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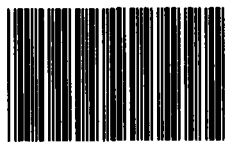
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Beating the housing crisis: Strategic options for the next two decades

**Co-operative Programme: Affordable Social Security
Subprogramme: Affordable Material Provision**

André Spier (SYNCOM)

The Co-operative Research Programme: Affordable Social Security is managed within the Institute for Sociological and Demographic Research of the Human Sciences Research Council. The research is being undertaken by means of six subprogrammes of which Affordable Material Provision is one.

The main emphasis is on aspects of affordability, responsibility and accountability in the field of social security and the provision of social services. The matter of who is responsible for providing human shelter, as well as ways in which such provision can or should be made, forms the subject of this report.

The work committee for the subprogramme does not necessarily agree with the views expressed or conclusions drawn in this publication.

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FOREWORD

In the years to come, three social functions will be the focus of attention by decisions makers, planners and communities: education, health services and housing. These three key issues are high on the agenda of political parties, business forums, trade unions, research establishments, extraparliamentary organisations and the many other change agents active in our society.

The debate has not always been rational. This is not surprising, if one considers the political sensitivity of each of these issues, and the fact that its benefits have been unequally distributed over the total population.

A government committed to a more equitable dispensation in education, health care and community development faces a truly formidable task. In making the sums for each area, it became clear that these demands, in terms of equal provision, could not be met with the means presently at our disposal.

Over the next twenty years, the population of South Africa will grow by thirty million people. Over the same period twenty million will urbanise. The resulting demand will exceed by far the capacity of our economy to provide every South African with quality education and health care, and with a conventional home.

In the face of this bitter truth, we will have to search for constitutional and institutional innovations, enabling us to achieve more with the means at our disposal. Waste needs to be eliminated, productivity increased, procedures streamlined and red tape removed. This report addresses such innovation on a broad front.

The report deals with housing in its community development context. The report acknowledges and documents the many positive and creative actions which have taken, and are taking place in South Africa, to eliminate a backlog of some 800 000 housing units and meet an annual requirement for close to 200 000 new dwellings.

Many obstacles still remain, and much more needs to be done. The report provides decision makers in the public and private sectors with new constitutional options, innovative financial mechanisms and new ways in which the two sectors can cooperate, to make urbanisation in South Africa succeed.

However, more thinking and more work needs to be done, also in the fields of education and health care, which are intimately connected to the community development process. I invite readers to come forward with such new thinking and provide us with constructive critical analysis. Linear thinking will not provide the answers, transformational thinking might.

Tjaart van der Walt
President HSRC

EXECUTIVE SUMMARY AND KEY RECOMMENDATIONS

(1) The need for housing in South Africa (RSA, Self-governing Territories and TBVC States) in terms of present backlog and future requirements is very large and growing, considering the present rates of provision.

Housing Need (1990 - 2000)

	Backlog	Natural Increase
RSA	800 000	1 860 000
TBVC Countries	125 000	468 000
Self-governing Territories	892 000	535 000
Total	1 817 000	2 863 000

Total annual building requirement = 400 000 units.

Source: Urban Foundation

The annual building requirement for the RSA is estimated at between 120 000 and 200 000 units, depending on assumptions.

(2) As far as low-cost housing is concerned, with unit prices ranging from R3 500 to R 35 000, the market is segmented as follows: (first estimate Urban Foundation, second Mr J Knoetze)

	number required per year
Informal shelter (R0 - R3 500) or rental	24 000 to 80 000
Incremental units (R3 500-R15 000)	49 000 to 60 000
Starter units (R15 000 - R35 000)	42 000 to 52 000
Conventional homes (R35 000+)	12 400 to 8 000
Total volume per year for RSA	127 400 to 200 000

(3) Recent developments in bond finance indicate that the financial substance may now become available to meet the backlog and future demand of the economic segment of the low-cost housing market for starter units and conventional homes over the next ten to twenty years, depending on the speed at which suitable and serviced land is made available to the developers.

(4) Serious investigations have been and are being undertaken to meet the need of the sub-economic segment of the low-cost housing market, involving novel financing and delivery systems, based on community participation and involvement at the grass roots level. Stokvel and other friendly societies could be mobilised to serve as focal points for such an integrated community development effort. For this segment, the availability of land with minimum services is even more of the essence.

(5) It is recommended that the state gradually phase out all present housing subsidy schemes. Timing, the granting of exceptions and the compensation for existing subsidies in the form of a once-off payment, require further investigation.

(6) It is further recommended that the state shifts its financial support for low-cost housing to the provision of serviced stands to eligible citizens. Alternatively vouchers could be considered for those eligible as a once-off capital subsidy. This would provide flexibility in terms of cashing the voucher for land, services, a starterhome or a combination of the three. Such a once-off payment, according to Prof. Sadie, can have a value of up to R10 000, which is the average capitalized present value of the historical series of interest (rent) subsidies to low-income inhabitants of homes.

(7) Every effort should be undertaken to bring down the inflation rate. The present policy of maintaining positive real interest rates, sensible as this may be in terms of sound monetary policy, creates considerable hardships for low- to medium-income mortgage holders. In some instances low-income families pay between 60 and 90 percent of disposable income on bond repayments. This has led, and will increasingly lead to defaults and the repossession of homes on a sizable scale. This has not only a destabilizing effect on the community, but also puts formal financial institutions in a bad light. One way of resolving this dilemma is to compensate the mortgage lenders in a lump sum for lower interest rates granted to eligible borrowers.

(8) There is a need for an integrated urbanisation strategy, covering all aspects of the identification of future urban areas, the mechanisms for providing suitable serviced sites for the volumes required, and the attendant infrastructure from bulk supply to household reticulation of power and water. It is suggested that the Development Bank for Southern Africa undertake the coordination of such a strategic plan including the physical aspects of its implementation.

(9) It is further suggested that a blockgrant system for financing housing and community development be investigated. Communities would identify their financial requirements in terms of housing backlog, need for the current year and infrastructure. These requests are consolidated by the Regional Services Councils and presented to the central authority. Within the budget allocation for the year, funds are re-allocated to the communities via the RSCs. (see section 8.1.3)

(10) Such a blockgrant system for housing could, if successful, be expanded to other areas of community development, such as electrification, water provision, education, community health services, and recreational facilities. A comprehensive development funding system based on the blockgrant principle would also enable communities to consolidate grants to meet specific development targets in a given budget year.

(11) An expert team should investigate all constraints on the orderly urbanisation and community development processes, with a view to making specific recommendations as to the simplification of township development procedures and the elimination of all superfluous red tape.

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The author gratefully acknowledges the generous inputs in time and knowledge made by the following organisations: The Black Builders' Association, the Central Economic Advisory Service, the Department of the Budget and Local Government (House of Assembly), the Department of Constitutional Development and Planning, The Department of Manpower (Vanderbijlpark), the Development Bank of Southern Africa, the Institute for Housing of Southern Africa, the National Building Research Institute of the CSIR, the National Manpower Commission, the Perm, the Small Business Development Corporation, the South African Housing Trust and the Urban Foundation. The author also thanks Dr Ina Snyman for her continuous support and advice, and Mrs Doorewaard for assisting in the many time consuming arrangements.

It stands to reason that often strongly conflicting opinions were expressed on many issues in low-cost housing which are sensitive and contentious in nature. The author has attempted to arrive at a balanced perspective on these matters. The critical review of the first draft of this report by the Committee of the Subprogramme: Affordable Material Provision of the Co-operative Programme: Affordable Social Security, is also gratefully acknowledged. A special word of thanks to Prof. J Sadie and Mr J Knoetze who generously gave of their time to review the final draft of the report, and provided the author with many important comments, suggestions and corrections. The author, of course, carries the sole responsibility for the report.

The literature on housing, internationally and South African, is vast. Only a limited number of references could be consulted for what is essentially a policy document, and not an exhaustive research project. The references are listed alphabetically and are referred to with two numbers in brackets. The first number is the reference, the second number refers to the page. Information from a large number of newspaper and magazine clippings has been incorporated, without further reference.

The research approach avoided trying to be comprehensive, or pursue any aspect in detail. There are also limits to achieving accuracy in the housing field, since many key parameters show considerable discrepancies and depend on (often undisclosed) assumptions. The key areas on which there was dissent or expert agreement were analysed and compared. It appeared that a consensus on how to resolve the housing cum urbanisation challenge is growing, based on a tendency to let realistic and economic arguments prevail over those of an ideological or political nature. This became apparent not only in discussions, but also in the more recent literature.

Many constitutional (and by implication legal) issues relating to housing and urbanisation will be fluid in the emerging climate of negotiation and consultation between the present government and representatives of those who are most affected by the housing crisis. The main objective of this report is to provide policy options and alternatives, which would aim at maintaining this sense of realism and pragmatism.

1.0 SOUTH AFRICA'S HOUSING CRISIS: AN OVERVIEW

To eliminate an estimated present backlog of 800 000 housing units and meet future requirements of a growing and urbanising population, some 130 000 units would have to be built annually between 1990 and 2010. More than 70 percent of this volume would be in the cost brackets between R3 500 and R 35 000. (see 5.2 and 5.3) Only ten percent would be conventional homes from R35 000 upwards, while some 20 percent would be rented accommodation of all kinds.

Up to the present (1989) not nearly such a volume is being constructed. Since much of the construction at the lower end of the scale is informal and not nationally canvassed, an exact estimate of the building volume, covering informal and formal low-cost housing is not available. An informed guess would be that between 30 000 and 40 000 units are erected annually. This number excludes shacks and other forms of minimum shelter.

In consequence, for the immediate future, the present backlog is bound to get worse, informal squatting will be on the rise and room densities will be on the increase. This will detrimentally affect the overall quality of life in the main urban centres for some time to come. (see 4.2)

The three main reasons why the required building volume is not achieved, are the lack of suitable and serviced land, problems with affordability (mainly with that segment of the population, which is not part of the formal economy) and legal and regulatory constraints. (see 6.0)

The recent major breakthrough achieved by the Urban Foundation in mobilising billions of Rand from the financial institutions, secured by a Loan Guarantee Fund, indicates that the backlog in the R15 000 - 35 000 brackets (average loan R25 000) could be all but eliminated within this decade. (see 8.2.5)

To resolve the crisis in the market segment at the bottom end of the scale, solutions to three basic issues need to be found and implemented: (1) Novel ways of making sufficient suitable and basically serviced land available; (2) Novel, viable and acceptable instruments for small to very small loans; (3) Black builders and community organisations need to be trained and enabled to receive a substantially larger share in the housing construction market.

Options and recommendations to resolve these three basic issues form the main substance of this report.

2.0 DEMOGRAPHIC FACTORS AFFECTING HOUSING

2.1 Introduction

Demography and its many variables are at the root of the housing crisis. "The problem is founded in rapid population growth and urbanisation without concomitant economic quality to accommodate family formation". (SADIE, personal communication).

Since the dynamics of population growth and urbanisation will continue well into the next century, any strategy to resolve the housing challenge is bound to be a long term project.

2.2 Population Projections

Population projections based on census data are likely to be unreliable. Various projections in the literature tend to vary considerably.

TABLE 1: Present and Projected South African Population
(1990 - 2020, millions)

YEAR	TOTAL POP	ASIANS	BLACK	COLOURED	WHITE
<u>Low Projection</u>					
1990	39.5	1.0	30.3	3.2	5.0
2000	51.2	1.1	41.0	3.8	5.3
2010	64.4	1.2	53.4	4.3	5.5
2020	77.0	1.3	65.3	4.7	5.7
<u>High Projection</u>					
1990	39.5	1.0	30.3	3.2	5.0
2000	51.4	1.1	41.0	3.9	5.4
2010	66.6	1.2	55.2	4.4	5.7
2020	85.2	1.4	72.9	4.9	6.0

Source: HSRC (1987)

The low total projection for 2000 above is still 5.8 million higher than the forecast by the President's Council of 1983, begging the question what the actual figure at the turn of the century will be.

The HSRC demographers comment: "Blacks lag so far behind the other population groups in respect of level of education, occupational skills, urbanisation and modernisation, that it will take decades, if not generations, for them to develop a primarily urban industrial culture, which appears to be a precondition for low fertility".

The report of the Science Committee of the President's Council of March 1983, considered a population of 80 million the maximum that could be carried by South Africa's resources, with water provision being the overriding limiting factor. This report arrived at the following main conclusion:

"If no effective measures to curb our present population growth are taken, the situation will get out of control after the year 2000. Should present demographic trends continue, South Africa and all her people would be faced with awesome consequences." (229).

A successful urbanisation strategy would, it seems, make a significant contribution to bringing down the fertility rate. This is in itself a powerful argument for urbanisation.

2.3 Age Distribution

Age distribution affects, amongst other things, family or average household size, the need for education infrastructure, and the percentage of the aged in each group. It affects not only the numeric need for housing, but also room densities and other quality of life factors.

Table 2: Characteristics of the South African Population

Characteristics	Asians	Blacks	Coloureds	Whites
Life Exp. at birth				
men	62.0	55.0	56.0	66.8
women	67.3	60.0	61.0	73.8
Total Fertility Rate	2.5	5.3	2.9	1.9
Annual growth rates (%)	1.66	2.66	1.86	0.68
Under 15 years (%)	37.3	40.2	38.3	27.7
15 - 64 years (%)	60.2	56.7	58.7	64.5
65+ (%)	2.6	3.1	3.0	7.8

Sources: Pres.Council 1983, p.70 and HSRC, 1987

The trend among the white, coloured and Asian population groups is for the under 15 group to shrink and the 65+ to increase. This ageing process of the population will also occur amongst blacks in the next century. The implications for housing the aged are severe (see 5.6).

Life expectancy at birth for black males seems to indicate that it would be advantageous to them to mobilise pension savings for funding housing.

2.4 Urbanisation Rates (see 4.0)

Urbanisation rates have a greater impact on housing requirements than general population growth. Whites and Asians are nearly fully urbanised and housing needs will be dictated by overall population growth. Coloureds are nearly fully urbanised, while the black urban population could well double in the next fifteen years.

2.5 Employment, Unemployment, Self-employment

Employment creation in the formal sector does not match black population growth, let alone the present urbanisation rates. Estimates as to the present unemployment rate vary widely. In 1985 it was estimated that the number not employed in the formal sector of the number of underemployed and unemployed could be as high as 4.5 million, rising to 9.8 million by the year 2000.

The relationship between employment creation and general economic growth is evident but not linear, since in the process of modernisation employment tends to become more capital intensive for most industries. Also the traditional economic indicators are not predictive of the real employment situation. Housing, and the many services related to housing, could form an important source for the creation of new jobs. (The potential in a large scale housing programme for employment creation, and in particular for self-employment, will be further investigated in sections 7.4.2 and 7.4.3.)

2.6 Income Distribution

Present State subsidy schemes are based on income. So far only those with a monthly income of less than R1000 qualify. (National Housing Commission). The underlying assumption is "that the entire existing backlog occurs in the R0 - R1000 income bracket" (20/6).

In the following table we will look only at the income distribution between R0 - R600, since the percentages above these incomes are relatively small. It is also in these income brackets that the main housing challenge needs to be addressed.

Table 3: Income Distribution of each Population Group (per cent)

Monthly Income (R) Midpoint	1-99 %	100-199 %	200-299 %	300-399 %	400-499 %	500-599 %	Cumulative %
Whites	0.2	1.4	1.1	1.4	1.9	2.1	8.1
Coloureds	6.2	13.5	11.2	8.2	8.0	7.1	51.1
Asians	0.3	3.1	6.4	6.5	8.0	7.4	31.7
Blacks	11.6	12.3	12.4	8.3	12.5	9.1	66.2

Source: 20/6 (adjusted)

The dominant feature is that two thirds of the black and one half of the coloured populations earn less than R600 per month, against eight percent of whites. One way of defining the housing crisis is to see it as an income distribution crisis:

If mean incomes of the lower strata of the population can be increased through whatever monetary or economic policies, the means will be created to turn the housing 'need' into a housing 'demand', which can then be met by the normal market mechanism.

This is no small task, since the failure to raise the incomes of the poor in developing countries is universal:

"At the end of three decades of international action devoted to development the result, by 1985, is likely to be an increase of \$50 per capita in the annual incomes of the poorest group over 1965 incomes, compared with an increase of \$3 900 per capita for the richest." (14/218)

The two main reasons for this dismal record are misdirected funds and population growth. To redress this state of affairs, the Worldwatch Institute makes the following recommendation:

"For governments wishing to achieve a more equitable distribution of income, there are numerous public policy instruments that can be used. One of the most common, of course, is a progressive income tax. Education, or more precisely access to education, can also play an essential role. To be an effective equaliser the education system must be accessible to all people regardless of their economic or social standing". (3/202)

In part, therefore, the housing challenge is an education challenge. Relevant universally accessible education and training can raise income levels, increase the tax volume, and provide the financial substance to resolve the housing demand.

3.0 POVERTY AND SHELTER

3.1 The Nature of Poverty

When contemplating the nature of poverty, the following consideration is worth considering:

"...studies conducted in Columbia gave warnings against false assumptions about the poor: they may be neither so indigent that everything has to be given them, nor so incapable of raising funds that they need to be excluded from certain state aided programmes that require a considerable input from the consumers or participants in the programme. A study described by Kaufmann and Bamberger refers to a programme of housing upgrading in which it was shown that very poor people were able to draw on the assistance of relatives, both in the form of cash and labour, if all of them agreed that the changes being produced constituted sound investment potential". (22/15)

The nature and prevalence of poverty has been well documented by the Second Carnegie Inquiry into Poverty and Development in Southern Africa, summarised in "Uprooting Poverty" by Wilson and Ramphela (1989). Charles Simkins in reviewing this book in Indicator SA Vol 6 No 4, Spring 1989, contends that "the description of poverty can become a means to the political mobilisation of grievances, but this will not necessarily eradicate poverty". (Our emphasis). In his review of "Uprooting Poverty" Simkins states:

"Take housing, for instance. In their prescription for this sector, Wilson and Ramphela do battle with the issue of the roles of the state and the private sector. On the one hand, they see arguments for privatisation as an attempt by the privileged to forestall claims by the poor on the common wealth of the society. On the other they worry about the dangers of state participation becoming bureaucratically hidebound, or a means of control. They refer to scarce resources and competing claims; but they call for a massive infusion of funds from the state. At the end of the day, the outcome remains uncertain: 'The precise form of (state) intervention, the appropriate structures by which it is mediated, the best way of ensuring real democratic participation and a flexible approach to specific local situations, all require further thought and debate'". (p.41)

This report is intended to provide some of that thought.

3.2 Measuring Poverty: Gradation Systems

Income is, of course, not the only yardstick to measure poverty. In fact: "Income was said to fluctuate too much according to economic upswings and slumps to be considered a reliable indicator". (22/31) In addition, with exception of the truly destitute, the assets in cash and kind of the 'poor', and their intricate access to resources through informal networks is difficult to assess. It seems certain that formal income can only be part of the resources the 'poor' are able to draw upon. The real challenge seems to be to create a climate conducive to mobilising these hidden resources to the benefit of the indigent. This is what constitutes the considerable potential and dynamics of the informal sector.

In addition to income, there are many other yardsticks used to 'measure' or 'grade' poverty. We mention child mortality, average life expectancy at birth, literacy and numeracy rates, access to health facilities and calory deficiencies.

There is, however, a point beyond which "poverty becomes self-sustaining and self-generating, a trap that holds about one billion people, nearly a fifth of the present world population in its grip" (14/220)

3.3 Rural Poverty

In comparative terms, rural poverty is considerably more threatening because of the dependence upon a fixed amount of land as cooperant factor of production with labour and because of the absence of modern support systems and informal networks. The demographic profile tends to gravitate towards the very young and the very old, with the capable migrating to the cities to pursue perceived and real opportunities. This exodus aggravates the exploitation of the land and contributes to the continued erosion of the soil and the depletion of other resources such as water and firewood.

Another detrimental aspect is that the poor in deep rural areas are, as it were, out of sight. Spending on infrastructure and social support systems tends to bypass the rural poor, effectively fixing them in their plight. Present housing policies by the public and the private sectors focus mainly on the urban and urbanising areas.

Since rural degradation and deterioration is a major contributing factor to the processes of urbanisation, which in turn is the single most important factor creating the need for new housing, we will address potential long-term strategies to halt rural decline in sections 4.3.2 and 4.3.3.

3.4 Urban Poverty

Poverty in certain areas of the city may be as grinding and severe as in rural areas, yet the urban poor perceive a way out of the trap, generally absent in rural areas. This attitude and perception is what motivated them in the first place to migrate to the city. According to Anne Bernstein of the Urban Foundation, cities have coped better than people thought they would in improving the quality of life of individuals and as centres of economic activity.

In spite of every effort to turn "slums of despair" into "slums of hope", the fact remains that poverty remains poverty, be it of the rural or urban variety. While support systems and advancement opportunities are mainly concentrated in the cities, so is wealth and affluence, visible to the poor. This steep gradient creates its own tensions, contributing to the potential destabilisation of the Third World urban environment.

3.5 Strategies to Escape from the "Poverty Trap"

To many observers, the poorest groups in Third World countries tend to be materially unambitious. As a consequence

"Official handouts to improve the economic conditions will have to be continued indefinitely to improve their economic conditions if the beneficiaries are not to relapse into their original poverty. Poor people can therefore be turned into paupers." (1/13)

Ludwig von Mises, who can hardly be termed a proponent of the welfare society, contends that

"the market economy is deficient from the social point of view. It has not wiped out poverty and destitution. It is a system that grants privileges to a minority, an upper class of rich people, at the expense of the immense majority." (13/833)

Post-war development strategies were dominated by the assumption that wealth "trickles down". This assumption is not supported by the facts. The gap between rich and poor has been and still is widening in most developing nations, notably Africa and South America. As Bauer states: "To make the rich poorer does not make the poor richer" (1/23) In the words of Gilder:

"To get a grip on the problem of poverty, one should also forget the idea of overcoming inequality by redistribution. Inequality may grow at first as poverty declines. To lift the income of the poor, it will be necessary to increase the rate of investment, which in turn will tend to enlarge the wealth, if not the consumption of the poor." (10/73)

The development failures of the post-war decades have not gone unnoticed by the main development agencies. In consequence the World Bank has shifted its approach to development. The new approaches have been so designed that they:

"provide better access for the absolute poor in their societies to essential public services, particularly basic education, primary health care and clean water. These fundamentals, combined with the better shelter and nutrition that improved incomes can afford, are the key to the poor being able to meet their own basic needs." (24/13)

This shift of emphasis seems the correct approach and will form the conceptual foundation of the recommendations of this report. By shifting the development effort to the bottom of society, it will soon become evident, whether wealth "permeates up". In other words, if systems can be developed and instruments be put into place to assist the poor to meet their own basic needs, a foundation could be laid on which the formal sector can build and expand.

3.6 A Note on Indicators

We mentioned before that 'income' is an inadequate indicator for measuring poverty. But the failure of the traditional economic indicators, such as GNP, PCI, the average rate of inflation etc. to measure what is really going on in the total economy, goes deeper. They do not reflect the state of health or otherwise of that part of the economy, whose activities do not enter into the national accounts and statistics.

"As the emphasis in economic policymaking and planning shifts toward sustainability, the inadequacy of many widely used economic indicators becomes obvious. As the goal of economic policy is redefined, new indicators are needed to measure progress". (2/197)

In our context a new set of economic indicators monitoring directly basic social needs could help to guide the effort to create such a sustainable development process. The quantitative and qualitative factors measured in the Population Development Programme (see section 4.2) could form a useful starting point.

Economic activities in the informal sector 'measured' as percentage of GNP varies from country to country. It is, for example, very high in Italy and in most developing nations; It is not possible at present to say what the percentage in South Africa would be.

But there is more. Some economists, and virtually all politicians, do not distinguish between growth and development, and consequently erroneously equate the two processes. Gharajedaghi defines development as "...the process in which people increase their abilities and desires to satisfy their own needs and legitimate desires and those of others." (9/18). There is thus a qualitative aspect to development, such as diminishing waste, or innovation. Growth is a purely quantitative indicator of more of the same. There can be much growth and no development. A case can be made that innovation or better engineering, whilst constituting development, actually diminishes growth.

To couple the resolution of the housing crisis to the economic performance of the core economy measured in growth (or decline) in GNP is hazardous. Finding answers to the housing crisis is better served by stimulating the numerous informal activities, even if these do not directly enter into the national accounts. Development in the above sense helps to solve the housing crisis. Once set in motion, informal housing will contribute greatly to general economic expansion in the formal sector.

4.0 THE URBAN/RURAL INTERFACE

Urbanisation is a seemingly irreversible global trend. The major reason for this process - there are many others - can be found in the functional difference between the rural and urban poverty syndromes. In 1920 the global urban population was 360 million, by the year 2000 it will be 3000 million, or 50 percent of the global population. (14/203) In 1950 there were seven cities larger than 5 million, in the year 2000 there will be 57, of which 25 will be larger than 10 million. (14/213)

In the following two sections we will briefly investigate some quantitative and qualitative aspects of urbanisation as these relate to the situation in South Africa. The need for an integrated strategy will be addressed in section 9.0 and 10.0.

4.1 Quantitative Aspects of Urbanisation

Figures as to urbanisation rates (see section 2.4) and the absolute numbers vary in the numerous forecasts. Numbers would depend on the definition of what is considered an urban area. If new rural conurbations are added to the influx into the existing metropolitan and urban centers, then a figure of one million per year seems realistic. Coetzee estimates that the urbanised component was 13.5m in 1980 and will rise to 35.1m by 2000. (5/2)

This rate is very high in terms of the global rate, which is estimated to be 27m per year (4/212). One possible reason could well be that a pent-up backlog due to restrictive legislation has been more recently released. As Ann Bernstein put it: "For most of this century, South African society has been structured to prevent large-scale black urbanisation". (2/65)

Bernstein observes:

"In 'white' South Africa black urban growth is found in segregated formal urban townships in the metropolitan areas and small towns; in backyard shacks in these townships; in informal settlements in and around the formal townships; in free-standing informal settlements on vacant urban and peri-urban land; and in illegal residence in the white suburbs of the large metropolitan areas." and "The effect of the overlapping intertwined structure of apartheid has not been to prevent urbanisation, but to distort its form, influence its location and disguise its magnitude." (2/67)

Most nations attempt to follow a positive urbanisation strategy as a mixture of the optimisation of scarce resources, mainly land and finance, and a measure of 'laissez-faire', in the assumption that people move to areas that they consider best suited to secure their future. There can be no place in such a strategy for ideological considerations based on race.

While 'laissez-faire' has not been the urbanisation policy in South Africa in this century, the ensuing distortions, as aptly described by Bernstein, may prove a different problem to address. There is no evidence in the literature as to the quantitative movements of blacks once they are urbanised. Such figures would be essential to forecast the geographic movements of urbanites under a system of complete freedom of tenure.

It seems a fair assumption that relocation of non-white city dwellers will be restricted mainly to the affluent as far as individual houses are concerned and to the lower middle classes as far as rental in open areas is concerned. Any major shifts in population distribution is considered unlikely by most experts in the short to medium term .

For guiding the future urbanisation strategies, two questions need to be addressed:

- (1) How much land is needed over the next two decades and where can it be made available? Such suitable land needs to be identified now for the development process of the next 20 years and developed systematically. (We will return to this question in sections 6.1 and 8.1); A step in the right directions is the delegation of the responsibility to identify land for black development to the provinces, with deregulatory powers as far as standards and materials are concerned. This can only be seen, however, as an interim strategy.
- (2) Where to site the new conurbations? There is evidence that certain coastal areas and waterways are insufficiently considered. The example of the fate of Norweto indicates that the siting of major new black towns triggers strong reactions from a multiplicity of interest groups. Siting of new urbanisation points will therefore remain a difficult exercise.

A viable urbanisation strategy would thus tend to strike a balance between 'laissez-faire' and the creation of incentives to direct the flows in desired directions. The poor results of past decentralisation policies do not augur well for such a strategy of demographic engineering to succeed.

4.2 Qualitative Aspects of Urbanisation

It has become fashionable to equate urbanisation with modernisation, or to claim that the former is a precondition for the latter. Such a position cannot go entirely unchallenged. Today many Third World cities are ringed by vast shanty towns encompassing much human wretchedness. Some, like Calcutta (67% in shanties) or Ibadan (75% in shanties) have become administrative nightmares. (14/202). It can also be argued that cities are in essence parasitical and vulnerable to service interruptions. The New York blackout is a case in point.

While lack or loss of shelter is one of the most traumatic long or short-term life crises to be experienced by human beings, (22/7) the pressures of squatting on first generation urbanites can be traumatic as well. Crime rates, long and costly transport to the workplace, overcrowding and pollution are just a few factors contributing to the stresses of urban life for the poor.

Market Research Africa conducted a survey among housewives and recorded the following advantages and disadvantages of urban life: (1989)

Advantages:

- Better transport facilities
- Better/more schools
- Better medical facilities
- Better life/ more civilized
- Better sanitation
- Better/healthier food

Disadvantages: Cost of Living/low salaries
High rent
Poor/small/bad housing
No electricity
Dusty roads
Unemployment
Crime.

It could be argued that for the poor - with few exceptions - the same disadvantages apply to living in rural areas. The main difference in favour of urbanisation seems to be that there are opportunities for improvement, which are manifestly absent in most of our rural areas.

The main threat to the cities of the First World is inner city decay, that of the Third World, encircling and encroaching slum settlements. South Africa is developing a combination of both.

It remains arguable whether to produce a "poverty map" in our dynamically changing situation and to measure and monitor the quality of life, is worth the effort. The Population Development Programme of the Department of National Health and Population Development has developed twelve objective (measurable) indicators and nine subjective (difficult to measure) indicators to arrive at a picture of the quality of life in South African communities. Urbanisation strategists could take note of the findings of this programme.

On balance it seems that urbanisation is unavoidable and the better of the two options under present circumstances. The best strategy to follow is comprehensive and anticipative planning, without overduly interfering in the freedom of choice and movement of individuals. Observing and measuring what is actually happening and guiding it in the best possible way seems the only democratic choice.

4.3 The Rural Dilemma

Having accepted urbanisation as an unstoppable trend, a few words need to be said about the rural dilemma arising out of such a development.

4.3.1 Rural Decline and Rural Degradation

Rural decline and rural degradation have become a feature of most Third World countries. African nations, food exporters in colonial times, have turned into major food importers, depleting an already negative balance of payments and aggravating a crippling debt situation. There is evidence that a national and successful literacy campaign in Tanzania lured now literate people away from agriculture to white collar occupations. No advanced agro-business has taken its place and food production has declined.

The documentation available from the Institute of Natural Resources in Pietermaritzburg, and from other rural research projects indicate that soil erosion is widespread in black rural areas and hard to reverse. Old patterns of land tenure and subsistence agriculture, viable for low population densities, are difficult to change and cannot meet the demands of sharply growing populations.

The black exodus from rural settlements leaves a vacuum, which cannot be filled by the remaining population spectrum. It turns producing communities into consuming ones, now depending predominantly on agro-business and its sophisticated distribution systems. According to Robin McGregor of "Who Owns Whom" cartels exist in food, cement, fertilizer, animal feeds and bricks, acting in collusion to restrict competition, entry or both.

At the same time that urbanisation is a global phenomenon, some planners state that "the most urgent need is for greater rural investment to slow the flood to the cities" (14/222)

4.3.2 The Economics of Space

In order to make the next section understandable, a note needs to be added to this report on the so-called "economics of space". Most wealth is generated and concentrated in the metropolitan areas, in South Africa as much as elsewhere. The reasons are historical and based on the fact that it is more economical to add to existing infrastructure, than to create new ones from scratch. The failure of successive decentralisation policies - attempting to stem the urbanisation tide - proves the reluctance of entrepreneurs to relocate in spite of incentives.

Before relegating decentralisation to the scrap-heap, it seems important to conduct a full analysis of its apparent failure. Have successive policies failed because the principle of decentralisation was wrong or because they were ideologically motivated and created distortions in the normal operation of the market forces?

In South Africa, Schlemmer found that blacks show a preference for rural life, provided certain essential criteria are met. Advanced nations, moving to post-industrial service structures and using sophisticated telecommunications infrastructure, show a trend away from the cities. These are two examples from the opposite spectrum of development, but with similar underlying motivation: quality of life.

4.3.3 The "New Rural Society" (NRS)

The NRS project aims to solve the problems of energy utilisation, urban congestion and rural-urban migration currently facing the United States. It employs the concept of the 'urban field' and can be viewed as an enlargement of the space for urban living to 160 km from existing urban cores and beyond.

The NRS project has as its basic aims: (1) The full application of existing and new communication technologies to improve the quality of life for people in rural communities; (2) To provide people with the choice to live and work in small attractive rural communities.

The NRS project has identified five areas critical to the gradual development of viable rural communities, for which advanced telecommunication technologies can make a decisive contribution: (1) employment; (2) health care; (3) continuing education and vocational training; (4) entertainment and cultural opportunities; and (5) community interaction and planning.

With only 53 R&D scientists and engineers per million population (US 2800 per million), Africa seems poorly endowed for making the leap into the communications age. South Africa is in an entirely different position compared to the continent as a whole. Whilst manifestly short on skills at all levels, it has the advanced core, technologically, financially and managerially, to plan the transition to a post-industrial country over the next fifty years.

Nothing can stop the flow to the cities of unskilled and predominantly illiterate rural dwellers in the short to medium term. Long term planning, however should aim beyond this trend. What we are advocating is to manage the present urbanisation process as best as we can, while preparing for a more sophisticated society along the lines of the NRS objectives. The reason for this advocacy is that the threat is real, that South Africa, under the combined pressures of population growth and urbanisation could slide into complete Third World status, leading to an exodus of skills and capital.

5.0 THE HOUSING CHALLENGE: THE DIMENSIONS

5.1 Housing as Community Development

While this report deals with the housing crisis, it is implied that 'housing' stands for community development.

"It is thoroughly understood and accepted that the concept of 'housing' is very much broader than simply the provision of dwelling units. However, it is necessary to adopt a budget unit to use as the basis of calculation, and a house has been chosen for this purpose." (20/vii)

We believe that the adoption of a house as a budget unit could be misleading. If one considers that for every Rand spent on 'housing', at least four Rand need to be allocated for infrastructure, a national budget (tri-cameral or not) based on housing units presents scenarios for solutions, while obscuring the true magnitude of the financial challenge.

We would follow the recommendations of the NBRI that the 'cost' of housing consists of the following components: (1) The cost of land; (2) the cost of the house and any outbuildings which may be required, including furnishings and fittings which are attached to the buildings; (3) the cost of services within the boundary of the plot on which the house is built, such as fencing, water and drainage from house to street mains etc.; (4) the cost of street services, including roads, stormwater drainage, sewers, water mains, electric power and lighting in the streets etc.; (5) the cost of communal buildings and amenities such as schools, clinics, parks and churches. (15/x)

One would add to this list the creation of work opportunities in terms of local industries and service operations, without which the viability of an otherwise complete community is in question.

It stands to reason that the complete development of all these components, which make for viable communities, cannot be afforded within the timeframe of the next decade in which some ten million will urbanise. Development will have to take place in stages.

The main objective kept in mind in offering the strategic options contained in this report is to ensure that by laying the foundation in terms of affordable shelter, the future development and upgrading into fully fledged and viable communities is not precluded.

This housing challenge involves much more than beating the backlog and meeting future requirements in dwelling units. It involves not only the establishment of viable new communities, with all the concomitant infrastructure, but also the upgrading of underdeveloped existing ones. "It is socially and economically unacceptable to destroy housing, however poor, in order to start anew". (15/xii)

In the past altogether some 500 000 houses, based on the authoritative publication "Research Studies on the Cost of Urban Bantu Housing" CSIR, 1954, were financed by government and built mainly by the larger municipalities.

In a subsequent report, published in 1987 by the NBRI, Dr Niko Stutterheim states in his foreword:

"There were three significant departures from the (1954) NBRI recommendations: (1) Of the range of eight houses designed to suit different family sizes, only two, viz. Non-European 1951/6 (NE51/6) and NE51/9, were selected for mass low-cost black housing; (2) NBRI envisaged the planning and layout of suburbs which, besides houses, would have creches, primary and secondary schools, community halls, churches, clinics, shops, business sites, small industries, recreational facilities. In practice, dormitory townships were established with row upon row of identical houses and few suburban amenities. (our emphasis); (3) Home ownership either through acquisition or by owner-building was envisaged as part of socio-economic development and the creation of employment opportunities for blacks. But until recently all black housing was for letting."
(15/i)

The price, it seems, for failing to heed the NBRI recommendations of 1954, must be paid now and by a future generation. This price needs to be included in any cost projection relating to resolving the housing crisis in South Africa. To achieve this goal three partners need to join forces: (1) The people themselves and their community organisations; (2) the private sector with its vast experience in home construction and home finance and (3) the public sector, as far as the indigent section of the population is concerned. Success or failure will depend on how this cooperation is designed and structured.

The total expenditure of such a programme, given persistent high inflation, will be astronomical. To put a price tag to it in terms of billions of Rand seems futile, since such a target can never be financed from existing resources. The urbanisation process itself needs to be designed in such a way, that it becomes a wealth creating process in itself. The key to such a programme is therefore the advancement of the people themselves in terms of their capability to add value. Section 8.0 and its subsections will provide some thought as to how this ambitious goal could be achieved.

5.2 Market Segmentation

If we define low-cost housing (or shelter) as the range from nil - a plastic sheet over a bush - to R35 000 - a simple, basic conventional home -, (1990 prices) then it is apparent that the low-cost housing market is segmented. It seems practical to segment this market in terms of an affordability range.

We follow the market segmentation of the Urban Foundation, who define the four market segments as follows:

1 Conventional Homes

Provided by the formal home builders, levels of infrastructure services and finishes are high, financed by most of the formal financial institutions.

2 Starter Homes

Not a complete house - space provided and/or level of finish is minimal, the family extends or completes the home over time, level of infrastructure services is often not as high as for conventional, provided by the formal homebuilders, financed by some of the financial institutions, but not extensively.

3 Incremental Homes

The family purchases a site and erects a temporary informal dwelling, built from unconventional material. Site and service schemes and informal settlement upgrading schemes are in this category.

4 Private Rental

The family rents accomodation from an owner. The accomodation would be, for example, a shack in the backyard of a conventional, starter or incremental house, or a room in a conventional or starter house.

There are obviously other ways to segment the market. One could divide the low-cost housing market into two basic segments:

- (1) Economic low-cost housing provided by the market mechanism.
- (2) Subeconomic low-cost housing requiring non-market support systems and state subsidies.

This division seems more sensible in the light of the new funds becoming available from the formal financial institutions, backed by the Loan Guarantee Fund, mainly aimed at the starter home market. This innovative scheme puts the first two categories in the economic housing bracket. All shelter below these categories would then be sub-economic, requiring different mechanisms and solutions. Private rental can fall into both categories and not only in the sub-economic one.

5.3 Shortages plus Future Requirements

Figures on shortages and future requirements from various sources (Urban Foundation, NBRI, Central Economic Advisory Service) are not consistent. They have in common that they are all high. The three key assumptions seem to be:

- (1) Family or household size for blacks, which at 5.94 (CEAS) seems low if one compares the assumed population of Soweto of 1.5 million and the actual population being closer to two million.
- (2) Population growth: we saw that forecasts for the year 2000 differed by 5 million. What the actual population figure in the year 2010 will be (the time frame of this report) is a 'guesstimate'.
- (3) Urbanisation rates: forecasts range from 700 000 to 1 million per year. Many forecasts do not define the geographic areas in terms of RSA, selfgoverning States and TBVC countries. Also migration from TBVC to RSA in the light of changing citizenship legislation is not considered.

Dr de Vos of the NBRI comments:

"The lack of meaningful statistical information is a serious constraint on attempts to evaluate the current housing situation and to plan effectively for accomodation needs. Most local authorities can do no better than 'guesstimate' the population and number of housing units within their area of jurisdiction. The number of housing units occupied by the black population group has never been counted in any of the national censuses. Estimates differ by as much as 250 000 units; a situation which makes effective planning virtually impossible". (Housing in Southern Africa, May 1989, p.61)

Dean Norton, Executive Director of the Portland Cement Institute contends that there is no housing shortage, but a shortage of money, (we would add: skills), with which to buy (build) houses. This is a parallel to the contention that there is no food shortage in the world, but lack of money with the poor to buy food, compounded by a global distribution problem. Redefining the housing crisis as an income crisis is not futile, since it re-directs strategic thinking to economic advancement of the indigent as the key to resolving the housing challenge. Linking housing to income generation for the needy then provides a powerful incentive for those directly affected.

Since all forecasts comprise very large numbers, and since backlogs plus future requirements are unlikely to be fully met in the next two decades, not too much importance is attached to the differences. For practical reasons we have taken the figures provided by the Urban Foundation.

Table 4: Black Housing Need based on Market Segmentation
(based on PWV figures, adjusted to approximate the situation nationally)

Income reqd per month 1)	Backlog 2)		Additional H/holds 3)		Total Need (1988-2010)		Per Annum (1988-2010)
	No.	%	No.	%	No.	%	
1. <u>Conventional Homes (formal): R 35 000</u>							
R1 095	40 000	5	233 000	11.7	273 000	9.8	12 400
2. <u>Starter Units (formal): R15 000 - R35 000</u>							
R469-R1094	200 000	25	730 000	36.6	930 000	33.3	42 300
3. <u>Incremental Units (informal): R3 500 - R15 000</u>							
R162-R468	400 000	50	670 000	33.6	1070 000	38.3	48 600
4. <u>Balance - Private Rental</u>							
<R161	160 000	20	361 000	18.1	521 000	18.6	23 700
Total	800 000		1 994 000		2 794 000		127 000

1) Assumptions:

- 10% deposit
- 18% Interest rate over 20 years
- loan repayment not to exceed 30% of joint household income

2) Base = 800 000 households

3) Base = 1 994 000 households

Not all agree with the (rounded) percentage apportionment of 10, 30, 40 and 20 percent for the above categories. Mr. John Knoetze revised the UF figures as follows: (personal communication)

1 Conventional homes:	4 percent	- annual requirement	8 000
2 Starter Homes	: 26 percent	-	52 000
3 Incremental Homes	: 30 percent	-	60 000
4 The bottom layer	: 40 percent	-	80 000
Total number of dwellings needed per annum			200 000

Knoetze puts the average (1989) price per unit, including a serviced stand at R20 000, resulting in an annual financial requirement of R4000 million. Such spending would have to be adjusted upwards by 15 to 20 percent per year, and the considerable costs to provide the infrastructure needs to be added.

The two main features of this projection are the upward adjustment of the annual requirement from 127 000 to 200 000 units, and that 70 percent instead of 60 percent are in the sub-economic category. This would call for a major shift in emphasis from the economic to the sub-economic market segment.

Blacks are, of course, not the only population group requiring low-cost housing or some form of state subsidy. The following table provides the projections for all population groups.

Table 5: Current and Projected Housing Requirements (1985-2000)
(000 units)

Population Group		Stock	Housing Requirements			
		1985	1985	1990	1995	2000
Whites*	Requirements	1 299	1 262	1 332	1 434	1 517
	cum shortage		+ 37	33	132	218
Coloureds*	Requirements	394	446	487	538	586
	cum shortage		52	94	144	192
Asians*	Requirements	141	185	200	218	234
	cum shortage		44	60	77	93
Blacks**	Requirements	466	1 004	2 299	2 724	3 161
	cum shortage		538	1 833	2 258	2 695

+ Surplus

* RSA and National States, excluding TBVC

** RSA

Source: T de Vos, NBRI, 1986 (see also Dr de Vos' comments above)

In Housing in Southern Africa, June 1989, Dr de Vos provides the following figures for black housing:

	Stock	1986	1990	1995	2000	
Blacks**	Requirements	486	1 351	2 593	3 018	3 455
	cum shortage		865	2 107	2 532	2 969

This represents an upward adjustment of the black backlog from 538 000 to 865 000 within one year. The reasons are not known to us. In the same revised table the surplus for whites of 37 000 in 1985 turns into a shortage of 25 000 in 1986.

While there seems to be a present surplus of white housing, this is projected to turn into a shortage of 218 000 units by the year 2000. An explanation why this is so, was not available. Since we are only interested in low-cost and subsidised housing, the white categories that would deserve attention are the first-time home buyers in the lower income categories and the increasing number of the elderly. (See section 5.6)

The number of people who are presently squatting is not reliably known, but could be as high as 5 million if rural concentrated habitations are included.

5.4 Geographic Distribution

The future geographic distribution of new urban centres will a.o. depend on the timely amendment and/or removal of pertinent legislation, notably the Group Areas Act; it will primarily be dictated by economic and physical factors. People will tend to move to where the infrastructure is, where real or perceived job opportunities exist and where family members can provide a support base.

Knoetze emphasizes that new growth areas should be carefully selected and developed. New growth areas should have viable economic potential and fit into the pattern of meaningful decentralisation. (12/6)

This is not taking place in reality. Some thirty percent of all urbanisation gravitates to the PWV area, with Durban/Pinetown and the Western Cape being the two other centres of high population increases. In the Western Cape, where blacks were until recently not regarded by the authorities as official residents, the housing backlog now affects over 100 000 families. In Khayelitsha there are 300 000 people including squatters. Areas like Langa, Gugulethu and Nyanga have no land left to develop and there is an official waiting list of 85 000 according to council officials. Durban is the fastest growing city in the world and the ring of squatters could well exceed 1.7 million people, growing by over 100 000 per year.

"In the "homelands" urban growth occurs in formal township developments; large, generally informal settlements on the borders of white urban areas (for example Winterfeld, Kwa-Ndbele, Inanda, Botshabelo); and in closer settlement areas far removed from formal economic and urban and peri-urban centres, but where people live in very dense conditions and do not derive the bulk of their income from agriculture."
(2/67)

The present momentum of the geographic distribution of new urbanisation is still influenced by past policies. Given the manifest failure of decentralisation, it will be difficult to change the present momentum.

There is an urgent need to consolidate the statistics in terms of market segmentation, shortages and future requirements and the geographic distribution of existing and future urbanisation. Without a reliable data base, planning for the future will be difficult.

5.5 Provision of Housing

(The following figures on provision are from the Race Relations Survey 1987/88 of the SAIRR, Ref.19/203-212, unless otherwise stated)

Table 6: Houses built for Blacks in White Areas

	1986	1987*
Local Authorities	5 495	3 099
Private Individuals	11 505	15 772
Other Organisations	4 482	7 131
Total	21 482	26 002

* Estimates

No houses have been built for blacks by the Department of Education and Development Aid in the selfgoverning states during the 1985/86 financial year.

The Urban Foundation's Residential and Construction Division has, through its housing projects country-wide, contributed to the housing of some 9 500 families in 1988. The South African Housing Trust reports that the total value of projects approved up to 25 February 1988 amounted to R441 million. These projects are expected to result in 37 900 serviced stands being produced and 26 300 houses being built within the next three year period, or some 9000 per year. (23/8)

From these figures, which are not complete, it can be deducted that the backlog at this rate of construction will increase dramatically. While the new scheme backed by the Loan Guarantee Fund will make a strong inroad in the economic sector of low-cost housing, it is the sub-economic sector which will require the full attention of the planners in the years to come.

5.6 Special Target Groups: The Aged and the Handicapped

Housing the aged is a vexing problem the world over. South Africa's white 60+ population as a percentage of total population is still relatively small, compared to other countries: 11.5 compared to 21.5 (Sweden) 19.5 (UK) or 13.0 (Japan). The 65+ population is expected to rise from 8.5 percent in 1985 to 9.9 percent in the year 2000, compared to three percent for blacks.

In a climate of high inflation the aged, particularly the social pensioners, are under financial stress. While it remains the first option for the aged person to stay in his/her present home as long as possible, costs may force him/her to make a move. Waiting lists for homes are long, (also because people register on a number of lists), and acceptance into an old age home may be difficult once frailty sets in.

Retirement villages have mushroomed all over the country to fill a market gap. Since promises, mainly relating to health facilities, were often not kept, the state intervened and RV's are now well regulated. The retirement village option is of limited application to black people, because it is unaffordable to most, and also does not conform to the culture. Since urbanisation has led to the breakdown of the extended family and the subsequent emergence of the western-type nuclear family, many old people in non-white population groups are exposed to hardship and to occasional exploitation.

127 in 1000 persons in South Africa are handicapped. The connection between each type of disability, such as blindness, mental retardation and housing is complex. Its analysis would deserve a separate investigation.

6.0 CONSTRAINTS ON AN EFFECTIVE HOUSING PROGRAMME

There are many constraints on the provision of low-cost housing. Not all can be analysed within the parameters of this report. The main constraints are the lack of suitable and serviced land; legal and regulatory matters and its concomitant red tape; access to finance; attitudes; bureaucratic incompetence and corruption; the refusal or inability to assume risks on the part of private builders and the financial institutions. The lack of a national strategy must also be considered a major constraint on viable urbanisation and community development.

6.1 Land

"Because governmental policy was based on the assumption that the black population of 'white' South Africa would not grow, the development of formal black urban settlements around the major conurbations was frozen for decades". (15/xi) Fortunately this seems to be changing, and Mr Hernus Kriel, Minister of Planning and Provincial Affairs has identified land for development of black housing as a very urgent priority.

There can be no denying that substantial new land allocations are necessary to accommodate the additional influx over the next two decades and normalise the overcrowding situations in existing black townships:

"As far as is known, there is still no co-ordinated country-wide method of identifying land for the extension of existing areas and for the establishment of new towns. This must take into account not only the natural growth of the existing urban population, but also the patterns of migration out of the non-black rural areas and out of the TBVC countries and national states." (16/6)

and:

"Because of complicated political considerations and scarcity of development funds, and the time needed for adequate local and regional planning and the provision of essential services we must accept that land so far made available for urban black housing is completely inadequate and presents a bottleneck which will increasingly aggravate socio-economic and political problems unless addressed realistically and promptly". (12/3)

On the other hand it needs to be acknowledged that suitable new land will be limited and at a premium. The planned expansion needs therefore to be supplemented by a variety of other measures aiming at making a better and more economic use of available land. Such measures would include economies achieved by improved layout of townships; upgrading and extension of the existing housing stock; improved densities; high-rise where applicable and better design. The NBRI report of 1987 documents many examples of how this can be achieved.

High-rise is not a cost saver per se. Plans for eight twenty to twenty five storey towerblocks by Nancefield, Soweto, are estimated to cost R560 million. The blocks would accommodate 40 000 people in 8000 units. This amounts to R74 600 per unit or R14 000 per person. For incremental schemes a double-storey, with workspace at ground floor and living space on the first floor, would incur considerable economies.

Not seldom, when land is allocated, preference, if left to market forces alone, is given to the upper end of the market. The result is that the land developed for the lower income group (incremental/informal housing) is usually furthest from the urban centres. The high transport costs - to work opportunities and urban facilities - severely stress the limited resources of poor families. To ensure that well-located land is earmarked for the informal housing segment it is essential that land be specifically identified for this purpose. This will require public sector intervention. (Urban Foundation)

In choosing new land, the relationship to site costs and the house, needs to be considered. In the Western Cape, due to physical circumstances, serviced sites can cost R20 000. To build a R10 000 house on such a site does not seem to make much sense.

We mentioned before that the provincial authorities now have a major role in land allocation and the setting of standards. Most feel that only fully subdivided and serviced land should be handed over to local authorities.

Overall, there is a need for the simplification of laws and regulations pertaining to the acquisition and proclamation of land. The emphasis on central planning, embodied in the manner in which guide plans are generated, is time consuming and does not do justice to rapidly changing local needs. (We will address this key issue in sections 8.1.2 and 8.1.3).

6.2 Access to Finance: Affordability

Providing access to finance and increasing the affordability of housing over the whole spectrum of the market segmentation, has been and will remain the main hurdle, after the land issue is resolved. (Existing formal finance, including the new Loan Guarantee Fund, and plans by the Perm to penetrate lower strata of need, will be discussed in section 8.3.1)

Affordability is a variable. It is estimated that 60 - 80 percent of the black population can only afford a contribution between nil and the minimum, say R3 500. Eighty four percent of blacks, fifty percent of coloureds, thirty four percent of Indians and nine percent of whites cannot afford housing without a subsidy in whatever form. A considerable proportion of the black population cannot make any financial contribution at all. (NBRI in 19/201)

With bond rates at 20 percent, about 70 percent of the total population, with or without first-time home owner's subsidy (which is apparently drying up at present), cannot afford to buy a basic formal house in the R20 - R30 000 bracket. Also, formal finance systems, designed for stable First World situations, seem to be inappropriate for the lower end of the housing market.

If a twenty percent bond over twenty years is applied to an incremental home, (considering the description in section 5.2), then the question needs to be asked what the depreciation of such a home could be, over the bond period. Also failure to pay the monthly instalments could lead to massive repossession situations as they are presently occurring in certain new developments:

"Blue Downs could become a 'ghost town' due to bond repayments having soared to a level where some residents spend 60 percent of their monthly income on repayments. Some residents were paying bonds in excess of their incomes."
(Cape Times, 17 October 1989)

The wisdom of increasing bond rates by 50 percent within one year, totally abandoning previously applied criteria in terms of affordability, needs to be seriously questioned. While financial institutions have to follow the prime rate, it also needs to be said that the policy decision to maintain positive real interest rates in order to achieve a better utilisation of capital, aims primarily at the formal sector of the economy and the use of capital by commerce and industry. As far as the mortgage market is concerned, the high interest rates have led, and will increasingly lead, to defaults and repossessions, mainly in the lower and middle income groups. A protection mechanism to prevent wholesale default and repossession, also in the interest of the lenders, needs to be considered.

On the other hand, the international experience has shown that

"poor households pay more for housing than the 20% - 25% of income normally used as a policy guideline. Expenditure around 40% of income for those with the least income, declining to about 10% for those best off among the families surveyed." (12/9).

If one considers that Soweto spends approximately R100 million per month, equal to R1000 per housing unit, then a question mark could be placed behind what 'the poor' can afford.

To improve the affordability situation at the lower end of the market, a number of strategies can be considered. To fill the finance gap between R500 and R3 500, and the one between R3 500 and R10 000, novel ways of finance need to be developed, in which higher interest rates over shorter time periods could play a major role:

"It is submitted therefore that the solution to the problem of providing low cost housing for the masses lies not in the provision of subsidised housing, but in the ability to recognise that the different race groups are in fact eager and willing to help themselves, provided they are given the opportunities and the right advice and guidance and the right framework, including the land and the essential services, in which to operate. This can be brought about only by effective communication which enables people to think, to plan and to act together. (Jorgensen, in 12/9)

(We will return to this crucial issue in section 8.3.1).

6.3 Legal and Regulatory Constraints

It stands to reason that the judicial framework, until recently specifically designed to curb black influx into 'white' South Africa, and which saw blacks as sojourners, constituted a formidable barrier to the normal urbanisation process. Since the movement of people is hard to contain, amendments tightened up the laws and rules in a vain effort to control the tide.

After the official acceptance of blacks as permanent dwellers, the scrapping of influx control and the introduction of lease- and freehold, a new situation has arisen. The recent announcement that the Reservation of Separate Amenities Act 9 of 1953 is to be repealed, seems to indicate that other restrictive legislation will either be scrapped or drastically amended.

Also the Prevention of Illegal Squatting Amendment Act, No. 104, 1988 removes an major constraint on urban development at the bottom end of the scale.

For this reason, this report will not waste too much time on a legal analysis, since the legal environment of urbanisation is bound to improve considerably in the years to come. (Those who want an excellent overview can consult reference 16).

This does, of course, not remove irritating bureaucratic obduracy and obstruction, as long as low level officials still have the law on their side. This will require central intervention in the interim period, also in view of the fact that many officials at the municipal and provincial levels have a rightwing political orientation.

Regulations pertaining to surveying and conveyance of properties are in need of streamlining and simplification.

6.4 Attitudes and Perceptions

The fact that many city governments refuse to extend basic services and infrastructure, fearing that any such improvements will attract more newcomers, is an international experience. (14/212) But such constraints on a viable community development process, in terms of attitudes, are not restricted to the bureaucracy.

Blacks have for long believed, and many still persist in that view, that the state is responsible for their housing. In terms of the historic evidence, such a perception is to be expected. This could, however, act as a serious brake on a market-related solution to the housing crisis.

It needs to be questioned whether the huge rental arrears in some black municipalities, notably Soweto, occur because of financial reasons or because of attitudes and perceptions.

6.5 Consumer Education

From discussions with providers of finance and housing it became evident that there is a dire need for comprehensive consumer education. People who for decades have paid a subsidized rent for their (admittedly poor) state provided accommodation, find it hard to see themselves as potential homeowners. The poor track record of thirty percent of rented houses sold so far, seems to bear this out.

A sophisticated (but simple) campaign is needed, showing the advantage of ownership, which turns a house into a home. It needs to show the financial mechanism of the bond market, listing the pros and cons. It needs to show alternatives in terms of site and service and self-help schemes. It is 'effective communication' as spelled out by Jorgenson above, which can break down barriers of mistrust and misunderstanding.

7.0 THE ENVIRONMENT OF HOUSING (COMMUNITY DEVELOPMENT)

Housing, or community development, does not happen in a vacuum but evolves within the total fabric of society. Prof Rias van Wyk developed for the (then) Unit for Futures Research at the University of Stellenbosch an environmental hexagon, which served as a framework for analysis of future trends. We apply a similar procedure, though summarily, to the housing and community development problematique. The main purpose is to show the inter-connections and to argue that a workable urbanisation strategy would have to conduct an in-depth analysis.

7.1 The Political Environment

The political environment in South Africa since the election of 6 September 1989 is in flux as never before. The government of the day has declared the next five years as decisive for the future of South Africa. Within this timeframe a new dispensation and new structures need to be negotiated, capable of resolving the backlogs, be they in housing, education, health services, electrification, the provision of safe dependable water for all, and, above all, work opportunities.

There is an important role for development agencies and the research establishment, to provide guidance to the negotiators from all population groups and over the whole political spectrum. The rhetoric of promises needs to be confronted, and replaced by realistic options in which cost and other implications of achieving an equitable dispensation for all people are spelled out and quantified.

It can be expected that South African citizenship will be extended to the total population of South Africa. As far as the TBVC countries are concerned (6.7 million) there appear to be three options: (1) Maintain the status quo; (2) Re-integrate into a non-racial "New South Africa"; (3) Opt for dual citizenship. The last option would require the abolition of all race based and discriminatory legislation. Each of these options will affect mobility, residential rights and legal provision of work.

One also needs to see the limitations of politics as a source of resolving basic problems. Recent thinking on the future role of government in development matters shows the trend of reducing its intervention and interference in the so-called welfare functions such as housing, education, health care and social security. This trend manifests in the global drive for privatisation (see section 8.1.4) Also:

"No matter how rich a country may be, and regardless of its political system and methods of distribution, part of its people will be at the lower end of the purchasing power scale." (17/ix)

Recent global events indicate that the political climate the world over is changing from ideology to one of a new realism and pragmatism. The manifest development failures, East and West, North and South, of the post-war area have contributed to this change. The global ecological crisis, hardly discussed only a few years ago, now tops the agenda of many governments and the United Nations. People rise and march with the clear message that they want to be heard, want democratic freedoms, and, above all, a say in the affairs that affect their day to day lives. The provision of adequate shelter, as far as the developing world is concerned, has become a major issue. The most telling aspect is that governments - with the tragic exception of Beijing - listen.

7.2 The Legal Environment

The Act which has held centre stage in terms of housing is no doubt the Group Areas Act (GAA). The GAA has been under scrutiny by the President's Council and will, together with all other race based legislation, be high on the agenda of the envisaged Indaba. That group areas thinking is changing is

"embodied in the controversial Free Settlement Areas Act, which provides for a bureaucratic process whereby selected areas can become legally 'open' to non-racial residential settlement. This is a mechanism designed to cope with the growing number of inner-city 'grey' areas, but is seen by the government as a means of dealing with the exceptions to the desired norm of segregated living areas, rather than as the forerunner of a 'normalized' society." (2/68)

Under this Act, areas can be opened on the recommendations of the Free Settlement Board and the State President. Presently affected are Hillbrow and Mayfair in Johannesburg, County View in Midrand, the Warwick triangle in Durban, Windmill Park in Boksburg, Diepkloof north of Johannesburg and District Six in Cape Town. Applications for much larger areas such as the whole of Sandton, Midrand and Cape Town are still pending.

The influence of the GAA on property values has been widely debated. It mainly inflated the cost of property for the non-white residents who chose to purchase in an area zoned for whites. Scrapping of the GAA could reverse this trend, making non-whites twice losers. Whether prices would go up or down will depend on the area, the degree of overcrowding or slum formation. Prices will certainly become more market related.

A case could be made for a reversal of the present approach to the GAA. Instead of keeping the GAA on the statute books, and offering a 'local option' for integration, the Act could be repealed and the option to remain segregated provided through the same mechanisms. The implications for cultural and church life, for schooling and socializing are profound, since The GAA is just one strand in an interwoven web of legislation. Pulling out this strand will of necessity unravel the whole fabric.

The experience with residential integration in the United States indicates that the threshold beyond which an area "reverses" is between ten and twenty percent.

One of the most significant departures from past policies is embedded in the "Prevention of Illegal Squatting Amendment Act, 1988." Accepting the reality and unavoidability of the squatting option in the urbanisation process, the Act ensures that such squatting, whatever the nature of the dwelling, does not preclude future upgrading and the installation of essential services. This is a major step in the direction of the new realism referred to above.

If a community-based dispensation, complete with new financial mechanisms, is to be effective, local authorities will have to drastically review the application of their regulations as to standards and procedures. Overregulation leads to corruption and to delays. Such delays are a cost-escalating factor considering the existence of double digit inflation. An incremental home costing R25 000 in 1990 will cost R50 000 before 1995.

7.3 The Social Environment

The implication of a policy of residential integration for the social fabric are complex and hard to foretell. Opinion surveys indicating that a majority of white urbanites would not oppose such integration, may well be influenced by the visible disadvantages of segregation. They could be misleading as to the actual attitudes once such integration and its consequences become manifest.

A major social area of concern is the residential problems facing the elderly and handicapped persons, as pointed out in section 5.6 above.

7.4 The Economic Environment

The performance (or malperformance) of the formal economy largely dictates the scope and pace of a national housing programme. In the same way that a ten year parity programme for education had to be shelved because of a poor performance of the economy, housing is directly affected.

7.4.1 Housing and Financial Policy

The recent decision by government, following recommendations by the Reserve Bank, to maintain positive real interest rates had a profound effect on the housing market. Bonds increased by fifty percent over a relatively short period of time and are bound to come down only if the inflation rate is reduced by at least two to three percentage points. The implications of this increase in bond rates has been discussed in earlier sections. Sadie recently pointed out that the present high interest rates were having a disastrous effect on individuals and businesses: "This kind of impoverishing of people is not acceptable". (Cape Times, 7 November, 1989)

If we consider that the poorer section of society is inclined to allocate up to forty percent of household income to such bond repayments, a fifty percent increase is considerably more devastating for them than for those who only allocate ten percent of income to bond repayments.

The financial requirements in the informal sector differ so fundamentally from those in the formal economy, that new instruments need to be created to manage them. It is becoming clear that the traditional system of a long term bond at prime plus is not what the sub-economic segment of the housing market requires. Also interest rates may be less of the essence than availability. Loans could be short-term at locally agreed conditions, with flexible repayment terms. What is needed is the priming of the pump and high velocity in the movement of funds. We will return to this issue when dealing with the potential role of the stokvels in such a novel arrangement.

The revision of prescribed assets for the financial institutions had a profound effect on the housing market, since it directly led to the establishment of the SA Housing Trust. (see section 8.2.2).

While this section relates to general financial policy and its effect on the housing market, section 8.1.3 will analyse the financial policies relating directly to housing.

7.4.2 Housing and Economic Growth

Many observers have commented on the economic multiplier effect that a successful housing programme could have on the total economy. While housing construction adds to the GDP of the country, the desired goal is growth with equity. In other words the wealth created by housing development should accrue to a substantial degree to the communities themselves. If the housing programmes have an internal multiplier effect, prosperity opens up with a beneficial effect for the furniture industry, the electronics industry and the manufacturers of household durables. It is suggested that these multiplier effects be modelled under various assumptions in order to quantify the benefits to secondary suppliers. Those of the primary suppliers (bricks, cement etc) are obvious.

7.4.3 Housing, Skills Development and Employment

A community based housing development programme, mainly for the sub-economic sector of the market, will no doubt become, and remain for some time to come, the single largest source of new work and skills. There are approximately fifty basic skills required to build a complete formal dwelling. Most of these, except electrical wiring and plumbing, require skills that can be acquired by an unskilled person in a relatively short time.

In most cases the individual knows best how to apply his time, or he will decide what the most economic solution is: whether to get involved in building or delegate such work to others. In the absence of other work opportunities, however, building or extending one's own home remains an attractive proposition. Existing site and service schemes have gathered much experience in this field and can support the self-help builder. At the bottem-end of the market such a scheme is far preferable to long-term loans with high interest rates.

Given some logistic support, a person who has learned to weld window and door frames for his own house, or make gutters with raintanks, will be able to continue this activity for others and is in business. The track record of the SBDC, the Department of Manpower and other training schemes have proven this point time and again. The principle is well established. It is the scale and the logistic support in terms of infrastructure, finance and overall planning which need to be increased considerably in order to measure up to the massive need.

An often overlooked skills aspect in housing and community development is the maintenance function. Establishing a new town is one matter, maintaining the infrastructure is quite another. It is conceivable, given sufficient funds, that the authorities, and the large construction companies establish ten new towns of one million inhabitants each during the next ten years, complete with schools, hospitals, clinics, churches, community centers, recreational facilities, electrical reticulation, road systems, water purification plants, transport and telecommunication infrastructure.

But where will the skills force come from to maintain these modern and complex infrastructures? A new city with one million inhabitants would need the following trained professionals at 1989 standards: (net of loss through death and retirement)

- 560 Medical Practitioners and Specialists
- 80 Dentists
- 140 Pharmacists
- 1 400 Nurses and Nurse Practitioners
- 6 500 Teachers
- 14 700 for City management, engineering staff, hospital staff, town planners, administrators, professionals of all sorts.

Therefore, in order to maintain ten new cities, some 234 000 professionals of a wide variety need to be trained from scratch. This figure does not include shopkeepers, office and transport workers, home repair men and the vast range of services and new businesses required to establish and maintain a viable community. If we put this number at 98 500, then some 332 500 trained people are needed to service the ten million flowing into city life over the last decade of this century.

Failure to train these men and women in time will return such cities to physical and psychological slum status within two decades or earlier.

This is not all. An additional 160 000 need to be trained to compensate for losses through death and retirement, and an unknown number to accommodate the backlog in skills in the existing black cities and conurbations: in total a training programme for more than half a million people over the next ten to fifteen years. Given the prevailing age distribution in the black community, this implies that approximately four percent of the adult population would be in the skilled and highly skilled categories, which is still low in comparison to ratios in developed countries.

7.5 The Infrastructural Environment

Many township developments of the past have been characterised by monotonous rows of basically identical houses, with only the minimum of essential infrastructure. Whether the eye wanders over the hills of Soweto, or one glances in passing at the township of Beaufort West, monotony, barren dusty roads and virtually no trees or vegetation dominate the picture. At night lightmasts create a spooky scene, not dissimilar to the lighting of prison walls. During the winter months the smog of the tens of thousands of stoves puts a blanket over the township, spreading over adjacent more affluent suburbs and mixing with industrial pollution.

The cost ratio housing/infrastructure will force our hand to look at infrastructural innovation. While costs dictate a more realistic approach as far as standards for housing units are concerned, such an approach is much more difficult for essential infrastructure provision, where short-cuts can be expensive. A global know-how package in appropriate technology waits to be addressed for new and imaginative solutions. In this context, "appropriate" is not inferior. We briefly look at some of the main infrastructural components and offer some suggestions for innovation.

7.5.1 Health Services

Since the WHO conference in Alma Ata, the global emphasis has shifted away from the large hospital to the small facility and the community clinic; from curative medicine to preventive and promotive health care; from unrestricted medication to generic substitution and basic lists of medicine.

This is not to say that these new priorities for the developing nations actually took place; the entrenched system proved too strong and influential for such a major shift. We still build and expand very large hospitals at a cost of R150 000 per bed or more; we still dispense R40 per average script; we still purchase the most advanced medical equipment without technology assessment and without calculating opportunity costs.

At present the highly inflationary system is dominated by providers who set their fees fairly autonomously; funders or medical schemes who are locked in a compulsory payment system, which leaves them very little room for cost management; and patients with virtually no incentive to curb costs at the point of consumption. This 'inflationary triangle' is bound to bring health services to the brink of financial collapse. Medical Scheme subscriptions edge towards R300 per family per month. This exceeds the income of the majority of the population, and puts severe stress on the elderly and middle income families.

Baragwanath, a teaching hospital designed and dedicated for acute care, is clogged-up by chronic, geriatric and mental patients who have no other place to turn to. The absence of a network of small primary community clinics in Soweto and of a psychiatric facility has created such a backlog, that even if these misdirected patients were accommodated elsewhere, Baragwanath would immediately fill up again. Similarly Groote Schuur, a tertiary hospital, is inundated with cases that should be cared for at less costly and less sophisticated facilities.

When Mitchells Plain was still in its infancy it was a city the size of Bloemfontein with almost no health services. Health services in Winterfeld and other rural conurbations, or the squatters ring around Durban are totally inadequate to cope with the influx and the incidence of morbidity.

In a letter to the SA Medical Journal, Professors Beatty and Bowie wrote that rapid population growth and accelerating urbanisation in the Cape Peninsula have swamped the inadequate staff facilities of the Red Cross War Memorial Children's Hospital. This case is repeated, with few exceptions, in all non-white facilities in South Africa.

In South Africa a complete rethink of our health services is necessary in the context of the fact that the non-white population is urbanising at the rate of one million a year, and that only 20 percent of the population (seven percent of the black people) has medical cover.

Health services for the target group discussed in this report need to become community oriented, and the infrastructure needs to focus predominantly on the primary clinic. The nursing profession in the private sector needs to have the same authority in terms of primary diagnosis and dispensing as their colleagues in the public service. Managed health care systems need to be developed, which would render affordable health care of an acceptable standard to maximum numbers.

7.5.2 Education

There are two main areas of waste in educational infrastructure that will sooner or later have to be addressed: (1) Differences in growth and age distribution between the population groups will create surplus capacity among the white and Indian communities and increasing shortages among the other groups. (2) Costly education infrastructure stands idle much of the day, at weekends, during school holidays, or between terms.

Racial integration in formal schooling will probably follow - not precede - developments in group areas legislation, while private schools show the way. Given the massive backlog in adult training and education, and considering the millions of early school leavers requiring some form of bridging back to school or to the workplace, school buildings will have to be fundamentally redesigned in order to accommodate educational technologies and to become multi-purpose.

7.5.3 Recreational/Cultural

The impending repeal of the Reservation of Separate Amenities Act 9 of 1953, will take some of the pressure off scarce non-white amenities. Many amenities, however, designed for lower densities, will suffer as a consequence of overutilisation. Electrification and providing access to home entertainment will ease such pressures.

Following a recommendation of the de Lange Commission (HSRC) on education, school sports facilities could be combined with community facilities.

7.5.4 Physical Infrastructure

The capacity of communities to contribute to the provision of basic infrastructure, such as roads (interlocking bricks), creches, primary schools, community halls and the like is often underestimated or not tapped at all. The NBRI developed a sophisticated presentation system which clearly visualised the opportunity cost of such infrastructure in terms of forgone housing units. In many squatter settlements basic community structures are provided by members of the community on a cooperative basis.

Interlinking transport systems, main roads, electrification, telecommunications and water supply require First World design and back-up systems. Access to safe dependable water and a functional sewage system is of the highest priority. Next in line is full electrification. At present (1988) 60 townships have no electricity, 215 have fifteen percent provision, and 13 townships fifty percent.

Electricity consumption following full electrification of our cities and rural communities is not limited to domestic consumption. It will give rise to massive industrial expansion, all requiring energy. While Eskom can at present keep its tariff rises below inflation because of a situation of over-capacity, this would drastically change in the case of full domestic electrification. The expansion of generating capacity then needed, including nuclear, could put the cost of electricity beyond the reach of the sub-economic population. Differential rates may then be required.

Electrification according to western standards cost R2000 - 3000 per home and a minimum of R1500 per erf. Energy is not subsidised as a rule. In comparing the cost of electricity to alternative sources, the cost of modern gadgets such as stoves, microwave ovens, frigidaires etc. needs to be added to arrive at an affordability calculation.

7.6 The Technological Environment

The Third World component in South Africa is technologically deprived in many aspects. The benefits (and the drawbacks) of technology are unevenly spread. This is, of course, the case in most developing nations. What is inequity elsewhere, however, is perceived as discrimination in the South African context.

7.6.1 First World Development in Third World Environments

Considering the above statement, a more equitable dispensation (power sharing) will lead to changes in the manner in which the spread of technology is planned and executed. Following the general urbanisation trends, the Development Bank of Southern Africa has established an Urban Policy Unit, and much of the development funding may shift increasingly to urban areas.

Since the cities are where most of the people will live in the next two decades, such a shift in emphasis will greatly contribute to more equal access to modern technological infrastructure. One of the side effects will be that the total population will become technologically more literate with, hopefully, a shift towards technical training and professions.

7.6.2 The Issue of Standards

The issue of standards has been raised in many sections of this report. It is most encouraging that the insistence on western standards has given way to a more realistic approach, at least with central and regional policy makers. As we have seen, local government universally resists the lowering of standards for reasons that can be easily defended by its more affluent ratepayers.

As the option to bulldoze squatting communities recedes and the strategy to 'send them back to where they came from' becomes a non-option, local government, through the system of Regional Services Councils, will have to come to terms with the realities and needs of the total community.

While minimum standards can present a barrier to home-ownership for the lower income groups, and while such standards can be suspended for squatters and other informal settlements, they cannot be altogether negated:

"The fact of the matter is, of course, that regulations and standards are necessary for a number of valid and constructive reasons, not least to ensure the health and safety of the occupants of the houses and their neighbours, and to protect the investment of the financiers." (15/A3)

7.6.3 Self-Help and Mass Construction

Self-help is often confused with self-build. Since the main focus of this report is on the most critical part of the housing challenge, the sub-economic segment, clear definitions are important:

"Self-help used in the context of housing, is a management term: it implies that individuals and communities control the major decisions about dwellings and environments, regardless of who does the actual building. Self-help depends on genuine decentralisation of decision making, down to the level of local community. This in turn requires the creation of networks of finance to enable communities to implement decisions. Thus implementation of the principle of self-help depends on innovative institutional design enabling genuine decentralisation of control to community level."
(Dewar in 21/30)

There is an interesting and important footnote to this quote:

"The issue of 'genuine decentralisation of control' is closely tied to the issue of legitimacy of authority. If attempts are made to implement the new approach through non-representative bodies (particularly those regarded by communities as 'stooges'), it will be interpreted as a means of attempting to give these organisations 'teeth' and the initiative will be rejected." (21/34)

Most of the relevant technical information relating to low-cost housing is contained in the NBRI publication of 1987 (Ref.15). Since this is a policy report, those interested in technical details must be referred to the specialist literature.

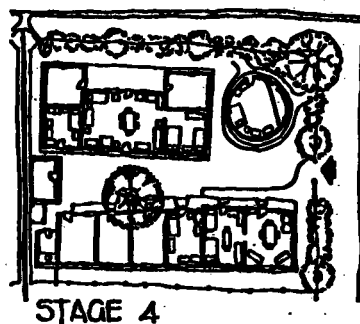
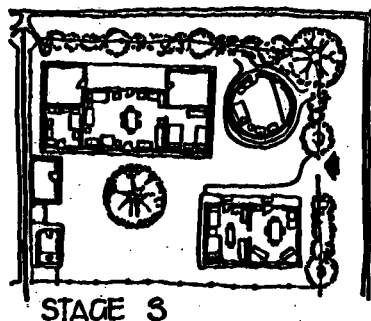
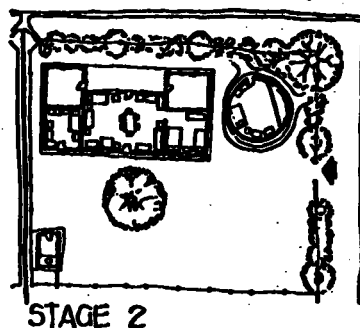
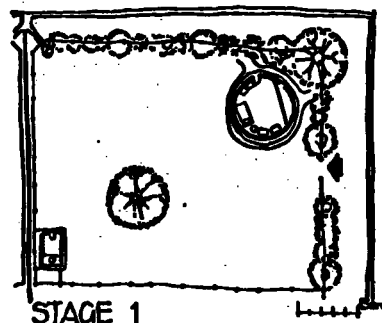
The uses of more appropriate and cost-saving building techniques meet with consumer resistance, also in the lower income groups. Unconventional building methods are mostly rejected in favour of the 'brick and mortar' option.

Squatters, of course, have to make do with whatever is at hand or can be pilfered. But at the next rung of the income ladder, expectations start exceeding the means. A recent report on a study tour by Dr Snyman to six South American countries came up with a wealth of information relating to the financing and erection of informal housing. We list a number of examples from Peru:

- Sixty percent of the population work in circumstances not conforming to legal prescriptions;
- Seventy percent of the houses under construction in Lima are built illegally;
- thirty seven percent of all housing in Lima is informal and does not conform to legal principles;
- Only two percent of the houses for the poor is provided by the Government, and the remaining 98 percent by the informal sector at two thirds of the cost, providing six square metres more per inhabitant.

(22/18)

The following example of incremental construction, in which a dwelling in the Winterfeld expanded from a rondavel and an outhouse into a 14 room complex, is an illustration of housing development which cannot be met by mass construction methods.



SOURCE: NBRI

Industrial and mass construction methods rely on a steady throughput for their viability. Much work still needs to be done to 'sell' such a concept to the communities. There seems to be no reason, however, why one could not develop a technological mix between mass produced components and self-help management systems. Whether a core or shell-house is built - and the latter seems to hold an edge over the former - there are many units, like kitchens or sanitary cores, which could be prefabricated and delivered and installed on site.

What seems to us to be a key issue is that much of the knowledge in the country (and elsewhere) on a great variety of building systems that are proven and work, is not easily accessible to all. The NBRI, which is probably the richest resource of such knowledge, needs to be provided with the means and the logistic support to spread such knowledge to all who need it.

7.6.4 Affordability and Sustainability: Maintenance

Finally, ease of maintenance and value as a durable collateral for loans are two important aspects in choosing a building system. Faulty plumbing and shoddy wiring may incur savings in the short terms, but are costly in the long run.

7.6.5 Defensive Space

Defensive Space is a concept of community design aiming at providing a sense of belonging. The monotonous rows of houses with straight dusty roads in between create a sense of anonymity and even alienation. Strangers walking the road are not noticed, and human orientation gets lost in such monotony.

Defensive space design creates corners, narrow roads, off-set buildings and detailed design variety. It uses colour, plants, trees, mini playgrounds to create a sense of belonging and pride of possession. Strangers are noticed and queried. Crime has shown considerable decline in areas where these design principles are applied. As a bonus, defensive space makes a better use of scarce land.

7.6.6 A Note on the Namibian Experience (Reported in Housing in Southern Africa, May 1989)

Prior to 1982 the low-cost housing supply system was similar to the old South African model. The existing housing stock belonged almost entirely to municipalities, village management boards and the Peri-Urban Development Board. All units were simply leased to their occupants at rentals far below market levels, and were thus heavily subsidised.

When pertinent legislation was repealed in 1978, major urban areas were suddenly faced with such an acute shortage of low-cost housing that the maintenance of the subsidy system would have made impossible demands on the government's resources.

Similar to what we observed in section 6.4 above, low-income inhabitants of Namibia had developed the perception that the sole responsibility for housing lay with the state. As a result, the low-income population had come to take "First World" standards for granted.

The Namibian National Building and Investment Corporation (NBIC) has implemented the following changes: (1) The building of houses for homeownership only. (2) Different housing standards (and thus costs) for different income groups. (3) Houses specifically designed to accommodate lodgers. (4) Lowering of building standards to appropriate levels. (5) Subsidies on a sliding scale with the largest benefits to the lowest income groups.

Municipalities initially put up fierce resistance to these aided selfhelp schemes, but are now waking up to the economic realities of the day, and the increasing social problems associated with overcrowding and uncontrolled squatting.

The most serious obstacles to the NBIC's policies have been political ones, in terms of the ethnically constituted second-tier government authorities, which unnecessarily complicated the housing delivery process.

NBIC's main concern regarding the future housing projects centres around ways of providing adequate shelter for the 60 percent of the urban low-income population who subsist below the poverty datum line. This will involve thousands of site-and-service and other ultra low-cost shelter options.

While these strategies are well known and well tried in South Africa, the scale needs to be enlarged and the resistance by local authorities removed. In South Africa too, some 60 percent of the urban black population would be target for such an approach.

8.0 PARTICIPANTS IN THE HOUSING STRATEGY: A FUNCTIONAL ANALYSIS

We perceive three main actors in the intricate field of housing and community development: (1) Government at all levels with its varied instruments; (2) Non-governmental Organisations, either as government sponsored bodies or private non-profit organisations; (3) The private sector as businesses and their organisations, trade unions, communities and individuals.

Up to very recently, the government was seen to be responsible for the housing of the indigent and for subsidies to those below an agreed level of income. This is now changing, and a new situation is slowly emerging in which the private sector in its widest connotation (from business to the individual) assumes (or is asked to assume) a greater responsibility for providing housing for the total population, while government support is provided directly as subsidies and indirectly as loans to private instruments.

This process is still in flux, since the implementation of the policy of privatisation has not reached the social or welfare functions of government. Also, the fact that the government would cease to physically build housing stock should not imply that it politically, legally and financially distances itself from its responsibilities with regards to housing. In the context of this report it would mean that new and simplified roles are designed and new modes of cooperation are sought. Some thoughts as to such cooperation are given at the end of sections 8.1 and 8.2.

8.1 Government

8.1.1 Constitutional and Legal Aspects

After the recent restructuring of the Cabinet, there seem to be eight government departments directly responsible for, and three departments indirectly involved in the provision of housing in South Africa.

(1) General Affairs

Constitutional Development and of National Education (indirectly); (Dr G van N Viljoen)

Education and Development Aid, which assists the selfgoverning territories with the provision of housing; (Dr C J van der Merwe)

Planning and Provincial Affairs (indirectly) ((H J Kriel)

(2) Own Affairs

Budget and Local Government: House of Assmebly (indirectly) (A A Venter)

Health Services, Welfare and Housing: House of Assembly; (S J de Beer)

Housing: House of Representatives; (D M G Curry)

Housing: House of Delegates; (Dr J N Reddy)

(3) TBVC States

Four Housing Ministries.

Such a proliferation of departments involved in the housing issues of 30 million people (sixty percent of whom are not part of the core economy), seems duplication by any standards. While each of these departments may consider themselves efficient and effective policy instruments, they add of necessity to the considerable multiplication and complication of administration. Added to these central structures, four provincial authorities, 18 Regional Services Councils and hundreds of local authorities all contribute to the administrative structure involved in housing and community development.

If one considers the infrastructure, such as energy, health services, education, transport, telecommunication etc. virtually the whole General and Own Affairs cabinet structures, as well as those in the independent states and selfgoverning territories are involved in the wider issues relating to housing.

The desire to accommodate diversity through the concepts of 'own' and 'general' affairs is not without validity. Such natural diversity is, however, accorded a political character, by structuring the "own affairs" concept up to the parliamentary and cabinet levels. We suggest that considerable attention be given to the option to limit the "own affairs" concept to the community level, and start thinking about "general affairs" from the RSC level upwards. This suggestion ties in with our proposals for simplified funding mechanisms for housing and other welfare functions.

It is reasonable to assume that the twin Acts of Group Areas and Population Registration will - in time - be substantially changed if not abolished. Their demise would imply the end of the tricameral arrangement, since the differentiation between "own" and "general" affairs, would increasingly become less relevant.

The delegation of the "own affairs" concept to the community level, combined with new forms of financial and discretionary empowerment, would maintain much of the status quo, but adapt more easily and effectively to dynamically changing situations.

8.1.2 Central Policy Formulation

Most respondents who were consulted by this author voiced the opinion that the creation of a central policy relating to urbanisation, housing and community development is of the greatest importance and a high priority. The proliferation of government departments and actors in the field leads to confusion as to specific responsibilities and roles.

"The existence of different (and in the case of the establishment of black towns, substantially different) town planning measures stands in the way of an urbanisation strategy which satisfies the requirements of timeous, systematic and effective reaction to settlements patterns. In this connection it is desirable that the whole town planning procedure be made more streamlined, that more aspects be disposed of at local level (our emphasis), that administrative red tape be eliminated and that the procedure as such be more accessible and comprehensible for the average citizen." (16/6)

Since housing is also community development, and since community development involves infrastructure development, such a streamlining is no simple task. The generation and distribution of power, the establishment of a national road and rail grid, bulk water supply and telecommunication are national functions, and in some case have to consider international requirements.

The scope for innovation (and privatisation) arises at the point where these national functions intersect with regional and local requirements and demands. The generation of power, or the supply of bulk water are and will remain national functions. The reticulation to a town and to the individual home is not.

It seems therefore that there are three fundamentals which require consideration in formulating a national urbanisation strategy: (1) One based on technology dictated infrastructure functions with national implications; (2) One based on meeting local requirements on an equitable basis; (3) One of a political nature:

"The implications of further changing policy in South Africa - of really accepting black citizenship - are immense. What is involved is a fundamental reassessment of the way in which policy is formulated, power is allocated and development is managed. A new urbanisation strategy for the country must be based on freedom of movement and full citizenship for all."
(2/65)

8.1.3 Allocation of Funds; The Budgetary Process; Centralisation-Decentralisation; The Blockgrant Function

The complexities of South Africa's group based constitutional structures will of necessity be reflected in the allocation of funds and the budgetary procedures. It seems that of the above three fundamentals, the political one dictates the structuring and functioning of the two others. This may, of course, change.

In analysing the funding of housing we are not so much interested in the actual size of the budget allocation as in the structuring of the programmes for which funds are allocated:

Granting loans to local authorities; granting loans to certain natural persons in certain income groups; departmental projects in areas where the Minister is of the opinion that additional provision of housing must be made; granting loans to natural persons for carrying out service projects; granting loans to local authorities to provide community facilities for cultural and recreational purposes; acquisition of immovable property; compensation for losses sustained by building societies whose properties are sold in execution; relieving the interest burden of home owners by subsidizing the interest payment on mortgage loans granted by an approved financial institution; clearing of slums and renewing decayed urban areas; acquisition of land; granting of loans, directly or via local authorities to natural persons for the building, purchase and restoration of approved housing; sale and rental of property; contracts for the rendering of services; payments of subsidies on rented accommodation financed from the Development and Housing Fund; subsidy of interest on private loans to the Development and Housing Fund; coordination and administration of development and housing matters etc. etc.

We are looking at a financial and administrative structure of immense complexity, grown and developed over decades, and giving rise to large bureaucracies, duplication and red tape.

Most respondents voiced the opinion that the state subsidy system should be phased out. It was also generally stated that such subsidies did not reach the truly needy. Dewar, however, is of the opinion that the removal of housing subsidies will intensify the problem of affordability in housing. "Removal of subsidies is simply not a viable political option at present." (21/31)

In our estimation the viability of phasing out state subsidies in housing depends on the answer to a number of questions: (1) What will take its place? (2) Over what period will subsidies be phased out? (3) How are existing obligations honoured or compensated for? (4) Will certain categories remain, and why?

That we are dealing with a sensitive matter affecting many is evident from the following:

"In South Africa a large proportion of the population lives in state-financed housing - a figure of 50 percent was mentioned in 1982. If housing subsidies for public servants and tax concessions to the private sector in respect of job-related housing is also taken into account, only a small percentage of the population is excluded from state assistance." (22/16)

The "Report by a work group of the Interdepartmental Committee for determining long-term expenditure guidelines for housing as part of the National Priority Determining Process of the Committee of the State President on National Priorities" of February 1989 is a very complicated document. The work group had to consult with eight government departments of the three houses, which goes a long way towards explaining its complexity.

On the other hand, according to this report, almost 90 percent of all new funds earmarked for housing - with the exception of money in revolving funds - is channeled to non-white housing. From a purely administrative point of view it seems immaterial whether such funds are channeled through the three houses or are allocated directly on a non-racial basis.

A comprehensive discussion of this document can only be undertaken, once aspects of its confidentiality have been clarified. The calculations of the expenditure required to meet the accepted need for housing was made in the report according to a number of budget scenarios. Demographic forecasts, the rental and sales formula of the National Housing Commission as well as surveys on income distributions were used. The cash flow that would result from houses built were forecast, based on the above rental formula. The difference between the expenditure needed and the cash flow generated reflects the amount that has to be appropriated by Parliament as a budget addition, to meet the need.

This was done for each of the four population groups. With as base year 1988, the total budget addition for 1988 - 1995 ranged from R6700m to R16 400m, corresponding with the housing need being met according to the NHC formula of between 27 and 56 percent.

Subsidies are based on income, which determines the buyer's payment. This payment is the difference between the economic rate and the state contribution. Since the economic payments were based on a mortgage rate of 13.5 percent over thirty years, the recent fluctuations in the bond rate provide a shaky basis for budget purposes.

If one considers the immense problems experienced with rental arrears, the changing parameters in the market and the complexity of the present administration, a strong case could be made that the state should disengage itself completely from a direct involvement in either building houses, letting accommodation or granting individual subsidies.

Instead we propose that the state consider implementing a system of blockgrants, in the form of annual payments from a central housing authority via the 18 Regional Services Councils directly to the entitled communities. The communities would make annual representations to their RSC in terms of their backlogs, incidence of squatting, number of sub-economic families and other needs directly related to housing. The RSC would consolidate the request into one application to the central authority. Grants allocated would be pro rata in terms of available funds. It would cut out all intermediaries and armies of administrators for millions of individual transactions.

The communities would have a measure of autonomy in the application of their share of the grant. There would be substantial differences from local authority to local authority in terms of the need for new stands, upgrading programmes and other basic infrastructure. Private auditing firms would assist in establishing the optimal spending formula and would audit compliance on behalf of the RSCs.

The application of blockgrant funds can take a number of forms: (1) A once-off capital subsidy of R6000 in the form of a voucher to the entitled home buyer; (2) the appropriation of such funds exclusively to the provision of serviced stands for the sub-economic categories. If the average serviced stand (1990) would cost R6000 then 60 000 stands could be developed per year at a total cost of R360 million. Such stands would constitute a collateral on which novel lending institutions and mechanisms can provide seed capital to start a building or upgrading process.

The actual servicing of the sites and the building process would be left to private contractors, including self-help schemes as defined in section 7.6.3 above. RSCs would retain a percentage of the grant for applications which transcend the jurisdiction or the need of individual communities.

Introducing the blockgrant would resolve many issues relating to centralisation/decentralisation. It would provide local authorities with financial substance, which the deprived ones are sorely lacking.

The principle of blockgrants is not limited to housing. In other reports we have made similar proposals in terms of community based education and health services. The reticulation of bulk infrastructure, (the connecting function), could also fall under this system. In fact most of the 22 functions of the RSCs could be investigated as candidates for the blockgrant principle. The present funding of RSC through levies on the turnover of businesses and on their wage bills could be abolished.

If blockgrants operate over a wide spectrum of development targets, another dimension of flexibility is introduced. RSCs and Local communities could consolidate grants in terms of the priorities as they perceive them. It obviates the need for centrally produced guideplans, since the Regional and Local Development Associations are in a much better position to establish what is needed. This will permit capital projects to be undertaken that can not normally be handled within one budgetary year. Such consolidation is impossible under the present fragmentation of government functions each with its own budgets and limited spending discretion.

The status of the RSC would be greatly enhanced under a system of comprehensive blockgrants. The need even for certain provincial functions in education and health care, which are giant bureaucracies in themselves, could fall away.

If furthermore the general affairs concept is consolidated in the RSCs, and the welfare functions handled on an own affairs community basis, the central government could be small and dedicated to the order functions such as defence, foreign affairs, monetary and macro economic policy. South Africa could without disruption ease into a federal structure based on the present development regions.

8.1.4 Housing, Community Development and Privatisation

Privatisation would be greatly facilitated through the above proposed funding mechanism. The decentralised blockgrant system fits well into the various privatisation patterns, since it allows for the integration of private and public initiatives at the local level. As far as public-private partnerships are concerned, the international experience has shown that central governments cannot create the spirit of a community. What it can do is to create the conditions in which community institutions can flourish.

After the successful privatisation of Iscor, it can be expected that Eskom, the Post Office and the SA Transport services will follow in due course. This would imply that the key national infrastructure providers operate as private firms. Through the blockgrant system a funding mechanism would be in place at the point of reticulation and connection to RSCs, local authorities and end users.

Consideration could be given by the Minister of Administration and Privatisation to create a mechanism by which share blocks of privatised state corporations are allocated to black community trusts. The value of such allocations would generally be more than compensated by the appreciation in share values, normally accompanying privatisation. It would give black communities a stake in the economy and a say in corporations with a direct effect on the quality of life in black communities.

The 'privatisation' of social or welfare functions, such as health care and education would take the form of a community based service funded through blockgrants.

8.1.5 Towards a New Strategy for Public-Private Sector Cooperation (I)

By placing the discretionary spending power through the blockgrant mechanism at the regional and local levels, a new basis for public/private interaction is provided. There would be an increased role for local and small contractors and there would be increased competition. At the same time large scale projects offer sufficient scope for the large contractor as these exist today. More funds would circulate at the local level, which was one of the prime objectives of this report.

Private planning, engineering and management consulting agencies would replace central planners. The diversity and complexity of the housing and urbanisation processes as they unfold in the major centres and elsewhere cannot timeously be met by central agencies anymore. This has become true on a global scale.

If these processes would be accompanied by a drastic streamlining of procedures relating to township development as asked for by Prof Olivier (ref.16), speed of execution would become a major factor to beat inflation.

It stands to reason that the multiplicity of local action would operate within a broad national framework - the National Urbanisation Strategy.

8.2 Non-Governmental Organisations (NGOs)

In this section we will briefly investigate the roles and functions of key NGOs, active in the housing field. Many of these receive funding or loans from central coffers. Whether the introduction of a blockgrant mechanism would affect such funding and if yes, in what way, would require further investigation.

8.2.3 The Small Business Development Corporation

The SBDC, through its training activities, its community involvement, the removal of legal and administrative barriers, and its Small Builder's Bridging Fund makes substantial contributions to the housing challenge. It seems also better positioned than the SAHT to respond to local variations in demand and need. It plays an important role in creating new ventures and therefore new work opportunities. Its role in training and supporting small black builders can be unlimited in scope. There seems to be a measure of duplication with the activities of the Urban Foundation.

8.2.4 The National Building Research Institute (CSIR)

No organisation in the country has such an accumulated reservoir of experience in low-cost housing as the NBRI. While much of this know-how is contained in its authoritative report of 1987, the NBRI is underutilised. Consideration could be given to change its role to a more market orientated one. With so much knowledge and expertise concentrated in one organisation, the problem is one of dissemination and decentralised application. The blockgrant system would enable communities to access this vast reservoir of know-how, and pay for it.

8.2.5 The Urban Foundation

No other single organisation has contributed as much as the Urban Foundation (UF) to creating the awareness of the magnitude, importance and urgency of the urbanisation process for the economic and political future of South Africa. The fact that black people have changed from sojourners to permanent residents in 'white' South Africa, that influx control was scrapped, leasehold and property rights legislated, is to a large measure attributable to the Foundation's quiet, sustained and reasoned lobbying.

Housing, urbanisation and community development form the main substance of the Foundation's Annual Review of 1988, emphasizing the key role housing plays in the thinking and activities of the UF. Mr H F Oppenheimer in his opening message stated:

"The dominant activity of the UF during the year under review has been its involvement in providing housing on a large scale, particularly for lower income communities in the major urban centres. This focus on housing is not a new direction for the UF. From its inception the Foundation has recognised that by providing adequate housing it will be meeting one of the most important priorities for deprived urban communities." (25/1)

Recently the Foundation announced, together with the Mortgage Lenders' Association, that a Loan Guarantee Fund has been established which will free up to R3000 million from the financial institutions for new loans in the R12 500 to R35 000 range over the next three years. At an average loan of R25 000 this amounts to finance for 120 000 new homes, or 40 000 per year, once the scheme is in full operation. This would provide for almost one year's requirements for starter homes according to the Foundation's estimates.

The scheme involves the major banks and building societies, most of the large short-term insurance companies, local and multinational corporations and the British, German and Swiss governments.

The scheme has two main components: A Loan Guarantee Fund and a new financial instrument which will ensure that the financial institutions involved grant loans in the desired target range.

The Loan Guarantee Fund, with a capital of R20 million, of which R8 million comes from foreign sources, acts as a reinsurance facility for the lenders. It will encourage the lenders to move 'downmarket' by reducing the perceived risks in this market segment.

An important facet of the new scheme is that deposits on the home are reduced from the customary ten to twenty percent to as little as five percent, plus a one-off insurance premium which can be capitalised to become part of the total home loan.

Once the new scheme comes into operation in the first quarter of 1990, the participating banks and building societies will raise R50 million in primary capital which will provide the basis for lending R1000 million. The short-term insurers involved will be able to cover 35 percent of this total, backed up by the reinsurance provided by the Loan Guarantee Fund. "The scheme is not a charity nor a philanthropic undertaking but a sustainable business tool to substantially increase the number of people who can afford an own home" (Tucker)

The success of the scheme is, of course, not only a matter of funds. It will depend on the building industry's capacity to deliver the homes in time and of an acceptable quality. In the rush on this new market opportunity one would hope that the crucial role of black builders is not overlooked. The volume of 40 000 units per year also raises the issue of serviced land, which has been discussed in sections 6.1 and 8.1.3. The Foundation also believes that the government should subsidise supply, and not demand. This reinforces one of the key recommendations of this report.

The Foundation is, of course, well aware that the new scheme, whose lending will probably centre around the R25 000 mark, will leave a large part of the market, the sub-economic sector, untouched.

The UF completed a major feasibility study, investigating the setting up of a new mechanism for granting small loans to low income earners. The study revealed the need for loans between R500 and R5000 for a variety of housing products including building materials, labour, stand and deposits for conventional bond finance. Loans would be repayable over one to five years, and interest rates would need to be sufficiently high to offer commercial returns to providers of capital. (25/8) (see also section 8.3.6 below)

In spite of these crucial contributions by the Foundation, there are critical voices who contend that the UF should not itself be involved in the actual construction of homes through its seven section 21 utility companies. The Foundation stated

"that the Foundation did not build houses itself, but instead acted as a bridge between the government and the private sector, by identifying and acquiring land for housing development through its housing utility companies. Land servicing contracts were then put out to competitive tender and serviced stands were sold to developers." (M Ridley in 19/212)

Since a similar objection has been voiced in terms of the role of the SA Housing Trust, there seems to be an underlying principle involved, which may require clarification. The principle is whether organisations not for gain, with a different mode of access to capital, should compete with private builders who do not have the benefit of such a facility and who are entirely dependent on profitability for their continued operation.

8.2.6 Towards a New Strategy for Public-Private Sector Cooperation (II)

The initiatives related in the previous section, and the one reported in section 8.3.1 below, indicate clearly that the private sector has become, and will increasingly be, a major player in the housing and community development scene. This accords entirely with the declared twin policies of deregulation and privatisation.

This involvement in low-cost housing, a previously predominantly public domain, adds a new dimension to the way the private sector will have to conduct its business. Profitability is an unquestioned condition for conducting a business, if it wishes to survive. But such profitability, in a sensitive field like housing for low income people, needs to be based on quality delivery and a high level of productivity. Large backlogs, and the sudden release of substantial funds could create the temptation for quick fixes and quick profits for fly-by-night operators. South Africa has a dismal productivity record, and the reliability of small businesses is generally poor. (The NBRI has developed a computer based assessment system which would evaluate and grade builders for the benefit of the builder and the developer).

Building 100 000 homes a year, or more, is a prime opportunity for job creation and the formation of new business operations. Research by the Bureau for Economic Research has shown that the building industry is the first to suffer from economic decline, virtually without warning, and often the last to recover. The new schemes could cushion this effect and create stability in the home construction industry.

Productivity is needed to keep cost escalation in home building below the inflation rate, while bringing down the inflation rate itself is a national economic priority. If inflation remains at the 15 percent level, and if building costs - as they historically did - escalate above the rate of inflation, then the end consumer would be in a double bind. With bondrates at the 20 percent level the annual repayment, for example, for the fully placed 3000 million for incremental homes would be in the region of R600 million per annum, rising as home delivery costs increase.

The success of privatisation of welfare functions, like housing, depends on the development of a new business ethic. Failing to deliver a quality product or service, while containing cost escalation through innovation and productivity could force the hand of the state to consider reversing its privatisation policies.

8.3 The Private Sector

8.3.1 The Financial Institutions

The new scheme announced by the UF and the Mortgage Lenders' Association will put the contribution by the financial institutions to low-cost housing on a new footing. This scheme is a considerable extension down market. However, loans below R35 000 have been granted on a large scale before. One Building Society, for example granted 19 142 loans with a value of R413 million in the 1989 financial year alone (average R21 500), and has a total of 105 932 loans on its books with a value of R1 586 million, (average loan R15 000).

Now that the economic segment of low-cost housing seems catered for as far as finance is concerned, (the other constraints are still in place), future emphasis could assume the format of three initiatives, which have all been extensively debated already: (1) The establishment of a secondary mortgage market. (2) The involvement of pension and provident funds in the (low-cost) housing market. (3) The development of novel funding and delivery systems for the sub-economic segment of the low-cost housing market.

"Secondary mortgage markets are concerned with the sale of whole mortgage loans or participation in new or existing mortgage loans or mortgage backed security to investors."
(Housing in South Africa, August 1989)

Its successful introduction would require the standardisation of mortgage documents and underwriting criteria, and substantial transaction volumes in a specific instrument. Martin, in his doctoral thesis on the subject, proposes the establishment of a Mortgage Corporation of Southern Africa. In a sense the new scheme by the UF et al has created such an instrument.

For many the owning of a home may provide a better security than a pension, since a home is an appreciating asset. Moves are afoot in pension funds, provident funds and life offices to invest in the housing market.

The most important challenge is, no doubt, the provision of adequate shelter in the sub-economic segment of the market, which constitutes 40 percent of the market in the RSA and possibly 60 in South Africa as a whole.

We will describe in some detail one innovative scheme, proposed by a major building society in section 8.3.6

8.3.2 Building and Related Industries

As mentioned before the introduction of the Loan Guarantee Fund, freeing vast sums for low-cost housing, will lead to a substantial expansion of the building and related industries. It will give rise to co-operative ventures between black and white builders. This would enable black builders to gain management experience and contracting know-how.

The expansion of the home building market should include the black builder on a much larger scale than has happened to date. The Black Builders' Association has identified three areas for improvement for black builders: (1) Access to finance. (2) Access to serviced plots. (3) Skills training. Much, however is being done already. Basic home-building skills have been taught to more than 100 000 unemployed - mainly black - people by building construction companies and group training centres under the short-term training courses administered by the Department of Manpower. This effort was funded by job creation and training funds made available annually by parliament over the past five years.

8.3.3 Employers and Employers' Organisations

The role of employers in providing housing assistance to their employees is recognised by all companies with a well-balanced social responsibility programme. In fact, recent years have seen the development of a trend away from generalised giving, to contributions directed at employees, their dependants and the communities in which they live. The three main areas of involvement are education, the provision of a collateral and the administration of repayments. The involvement of the employees concerned (and their unions) is of paramount importance.

The present trend to apply for open residential areas is supported by many employers. Free choice of residential area for all employees would contribute to the shortening of the home-work distance. It has shown to be detrimental to corporate cohesion to have integrated workplaces and facilities and enforced segregated residential areas for the same employees.

8.3.4 Employees

In-depth group discussion by SYNCOM researchers with employees have revealed that there is a great demand for housing assistance on an equitable and non-racial basis. Such assistance relates to new building as well as to the upgrading of existing dwellings. Considering the financial problems with the depletion of the first-time-home-buyer's fund, employer assistance may well assume greater urgency.

Problems can and do arise if the employer (or the employee) wishes to terminate employment. Such problems are of a similar nature as the transferability of pensions, and should be addressed by employer organisations.

8.3.5 Trade Unions

Housing has risen on the agenda of most trade unions in their negotiations with employers and employers' organisations. This shift in emphasis took place before the recent rise in mortgage rates. It can be expected that housing, in the light of defaults and re-possession, would be even more at the centre of trade union attention in the year to come.

According to industrial relation specialists, many employers are ill prepared to handle these sensitive negotiations, since they are not well informed on the intricacies of the legal and financial environment of the black housing market.

8.3.6 Community, Voluntary and Alternative Organisations

We mentioned above the investigation completed by the UF on the subject of new financing mechanisms needed for the sub-economic segment of the housing market. One building society provided a proposal, which is significant, although nothing really new is said, because a formal financial institution wishes to create a mechanism to resolve the housing crisis where it is most acute - at the bottom end.

THE CONCEPT

"The concept is one of the integrated development of a community from the inception, attempting to pull together the issues of housing, services, spiritual and social life, health, education and employment. The target market are the under-employed or unemployed or those in the informal sector who are unhoused in the accepted sense.

Development takes place in a cooperative, or community framework, involving the community itself in the planning and implementation. Government, the private sector, development agencies and churches are of course critical in a facilitatory and supportive role.

Unhoused families are allocated raw land zoned for residential development. Development takes place on a broad front pushing ahead together or sequentially:

- (1) Given that the appropriate level of services are required the future residents themselves could be involved in the servicing, which should be labour intensive where possible.
- (2) A multipurpose focal point for the community such as a community learning centre (and/or church hall) is established for religious services, meetings, health services, training, creche, etc. The residents are involved in the construction as far as possible.
- (3) Housing is developed on an informal or semi-formal basis, using labour intensive methods and appropriate forms of construction and which allow unemployed people in the community to offer their services and improve their skills.
- (4) Basic industries are created to provide employment to the residents. Such industries should be primarily designed to service the needs of the community itself. Examples are building materials, basic furniture, carpets, matting, curtaining etc.
- (5) Market gardens to be developed where possible to provide for the needs of the community.
- (6) Cottage industries to be established within the homes or within the cluster.

MANAGEMENT

The project is to be managed through a system of local committees, where necessary, drawing in external parties such as a financier, developer etc. Two levels of committee to be formed: one at the neighbourhood unit level, involving the residents of a cluster of houses and an overall community committee for the project as a whole.

FINANCE

A radical departure from the normal concept of individual finance is necessary. A few possibilities exist which need to be studied further.

HOUSING FINANCE

1 A Group Concept

On this basis finance is provided on the stokvel concept and this could well integrate with the cluster neighbourhood unit, as mentioned under management. Bearing in mind that the fundamental concept of the stokvel principle is voluntary association, people living in a 'cluster' of houses would jointly receive finance and be jointly responsible for the servicing and repayment.

2 Sale by Instalment

The land would be registered by a developer or finance company who would disburse all amounts for land, services and improvements as required and then sell the land with improvements to the owner on a basis of sale by instalment in terms of the Alienation of Land Act provides.

The term of the loan would be, in most cases, much shorter than the traditional term under conventional mortgage and should be between three and seven years. The amounts involved would typically be considerably below any of the standards presently adopted, invariably below R10 000, and possibly even below R5000.

FINANCING THE INFORMAL BUSINESS

Financing is provided through the mechanism of group financing on the stokvel basis, utilising joint venture financing companies, linking formal institutions with community associations such as ACHIB and Get Ahead.

RISK AND RETURN

In order to attract formal financial institutions into this market, which is necessary for long term success, rates of return will have to be commensurate with the risk.

Subsidies by the state should be channeled for the provision of land and basic services. The community as a whole and the neighbourhood groups should be required to establish an emergency fund to tide members over difficult periods."

It is proposed that a separate investigation into the social and economic structure of the stokvel system be undertaken, considering its potential in the lower end of the sub-economic housing segment.

9.0 HOUSING, URBANISATION AND COMMUNITY DEVELOPMENT

From the foregoing it is clear that housing provision, community development and urbanisation are integrated processes of a bewildering complexity. While Europe had centuries at its disposal for the development of a modern urban environment, processes in South Africa happen with perplexing speed. Bad management of the urbanisation flows could lead to explosive pressures in the total system, and to unmanageable rings of slums around our main metropolitan areas. The population forecasts for the PWV area, Durban/Pinetown and the Western Cape are no reason for complacency.

The fact that tremendous breakthroughs have recently been made in the scope of home finance should not detract from the realisation that the total challenge is momentous in every aspect. Coming political negotiations will create demands for a more equitable dispensation also in housing. The pressures are still there and are bound to increase before the tide turns. Also the momentum of the population growth will continue well into the next century. First indications that some, if not all, of the TBVC states may wish to have closer association to a non-racial South Africa, may change the backlog and requirement figures considerably, as the table in the Executive Summary shows.

A few remarks on three areas will conclude this report: (1) The need for community involvement and participation. (2) The need for a strategic urbanisation plan. (3) The need for a physical urbanisation plan.

9.1 Community Involvement and Community Participation

Hardly anyone who is involved in the housing issue at the community level would deny that community involvement and participation is of the essence. International textbooks abound with examples on how it is done, but also spell out what the difficulties are in achieving involvement. Technological illiteracy, cultural differences and inertia are not easy to overcome. Certain innovations, which make total sense to the adept, are not grasped automatically by the intended beneficiaries. The boiling of drinking water in a Peruvian village took three years of persuasion before one third was convinced of its use.

In South Africa, the community developers have to overcome the deep mistrust and dependency syndrome in black communities exposed to four decades of paternalism and Bantu administration. Such entrenched attitudes are not easily changed. The identification of free enterprise (or capitalism) with the oppressor has created a climate which is not conducive to ready cooperation.

On the other hand, field workers know that the reservoir of genuine goodwill is vast and untapped. This goodwill can only be operationalised by tangible and visible results. It is in this context that the community needs to see a new spirit in which the business of low-cost housing and community development is undertaken.

9.2 Strategic Planning for Urbanisation

In many parts of this report we have called for a strategic plan for urbanisation for the whole of South Africa. The number of government and private agencies is legion, coordination difficult. Certain key decisions on the future roles of major actors need to be taken before a strategic plan can be formulated. It is evident that this report envisages a reduced and simplified role for the state, and more direct and cost effective allocation of public funds to the areas of key constraints to urbanisation, notably to suitable and serviced land.

It is proposed that a representative expert team conduct an investigation into the present political, social and economic dynamics of the urbanisation process with a view to formulating a viable national strategy. This team would take note of the many and imaginative initiatives that are presently being undertaken.

9.3 Physical Planning for Urbanisation

Only on the basis of a strategic plan would it make sense to look at the physical parameters and priorities of the urbanisation process. In terms of such priorities it may well be that some painful decisions will have to be considered. There is a limit to what the country can achieve in physical development, and such a limit is not only set by scarce finance. Physical resources, notably energy and land, will force realistic parameters. In the same way that the NBRI traded off shelter against other amenities within a set budget on the community level, housing and basic amenities will have to be traded off against extravagant shopping centres, municipal palaces and five star hospitals, on the national level. So far South Africa has been a truly segregated society and Alexandra and its squalor could co-exist with Sandton. As we most likely will move towards integration over the time period in which 'orderly' urbanisation needs to be managed, we would be well advised to set the real priorities in good time.

10.0 TOWARDS AN INTEGRATED APPROACH

In terms of building activities we can now see a segmented market as follows: (1) The informal activities of incremental units in the R3500 - R15 000 range (subeconomic low-cost). (2) The R15 000 - R 35 000 starter home market (economic low-cost). (3) The formal housing market from R35 000 upwards. (4) The provision of basic infrastructure. (5) The provision of more sophisticated infrastructure connecting with (6)- the regional and national bulk infrastructure, including schools, recreational facilities etc.

It seems that small black builders, without ignoring considerable opportunities in the formal segment, should focus their attention on the segments (1) and (2). Segment (3) seems ideally suited for black/white partnerships, while the segments (5) and (6) call for a sophisticated approach both in terms of logistics, management and technological expertise.

To coordinate these activities is a major development task, since all six areas of development will before the end of the century be dominated by private providers. For this reason the system of consolidated blockgrant system proposed in section 8.1.3 could assist in dovetailing the various segments together in one sensible whole. Integrated decisions can then be taken at the local level, allowing for the essential variety in priority setting which meets local needs.

"The important aspect of the proposed system is that instead of spreading the gift to the subeconomic home-owner as tenant in the form of interest subsidies over 20 to 30 years, the gift takes the form of a once-for-all serviced site or a voucher which can be used to buy materials for self-building, or a similar one-off form. The gift can have a value up to R10 000, which is the average capitalised present value of the historical series of interest (rent) subsidies to low income inhabitants of homes." (Prof J Sadie, personal communication)

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