarily because of the difficulties associated with raising such revenue in those parts of the city in which people remain marginalized and alienated from the city. From a municipal finance point of view then a deeper sense of citizenship is essential, as it will presumably translate into higher levels of payment for municipal services. The critical point here though is that the property-based income of a municipality is predicated on land values. The higher the value of the land the higher the municipality's revenue will be. This then links the deepening of citizenship challenge with that of asset creation. Enhancing the potential of a housing beneficiary to use his or her house as an asset for wealth-creation purposes also enhances the municipality's chances of broadening and expanding its revenue base.

Recommendations

There are as many dangers in lifting 'lessons' or 'best practice' wholesale from other countries as there are in ignoring them. South Africa does have an unusual combination of challenges facing its housing sector. Ultimately we have to find our own solutions to these challenges. Keeping track of what is happening internationally can only strengthen and deepen our understanding of the pressures that we feel now. It also enables South Africans to participate more effectively in international debates, strengthening and deepening them too.

Areas for deeper research

Specifically, it seems that there are certain key areas on which we should focus in further *research*, and undertake more comprehensive study of the international trend and shifts. These are:

- Identifying a financial mechanism that enables the state to fulfil its constitutional housing obligations without creating the long term developmental and environmental disasters that seem likely to emerge from many current housing projects;
- Implementing an appropriate response to the current problems encountered by the poor in generating their own resources to contribute towards the costs of providing their housing;
- Identifying appropriate policies and laws to assist the poor use their houses to better economic effect, to benefit household income generation;
- Engaging with the phenomenon of informality in a realistic manner in order to provide effective support to people living in such situations, to increase their household capital and income.

Issues for immediate attention

A number of immediate issues that are raised in the international literature have to be taken into account in the formation of a policy and research agenda for housing in South Africa in the short-term. These are:

- The increased emphasis on the local sphere's role in housing delivery in South Africa has to be implemented in the light of the current thinking around institution building and support to governance issues. The 'emerging paradigm' (see above at 2.2.4), which emerged in 1997 suggests that we are already somewhat 'behind the curve'. While our emphasis on local government is appropriate it is not matched with a complementary programme of support to that sphere of government. It is unhelpful to allocate the responsibility for housing to the local sphere without engaging that sphere in a comprehensive process of support.
- South Africa is leading the world in terms of shaping a rights-led housing programme, not in terms of actual achievement but in terms of having such a strong constitutional injunction to implement such a programme. Consequently there is not an enormous amount to learn internationally (although there are certainly some useful lessons emerging from Brazil) but we can expect the international spotlight to shine particularly brightly on us in the immediate future. In the same way that we look to other countries experience for lessons so too will other countries' housing practitioners be looking at our efforts, especially in relation to developing a rights-led housing programme.
- Internationally, and in relation to similarly resourced countries especially, South Africa's share of GDP spent on housing remains very low. Regardless of the way in which we spend our housing funds – and there is plenty of evidence internationally to suggest that we could do so more efficiently – the overall amount of money available for housing remains relatively small. If there is one lesson to take into the next generation of the housing programme it is that sustainable human settlements are unlikely to emerge if the spending on housing remains low.
- Increasingly the international trend is (and has been for some time) towards demand-led subsidies rather than supply side subsidies. The suggestion that the South African subsidy programme should move in this direction is thus clearly

within that international trend, albeit a bit late. The administration of the South African housing programme will have to change fundamentally though if it is to really make the shift from supply to demand led subsidies.

- The international thrust towards greater use of micro-finance for housing purposes is one which South Africa is well placed to follow, given the size and nature of the micro-lending industry in the country. Renaud (2003) emphasises the relative advantages that South Africa has in its micro-lending sector compared to other developing countries. South Africa is thus well placed to pioneer innovative and effective ways of using micro-finance for housing and to concentrate on designing a micro-finance system that meets the needs of this country.

- The move, internationally, towards greater emphasis on end-user financing arrangements – rather than on project financing - is one that is only very slightly reflected in South African practice. If we are to follow this trend it will require substantial reform of the institutional framework within which housing finance is administered, as well as new systems for monitoring and evaluation of housing expenditure. If South Africa is to stick with its emphasis on project-financing, in the face of the international practice to the contrary, then it will be important to develop a solid rationale for such an approach.

- If the IDP is to realize its potential in South Africa to expedite well-located housing it has to be supported by a range of complementary measures, such as those suggested by De Souza and which are increasingly being implemented in some cities of Brazil. Obviously there are dangers in generalization like this but the evidence suggests that there is considerable value to be found in looking at the Brazilian experience specifically as we develop our urban planning implementation instruments. Particular focus must be placed on the effects of planning instruments on the land market. Highly praised internationally as it is the IDP is not going to be able to alter the fundamental limits imposed on urban integration efforts by the land market as it operates today.

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1   Introduction

1.1   Our Approach

Time constraints have prevented us carrying out a comprehensive literature survey. We have however tried rather to identify areas of strategic interest to the DoH, and then pursue those. We are guided very closely in this by our Terms of Reference.

The international literature on housing and shelter is vast. We obviously cannot capture it all. To help us focus on what is relevant and helpful to the Department we are looking for overall shifts in global thinking, those shifts that have had a global effect on housing practice.

A project such as this, facing such a potentially broad canvas inevitably deals with generalizations. We are reluctant to incorporate into our document too many of what are often isolated examples of good, or even so-called best, practice. For this document to be useful it has to reflect the broad, necessarily generalized, trends. Nevertheless, we are also acutely aware that we should resist the temptation to tackle the question wholly in the abstract. Striking this balance is likely to be one of the biggest challenges of the report. In this regard we keep in mind the injunction to 'resist drawing facile lessons' (DoH (2003): 2).

1.2   Structure of the Report

The brief of this report is to examine the major trends and shifts in international housing policy. This is done by firstly addressing the historical origins of housing policy in developing countries through arguably its principle shapers: the World Bank and the United Nations. Although less easy to encapsulate under one heading we have also mentioned alternative voices – views and opinions raised in critique of, or simply different to, those espoused by the World Bank and the UN. Secondly, specific topical issues regarding housing delivery are analysed, and the 'mini-shifts' in each one identified. In conclusion, the findings are placed in the context of the imperatives facing housing in South Africa.

2   Background: Historical origins of global housing policy

The purpose of this section is to describe the evolution of policy in housing as espoused by the World Bank and the United Nations though its agencies. While the two have largely worked in tandem with regard to housing policies, it is important to draw some subtle yet important distinctions between the different themes which have informed the way in which their respective policies have unfolded. Firstly, the World Bank has generally tended towards the economic as a basis for its housing policy. In contrast, the United Nations Centre for Human Settlements (UNCHS) has tended to rely more on sociologists, geographers and other social scientists in developing its housing policies. Secondly, and we shall deal with this in greater detail later, comprehensiveness in housing processes for the UNCHS requires the implementers to incorporate environmental concerns, community self-help projects, increased access by women to

credit, institutional support for strengthening tenure rights, social partnerships and so forth. The World Bank does not totally ignore these concerns, but they are less conspicuous in its work. Thirdly, the UN sets the trend in its advocacy on issues of sustainability and sustainable development. To it, environmental, social and economic development matters need to be joined and considered holistically.

2.1   World Bank policies on housing

Although the World Bank has profoundly influenced housing policy in developing countries, Harris *et al* (2003) picks up the often-overlooked role of the United States, Britain and the United Nations in the very early stages. Following unrest in its colonies, Britain began to acknowledge a responsibility to improve housing conditions in colonial cities. It thus made provisions for grants and loans to improve conditions and promote development in both urban, as well as rural, areas. A shift from building 'barracks for bachelors' was superseded by a need for 'family housing' (ibid: 170). The US began to take an interest in housing policy in order to 'secure alliances and guarantee political stability' (ibid: 171). In this regard, from the early 50's it played an increasingly active role in housing, especially in Latin America.
The influence of the UN began to creep in more strongly in the sixties when rapid decolonisation stripped Britain most of its colonies. Its influence was unsurpassed until the 70s when the World Bank became active in this area.

Notwithstanding this, the World banks influences on housing policy are unquestionable. It has been variously called 'a trend setter in development thinking' (Baker and van der Linden 1993:1) and 'the most influential international funding and policy organisation' (Keivani *et al* 2001). This influence has inevitably led the whole UN family, donor countries and their agencies as well as the consultant community to adjust their policy thinking to that of the bank. This influence is primarily because it provides large loans for urban and housing programmes, usually with conditions that influence policy directions. It is in this light that Pugh (1997; 2001) traces the evolution of housing policy from the 1950's to date, by dividing it into *three phases* that reflect broad shifts in the Bank's thinking.

2.1.1   Phase one: The Formative Stages (1950-1971)

In the initial stages of theorising housing in the developing world, the World Bank's influences were low-key. Much of the writing then was by pioneer authors like Charles Abrams and John Turner. They wrote on the inappropriateness of grafting public housing policies from the developed world thoughtlessly to the developing world and on the realities of informal settlements. These early writings served to mainstream informal settlement issues within official policy, the former previously considered as unsanitary and anti urban planning (Pugh 1997). Turner particularly took note of incremental housing associated with the poor. In his mind, this process of 'self- fulfilment' was better than centralised public housing approach in terms of affordability, flexibility and the essential human creativity in seeking value in life. He advocated aided self-help housing[1] in which the state produces the environment conducive to the construction

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[1] Self-help housing has been defined as either individual household or group self-help, relating to the more technical aspects of house construction, or collective actions around housing, relating

process, such as assistance through regularising of tenure, the provision of land and basic affordable utility and infrastructure services, (Pugh 2001).

2.1.2   Phase two: State Driven Self- Help Housing (1972-1985)

Unsurprisingly Turner's ideas gained prominence after the World Bank began to adopt them. Subsequently, the idea of self-help housing gained currency, and during the early 70's to mid 80's, aided self-help approaches were applied in low-income housing developments. However, Keivani *et al* (2001) draw a distinction between Turners' ideas of self- help and those advocated by the World Bank. Turner envisaged dweller control through participatory processes, such as supporting and enabling the informal self-help process by increasing the dwellers' direct access to financial, material and technical resources. The World Bank however attempted to formalise and regulate the process largely through internationally financed government controlled self-help projects. Thus typically, state aided policies spurred on by lenders concentrated on sites and services and *in situ* slum upgrading schemes. Key to these policies were ideas of affordability, cost recovery and replicability by the private sector, which were never achieved. The resultant criticism can be attributed to the neoliberal ideology driving these policies at the time. They included:

- Poorly selected locations for the projects, due to high land prices
- Allocations that by-passed the very poor
- Lack of co-ordination among government agencies
- Inconsistent land policy
- Unwieldy institutions that retarded implementation, and
- Market compromises in socialist countries
- Mass shortages and systems malfunctioning in land finance and other aspects of formal sector housing markets. This tended to occur when median income group households were not adequately supplied they would consequently down raid low-income housing (ibid).

Therefore, this project-based approach performed poorly. For example, it is estimated in the ten year period from 1972 to 1981, the combined output of such programmes only accounted for some 10% of the actual housing requirements in developing countries (Keivani and Werna 2001).

2.1.3   Phase Three: The Enablement Approach (1986-1996)

Phase three saw a fundamental review of housing and urban policy, from the mid 1980's to date. The thinking that characterised this era was that housing should become a more complex package of policies relating to land, finance and economic development. The focus shifted to broader issues of economic and social development, and away from the project-by-project approach that typified the previous eras. This is because the previous

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more strongly to organisational and political actions in order to improve living conditions beyond housing. Aided self-help is either the direct involvement of the state through control of the housing process or, as is increasingly the tendency now, devolution of the initiative locally, and instead production of a conducive environment by the state (Harms 1992).

approach was proving too narrow, its success dependent upon a package of supporting policies in land, housing and municipal finance as well as upon the nature and quality of urban governance. In contrast therefore, the *market enabling approach* emerged as the dominant theme. Initially, enablement as propounded by UNCHS emphasised the productive contributions of human settlements to economic growth, to the increasingly internationalised nature of the economy and role of cities, and to linking the roles of governments, markets, non-governmental organisations (NGO's) and community based organisations. It was intended that through a set of measures by the state, communities would be better placed to help themselves. It was to fuse settlement wide action with local initiative (Pugh 1997). It did not meant the dimunition of the responsibility of the state, rather a redistribution of production components between the private and pubic sectors. However, enablement became incorporated into a political economy that tended towards market liberalisms and specific state roles in reforming institutions for accountability and supporting the creation and protection of property rights. With the collapse of authoritarian and state socialist regimes in the late 1980s, this political economy became more overt, and accepted, and was implemented through the loan programmes of the World Bank[2]. In this regard, a seven- point set of principles to operationalise the enablement approach as initially advocated by the UN guided the loan programmes. These were:

1. Developing housing and finance institutions to mobilize and disperse capital for housing construction and purchase.
2. Rationalizing subsidies for housing and infrastructure to make them more transparent, better targeted and affordable.
3. The development of property rights, for example the regularisation of tenure in squatter settlements and in the removal of rent controls
4. Infrastructure improvements.
5. The introduction of regulatory audits to remove regulations inhibiting housing sector development.
6. Improved organisation and competition in the building industry.
7. Appropriate institutional reform (Keivani *et al* 2001).

Enablement thus revolves around two rationalities; the creation of institutional capacity, and an open market environment for expanding formal private activity. Closely tied with it are ideas of (good) governance, a term that became the buzzword for all development agenda's, especially on issues of state-market relations (ibid).

2.1.4   Phase four: The emerging paradigm (1997 to date)

Contrary to the expectations of policy makers in the World Bank and other development agencies, the increased economic growth and savings arising from more efficient spending has not generated sufficient investment necessary for poverty alleviation. Zanetta (2001) states:

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[2] The enablement approach was initially conceptualised by the UN as part of a 'settlement-wide action' approach to whole sector housing development. This was elaborated in The Global Strategy for Shelter (GSS). However, the World Bank through its conditionality attached loan programmes was better placed to implement and elaborate on these policies.

'As a result a new conceptual shift began to take place in World Bank's thinking, increasingly recognising the need to promote public sector reform hand-in-hand with policies promoting a more equitable distribution of wealth. The Washington Consensus has been increasingly questioned, pointing to the prevalence of market imperfections and the need for state intervention to rectify them' (ibid: 527).

Previously, the benchmarks for assessing the Bank's performance in relation to poverty were primarily in the following areas:

- Progress in implementing the major program of poverty assessments initiated and
- Progress in the subset of interventions that were specifically targeted to the poor (the Program of Targeted Interventions).
- The extent to which World Bank country strategies, or *intended* plans, were coherently based on a diagnosis of the links between poverty, policies, and investment strategy

However, these were framed in general terms and unlinked to outcomes. Thus the World Bank's progress report for fiscal years 1996 and 1997 laid out among its shifts in direction that, 'from describing poverty to formulating strategies and placing poverty reduction at the centre of assistance strategies and country dialogue' (World Bank 2001). Zanetta (2001) further notes that the Bank is increasingly trying to develop workable connections between macro-economic stability and long-term poverty alleviation strategies. The state is therefore not only vital to establish the rules and institutions needed for markets to flourish, but also for people to live healthier and happier lives. The importance of macro-economic stability for the smooth functioning of the housing sector is a point confirmed by Arimah (2000) in a study of housing delivery in 52 cities around the world.

A new approach to lending, described as 'second generation' lending was increasingly favoured. It aimed at attending to the needs of the structurally and chronically poor in a manner still cognisant of macro economic stability. These strategies also have an overwhelming focus on urban areas which have now developed as the new 'frontline' in poverty alleviation and development thinking (ibid).

A further key feature of the most recent phase of the World Bank's (and the UN's) approach to housing delivery is that both bodies have formally agreed to align their housing policies and strategies. While this may well have the effect of more coordinated international housing policy processes it also runs the risk of reducing the possibilities for debate and disagreement over contentious issues.

2.2   The United Nations' approach to housing

As noted earlier, the United Nations (UN) has increasingly started to follow the trends emerging from the World Bank. This explains for instance the tenor of the Global Strategy for Shelter, (GSS), which emphasised the Banks ideology on neo-liberal approaches to development. However, there are some subtle differences in the evolution of housing policies in both institutions. For instance, the UN had prioritised self help housing much earlier than the World Bank. Indeed, by the early 1960's when the UN's influence on housing policy was strong, all the UN's agencies and commissions with any interest in housing were advocating self-help (Harris *et al* 2003). Secondly, there have been important ideals that have been infused by the UN into contemporary housing

policy, and adopted by, among other institutions, the World Bank. Keivani *et al* (2001) note that the UN as proponents of the enablement strategy have paid much more attention to other alternative modes and agents of housing provision than the World Bank. Furthermore, they have often focused on the urgency of eradicating poverty and inequality, and policy based approaches that focus on human rights in order to solve these problems. The declarations and plans of action that emerged from the diverse summits and world conferences in the 1990's displayed the evolution of these two ideals. The *World Summit on Children* in 1990*, United Nations Conference on Environment and Development* of 1992*, World Conference on Human Rights* of 1993, *International Conference on Population and Development (ICPD)* of 1994, *The World Summit for Social Development* of 1995 and *The Fourth World Conference on Women* of 1995, collectively had the effect of strengthening the rights based approach to development, highlighting problems of poverty and emphasising issues of gender equality and empowerment (Keivani et al (2001) and UNCHS 2001).

2.2.1   The Global Strategy for Shelter to the Year 2000 (GSS)

In 1990, the United Nations Centre for Human Settlements (UNCHS) developed a ten-year Global Strategy for Shelter to the Year 2000 (GSS). Importantly, the document was produced at the height of certain ideas that were fashioning an approach towards the political economy of urban development.

> 'Its genesis, and more so its implementation, were linked to liberal development approaches geared to opening markets, such as those advocated by the World Bank and the IMF in their Structural Adjustment Policies, and were part of the dominant orientation of economic globalisation' (UNCHS 2001).

In this context therefore, it furthered the conceptualisation of housing as economically productive, focusing upon whole sector development rather, than specific projects. The role of the market was emphasised in delivery, and it focussed interventions on regulatory and institutional reform, not on direct housing production (UNCHS 2001).

2.2.2   Agenda 21

The Earth Summit of 1992 in Rio de Janeiro was a crucial event in the evolution of international development policy in general, with specific implications for housing. Urban development needs were placed squarely within the ambit of environmental concerns (Pugh 1997). Additionally, some of the other notable calls made at the Earth Summit with regard to human settlements included:

- Improving access to sustainable livelihoods, entrepreneurial opportunities and productive resources.
- Providing universal access to basic social services.
- Progressively developing social protection systems to support those who cannot support themselves.
- Empowering people living in poverty and their organizations.

- The need for institutional partnerships, citizens participation and innovative approaches to urban planning and urban economic development.
- The creation of international networks among cities to promote good practice in urban sustainability (UNCHS 2001).

The emergence of the 'brown agenda' provided the basis for extending environmentalism into local government practices, and for ensuring that environmental thinking started to look at the environment differently, taking into account people – especially poor people – and their needs.

2.2.3   United Nations Conference on Human Settlements, Habitat II (Istanbul 1996)

In 1976 Habitat I, Vancouver, the precursor to the Istanbul meeting emerged with a number of principles regarding human settlements. These included those of social justice, equity and solidarity, the need for local government transformation and especially transformation of the resource flows between different levels of government, as well as the importance of local participation in the mobilization of resources. However, these principles were accused of being disjointed and drafted in a prescriptive and patronizing tone. NGO's and other parties while obtaining access to the process were also not directly involved in the formulation of the principles. Two decades of weak government commitment to these principles meant that they found little implementation on the ground (UNCHS 2001).

> 'In the intervening 20 years, the principles adopted at Habitat I did not lead to decisive policy action. No country had an explicit national policy on human settlements and none could be expected to endorse one, given that the policies respond to the interests of economic and social political power and given the 'grotesque contrasts between extremes of health and poverty, between concentrated power and repression' (ibid 2001:48)

The run-up to Habitat II put rights based approaches, poverty eradication, empowerment and gender issues firmly on the agenda. The two documents that emerged from Istanbul, the Istanbul Declaration on Human Settlements and the Habitat Agenda, including the Global Plan of Action (chapter IV of the Agenda), reflected these trends. A number of the salient issues addressed included:[3]

- Prioritising homelessness, unemployment, and lack of basic infrastructure.
- Goals towards *inter alia*, equitable human settlements, poverty eradication in the context of sustainable development, citizens rights and responsibilities and health care.
- Commitments towards among others adequate shelter for all, including the obligation of governments to promote, protect and progressively realize this right[4]; sustainable human settlements[5]; enablement and participation; gender equality and the financing of human settlements.
- Strategies that included, in ensuring adequate shelter for all, varied tenure options, encouraging people who individually and collectively act as producers of

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[3] Extracted from the Istanbul Declaration and Habitat Agenda documents. For full text see www.unchs.org/unchs/english/hagenda/ist-dec.htmand
http://www.unhabitat.org/unchs/english/hagenda/respectively.
[4] Habitat Agenda para 61.
[5] Ibid paras 42-43. Also an offshoot of Agenda 21.

housing and responding to the diverse needs of the disadvantaged[6]; attaining sustainability through eradication of poverty, creation of productive employment and social integration[7]; enabling capacity building and institutional development through for example decentralization, popular participation and civic engagement and implementation[8] promoting international cooperation through technology and information transfers[9] and ensuring follow up through performance evaluation[10].

Habitat II represented the confluence of two separately evolving lines of thought with regard to housing policy. Firstly, a well-established pedigree of market rationality fed into the two documents that emerged. For instance, the agenda setting process of the Istanbul Declaration noted that,

> 'They (governments) … called for urban policies that expand the supply of affordable housing by enabling markets to perform efficiently in a socially and environmentally responsible way' (UNCHS, 2001:49).

Further, the Istanbul Declaration affirmed that the private market was still the 'primary housing delivery mechanism' and forms the backbone for the 'shelter for all' policy[11]

Secondly, the following concerns were key in shaping the eventual outcomes of housing as a right; the imperative of poverty alleviation, sustainability and empowerment through processes of decentralization and democratic decision making were also important in shaping the eventual outcomes.

However, Keivani *et al* (2001) argue that while the Habitat II documents moved in the right direction, taking on board low-income communities, community groups, NGO's and women as its main actors, the policy has unequivocally focused on the formal private housing market as the primary housing delivery mechanism.

2.2.4   Millennium Development Goals ('MDGs')

The MDG's were a result of the compilation of the goals and targets formulated in the various United Nations conferences and summits of the 1990s. In September 2000, the member states of the United Nations unanimously adopted the Millennium Declaration. Following consultations among international agencies, including the World Bank, the IMF, the OECD, and the specialized agencies of the United Nations, the General Assembly recognized the Millennium Development Goals as part of the road map for implementing the Millennium Declaration. The goals span an array of issues, including among others, eradicating extreme poverty and hunger, achieving universal primary education, reducing child mortality, promoting gender equality and combating HIV/AIDS, malaria, and other diseases. One notable goal is ensuring environmental sustainability, which targets that by 2020, nations must 'have achieved a significant improvement in the lives of at least 100 million slum dwellers', mainly by increasing their tenure security with

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[6] ibid paras 60-98.
[7] Ibid paras 99-176.
[8] Ibid paras 177-193
[9] Ibid paras 194-211
[10] Ibid paras 212-241
[11] para 63.

a particular emphasis on protecting them from unlawful eviction (World Bank, 2003). Additional criteria for determining whether the lives of slumdwellers have been improved include: the proportion of households connected to services such as water, sanitation and electricity; the proportion of houses that are permanent structures; and the proportion of houses that comply with applicable building laws (ibid).

2.3 Alternative voices

As the mainstream views outlined above took hold over the housing sector internationally so too did an alternative discourse. It is difficult to group the thinkers and writers behind this alternative voice into neat categories but it would be remiss to exclude a brief reference to their work in this report.

The market enablement strategy has been a particular subject of criticism from a number of commentators. They describe it as inappropriate for the context of most developing countries. They have argued that it ignores the need to expand the role of informal private land markets and developers (Baken and Van der Linden, 1993). They have further argued that political compromises have severely limited the ability of governments to execute the required institutional reform in many countries. The ability of low-income households and informal markets to benefit from the programmes has also been doubted. They also maintain that State intervention in creating the right conditions for the success of the programmes is severely limited by the purely market based approach. Alternatively, many advocate the development of the informal land and housing markets as the most important mode of expanding housing supply in developing countries. Their writing focuses on those aspects of the informal housing sector generally ignored in the enablement discourse. Examples of these aspects include explorations of the roles of co-operative and community based organisations (Vakil, 1996; Sukumar, 2001).

Keivani *et al* (2001:200) calls for a more comprehensive and pluralist conceptualisation of housing policy 'beyond enabling private markets'. He acknowledges that private land markets should be efficient, but not at the exclusion of considering other alternatives. Rather, he recommends that varied modes and agents of housing provision be identified and co-ordinated in a comprehensively integrated policy.

There has been considerable challenge to the notion that state intervention necessarily creates market inefficiency. Baken *et al* (1993) note that imperfections and inefficiencies are inherently part of urban land and housing markets rather than being the result of government regulations. Keivani *et al* (2001) point out that enabling policies do not necessarily have to be synonymous with deregulation. Rather, increasing housing provision at affordable rates means increased state regulation and intervention. The state should examine the specific conditions, and depending on the context, place appropriate policies to regulate land and housing markets.

In summary, it is possible to draw three strands of argument voiced by the alternative writers. Firstly, they advocate for increased recognition of the potential of informal private housing provision. Secondly, there is a call for recognition of various modes of housing

delivery[12]. Finally, they challenge the conception that deregulation is necessary to create market efficiency. Instead, they call for increased state involvement
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2.4   Summary

From the above analysis, a number of points emerge about the key shifts in housing policy as influenced by the dominant lending and development agencies:

The early fifties to the early seventies were the formative stages of self help housing as advocated by the writings of John Turner. This era was characterised by relative inactivity of the World Bank in shaping housing policy. The United Nations on the other hand through its specialised agencies, was already pursuing policies of self help. . The early seventies to the mid-eighties saw the World Bank buy into self help housing policies. The state was encouraged to initiate and drive housing projects that concentrated on sites and services as well as *in situ* slum upgrading. However, with the failure of these policies to meet the demand for housing, the mid eighties to the mid nineties saw a shift to the enablement approach. This time, the state took a back seat in terms of actual provision of housing. Rather, it was encouraged to create a conducive environment so that communities could be better placed to house themselves. This period also saw, through a number of world conferences, the emergence of the rights based approach to development increasingly advocated by the United Nations. This fed into housing policy, and particularly influenced the Istanbul declaration and Habitat II Agenda. Finally, from the late nineties to date, there has been a rethinking of lending policies pursued by the World Bank, with increased focus on poverty alleviation. In tandem with these orthodoxies strong alternative voices have also emerged, which have been opposed to what they perceive as the inappropriately hegemonic effect of these two institutions' policies.

3   Analysis: Key Policy Shifts in relation to specific elements of housing delivery in SA

This section seeks to analyse shifts in international thinking in relation to specific elements of the housing delivery process. These elements were identified in our terms of reference.

3.1   Post-occupation support

The idea of post-occupation support strikes at the heart of the notion that housing is just about providing dwelling structures. It looks at creating a sustainable housing process, where the beneficiaries not only attain a house, but also experience a marked improvement in their lives. It answers the question whether beneficiaries are better off

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[12] Keivani et al (2001), through an extensive review of literature, identify 11 possible different modes of housing provision for different needs. They include, speculative, developer-landowner, individual owner-occupier technology, direct public provision, sites and services, settlement upgrading, co-operative, public-non public partnership, squatter housing, informal subdivision and informal rental housing (ibid: 195-197).

after receiving their houses. Its actions include helping beneficiaries in a number of ways, including assistance to:

- maintain their units;
- use the house as an asset;
- prevent beneficiaries from selling their houses at throw away prices;
- utilize the skills attained during the construction process; and
- maintain the social links created during the housing process.

The dilapidation of houses due to inadequate servicing and maintenance as well as lack of consolidation and improvement on the basic top structure is another indictment of the lack of follow-up subsequent to providing a house. Generally, there is very little to show for post-occupation support in international literature. Indeed the UNCHS, in recognition of this, states:

> 'Despite special measures to reach low-income target groups, such as partial capital subsidy and/or interest rate subsidies, these programmes have faced many problems…the programmes often do not provide <u>lasting</u> (our emphasis) support to those they seek to reach as in the case of Visakhapatnam in India, where the poorest beneficiaries were selling their houses. Similar problems are seen in subsidy programmes that target the poor - South Africa for example' (UNCHS 2001:80).

On of the most useful measures so far internationally has been NGOs focusing on micro-finance as a solution to post-occupation support. The NGOs have argued that micro-financing approaches provide more integrated and holistic support, by lending for income generation and emergency loans (ibid). This tries to prevent a situation where people sell their homes at vastly reduced prices because of financial desperation. Community Based Organizations (CBOs) are also an important support structure after occupation and in many cases they can offer substantial benefits after the construction process. Vakil (1999) however notes that CBOs can also be important structures for accountability especially when they are involved in a community driven construction process. The presence of such CBOs has been shown to strengthen householders' ties with their homes, and so too their propensity to value it more highly.

<u>Summary</u>

There is an obvious insufficiency of attention paid to post-occupation support in international thinking on housing. The debates have tended to remain stuck on the idea that the purpose of a housing programme is simply to provide a dwelling. This is an area of thinking that it is critical in South Africa but for which there is not a great deal of guidance available in the international literature. The manner in which the South African social housing programme unfolds may start to provide some useful lessons for post-occupation support, even if on a limited scale at first.

3.2   Housing construction

Housing construction is receiving substantial attention in the context of the global move towards creating sustainable development. This is epitomized by the development of a Local Agenda 21 for sustainable housing construction, for example. However, Adebayo (2001:1) cautions that the construction systems of the developed world can seldom be simply transplanted into the local context. There is a need to take into consideration 'the

broader issues of development'. Further, a more holistic approach needs to be taken that recognizes that settlements are not only concerned with environmental sustainability, but embrace both economic and social sustainability. In this regard an Agenda 21 for Sustainable Construction in *developing countries,* taking into account the local idiosyncrasies that the existing global document fails to consider is being drafted (CSIR-Boutek 2001). In this regard, Irurah (2003) states that sustainable construction encompasses four arenas of construction:

- *Construction as a Site Process and its Sustainability Implications*

    This entails all the operations (building works) within a site and the related assembly of materials/components of a building.

- *Construction as the Comprehensive Project Cycle*

This entails the pre-construction stages such as feasibility, site identification, design/technical documentation and contract awards as well the actual building works and post-construction stages such as occupation/operation and demolition.

- *Construction as a Sector of Modern Economies*

In this respect, the sector is viewed as a critical link in a chain of events originating with the extraction of raw materials (mining and harvesting) through processing and distribution of components, assembly of components on site and building occupation followed by decommissioning of buildings demolition and disposal of resultant waste.

- Construction as a Process of Production of Human Settlements

Sustainable construction in this context focuses on providing human settlements that reaffirm human dignity rather than undermining it.

To this end, trends towards sustainable construction have included emphases on:
- "Sustainable technologies" that are more ecologically sustainable, i.e., that reflect the cultural, natural, social, and economic traditions of the region in which they are employed, such as the use of crude earth and reforestation wood in Brazil.
- The choice of appropriate building materials, e.g., locally produced, fair pricing, availability and renewability of materials, socially impacts and energy efficiency of construction methods
- Providing not only `houses', but rather properly serviced settlements.
- Encouraging and supporting the private sector's role in construction.
- Providing gainful employment, better tools and skills upgrading for traditional skilled craftsmen.
- The initiation of small contractor development programmes.
- Encouragement of NGOs' role, emphasizing advocacy, demonstration and participatory practices.

A second element to housing construction is the quality of the dwelling unit. Internationally, state provision of housing has generally produced poor quality dwellings,

even in developed countries. Gilbert (in press) notes experiences in Chile and Colombia where low quality housing has been provided for the poor. He notes that in developing countries with limited financial resources, a reluctant private financial sector to 'top up' the subsidy, and the imperative of 'breadth' rather than 'depth', this is inevitable.

Summary
Overall the trend in construction has been towards a more holistic approach in terms of the production of sustainable settlements, looking at the longer term, cumulative impacts of housing development. As far as quality is concerned, with a less than generous subsidy, it is very difficult to create a high quality house using the formal methods of delivery. The international literature shows little change in this regard. Gilbert (in press) notes that as a percentage of GDP, housing expenditure is still very low[13], although any suggestions to increase it would not prove popular in terms of World Bank and IMF promulgated economic orthodoxies. The trend therefore is still to produce as many houses, at as little cost as possible. Some form of aided self-help housing on the other hand, the 'next best solution', is being accepted, sometimes reluctantly, for instance in Chile and South Africa (the latter through the Peoples Housing Process).

3.3 Beneficiary contribution

The overall thrust of international housing literature is that there should be some form of contribution to the housing process and product by the beneficiaries. Pinning down precisely what this contribution should be, especially in situations of extreme poverty, remains an ongoing debate however. The most often cited form of contribution is a financial contribution. The most frequently discussed other form is the beneficiary's own labour, or 'sweat equity'.

Because of the obvious difficulty in eliciting a financial contribution from the very poor the debate on own contribution has tended to overlap with that on financial arrangements. Until recently mobilizing *credit* has been the focus of most contemporary housing research, rather than encouraging household *savings*. The emphasis in policy today however, especially by multilateral donors is to encourage beneficiaries of loans to provide a demonstration of their savings history before they receive a subsidy, or have their loan repayments serviced (Datta *et al* 2001; Renaud 2003).

Unsurprisingly, questions are being raised about whether it is appropriate to burden the poor with more debt. In micro finance institutions, there is a shift from emphasising credit, towards encouraging micro savings. Indeed there is increasingly an emphasis on the use of savings as savings and not just as a means to obtain micro-credit. It is hoped that this will encourage beneficiaries to be less reliant on the government subsidies. To others however, it is more a question of reducing dependency and enhancing citizenship. The finance goes further because it automatically draws in additional resources. In cases of low interest or subsidised loans, the funds are spent more efficiently because households are spending their own money.

But, beneficiary contribution is almost always associated with the exclusion of the very poor. In Colombia, where the beneficiary contribution is based on 5% of the value of the housing unit, it has resulted in many of the poorest households being left out, as these

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[13] He points out that it is particularly low in South Africa.

savings were beyond their reach (Gilbert 1997). In Chile, Rojas (2001) talks of the state having to intervene on behalf of the very lowest income groups, and provide what was in essence the direct production of housing. Over 60% of these subsidised loans to the lowest income segments under the Basic Housing Programme were also turned into *de facto* capital subsidies because of the massive default rate.

As such, governments probably still have to provide subsidies for the very poor, unable to afford the amount of savings demanded from monetary beneficiary contribution. Alternative forms of contribution, for instance sweat equity can be encouraged to build a sense of responsibility and citizenship. The South African housing programme, especially the emphasis on the PHP, seems to be moving in this direction.

<u>Summary</u>
Internationally, there is strong support for some form of beneficiary contribution. There is however also an acute awareness of the precarious position of the very poor. In such cases, various countries for instance Chile and Columbia have developed systems of identifying and targeting these very poor with subsidies that have no contribution attached.

3.4   Financing

This section looks at three aspects of financing for housing provision:
- The tension between supply and demand led subsidies;
- Issues of micro-finance; and
- The distinctions between project financing and end-user financing.

3.4.1   Supply versus demand led subsidies

The World Bank has long held the view that from both a social and economic point of view, demand-side housing allowances are clearly superior to supply-side subsidies. Renaud (1999) enumerates why the Bank thinks so:
- Because poor housing beneficiaries generally have more of an income problem than a housing problem, housing programmes that use supply-side subsidies are experienced by beneficiaries much more as income-transfer programmes than as the housing programmes they were intended to be.
- Loss of consumer sovereignty: Levels of satisfaction are relatively lower when beneficiaries are provided with a standardised dwelling unit than when they exercise their own choice in terms of building materials, location, finishing and so on.
- The comparative cost of providing housing through housing allowances against the direct provision of a physical unit: in this instance, the cost of providing units under supply-side programmes was found to be considerably higher than under demand side programmes.

Proponents of the enabling housing subsidy regime therefore deem supply side subsidies, even for low-income housing unnecessary. This means suppliers like private sector developers and government agencies should not be involved in constructing

mass public housing. Instead, demand side subsidies[14], often with a component for savings and credit, enable the beneficiary to purchase already existing property in the market. In the case of the very poor, carefully targeted demand side subsidies are recommended, where there is no requirement for savings, although often a call to some form of self help. Again, no new housing is built, but the money may be used for purchasing housing units, buying plots, home improvements, titling and so on. This according to Angel (2000: 123) ensures that the subsidies, do not create supply distortions, allow greater choice to dwellers, are better targeted, increase housing affordability, and if supply is responsive, increase housing supply.

To many however, the capital subsidy, whether demand- or supply-side, tends to cause and accentuates segregation (Gilbert (in press); Richards 1995). Chile adopted a demand side capital subsidy in 1977. Richards (1995) notes on the results of that subsidy system:

- Beneficiaries did not stop being poor - indeed one of the dangers of the safety-net[15] that the subsidy intended to provide was the institutionalisation of poverty;
- It increased social and residential segregation, which helped to preserve large areas of state supported poverty;
- Poor families were relocated to peripheral areas of the city with poor infrastructure and far from employment opportunities;
- The subsidised plots were small because of the tension between affordability and standards. This meant that there was no scope for enlarging the structure or construction of additional rooms.

Huchzermeyer (2003) and Gilbert (1997) call for the rental subsidy option where, rather than a capital grant for owner occupation of a housing unit, rental subsidies are provided through, for instance, targeting credit towards landlords, tax relief on rental income, reducing rent controls and so on. This provides an additional tenure option, rather than sole reliance on the often poorly located capital subsidy units.

3.4.2   Micro finance

Micro finance[16] is an area of housing finance that has gained increasing recognition over the past few years: Mitlin (1997); Jones & Mitlin (1999); Ferguson (1999) and UNCHS (2001). This is because traditional finance is widely understood now to seldom provide an option for poor households as, according to Jones and Mitlin (1999) there is:

- Cultural resistance to accepting that low income groups are credit worthy;
- A belief that small savings and loans will mean high transaction costs; and
- A lack of acceptable forms of collateral.

On the other hand, micro-finance institutions:

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[14] Examples the one off capital grant, a housing allowance, a rent supplement and so on.
[15] Safety nets are assistance, usually in the form of targeted subsidies, to the most vulnerable groups.
[16] Here, micro finance housing means small loans typically US$ 300 to $3000.

- Accept more flexible forms of collateral; they can therefore support for instance, the poor working in the informal sector;
- Encourage small group formation to enable collective and personal guarantees.
- Are typified by decentralised systems for allocating loans to ensure that those allocating the loans know the borrowers, and the loans are locally available as needed;
- Have tended to be long associated with high numbers of women borrowers;
- Often also provide lending for small businesses because they begin as micro-enterprise lenders. The Grameen Bank in Bangladesh with a membership of 2 million households has a high share of its loan portfolio going to housing, A major micro-enterprise lender in Bolivia - FIE estimates that 20% of its supposed 'micro-enterprise loans' go for housing construction and expansion[17];
- Nurture trust and capacity through many of these organisations, which involve collective savings;
- Remove the asymmetrical information between the lender and the borrower due to the lack of knowledge about each other's assets, capabilities and character traits is reduced;
- Are well suited for the incremental upgrading process. Loans are small and incremental and hence affordable to low/moderate income households; and
- Provide much needed support for the often inadequate housing subsidies.

However, problems have emerged with micro-finance institutions in the housing sector. The include:
- A lack of affordability, due to high interest rates. Even though rates are generally lower than neighbourhood moneylenders, they are nevertheless substantial. For instance, Banco Sol in Bolivia lends at rates of 25 to 35 per cent for micro-enterprise while traditional home loans come at around 15 per cent. Interest rates higher than the 'normal' rates of about 10% compensates lenders for high fixed costs (relative to small size of the loans).
- Doubt has been expressed over the ethics of peer group pressure. It has been noted that women receive pressure from peers or NGO's yet money has either been spent by their husbands, partners, children or other household members. Further, some NGO's like K-REP in Kenya consider peer pressure to be an unfair delegation of lender responsibility to the borrower. [18]
- Technical assistance for micro financed incremental housing is often not available.
- There is scepticism about low-income households have the ability to sustain debt over long periods of time.

Despite this, micro-finance has registered considerable success, around the world, with success stories emerging from El Salvador (Cosgrove 1999) and Bolivia (Ferguson 1999).

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[17] A concern has been raised that micro-finance is best suited to rural conditions. This does not seem to hold true, with the PROA in Bolivia providing a good example of micro finance working I an urban situation (Ferguson, 1999).
[18] This issue was gratefully pointed out to us by Dr Gareth Jones while commenting on a draft of this paper.

Market efficiency advocates, such as Hernando De Soto, have noted that micro-finance could be a useful tool to bring credit within the reach of the very poor. To them, the poor are not suffering from a lack of financial resources *per se,* but from difficulty in accessing the resources. Further, the costs of borrowing from informal credit markets are also high pointing to the fact that it is availability, not affordability that is the problem. Thus, the efficiency advocates demand full payment of fees and costs as well as discouraging subsidies (Jones *et al* 1999). Known as 'minimalist micro financing', this approach should be distinguished from those approaches advocated by many NGO's where efficient use of financing is only one of the considerations. Their social distribution approach sees subsidies as crucial (ibid). A good example of this is the South African Homeless Federation, which can be distinguished from the Grameen Bank for instance, because it has emerged principally from the housing and urban development sector itself, not micro finance lending. Thus rather than advocating interventions that seek to improve financial markets, it seeks to address urban poverty *via* micro-finance initiatives based around savings and loans to be spent on housing (UNCHS 2001).

3.4.3   Project financing vs end-user financing

State funded housing programmes can either opt for financing implementation by private construction companies and, if these become reluctant, government construction institutions or design financing options for community managed housing developments. What is emerging is that governments are recognising that it is seldom possible or feasible for them to build or finance low cost housing at the scale required to reach anything more than a small proportion of low-income households. On the other hand, NGO's have registered some success in housing programs, inevitably with even more limited funding that that available to the government sector. There has thus tended to be a move towards the 'scaling-up' of these successful community-based finance programmes to government programmes.   NGO's are increasingly lobbying for increased access to capital by 'bringing government finance to the people' (Mitlin 1997: 33; Jones *et al* 1999).

It is important to note that in the case of both collective and individual end-user financing, some form of formal or informal grouping within a settlement is used, usually a CBO. Thus typically, the financing of housing development can be undertaken collectively through cooperative housing associations, even if the actual housing construction and improvement activities are undertaken individually or organised informally. There are a number of advantages that these NGO's using CBO's offer in comparison to government or private sector led project development:
- The knowledge of local people is drawn upon, something not experienced when developer based projects are used;
- Lower administrative costs because the community organisation manages the individual loan allocations and payments;
- Lower project costs since community funds are also involved, the residents follow cost saving strategies;
- Risk management is done by community organisations, who are in the best position to do it;
- Democratisation of housing development as collective loan management offers people an opportunity to develop local organisations and through them determine house design and standards;

- Reduced vulnerability through the strengthening of local community activity;
- NGO's have been show to design small-scale programmes that closely match the needs of the local community and to manage these in ways that retain the flexibility to innovate according changing circumstances (ibid).

Thus in Chile, the housing subsidy programmes with individual loan finance for low income households has now been modified to permit collective applications for the subsidy and loan finance. This allows residents to control more closely the housing constructed, which is not the case when households use the subsidy to purchase houses developed by the public sector. In Thailand, part of the loan repayments, between two and five percent, go back to the community managed fund for collective projects. This strengthens the capacity and responsibility of the community organisation (Mitlin 1997).

<u>Summary</u>
This section has addressed three components of financing. Firstly, subsidies where the international trend is towards demand side subsidies. It was however noted that while subsidies are important for low income households, they have very limited utility in addressing segregation, and can even serve to accentuate it. While this has not by any means been mainstreamed, there is increasing recognition of the need for rental subsidies. Secondly, the persistent lack of sufficient funding to enable adequate provision of houses has resulted in a search for alternative methods of raising money. While formal private sector financing has been limited, lessons learnt from micro finance enterprises are increasingly been transferred to housing finance. While this form of lending is still in its infancy, Ferguson (1999:197) notes that there is cause for 'cautious optimism'. Finally, there is a move towards greater use of end user financing. Through the experience of NGOs in housing, governments are recognizing the need to channel finances directly to end users, often through community based organisations.

3.5   Tenure arrangements

Tenure security is widely agreed to be an essential element of an effective housing programme. It has been described by the UNCHS as follows:

> 'Security of tenure describes an agreement between an individual or group to land and residential property which is governed and regulated by a legal and administrative framework. This legal framework is taken to include both customary and statutory systems. The security derives from the fact that the right of access to and use of the land and property is underwritten by a known set of rules, and that this right is justifiable. The tenure can be affected in a variety of ways, depending on constitutional and legal framework, social norms, cultural values and to some extent, individual preference. In summary, a person or household can be said to have secure tenure when they are protected from involuntary removal from their land or residence, except in exceptional circumstances, and then only by means of a known and legal procedure, which must itself be objective, equally applicable, contestable and independent. Such exceptional circumstances might include situations where physical safety of life and property is threatened, or where the persons to be evicted have themselves taken occupation of the property by force or intimidation' (UNCHS 1999).[19]

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[19] Werlin (1999) also adds that tenure security is an important requirement for municipalities having to strike hard bargains with informal or illegal occupants of land. Where people have

As indicated in this quote, there has been a shift away from relying exclusively on conventional instruments, predicated upon centrally registered free hold titles or registered leasehold. This is because they have proved inadequate in many instances:

- These tenure systems often involve slow and complex delivery processes. The sheer scale of the informal settlement phenomenon often rules them out as an option in anything other than the very long term.
- They are often weak on the recognition of customary rights.
- Their understanding of property rights is often legalistic and narrow. In many instances, they 'burden' the beneficiaries with free hold tenure, which has been proved to be inappropriate and costly[20] (Fourie 1999).

Instead, new and innovative tenure systems are being sought, as a means by which citizens can start to realize what Lefebvre (1996) called the 'right to the city'. In this regard:
- There is a need to move away from the conception of housing rights as necessarily being property rights. For instance in the case of Brazil, where special zones of social interest (*zeis*) that recognized informal settlements (*favelas)* as part of the city were created in recognition of the social rights of *favela* dwellers to the city (Maia 1995; Fernandes 2000)
- Unexplored opportunities in collective ownership should be looked into, even in tenure systems steeped in the traditions of individual ownership. The attribution of full individual property rights is increasingly understood to be only one of the many means to guarantee security of tenure (ibid).
- There is general recognition of the need to explore varied tenure systems for instance, publicly owned especially local authority land could be held by leases, in a manner that meets the particular needs of the country or city (Fourie 1999).
- Tenure systems are distinguished by the varying degrees of protection afforded to use rights. Small steps towards increasing tenure security should be the *modus operandi*, building on the degree of tenure security and current use rights in existence, rather than trying to effect major changes all at once (Payne 2001).
- Homeowners should be encouraged to rent out rooms and add rental units to their homes. This means that no additional land costs will be incurred by the state and, as a result of the resulting higher densities, homeowners and renters combined on the same lot can better afford basic services such as water. Here the prospects for recovery of infrastructure investment are greater. Mechanisms can include targeting credit towards landlords, reducing rent controls, offering tax relief to landlords on rental income, establishing an efficient arbitration service between landlords and tenants and improving transport and infrastructure in low income settlements (Gilbert 1997).
- Tenure systems should be sensitive to gender issues. It has been noted that tenure reform without explicit concern for women can leave women more disadvantaged. For instance, titling programmes have often had the effect of

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tenure security they have something to lose and so are more likely to participate effectively in negotiations with the local government.
[20] see also 'Asset creation'.

accentuating the enhance the status divisions between owners and renters, and landlords and tenants, and those who suffer the most in such a scenario are women (Krueckeberg *et al* 2002).

Summary
While tenure security is seen as an imperative, there are many, significant shifts in the types and modes of delivering this security. Firstly, there is the move away from formal delivery systems. New and innovative ways of providing tenure, for instance special zones of social interest in Brazil have been established. Secondly, the terminology of 'security of tenure' has been broadened to encompass more than just leasehold and free hold titles. Thirdly, gender is being incorporated as an important issue to address in the tenure provision process.

3.6   Land assembly and development

Land assembly and development in the case of formal housing delivery systems encompasses the processes of land acquisition, compensation and finance to development agencies. Sivam *et al* (2001) explored different housing delivery systems in 7 cities in Asia and Australia [21], obtaining the views of a wide scope of respondents on various aspects of housing delivery. Arimah (2000) has highlighted the importance of effective systems for releasing land for housing. In his study of 52 cities he concluded that there is a direct relationship between an increase in the amount of saleable land released in a city and the improvement of housing conditions. By reducing the regulatory and institutional barriers to land development so the state is able to have a significant effect on the quality of housing experienced by its citizens.

3.6.1   Land Acquisition

There is a diversity of opinion regarding the suitability of various methods of land acquisition. There is no predominant single trend and instead multiple options are favoured. They include:

- Compulsory acquisition (or expropriation).
- Government purchase in the open market.
- Developer purchase in the open market.
- Statutory purchase in the open market.
- Developer with delegated power of compulsory acquisition.
- Statutory authority with power of compulsory acquisition.
- Public private partnerships, for instance land pooling/re-adjustment (LP/R)[22].

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[21] They included Australia (Melbourne and Canberra), Singapore, Indonesia (Jakarta), and India (Gurgaon, Lucknow and Ahmedabad).

22 Land pooling/readjustment (LP/R) is a method in which local governments assemble and convert rural land parcels in selected urban fringe areas. These groups of separate land parcels are consolidated for their unified design, servicing and subdivision into a layout of roads, utility service lines, open spaces and building plots, with the sale of some of the plots for project cost recovery and the distribution of some of the plots back to the land owner in exchange for their rural land. It has been successfully used in Japan, Korea and Taiwan and being transferred to developing countries of South East and South Asia. Although the land is typically for middle cost housing, it provides an indirect but real benefit to low income households by reducing and avoiding the intrusion of middle income households into the market supply of low cost plots and housing (Archer 1999).

As a rule expropriation is seen as necessary as an instrument of last resort rather than a tool to be used as a matter of routine. The argument for developing a wide range of options for land acquisition rests on a) the importance of flexibility and b) the need to share out of the financial burden among the different players.

3.6.2 Compensation

As a rule, compensation at market rates predominate, which should be done within a short time span, of between two to four months.

3.6.3 Developer finance

The trend is for multiple agencies ranging from autonomous bodies, commercial banks and the government to provide financing. Favour was found for income tax rebates to developers based on the percentage of lower income group housing in the portfolio of housing investments.

3.6.4 Land acquisition and public-private Partnerships

There is increasing recognition of the need for public-private partnerships to organize land for housing as well as provide shelter and service needs for low income and poor households (Jones *et al* 1999; Durrand-Lasserve 1999; De Souza 1999; UNCHS 2001). This is because of:

- The failure of direct public provision of land for housing.
- The inability of the formal private sector to respond to the demand for land for low income groups.
- The extraordinary dynamism of informal land developers in response to this demand.

The advantage of partnerships is that they commit each partner to the success of the project, thus spreading and reducing the risk. They create synergies by combining skills and experience from a wide range of sectors; meet contemporary ideological requirements in that advocates of free market systems see them as increasing the role of the private sector, while advocates of state intervention see them as protecting their interests.

Payne (1999) provides some pointers on partnership types and roles of the partners:

- The trend has been towards flexibility in terms of the types and constitutions of partnerships. Many partnerships are informal. This is seen as a response to recognition of the often inappropriate regulatory frameworks which determine official standards, regulations and administrative procedures. The regulatory frameworks fail to take into account the social, cultural, economic and environmental realities of developing countries.

  - The state often relaxes regulations and official standards, so that private developers can develop land at standards that people can afford. They may even turn a blind eye at unauthorized subdivisions for instance, and

eventually provide such settlements with services. Examples include guided squatting in Hyderabad, Pakistan and Conakry, Guinea. Guided land developments in Cameroon, Guinea and Rwanda are examples of other informal arrangements, and have been particularly useful in helping to develop customary lands. In this case on a sufficiently large site with a low occupation density a (state owned or parastatal) development company specially created for the purpose lays down and infrastructure grid and builds roads, and primary and secondary networks, thus developing links to the urban chain. Once the operation is completed, these links are sold, rented or leased to other public operators or to private operators (whether formal or informal) which proceed with details and then sell the developed land lots to individuals (Durand Lasserve 1999:143).

In Lima and Peru there is the joint ventures between *ejidos* and the private sector, which have been implemented for many years. The perception of higher risks associated with developments for low-income groups means that private developers avoid this sector. Even where they could operate, they might fail to do so efficiently if consumers or operators cannot make informed choices. In Malaysia, this issue is redressed by regulations that require a proportion of plots to be designed and priced to meet the needs of low-income and middle-income groups and developers take this into account[23].

Globalisation has often accentuated previously established spatial inequities in the city. Freer currency and financial investment markets have created a growing tendency towards speculative investments. Land markets are no exceptions. In some Asian cities in particular, high land prices brought about by these types of actions have resulted in increased difficulties for the urban poor. Informal settlers have been evicted from well-located land that was previously of little value. Measures that have been adopted to counter such events in other parts of the world have included:

- In Thailand, the Urban Community Development Office manages a loan fund capitalized with a grant worth US$ 50 million from the Thai government, and is aimed at the urban poor to purchase land and develop housing, in a bid to thwart the exclusionary effect of speculative forces.
- In Cebu, in the Philippines, land sharing arrangements between group of inner city squatters and the private owners, of the land on which they are located, have been realized with an offer of alternative land. The land owners thereby secure their land from squatters quickly and peacefully due to its high value. A local NGO provided institutional intervention (UNCHS 2001).

Summary

In summation, thinking around the land assembly and development process in many rapidly expanding cities generally points to the need to reform regulatory frameworks, planning standards, regulations and administrative procedures. The Special Zones of Social Interest in Brazil are useful here in that they demonstrate the benefits of strategically relaxing conventional planning standards (Fernandes 2000). Huchzermeyer (2003) notes that in some Latin American countries, zones are not pre-defined but are

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[23] Huchzermeyer (2003) relates of a similar requirement in Americas *Fair Housing Act*, and Britain's *Planning Policy Guidance Note 3.*

retrospectively determined by already existing development. This allows for a more flexible approach to zoning. Secondly, there is increasing recognition of the utility of partnerships between the private sector, NGOs and CBO's and the public sector in the land acquisition process. Finally, due to the high costs of land, not least because of the speculative forces increasingly prevalent in globalised cities, it is emerging that governments in fact need to commit more funds for the purchase of appropriate land for housing the poor. Again, this goes to show that the amounts governments currently put into housing subsidies provision may not be enough to acquire suitable land.

3.7   Institutional arrangements

A strong thread running through the international literature is the growing acknowledgement that local government should play a more powerful role in each step of the housing delivery process (UNCHS 2001). The Habitat Agenda sees administrative decentralization as essential to the attainment of increased responsibilities by local governments. Further, it commits national and sub-national (provincial) governments to recognize local authorities as their closest partners and essential to the successful implementation of the Habitat Agenda. To this end, it promotes the idea that local authorities are democratised, and their institutional and financial capacities strengthened.[24]

In line with this thinking, international development agencies and donors have shifted their attention towards local government projects, to strengthen institutional capacity and 'good governance'. The UNCHS (2001) places World Bank funding for institutional and financial capacity building at US$2500 million between 1983 and 1996, with close to 75% of this committed between the years 1988-1995. It is noteworthy that this considerable funding is directed at governance rather than infrastructure, a recurring theme in donor policies. Thus we can identify a discernible shift of policy from 'retailing' to 'wholesaling' whereby the bank funds intermediary institutions responsible for projects rather than funding the actual projects. With this has also emerged the interest in building capacity of these same institutions through learning. Thus the World Bank/UNDP/UNCHS (Habitat) Urban Management Programme and the establishment of the Cities Alliance all aim at increasing municipal capacity.

The creation of the Cities Alliance[25] was principally for the purpose of advancing collective knowledge. Its partners include regional development banks, UN agencies, bilateral agencies such as DFID, international NGO's business leaders and national and local partners. Their focus is on city development strategies which link local stakeholders' vision for their city with clear priorities for action and investment and city - wide and nation-wide slum upgrading to contribute to the MDG target of improving the living conditions of at least 100 million slum dwellers by 2020 (as well as the interim target of improving 5-10 million lives by 2005) (UNCHS 2003).

A strategy that has been identified in building institutional capacity, be it local government or civil society is that of international cooperation. Community members from settlements with successful experiences visit those who are just starting up a programme or have certain problems. This allows for speedy resolution of problems, and

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[24] Istanbul Declaration, para. 12.
[25] See www.citiesalliance.org for more information.

the introduction of new ideas. In Bombay and other Indian cities, SPARC which is the National Slum Dwellers Federation, and Mahila Milan (a collection of grassroots women's organizations) found that working through community exchanges greatly accelerated the integration of new settlements (Mitlin 1997). Low-income market women in Senegal have been able to link up with groups facing similar housing development issue in South Africa. Thus, members of the South African Homeless Federation provided first hand knowledge on making bricks and designing plans, convincing the Senegalese women they too could acquire those skills. At the local government level, there are sister cities programmes, peer to peer learning under the aegis of Municipal International Cooperation[26] (UNCHS 2001). Another example is the recently launched, Cities Alliance-sponsored Johannesburg-Addis Ababa Partnership Programme in which the experiences of Johannesburg in dealing with a number of challenges, including specifically land and housing, will be shared with the city of Addis Ababa in Ethiopia.

<u>Summary</u>
The three relevant themes running through the international literature are 1) increased decentralisation of decision-making to local government; 2) a concomitant growth in support to institutional and governance questions, with a particular focus on building local government capacity; and 3) deeper and more effective forms of international cooperation, particularly on the South-South axis.

3.8   Integrated development

Integrated development entails the bringing together of disparate parts of the development process, be it the spatial, social or economic into a synchronised and coherent whole. Internationally, planning is shifting away from the *ad hoc* project based approaches associated with the 1980's towards a more strategic and integrated forms of planning. Some ideas that have emerged on planning include the 'integrated planning and performance monitoring' promoted in New Zealand 'integrated regional policy' in Switzerland, 'integrated area planning in Europe and 'multi-sectoral investment planning' promoted by the United Nations Development Programme (UNDP) (Harrison 2001).

Housing is at the core of integration in the city. Housing is an instrument of urban restructuring, and has the potential, if implemented unwisely of enhancing segregation and fragmentation. Thus for instance, in American the spatial patterning of federally-assisted housing has unfairly patterned environmental and subsidized inequity (Cutter and Hodgson 2001). In Britain, segregation has evolved between persons with control over their choice of dwelling and those without, the latter beneficiaries to subsidised housing. Thus it is noted as an instrument of redistribution and social integration housing subsidies have generally failed (Hill 2001).

Huchzermeyer (2003: 217) enumerates some trends in international thinking to redress segregation. Firstly, the use of quotas of low-income units in middle class areas in America through the *Fair share Housing Act*, and in the UK through the *Planning Policy Guideline Note 3* are good examples of (wealthy) states beginning to tackle the problem

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[26] Municipal International Cooperation (MIC) matches cities that are considered performing well with others that require assistance. Through MIC, partnerships and networks of information exchange enable local capacity building and harnessing of resources and knowledge. MIC's are n line with Habitat II conference, which called on local government to be a partner in international cooperation (UNCHS 2001).

of socio-economic segregation. The second trend that she observes is exemplified in the city of Belo Horizonte in Brazil which has used inclusionary zoning through Special Zones of Social Interest to prevent land owners from developing informally occupied land for speculative purposes, thereby displacing the poor occupants of that land. Thirdly she notes that the provision of both rental and ownership subsidies in certain countries helps to overcome residential segregation.

Summary
Integrated development is the buzz-word most frequently heard in housing circles internationally. Putting it into practice, especially for the purposes of tackling residential segregation remains an enormous challenge. Isolated examples of good practice suggest that it is possible, in both rich and poorer countries, but in all likelihood effective solutions to this challenge need to be found locally.

3.9 Planning and participation

Urban planning has undergone substantial transformation over the past few decades. From the starting point of rational comprehensivity various other alternatives have been promoted such as, for instance, advocacy planning, communicative rationality, and equity and radical planning. De Souza (2003) argues that conventional top-down, master planning methods be replaced by an 'alternative urban planning' approach. This approach is bottom-up, participative, and focuses on social justice. He further advocates alternative, progressive planning tools like compulsory sub-division, the utilisation of property tax progressively over time, using payment in titles of public debt as a means of compensating expropriated land-owners, payments by middle class neighbourhoods for increases in property values arising from state intervention, and so on. According to De Souza (2003), rather than seeking to order and create efficiency through zoning for instance, land use management tools should classify spaces according to their social situation and public interest.

Participations is a key ingredient to this alternative approach. Through the increasingly popular concept of 'participatory budgeting', the selection of priorities for the allocation of public resources is availed to civil society. Porto Alegre in Brazil represents a good example of this concept, and the benefits that accrued include a reduction of poor people's reliance on clientelistic mechanisms, and the empowerment of civil society institutions. The participation was at the highest level in terms of devolution of decision-making power, i.e. delegated power (ibid).

The South African Integrated Development Plan is a positive step in this direction. Indeed, the rationale behind the IDP is that citizens direct resources towards priorities they have identified. There have however been calls that the quality of participation sought in the IDP be scaled up the hierarchy to more genuine participatory processes that enable mobilization of civil society (Harrison 2003). Further, the lack of integration between different spheres of government means that housing projects are not fully incorporated in the IDP process. This means that provincial government pushes them, and they do not reflect the locally prioritised needs, and may face resistance from local government as a consequence.

Summary

Within current international literature on urban planning process the two most frequently cited examples of good practice are the participative budgeting process in Brazil (more precisely, but not exclusively, in the city of Porto Alegre) and the South African IDP. The challenge both internationally and for South Africa is to combine the positive elements of these two instruments to guide planners towards an instrument that is able to translate a municipality's priorities into effective and appropriate plans, policies and strategies. Clearly an essential part of this must be a stronger focus on the need to develop new tools for implementing urban plans, such as those advocated by De Souza.

Insofar as participation is concerned clearly there is a great deal to learn from the participative budgeting experience of cities such as Porto Alegre. The advice of Werlin (1999), that the most effective approaches to public participation are those that are 'generally tough-minded while also sensitive to public opinion' is certainly applicable here.

4 Key findings: relevance of international shifts to South African housing praxis

In this section the conclusions reached in the preceding section are evaluated in terms of the relevance that they might have for the development of a new approach to the South African housing programme. Here the four key objectives of such a new approach are identified as: better urban efficiency and equity; poverty eradication; asset creation and wealth redistribution; and affirming and deepening citizenship (especially of the poor).

4.1   Better urban efficiency and equity

Urban efficiency and equity require that the urban areas are capable of functioning cost effectively, while allowing equal access to benefits to all its citizens, without disproportionately burdening others with its costs. International experience has shown that private land markets tend to impact negatively on the efficient development of housing for the poor in that it has often determined that poor households are priced out of well-located areas. Further, the experience has also shown that capital housing subsidies in any form have not been a successful means of income redistribution. This is of particular relevance to South Africa with its legacy of spatial inequality

South Africa's inherited urban legacy is inequitable and inefficient, and there is increasing evidence this is getting worse. Smith (2003) states, somewhat bleakly, that

> 'The vision of the post apartheid city was thus one of continuing segregation and separation,
> or fragmentation, with little impact in the existing highly unequal housing stock and associated
> environmental quality' (Smith 2003:30).

Current housing policy has been particularly criticized in this regard. It is now accepted that the housing policy has exacerbated the spatial marginalisation of the poor by locating them in urban peripheries (Bremner 2000; Huchzermeyer 2001). The international literature however shows that it is not particularly surprising that this should

be so. Rolling out a modest capital subsidy, even at great scale, was never likely to address South Africa's urban spatial legacy on its own.

The Chilean housing policy has many admirers. By the early 1990s, bodies such as the Inter American Development Bank and USAID were praising the Chilean housing model as 'best practice' because it embraced three elements highly approved in the new development environment: private market provision, explicit targeting of the poor and transparency (Gilbert in press). Further, the housing deficit was reduced. The Chilean housing policy is diverse, consisting of thirteen different programmes organised in three different categories, to cater for diverse needs. The building as well as financial industries are in good shape (Rojas 2001). But, as noted above, the impact of the subsidy system was to aggravate urban segregation, resulting in fewer opportunities for education, jobs and recreation for the poor. The private sector in Chile, as in South Africa now, was reluctant to engage with housing the very poor. The Chilean and South African experiences both show the often-contradictory outcomes that housing policy grapples with, and the hard choices that sometimes need to be made[27]. Should the greater good of improving the housing conditions of as many poor as possible subordinate qualitative concerns like urban integration and efficiency of the urban system?

Tenure systems that emphasise free hold tenure have often been experienced by the poor as lead weights in terms of social upward mobility, especially where the plot or house is on poorly located land. The poor are trapped into a market where their property very lowly valued and speculation by the private sector in housing markets tends to price the poor out of well-located urban dwellings. In a scenario such as this it becomes very hard for the inefficient and inequitable patterns of urban segregation to be broken. As South Africa faces the 'second generation' housing programme the Department of Housing would be well advised to initiate measures to overcome this problem. The problem is not uniquely South African by any means and the international experience shows very clearly that it cannot be simply wished away. The state has to intervene in the operation of the land market, whether by initiating land pooling, using publicly-owned land for social purposes rather than merely disposing it at market rates and reviewing the regulatory environment around land release and land development.

International experience has shown the need for a range of land acquisition methods. One area, which might be of value in South Africa but which is not expressly provided for in South African law is land pooling – both where land owners do so voluntarily as well as where the State plays a stronger role in encouraging the activity.

Insofar as partnerships are concerned there is no need for additional legislation, and there are examples of partnerships for land development emerging across the country, there is a need to develop coherent policy on how this can be done for the purposes of low-income housing, especially in an environment where informality is increasingly supplanting formal approaches to land development.   The international thinking

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[27] It is worth noting that while both Chile and South Africa relied on capital subsidies the Chilean model was primarily demand-led and the South African model almost entirely supply driven. The lesson from the international literature however suggests that while both demand and supply side housing delivery approaches have been very successful in delivering housing *en masse,* neither approach has contributed particularly well to the development of integrated sustainable settlements. In cases they have even led to greater segregation of communities.

constantly raises the point that partnership between the state and large construction companies tends not to achieve urban efficiency or equity objectives, and neither is always particularly cost effective. In South Africa there is an obvious move by the state sector to move away from partnership with such large construction companies and rather to look at smaller, emerging construction businesses. This is in keeping with the international thinking, but it does not seem to have translated into a new *modus operandi*. The newer, smaller companies have to meet the same expectations that the larger ones did, with few resources and less experience. The benefits of partnership with smaller, and ostensibly more flexible, operators to which the international experience is pointing are thus not being realized.

In relation to creating more efficient cities from the scale of the house upwards the international shift has been to approach settlement establishment and construction in a more holistic and sustainable manner in order to maximise the potential economic, social and environmental benefits through such means as the use of local and appropriate building materials, skills upgrading, small contractor programmes and NGO participation. These approaches are adapted, to varying degrees in different areas of the housing sector. Clear policy and appropriate national norms and standards in this regard, generated by the Department of Housing would go a long way towards building more efficient and equitable human settlements.

With regards to regulating release and development of land for housing the international literature consistently promotes the reform of regulatory frameworks, planning standards, regulations and administrative procedures to generally relax standards and simplify procedures. Clearly this is pertinent in South Africa too, but the nature and extent of such reform needs to be looked at clearly. In South Africa the land development 'red tape' is clearly an impediment to rapid development of well-located land for housing the poor, but it is not necessarily the biggest or more serious such impediment and pursuing it to the exclusion of these other obstacles – such as the inter-governmental arrangements, financing requirements and land prices – will not automatically solve the problem.

4.2   Poverty eradication

Internationally housing and shelter provision has been seen as a basis for poverty eradication. Specific trends have been towards the encouragement of home-based work and encouraging, more rental housing (including the renting of backyard rooms/shacks) etc. The house is increasingly seen as a base for income generating activities. The importance of this fairly fundamental point needs to be grasped and taken forward by the national housing programme in South Africa, particularly in response to the phenomenon of 'backyard shacks'.

According to Werna (2001), shelter provision is seen as a basis for combating poverty in two ways:
- Income generation through shelter production
- Shelter as a basis for income generation.

In the former category, the argument is that the shelter sector embodies a significant volume of potential employment because it has a large output and is a labour intensive process of production. There is also the ripple effect on other sectors. Significant

linkages of the industry with, for instance, building materials, trade, transport and services sectors means jobs are not only created in the actual construction process (ibid). Some policy trends clearly in line with this thinking are outlined by Werna 2001 :

- The UNCHS and the ILO have emphasised the potential of the housing sector to create employment through the adoption of labour intensive techniques
- The need to support the expansion of the role of small scale informal builders in construction related activities through for instance promoting clustering and collective efficiency, supporting small firm bidders in public projects, sub contracting etc.
- Incorporating the poor in housing speculation/investment thereby providing a source of income for them. Rental housing especially has been mentioned. Appropriate policy responses include credit programmes for construction of rental housing and assistance in design of construction.

The second area of emphasis is the potential of shelter as a foundation for income generation. Policy trends include *inter alia*:

- Home based work encouragement through relaxing land use restrictions, appropriate design of the housing units and plot sizes, adequate infrastructure and a conducive social environment like better policing.
- Work away from home should be eased by minimising less productive time like travelling large distances form home though planning. It has been noted that there is a need for interventions to create specific facilities or spaces at home to accommodate equipment that is used in income-earning activities. In India, for example, rickshaw pullers were provided with parking facilities to prevent their rickshaws from being stolen.
- The casualisation of employment calls for appropriate policy responses, eg encouraging more rental housing as a means of generating additional income for poor households, and increasing the supply of housing opportunities.
- Adequate and appropriate housing also allows inhabitants more opportunity to generate income. Time is not spent on repairs and can instead be used to extend personal relationships and create social capital.

With the increasing acknowledgement in the international housing policy circles of the limitations of a subsidy-driven approach to housing delivery[28] the focus has turned to finance. What can be done to enable or assist the poor to contribute to the construction of their houses rather than depending entirely on subsidies from the state? To this end micro-finance is increasingly seen as a useful tool to bring credit within the reach of the very poor. Although many NGO's also advocate programmes that address redistribution of income and assets to the very poor in addition to the efficient use of financing; i.e. the continued use of subsidies. The South African Homeless Federation is considered a good example of this approach internationally.

Within the debates on micro-finance there is a discernible shift away from emphasising credit and towards encouraging micro savings. This is partly in response to the difficulties experienced by the poor in raising credit and, even where this was possible,

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[28] See for example Angel (2000) on housing subsidies: 'It is doubtful that housing subsidies in any form are an especially useful form of redistributing income or reducing social inequity' (ibid: 112)

on using it for housing purposes. In the South African context it is important not to allow this new emphasis on micro-finance solutions to distract the housing debate from the inescapable fact that the very poor are no more easily able to save than they are to raise credit. Some form of subsidy will always be required. Similarly, the emphasis on alternative forms of contribution, such as sweat equity - widely touted as a basis on which build a sense of responsibility and citizenship and increasingly evident in the people's housing process (PHP), should not detract from the fact that the State has an ongoing financial contribution towards realizing its housing goals. Shifting the responsibility for delivery at scale to the poor, through a growing reliance on their 'sweat' cannot match the expectations created by 'traditional RDP housing' approach.

4.3   Asset creation and wealth re-distribution

Encouraging ownership and granting legal title to poor households theoretically means that they can eventually sell their property in order to make capital gains. They can then move to more appropriate shelter or find a house closer to work. This is the rationale that accompanies market-based policies espoused by multilateral development agencies like the World Bank, UNDP and has led to the prominence of writers like Hernando De Soto (2000).   This approach focuses on facilitating land and housing transactions, encouraging the buying and selling of houses to enable households to move to places suited to their budgets and needs. It also holds the promise of unleashing the development potential of the poor through providing collateral for credit. To this end, many developing countries are involved in offering credit to the poor, providing low income families with subsidies, issuing title deeds to the informal occupiers of land, and generally assimilating more families into the legal and 'formal' economy (Gilbert 1999).

But is the granting of ownership of a house to poor households so desirable? Does it create an asset in the hands of the poor? There is increasing evidence to show that poor households do not get incorporated into a functional property market of any kind after all. Gilbert (1999; 2001) and De Souza (1999; 2001) argue this and dispel the notion that the benefits that accrue to western homeowners automatically do the same for upgraded settlements or formalised low-income housing through the following arguments. Their arguments are especially cogent as South Africa looks towards a second generation housing programme:

- Low income housing does not necessarily appreciate, and even when it does, it seldom does so in a rapid or predictable manner. Changing circumstances in a low-income household such as a new baby, or job, are not followed by an easy swap of dwellings. There is virtually no market for these dwellings. Instead, the housing system traps their owners in a system whereby the neighbourhood status effectively curtails their capacity for upward social mobility.
- The highly segregated patterns of city development contribute towards extraordinary urban inefficiency, the costs of which are borne primarily by the poor. Limited residential mobility means congestion on roads (if people cannot move house they may have to travel longer distances). It also means more money spent on transport. Segregated, inefficient cities thus tend to make it even more difficult for the poor to use their house as a wealth-generating asset.
- Legal title *per se* seldom improves people's access to formal credit finance. Perceptions on the property and the income of the potential borrower, not title,

determine institution's willingness to lend. In many instances, formal finance is simply not an option for the poor.

- The corollary of people not being able to sell is that others are not able to buy. Households that want to improve their lot in terms of better accommodation are either forced to build their own dwellings on the peripheries, itself a daunting prospect, or alternatively become tenants, yet policies seldom facilitate or support the use of housing space for rental purposes.
- Furthermore, in a context of a policy blind-eye to tenancy, tenants puts further strains on the infrastructure, reducing the quality of life for the original community.
- When given the opportunity to make decisions about housing, low-income families tended to choose solutions that serve multiple purposes, including shelter, land for urban agriculture and income generation. Small, sanitised formalised housing that are subject to municipal regulations provides none of these opportunities.

The same authors further note:
- That income derived from homes; be it a restaurant, barbershop, electrician or rent from a lodger is more pronounced and easier to obtain in less formalised settlements than the legalised ones.
- Legalised or formalised settlements are not a necessary pre-condition to housing improvement. Indeed, they may sometimes burden the owners with an expensive asset to maintain and unaffordable services.
- Renting or buying housing units function well within the context of illegality but are more difficult to achieve in a more formal setting.
- Informal micro-finance is readily available in informal settlements.
- Legality of tenure is not the main concern of households in incremental improvements of their houses.

Therefore, despite there being a great sense of pride in home ownership and it having strong and valuable cultural importance, as well as generating a strong political constituency, evidence suggests it probably is not a particularly good investment from an asset building perspective, and it does not necessarily incorporate the poor into the property market.

International experience is shifting away from the conventional approach predicated upon centrally registered freehold titles or registered leasehold to the 'right to the city' approach, encompassing the concept of social rights to the city, collective land and property ownership, publicly owned land, incremental approaches to the acquisition of rights, informal rentals etc. In this respect South African land policies have remained fixed on more conventional approaches to land tenure and registration. A sharp about-turn in South Africa's urban land and housing policy is needed if it is to provide beneficiaries with something more valuable economically than simply a house.

Recent shifts in South African policy, have begun to investigate issues of integrated development, job creation etc. In terms of the international literature the main points made in this respect relate to the role of NGOs and CBOs in assisting households with income generation, skills transfers via micro-financing and emergency loans as well as by giving beneficiaries a sense of responsibility to the CBO,s. This reduces a household's financial vulnerability and hence its tendency to sell its houses out of

desperation rather to realize its potential as a capital asset. This work is clearly very important, but it is unlikely to have a major impact while the overall nature of the land and housing policy remains as it is.

In the South African context there is considerable evidence to suggest that the manner in which low-income housing has been provided has not created immediate economic advantages for the beneficiaries. Chief among the reasons for this is that the marginal location of the housing erodes already weak household incomes through additional travel costs, as well as the imposition of additional costs resulting from 'formal' home ownership. The weight of international thinking suggests that we must take a long, hard look at this question. Housing the poor in marginal locations, for the combined reasons of both current financial constraints as well as a relatively high standard of top-structure, simply does not make sense. Poverty eradication is the national priority and an important programme such as Housing ought to be implemented in a manner that addresses this priority directly.

4.4   Affirming and deepening citizenship

A key challenge facing South African urban policy is still the legacy of apartheid. This legacy is not only about spatial exclusion but is also manifested in political and social exclusion, despite a decade of democracy. Realizing Lefebvre's 'right to the city' – in all its dimensions - remains an ongoing priority. This is not only for the important reasons of achieving social and political inclusion, of countering centuries of anti-urbanization ideological effort by colonial and apartheid governments, but is also important for the more immediate and prosaic imperative of municipal financial solvency. Programmes such as Masakhane, for example, show the importance attached by the state to increasing the number of citizens paying for the services that they receive from the municipalities. Currently municipalities depend disproportionately on the revenue generated from the municipal rates paid by home- and business-owners in the traditionally white parts of their cities, primarily because of the difficulties associated with raising such revenue in those parts of the city in which people remain marginalized and alienated from the city[29]. From a municipal finance point of view then a deeper sense of citizenship is essential, as it will presumably translate into higher levels of payment for municipal services. The critical point here though is that the property-based income of a municipality is predicated on land values. The higher the value of the land the higher the municipality's revenue will be. This then links the deepening of citizenship challenge with that of asset creation. Enhancing the potential of a housing beneficiary to use his or her house as an asset for wealth-creation purposes also enhances the municipality's chances of broadening and expanding its revenue base.

In the light of the above it is useful to look at the trend internationally, also evident in South Africa, towards increased reliance on self-help modes of housing delivery. International experience has shown that self-help housing offers contradictory outcomes.

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[29] The presentation to the consultants by DDG Ahmedi Vawda on 12 September 2003 made the important point that it is this dependency on this rates income from the wealthier parts of the cities that makes municipalities so reluctant to countenance land and housing measures that might jeopardise this income flow in any way. This effectively means that maintaining the property values of the well-off becomes the over-riding concern when municipalities consider intervention in the land market, especially in ways which might address the legacy of segregation and marginalisation.

While it is the most appropriate mode of housing the poor, tapping into their natural ability to turn shacks into homes, it is sometimes antithetical to affirming citizenship. In the case of subsidised state delivered housing it remains questionable whether communities in these settlements attain a deeper sense of citizenship given that they generally remain poor, and are often in badly located or marginal areas of the city. The evidence obtained in beneficiary surveys of the South African housing subsidy scheme suggests that despite a wide range of complaints in relation to their houses beneficiaries were almost all extremely grateful to the State for providing them with a house. It is probably too early to tell whether or not this gratitude translates into a more participative form of citizenship. Where poverty and unemployment prevail, as they do in most subsidy scheme projects, it is difficult to envisage this gratitude translating very rapidly into the rates and services paying citizenship that the state anticipates. The South African government's recent emphasis on social housing as a preferred choice of housing delivery may well address this concern. Social housing arrangements have the potential not only to break down some of the us-and-them aspects of the citizen-municipality relationship but they also provide citizens with a greater interest in the community as a whole, and especially that community's relationship with the municipality. The currently negligible proportion of the housing budget spent on social housing however suggests that we are some way off social housing achieving this sort of beneficial outcome at scale.

Werlin (1999) argues persuasively that providing secure tenure is a necessary but not sufficient requirement for the poor to become 'active citizens, good clients, municipal taxpayers and central to the productive workforce'[30]. The key additional requirement for which he argues – especially where there is a concern with cost recovery - is effective community participation. The second most important factor he suggests, again directed towards achieving good cost recovery, is that the state has to take active steps towards expanding homeowners' income earning possibilities, especially through rental arrangements. This basket of requirements for good citizenship outcomes is one that is directly relevant to the South African context. If the new generation housing programme is going to address the question of better citizens it will have to take all three aspects equally seriously: tenure security; community participation; and boosting income earning possibilities.

Human settlements are places where a sense of inclusiveness within society can be either nurtured or destroyed. This is well illustrated in some Latin America cities, (eg Sao Paulo in Brazil), where vast social segregation results in the establishment of unofficial parallel systems of power and social and political opposition to authority (Pugh 1997). The potential for such parallel systems to evolve in South Africa's new housing projects is considerable. The long-term political and economic costs to the South African state of allowing such systems to develop will be considerable. The Department of Housing –and the national government as a whole - is clearly aware of this risk, and this awareness is reflected in recent policy statements, and indeed in the terms of reference set for this paper. There is nothing in the international literature that detracts from the urgency with which the South African government must reshape its housing programme (among others) to halt and redirect the current exclusionary trends.

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[30] Werlin (1999) citing Gattoni.

5   Recommendations

Professor Alan Gilbert (Gilbert, 2002) has written on the reasons for South Africa's housing programme not taking into account lessons learnt from the experience of Chile that he regarded as very pertinent. In retrospect he is probably correct to have argued that if we had looked more closely at the Chilean experience of capital subsidies we might be in a somewhat better position than we are in now. Nevertheless, his article highlights an important point to bear in mind at this point too. There are as many dangers in lifting 'lessons' or 'best practice' wholesale from other countries as there are in ignoring them. South Africa does have an unusual combination of challenges facing its housing sector. Ultimately we have to find our own solutions to these challenges. Keeping track of what is happening internationally can only strengthen and deepen our understanding of the pressures that we feel now. It also enables South Africans to participate more effectively in international debates, strengthening and deepening them too

5.1   Areas for deeper research

Specifically, it seems that there are certain key areas on which we should focus in further *research*, and undertake *more comprehensive study of the international trend and shifts*. These are:

- Identifying a financial mechanism that enables the state to fulfil its constitutional housing obligations without creating the long term developmental and environmental disasters that seem likely to emerge from many current housing projects;
- Implementing an appropriate response to the current problems encountered by the poor in generating their own resources to contribute towards the costs of providing their housing;
- Identifying appropriate policies and laws to assist the poor use their houses to better economic effect, to benefit household income generation;
- Engaging with the phenomenon of informality in a realistic manner in order to provide effective support to people living in such situations, to increase their household capital and income.

5.2   Issues for immediate attention

Specifically, however, a number of immediate issues that are raised in the international literature have to be taken into account in the formation of a policy and research agenda for housing in South Africa. These are:

- The increased emphasis on the local sphere's role in housing delivery in South Africa has to be implemented in the light of the current thinking around institution building and support to governance issues. The 'emerging paradigm' (see above at 2.2.4), which emerged in 1997 suggests that we are already somewhat 'behind the curve'. While our emphasis on local government is appropriate it is not matched with a complementary programme of support to that sphere of government. It is unhelpful to allocate the responsibility for housing to the local sphere without engaging that sphere in a comprehensive process of support.

- South Africa is leading the world in terms of shaping a rights-led housing programme, not in terms of actual achievement but in terms of having such a strong constitutional injunction to implement such a programme. Consequently there is not an enormous amount to learn internationally (although there are certainly some useful lessons emerging from Brazil) but we can expect the international spotlight to shine particularly brightly on us in the immediate future. In the same way that we look to other countries experience for lessons so too will other countries' housing practitioners be looking at our efforts, especially in relation to developing a rights-led housing programme.
- Internationally, and in relation to similarly resourced countries especially, South Africa's share of GDP spent on housing remains very low. Regardless of the way in which we spend our housing funds – and there is plenty of evidence internationally to suggest that we could do so more efficiently – the overall amount of money available for housing remains relatively small. If there is one lesson to take into the next generation of the housing programme it is that sustainable human settlements are unlikely to emerge if the spending on housing remains low.
- Increasingly the international trend is (and has been for some time) towards demand-led subsidies rather than supply side subsidies. The suggestion that the South African subsidy programme should move in this direction is thus clearly within that international trend, albeit a bit late. The administration of the South African housing programme will have to change fundamentally though if it is to really make the shift from supply to demand led subsidies.
- The international thrust towards greater use of micro-finance for housing purposes is one which South Africa is well placed to follow, given the size and nature of the micro-lending industry in the country. Renaud (2003) emphasises the relative advantages that South Africa has in its micro-lending sector compared to other developing countries. South Africa is thus well placed to pioneer innovative and effective ways of using micro-finance for housing and to concentrate on designing a micro-finance system that meets the needs of this country.
- The move, internationally, towards greater emphasis on end-user financing arrangements – rather than on project financing - is one that is only very slightly reflected in South African practice. If we are to follow this trend it will require substantial reform of the institutional framework within which housing finance is administered, as well as new systems for monitoring and evaluation of housing expenditure. If South Africa is to stick with its emphasis on project-financing, in the face of the international practice to the contrary, then it will be important to develop a solid rationale for such an approach.
- If the IDP is to realize its potential in South Africa to expedite well-located housing it has to be supported by a range of complementary measures, such as those suggested by De Souza and which are increasingly being implemented in some cities of Brazil. Obviously there are dangers in generalization like this but the evidence suggests that there is considerable value to be found in looking at the Brazilian experience specifically as we develop our urban planning implementation instruments. Particular focus must be placed on the effects of planning instruments on the land market. Highly praised internationally as it is the IDP is not going to be able to alter the fundamental limits imposed on urban integration efforts by the land market as it operates today.

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