

**Critical perspectives on post-apartheid housing praxis  
through the developmental statecraft looking glass**

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## Declaration

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## Abstract

The principal question this study aims to answer is why and how a left-of-centre government not hobbled by heavy external leverage, with developmental state precedents, potentially positive macroeconomic fundamentals, and well-developed alternative policies for housing and urban reconstruction came to settle on a conservative housing policy founded on ‘precepts of the pre-democratic period’. Arguably, this policy is even more conservative than World Bank strictures and paradigms, whose advice the incoming democratic government ‘normally ignored’ and ‘tacitly rejected’. The study, which spans the period from the early 1990s to 2007, commences from the premise that housing is an *expression* and *component* of a society’s wider development agenda and is bound up with daily routines of the ordering and institutionalisation of social existence and social reproduction. It proposes an answer that resides in the mechanics and modalities of post-apartheid state construction and its associated techniques and technologies of societal penetration and regime legitimisation. The vagaries and vicissitudes of post-Cold War statecraft, the weight of history and legacy, strategic blundering, and the absence of a cognitive map and compass to guide post-apartheid statecraft, collectively contribute to past and present defects and deformities of our two decade-old developmentalism, writ large in our human settlements. Alternatives to the technocratic market developmentalism of our current housing praxis spotlight empowering shelter outcomes but were bastardised. This is not unrelated to the toxicity of mixing conservative governmentalities (neoliberal macroeconomic precepts, modernist planning orientations, supply-side citizenship and technocratic projections of state) with ‘ambiguated’ counter-governmentalities (self-empowerment, self-responsibilisation, the aestheticisation of poverty and heroic narratives about the poor). Underscored in the study is the contention that state developmentalism and civil society developmentalism rise and fall together, pivoting on (savvy) reconnection of economics and politics (the vertical axis of governance) and state and society (the horizontal axis). Without robust reconfiguration and recalibration of axes, the revamped or, more appropriately, reconditioned housing policy – *Breaking New Ground* – struggles to navigate the limitations of the First Decade settlement state shelter delivery regime and the Second Decade’s (weak) developmental state etho-politics. The prospects for success are contingent on structurally rewiring inherited and contemporary contacts and circuits of power, influence and money in order to tilt resource and institutional balances in favour of the poor. Present pasts and present futures, both here and abroad, offer resources for more transformative statecraft and sustainable human settlements, but only if we are prepared to challenge the underlying economic and political interests that to date have, and continue to, preclude such policies. History, experience and contemporary record show there are alternatives – another possible and necessary world – via small and large steps, millimetres and centimetres, trial and error.

## Opsomming

Die hoof vraag wat hierdie studie probeer beantwoord is hoekom en hoe dit gekom het dat 'n links-van-die-middel regering wat nie gekniehalter was deur gewigtige, eksterne invloede nie; en met ontwikkelingstaat presedente [of voorbeelde]; potensieel positiewe makro-ekonomiese grondbeginsels, en goed ontwikkelde alternatiewe beleide vir behuising en stedelike herontwikkeling, gevestig [of vasgesteek] het op 'n konserwatiewe behuisingsbeleid, gegrond op 'voorskrifte van die voor-demokratiese tydperk'. Die beleid is, aanvegbaar, selfs meer konserwatief as ongunstige Wêreld Bank voorskrifte en paradigmas, wie se advies die inkomende demokratiese regering oënskynlik geïgnoreer en stilswyend verwerp het. Die studie, wat strek oor die periode vanaf die vroeë 1990s tot 2007, begin met die aanname dat behuising 'n uitdrukking en komponent van 'n gemeenskap se wyer ontwikkelingsagenda is, en saamgebind is met die daaglikse roetine van die ordening en institusionalisering van maatskaplike bestaan en maatskaplike reproduksie. 'n Antwoord word voorgestel wat berus op die meganika en modaliteite van na-apartheid staatskonstruksie en die meegaande tegnieke en tegnologieë van sosiale penetrasie en regeringstelsel legitimering. Die giere en wisselvallighede van Na-Koue Oorlog staatkunde, die gewig van geskiedenis en nalatenskap, strategiese foute en die afwesigheid van 'n bewuste kaart en kompas om na-apartheid staatkunde te lei, het gesamentlik bygedra tot die vorige en teenwoordige gebreke en misvormings van ons twee dekade-oue ontwikkelings-isme ('developmentalism'), groot geskryf in ons menslike nedersettings. Alternatiewe tot die tegnokratiese mark ontwikkelings-isme ('developmentalism'), van ons huidige behuisingspraktyk, plaas die kollig op bemagtigende skuiling uitkomstes, maar was verbaster. Dit is nie onverwant aan die giftigheid van die meng van konserwatiewe goewermentaliteite ('governmentalities') (neoliberale makro-ekonomiese voorskrifte, modernistiese beplannings orientasies, verskafkant burgerskap en tegnokratiese projeksies van staat) met teenstrydige teen-goewermentaliteite ('governmentalities') (self-bemagtiging, self-verantwoordlikheid ('self-responsibility'), die estetifikasie (aestheticisation) van armoede en heldhaftige vertellings omtrent die armes). Onderstreep in die studie is die bewering dat staatsontwikkelings-isme ('developmentalism') en siviele gemeenskapsontwikkelings-isme ('developmentalism') saam klim en val, en wat roteer om (kundige) herkonneksie van die ekonomie en politiek (die vertikale as van regeerkunde) en staat en gemeenskap (die horisontale as). Sonder robuuste herkonfigurering en herkalibrering van die asse, sukkel die opgedateerde, of amper her-kondisioneerde behuisingsbeleid – *Breaking New Ground* – om die limiete van die Eerste Dekade nedersetting staat skuiling leweringstelsel en die Tweede Dekade se (swak) ontwikkelende staat eto-politiek, te navigeer. Die verwagtinge vir sukses is gebaseer op strukturele herbedrading van oorgeërfde en eietydse kontakte en stroombane van mag, invloed en geld, op so 'n wyse dat hulpbronne en institusionele balans ten gunste van die armes gekantel word. Teenwoordige verledes en teenwoordige toekoms, beide hier en oorsee, bied hulpbronne vir meer transformerende staatkunde en volhoubare menslike nedersettings, maar slegs indien ons bereid is om die onderliggende ekonomiese en politiese belange uit te daag, wat tot op datum en nog steeds voortgaan om sodanige beleide te verhinder. Geskiedenis, ondervinding en eietydse rekords, moet wakker bly vir alternatiewe – 'n ander moontlike en noodsaaklike wêreld – via klein en groot stappe, millimeters en sentimeters, tref of fouteer.

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### Select List of Abbreviations

ANC	African National Congress
ASGISA	Accelerated Shared Growth Initiative for South Africa
AVF	Asset Vulnerability Framework
BEE	Black Economic Empowerment
BNG	Breaking New Ground
BRCS	Bay Research and Consultancy Services
CBO	Community-based Organisation
CCS	Centre for Civil Society
CODESA	Convention for a Democratic South Africa
COHRE	Centre on Human Rights and Eviction
COSATU	Congress of South African Trade Unions
CSIR	Council for Scientific and Industrial Research
DAG	Development Action Group
DBSA	Development Bank of Southern Africa
DOH	Department of Housing
DPE	Department of Public Enterprises
DPLG	Department of Provincial and Local Government
DPSA	Department of/for Public Service and Administration
ED	Economic Development
EHM <sub>s</sub>	Economic Hitmen
FEDUP	Federation of the Urban and Rural Poor
FSC	Financial Sector Charter
GEAR	Growth, Employment and Redistribution Strategy
GCIS	Government Communication and Information Services
HD	Human Development
HDI	Human Development Index
HPA	Homeless People's Alliance
HPF	Homeless People's Federation
HSRC	Human Sciences Research Council

IDASA	Institute for a Democratic South Africa
IDP	Integrated Development Plan
IDS	Institute of Development Studies
IMF	International Monetary Fund
ISI	Import Substitution Industrialisation
LCD	Lowest Common Denominator
LED	Local Economic Development
MEC	Minerals-energy complex
MERG	Macroeconomic Research Group
MINMEC	Minister and Members of the Provincial Executive Council
MOU	Memorandum of Understanding
NCOP	National Council of Provinces
NGO	Non-Governmental Organisation
NHBRC	National Home-Builders Registration Council
NHF	National Housing Forum
NHFC	National Housing Finance Corporation
NIC	Newly Industrialising Countries
NIMBY	Not-in-my-backyard
NPM	New Public Management
NSDP	National Spatial Development Perspective
NURCHA	National Urban and Reconstruction Agency
OPHP	Official People's Housing Process
PHP	People's Housing Process
PHPT	People's Housing Partnership Trust
RDP	Reconstruction and Development Programme
ROU	Record of Understanding
SA	South Africa
SACN	South African Cities Network
SACP	South African Communist Party
SAHRC	South African Human Rights Commission
SAIRR	South African Institute of Race Relations
SALGA	South African Local Government Association
SAMDI	South African Management Development Institute
SANCO	South African National Civics Organisation

SANGOCO	South African Non-Governmental Organisation Coalition
SDI	Slum Dwellers International
SOE	State Owned Enterprises
SPARC	Society for Protection of Area Resources
SMM	Sigodi Marah Martin
UF	Urban Foundation
UNCHS	United Nations Commission for Human Settlements
UNCTAD	United Nations Commission for Trade and Development
UNDP	United Nations Development Programme
UNESCO	United Nations Economic and Social Council
UNRISD	United Nations Research Institute for Social Development
URC	Urban Resources Centre
USAID	United States Aid Agency
USN	Urban Sector Network
WTO	World Trade Organisation

## Introduction

The post-apartheid government is committed to a humanistic development agenda and programme premised on substantive and restorative social justice and expansive citizenship within a participatory democratic framework. These unambiguous commitments are enshrined in the Constitution of the Republic of South Africa (Act 108 of 1996) and inscribed in macro-development programmes and sectoral policies.<sup>1</sup>

The shelter policy and programme of the First and Second Decade of Democracy affirms and entrenches this agenda. The policy is squarely linked to poverty alleviation and progressive realisation of socio-economic rights. The policy architecture skilfully cements and builds further on numerous components including an acknowledgement of the heterogeneity of the poor and sensitivity towards the vulnerable; multi-sectoriality at project, policy and institutional levels; participation, partnership and devolution; municipalisation; and intervention at a city scale (Fiori et al., 2000).

The achievements of the programme with reference to the material realisation of the aims of social justice, citizenship, reductions in shelter poverty and the restoration of human dignity is nothing short of remarkable. In the first decade alone, state-assisted housing investment of some R29.5bn provided 1.6 million housing opportunities and afforded 500 000 families secure title to old public housing stock. Whilst the cost to government of the latter was approximately R3.6bn, the replacement cost of this stock (or value to occupants) is estimated to be R24bn. From 1994 to 2003/04, over R48bn of housing assets were transferred to citizens, with 49% of all approved subsidies allocated to women. A total of over six million citizens received subsidised housing between 1994 and 2003 (Presidency, 2003a:25; Department of Housing [DOH], 2004a).

This delivery record is recognised by the international development community, most notably, the United Nations Centre for Human Settlements – as ‘one of the most significant contributions of the process of settling people in secure tenure’ in ‘the history of humanity’s delivery of housing’, according to Ahmedi Vawda, ex-Deputy Director-General of the Department of Housing (Vawda, 2003).

But the record of this country that only recently joined the global community of democratic states is blemished, as can be seen by robust critiques of the quality, location and sustainability of these housing projects. Despite government’s stated commitment to establish viable, socially and economically integrated communities, situated in areas allowing convenient access to economic opportunities as well as health, educational and social amenities (RSA, 1994), dwellings continue to be poorly designed; environmentally unsound; expensive to maintain; and low-income settlements are locationally peripheralised and therefore spatially marginalised. The living environment and dwellings are not conducive to aesthetic or environmental sustainability; are grossly deficient in essential community

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<sup>1</sup> According to the former Judge President of the Constitutional Court, Arthur Chaskalson, dignity, equality, freedom and democracy – the founding values of the Constitution – must inform all aspects of law and practice (Chaskalson, 2001).

services; and place great burdens on the resources of the country,<sup>2</sup> the cities and, most crucially, the poor inhabitants of the houses.

Numerous senior government officials echoed this criticism of the housing programme and projects during the very early years of implementation. The ex-Premier of Gauteng, Tokyo Sexwale, criticised the housing plan as only being able to produce ‘corrugated iron shacks’ (*Sunday Times*, 10 July 1994). Housing Minister Sankie Mthembu-Mahanyele, Joe Slovo’s successor, raised concerns about the housing programme during her first few months of office. She referred to Slovo’s policy as ‘toilets in the veld’ (cited in *Sunday Times*, 16 July 1995). When the very same Minister trumpeted the achievements of the housing policy for providing tenure security to between 4.5 and 5 million people over the period 1994 to early 2000 – ‘a level unsurpassed anywhere in the world’ (Minister of Housing, 2001a) - President Thabo Mbeki, a month later, frankly remarked that despite a massive programme of investment and work towards the integration of communities, ‘all we have done is expand those black ghettos’ (*Sunday Independent*, 3 June 2001). In September 2004, more than three years after this scathing indictment of the housing programme, the President said that ‘there is an urgent need to transform the apartheid landscape’, which ‘[w]ith few exceptions remains unchanged’. ‘New housing developments’, he remarked, ‘are generally located on the outskirts of towns and cities’ (President Mbeki, 2004b).

Since the latter part of 1999, the Department of Housing has been intensively scrutinising the policy and has introduced many significant ‘re-orientations’ intended to complement and supplement existing strategic thrusts. The realigned housing strategy/plan entitled *‘Breaking New Ground’: A Comprehensive Plan for the Development of Sustainable Human Settlements* (DOH, 2004a – referred to in this text as the strategy, Comprehensive Plan, Plan or BNG) re-energises government’s commitment to the creation of well-managed human settlements wherein economic growth and social development are in balance with environmental priorities (taking the ‘carrying capacity of the natural systems’ into account), resulting in sustainable development, wealth creation, poverty alleviation and equity.

The realigned housing strategy and plan – and the associated programmes and initiatives – aspire to address a series of problems and challenges, chief among them being poor integration at settlement level and city scale; the withdrawal of private sector developers from the housing programme; deficiencies in the emerging contractor programme; the general shortage of housing sector capacity and expertise (especially, but not exclusively, at local government level), combined with an unwillingness by many municipalities to fulfil their housing mandate. Compounding the above are high land costs in advantageous locations; the urbanisation of poverty and diminished household size; the stubborn growth and proliferation of informal settlements; effecting delivery at scale; and the reluctance of the financial sector to contribute in a meaningful and sustained manner to improving the shelter conditions of low-income households through the extension of credit and mortgage financing. In the BNG’s sights are also measures to address the continued red-lining activities of financial institutions (i.e. preventing housing investment and sales in most inner-city areas and traditional black townships by withholding finance) and arresting the skewed growth of the housing markets which delivered massive windfalls to 30% of the population (property price appreciation) against the backdrop of stagnation in marginalised areas (DOH, 2003a; 2004a).

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<sup>2</sup> High transport subsidies and stretched operating budgets, for example.

Whether the new strategy will deliver on the goals of integrated and sustainable human settlement development is dependent on a host of factors. Internal to the state, these include securing the necessary finance for the funding of BNG; building the capacity/capability of institutions charged with the implementation of the plan (especially at local government level); and revising and redesigning the regulatory framework so that it is more empowering and democratically responsive. Overhauling the institutional architecture undergirding diverse programmes, and the plan, in general, and addressing the very deep seated principal-agency problems traversing the most senior echelons of power, in especially the national Department of Housing, present added obstacles.

The spine of this thesis is that although the realigned BNG strategy and plan is eminently better geared to deliver more sustainable outcomes, sustainable human settlement development is hamstrung by more intractable problems related to the nature of the state, its form, function, orientation and relational fields.

### **Problem Statement**

Between the magical realism of the splendid words of the most progressive Constitution in the world (Ahluwalia, 2001) and the grand pronouncements of our ‘revolutionary’<sup>3</sup> (Farhi, 2003:31) public sector elite, lies a reality – especially in the shelter sector – of continuing injustice, continuing oppression, continuing marginalisation, continuing exclusion, and continuing harshness (adapted from Higgs & Smith, 2000). There is indeed something profoundly awry with our transformation project when the humanity of the ‘hitherto excluded’<sup>4</sup> majority is daily denied and their dignity routinely, systematically and systemically violated. Although this condition – ‘disjunctive democratisation’<sup>5</sup> – is not uncommon to most parts of the developing (and developed) world, what is notable in our post-apartheid reconstruction context is our continuing and abiding faith in the transformative capacities of the *state* and *planning* when everywhere else this meets with distrust, disillusionment and dismissal. Across the ideological spectrum – post-developmentalists, anti-developmentalists and neoliberals – the ambition to ‘change the world’ through more government and more planning is met with cynicism laced with charges of authoritarianism and social engineering. Yet all this, remarks the eminent development studies expert, Jan-Nederveen Pieterse,

...does not alter the necessity to ‘change the world’, nor does it alter the fact that development is about changing the world, with all the pitfalls that it involves, including the legacy of social engineering and Enlightenment confidence tricks (Pieterse, 2000:187).

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<sup>3</sup> A portmanteau word made up of ‘reformist’ and ‘revolutionary’.

<sup>4</sup> A catchall term to collectively describe the diversity of disadvantaged groupings.

<sup>5</sup> Democratisation, asserts Holston (2002:330–1), is ‘disjunctive’ – it comprises processes in the ‘institutionalisation, performance, and meaning of citizenship that are always uneven, unbalanced and heterogeneous’. Two types of democratic disjunction are prevalent: uneven citizenships and discrepancies between form and substance

Market fundamentalism and (the icy grip of) right-wing politics present us with a veritable arsenal of stratagems and techniques to effect ‘change’. Fortunately, these have been slated by government as inappropriate for meeting our needs and development priorities. In his address to the National Assembly on the occasion of his budget vote, President Mbeki unequivocally endorsed a ‘left’ project. Quoting the public intellectual, William Hutton, he said:

Western democracies have been characterised by one broad family of ideas that might be called left – a belief in the social, reduction in inequality, the provision of public services, the principle that workers should be treated as assets rather than commodities, regulation of enterprise, rehabilitation of criminals, tolerance and a respect for minorities – and another broad family of ideas that might be called right: an honouring of our inherited institutional fabric, a respect for order, a belief that private property rights and profit are essential to the operation of the market economy, a suspicion of worker rights, faith in the remedial value of punitive justice and the distrust of the new (President Mbeki, 2004a).

The President elaborated further:

[T]here can be no doubt about where we stand with regard to this great divide. It is to pursue the goals contained in the “broad family of ideas that might be called the left” that we seek to build the system of governance. The obligations of the democratic state to the masses of our people do not allow that we should join those who “celebrate individualism and denigrate the state”. We would never succeed to eradicate the legacy of colonialism and apartheid if we joined the campaign to portray “the social, the collective and the public realm...as the enemies of prosperity and individual autonomy...opposed to the moral basis of society, grounded as it should be (in terms of right wing ideology) in the absolute responsibility of individuals to shoulder their burdens and exercise their rights alone”. This is precisely what we meant when we said in the May State of the Nation Address that: “The advances we must record demand that we ensure that the public sector discharges its responsibilities to our people as a critical player in the process of the growth, reconstruction and development of our country” (Ibid).

Predating the Reconstruction and Development Programme (RDP) (ANC, 1994) and the deliberations and policy work of the Reconstruction and Development Ministry, the government’s belief in the transformative capacity of the state came to coalesce and crystallise around the notion of the ‘developmental state’. Again, Thabo Mbeki’s words in his address at the Development Planning Summit (hosted by the Intergovernmental Forum) are illuminating:

Our fundamental challenge...is to construct a truly developmental state. International experience demonstrates that government driven by a vision and measured by results is far more effective than a rule-governed state. In addition government which is empowered at all levels and which is able to ensure the active participation of citizens in decision making is critical. Finally government must be enterprising. If our efforts are constrained by the extensive systems of rules we have inherited we will achieve nothing. We must replace any unnecessary regulations with clear objectives and performance measures. Thus the fundamental role of our vision...is to unleash the

creativity of our people, in government and throughout South African society (Deputy President Mbeki, 1995).

So the components of the 'left' project and the agenda of the developmental state (when reading official statements from 1995 and beyond (discussed extensively below)) are ostensibly about a vision-driven, enterprising and empowered performance-oriented government; active citizen participation; and reducing inequality and poverty.

But herein lies the rub which accounts not insignificantly for our poor development performance in key sectors. It will be demonstrated that the envisaged state is not even a shadow of the assertive social transformation state,<sup>6</sup> the archetype being the developmental state. When South Africa's shelter policy is critically interrogated, the state's form, function and orientation is more akin to that of the liberal market consensus state.<sup>7</sup> This liberal market consensus state *settles* on a social formation, privileging the provision of law and order, protection of property rights (defined by strong contract enforcement and low appropriation risk), correcting market failures (in particular, delivering democratically decided-upon public goods efficiently) and effecting limited welfare-type redistributions (M Khan, 2004). This service delivery state executes its mandate via a series of 'good governance' reforms encompassing decentralisation, subcontracting to NGOs (amongst others), encouraging civil society participation, government rightsizing, and fighting corruption. These measures collectively function to destroy the state's capacity to create and generate bad rents. More fundamentally though, they reduce the capacity of the state to intervene in general which 'fatally damages the possibility of creating a developmental transformation state' (Ibid:188).

The White Paper on Housing (RSA, 1994) enshrines and affirms the values of the service delivery state. In retrospect, the seven key thrusts of the White Paper<sup>8</sup> together constitute a

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<sup>6</sup> A market shaping interventionist state, or social transformation state (described shortly), is one located midway between a parametric (framework) and dirigist state.

<sup>7</sup> Liberalism has numerous meanings and 'many different *orientations have chosen to call themselves liberal*' (Raico, 1992:391, original emphasis). The 'most authentic and characteristic form of liberalism' has concerned itself with 'expansion of the free functioning of civil society' – partly in response to monarchism and absolutism – and the 'restriction of state activity' (Ibid). The liberal philosophy is best captured in the slogans '*laissez faire*' (free market), '*laissez passer*' (free trade), and '*le monde va de lui-meme*' ("the world goes by itself") (Ibid:392–3, original emphasis). The classical liberal state - [n]owhere...consistently realised' (Ibid) – was premised on the notion of competition being the natural order of things and the market producing optimal results with respect to demand, supply and distribution. In the period 1945 to 1975, the liberal state regime, undergirded by Keynesianism and regulated by the Breton Woods arrangements institutions was termed 'embedded liberalism', i.e. the sanctioning of market allocation in the economy but guided by political processes so as to avert international conflict, maintain demand, and effect a more equitable distribution of growth (see Ruggie, 1982). With the demise of the Breton Woods arrangements, embedded liberalism was eclipsed by the neoliberal regime with its emphasis on privatisation, deregulation, liberalisation and internationalisation (unpacked below). Leaving aside the differences in the evolution of the liberal regime, the liberal state can arguably be portrayed as one, which to a greater or lesser extent works with the existing grain of history, institutions and social forces, namely, it 'settles' on a social formation with its many inequalities and skewed distribution of power. The democratic deficit in these societies – ranging from no voice and access to power for the dis/unorganised poor and/or whose access and voice is routinely and frequently confined to carefully state orchestrated and managed participative formats/forums – functions to contain and defuse any potential opposition to the (minimalist) redistributive programme of the liberal market state.

<sup>8</sup> Stabilising the housing market; supporting the housing process for a people-driven process; mobilising housing credit and savings; rationalising institutional capacities within a sustainable institutional framework; facilitating

minimalist programme for transforming housing and shelter conditions; the White Paper is more the product of a political compromise<sup>9</sup> with business groups and old Urban Foundation-aligned consultants being very prominent in the deliberations of the National Housing Forum (NHF) that produced the policy (Rust, 1997). These powerful consultants were ‘adamant that no other kind of subsidy programme [old IDT type]<sup>10</sup> was possible’ and it was ‘adopted with relatively little questioning’ (Gilbert, 2002a:1920). Other evidence also suggests that while the housing policy conformed quite closely to the World Bank’s list of ‘dos’ and ‘don’ts’, particularly in the areas of formal finance delivery and the subsidy programme’, it was, arguably, more conservative than the World Bank’s approach (see Jones & Datta, 2000).

The disjuncture between intention and outcome – the multi-braided explanation of which comprises a critical component of this study and could perhaps count as a novel contribution to present scholarship – is a function, like everywhere else, of interrelated factors including history, societal context, institutional form and structure, organisational capabilities and capacities, the location of the programme/project in the broader economic and political programme, and development thinking/ philosophies. More pointedly, it is the contention of this study that the minimalist programme of the service delivery state is the root cause of poor developmental performance. This coupled to a ‘transformation narrative’, stressing, amongst others, non-conflictual social relations (Wolpe, 1995; Leroke, 1996) and/or buzzy/fuzzy left-leaning-(dis)empowering rhetoric (see Pieterse, forthcoming (b)) in both the negotiation of programmes and projects to address uneven development and drive social change, tends to undermine/displace focus on inequality and poverty and strategies to reduce or eradicate these (Ibid).

Is it any small wonder then why our transformation project has to date been unable to tilt resource and institutional balances in favour of the poor, especially at local level? Already in 1998, critical urbanists were arguing that our ‘participative governance’ regime – premised on a ‘neoliberal’ ‘model of community’ – a grouping of empowered individuals who voice their opinions, offer their expertise and take responsibility for their actions – excludes the poor, the marginalised, the uneducated and the ‘illegal’, with resources being channelled towards those with the voice to claim them (Bremner, 1998:53). Five years later, a review of the centrepiece of our development planning edifice – local government integrated development plans (IDPs) – confirmed that the voices of ‘especially the poor’ were being crowded out of the planning process and their participation ‘not necessarily lead[ing] to pro-poor outcomes’ (Handingham, 2003:11). Thus, in common with the majority of strategic bargaining models, our participative governance regime does not transform the preferences, especially those of the elite. Instead, it produces development agreements or protocols that codify and further entrench the existing (im)balance of power. This outcome is not surprising given that the service delivery state – as informed by the new political economy of the liberals – adopts an interest-group competition (pluralist) view of politics wherein ‘less politics means better economics’ (Grindle, 1991:48), i.e. ‘limiting the extent to which politics

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the speedy release of land; and co-ordinating development by facilitating co-ordinated and integrated action by the public and private sector.

<sup>9</sup> ‘The National Housing Forum was more concerned with establishing some kind of compromise than with sorting out the optimal housing plan; some claim it did not even try’ (Gilbert, 2002a:1928).

<sup>10</sup> The Independent Development Trust, notorious for building ‘toilets in the veld’.

can intrude in the workings of the economy limits the extent to which state intervention and regulation can overwhelm the efficiency of economic interactions’ (Ibid:58).

In short, our inability to meaningfully transform our inherited patterns of underdevelopment is most fundamentally the result of our adherence to a liberal market consensus model that permits only a status quo-bolstering state with minimum market shaping powers in which political contestation is limited because of the damaging rent-seeking<sup>11</sup> behaviour it induces and resultant market distortions.<sup>12</sup> In less technical terms, politics and politicking – that in the liberal market consensus guise is nothing more than rent-seeking maximisation – is a ‘spanner in the economic works’, a ‘negative factor in attempting to get the policies right’ (Grindle, 1991:45, 44). This renders the task of explaining the need and potential for economic and development policy reform extremely difficult thus limiting the applicability of pro-poor policy-relevant advice. Carried to its logical conclusion, and when combined with the view of the state as being primarily predatory (if it veers from the narrow mandate of the liberal market state), it constitutes a ‘trap’ (Ibid:44) for those striving to effect change in existing policies and institutional arrangements. The outcomes and results of the adoption of the liberal market perspective – writ large in our policies/programmes and filtered through local socio-political dynamics – are plain to see in our *post-apartheid* RDP housing estates and socio-economic topography.

The question before us is: was an alternative to the existing shelter programme articulated and demonstrated? Quite early in the formulation and elaboration of the housing policy, ideologues from the post-development school with deep links to community-based organisations (CBOs) and very sceptical of the future state’s commitment to the poor came to articulate an ‘alternative’ to the slowly emerging policy. The advocates of the People’s Housing Process (PHP) – comprising the Homeless People’s Federation (a network of CBOs), People’s Dialogue (an NGO) and community-managed revolving loan funds – referred to hereafter as the Homeless People’s Alliance (HPA) – championed an ‘alternative’ housing delivery approach revolving around people-centred and controlled development, i.e. fostering self-reliant and self-replicable social development practices. What is indeed remarkable about the HPA’s housing interventions is that it outperformed developer-built subsidised housing in size, cost and quality; it built and strengthened communities; generated

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<sup>11</sup> Capturing the revenue/ proceeds arising from price distortions and physical controls caused by (excessive) government intervention, e.g. licences, quotas, interest rate ceilings, exchange controls, tariffs, and subsidies.

<sup>12</sup> This perspective/view of the state was pushed to its extreme in the 1980s. Commonly associated with Margaret Thatcher, Ronald Reagan, the Bush administrations, the Stabilisation and Structural Adjustment Programmes of the International Monetary Fund and World Bank (respectively), the Globalisation/Washington/*Third Way* Consensus, the neoliberal regime extolled the norms of the free market as espoused by classical liberalism, typified by slogans of ‘rolling back the state’ and (wholesale) marketisation. In its idealised version, the state is demonised – state failure is pervasive; and its interventions distort and subvert the efficiency of the self-regulating/self-correcting market. The state is viewed as passive and pluralistic with all interest groups being equally empowered to access its largesse. In real world practice, neoliberalism departs from classical liberalism to the extent that competition is not the ‘natural’ state; market outcomes do not always produce optimal results (particularly under monopoly conditions); and state intervention is required to supply a plethora of public goods and manage negative externalities. These caveats aside, what is important to note are the many pragmatic modifications to this neoliberal regime, which has over time come to be associated with the subsidisation of corporations, upward redistribution of incomes/public services/assets to the wealthy (away from labouring classes), and the maximisation of shareholder value at the expense of and detriment to the wider society (see Baker, 2006).

employment and skills acquisition; and succeeded in empowering the most marginalised segments of the population (women, those living in backyards, shacks and hostels) (BRCS, 2003). This rosy picture of the HPA's developmental outcomes is not uncontested.

The benefits of the PHP were recognised by the government quite early in the implementation of the original supply-side, state-facilitated and private sector driven housing programme. After government was exposed to the HPA model, it was appropriated by the state in 1998 and, in subsequent years, became an important pillar of the official housing programme.

The appropriation of the HPA model marked an important policy shift as for the first time an officially-sanctioned programme created space for civil society and their partners to participate in housing processes and production. On the other hand, it was also a tactical manoeuvre by the state given the ringing endorsement of the HPA model for its sustainability (in contrast to the mainstream model) and its self-help empowerment component by the United Nations Centre for Human Settlements, the United Nations Development Programme and the United States Agency for International Development (Huchzermeyer, 2001)

Although the adoption of the HPA model by the state was widely celebrated as an important victory for those committed to people-centred development (Wilson & Lowery, 2003), serious concerns were voiced about the efficacy and viability of the state's PHP approach within a broader policy framework that remained stubbornly wedded to neo-liberal macroeconomic precepts, modernist planning orientations and the technocratic projections of the state (Rust, 2002). Moreover, given that liberal governments everywhere model their interventions on forms of regulation, expectations and values already operational in civil society – with significant modifications (Dean, 2002) – the state's PHP model struggled to strike a balance between its emphasis on 'sweat equity', individualism and cost reduction (on the one hand), and the PHP's emphasis on collective beneficiary planning, decision-making and more organic productive housing delivery (Development Works, 2002; BRCS, 2003). Not surprisingly, the state's PHP model – the policy, implementation and institutional infrastructure – was (and still is) perceived (in circles outside the state) to be weak, contradictory, underdeveloped, and systematically biased against it (BRCS, 2003). These criticisms have not gone unnoticed by the state. The BNG notes:

Housing authorities at all levels are moving in the direction of increased use of the People's Housing Process (PHP). On the one hand, PHP is promoted as it provides residents a greater choice over the use of their subsidy. This generates positive housing outcomes, increased beneficiary input, and greatly enhances beneficiary commitment to these outcomes.<sup>[13]</sup> Thus, the PHP achieves its two main goals of 'more for less' and improved beneficiary commitment to housing outcomes by increased productivity through 'intellectual equity' (not primarily cost reduction through 'sweat equity'), and by increasing beneficiary 'ownership' through the exercise of considered choice (not by forcing beneficiaries to provide free labour). Other participants view PHP as primarily a vehicle for the mobilisation of sweat

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<sup>13</sup> The main benefits arise from citizens being able to make and exercise choice over the housing process. This ensures the conversion of the subsidy into maximum output, and that housing 'citizenship' is 'cemented from inclusion in human settlement development decision making' (DOH, 2004a:18).

equity as an alternative to existing beneficiary contributions. This ‘sweat equity’ approach to the PHP tends to undermine the key benefits of the approach. The current approach toward the PHP is thus inherently contradictory (DOH, 2004a:17–8).

At a more foundational level, though, those who devised and championed the PHP, and were instrumental in the appropriation of the model by government, not only misread the workings and functioning of the state – especially the modifications it would effect – but their ‘alternative’ was also, perhaps unwittingly, neoliberal.<sup>14</sup> Although grounded in an activist frame, with its emphasis on solidarity, mutuality, political mobilisation and deepening democracy, the ‘alternative’ reproduced liberal and authoritarian rationalities of rule, which ran alongside the HPA’s mobilisation and institutional engagement strategy. This failed to change the terms of trade between the state and the poor.

If the official shelter programme and the ‘alternative’ (presented above) offer the poor very little with respect to changing the terms of trade between recognition and redistribution, the Second Decade of Freedom presents tantalising prospects for improving the shelter and living conditions of the poor. This is connected in part to a more assertive state committed to addressing imbalances in the entire residential housing market and programmes targeted at spatial restructuring and socio-economic integration (DOH, 2004a). This is bolstered by a realisation at the most senior level of the executive that ‘if all indicators [development performance and societal trends] were to continue along the same trajectory, especially in respect of the dynamic of economic inclusion and exclusion, we could soon reach a point where the negatives start to overwhelm the positives. This could precipitate a vicious cycle of decline in all spheres’ (Presidency, 2003a:102). Various government pronouncements, once again, cast a spotlight on the meaning, identity and materiality of the transformation project. It is perhaps for this reason that, in his second term of office, President Mbeki, and his Cabinet, appeared more determined to push the frontiers of transformation in a deliberative manner. This is evidenced in (for example) the programmatic re-orientations of the restructuring of state assets; tough and concerted action against monopolies and the abuse of market power; the ambitious Expanded Public Works Programmes; the (hinted at) reintroduction of prescribed assets;<sup>15</sup> targeted interventions in the Second Economy; the reinvigorated commitment to national spatial planning (with a city focus); the rolling out and expansion of the social security net to vulnerable segments of the population (children and youth); accelerating the pace of transformation in the judiciary; further regulation of medicine dispensing and pricing; and strengthening the capacity of local government to meet its constitutional obligations (particularly baseline service provision).<sup>16</sup>

In 2005, the ‘January 8<sup>th</sup> Statement’ of the ruling African National Congress (ANC) – an outline of the party’s political programme for the year ahead, serving an important symbolic function of consolidation (*Cape Times*, 12 January 2005) - spoke directly to many of these

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<sup>14</sup> Referenced here to, amongst others, the works of Rose and Miller (1992); Rose (1996, 1999); Dean (2002); Flint (2003); and Roy (2006).

<sup>15</sup> During apartheid, pension funds were compelled to invest a certain proportion of their assets in government and parastatal stocks.

<sup>16</sup> There is a great deal more that could have motivated this somewhat ‘Polanyian-turn’ (Polyani, 2001, as discussed in Menocal, 2004).

issues with one commentator remarking that it ‘reflects a move by leading members [of the party]...to swing the party back to the left, not only in its rhetoric but in its policy’ (Rob Amato in *Sunday Independent*, 16 January 2005). Of note in the Statement is that the ‘democratic state must take the *lead* [emphasis added] in the transformation of the economy away from the fetters of the past, which constrain growth and development’ (ANC, 2005:4). Government also held a view – detailed in the *Ten Year Review* (Presidency, 2003a) – that the state should exercise greater leadership beyond the realms of areas under its direct control; elaborate a framework to improve the performance of both formal and informal institutions of the state; provide a vision and coherence to activities of civil society; and address the functioning of the state in its broadest possible institutional definition. ‘Working together with all sectors of society and through the developmental state’ (ANC, 2005:5), the state in the Second Decade of Freedom is one that can be characterised as guiding transformation through a combination of leadership and social control – a form of embedded autonomy (Evans, 1995) rather than consensual autonomy and inclusive embeddedness (White, 2002); a core (but not uncontested) feature of the contemporary developmental state.

The significance of pushing the frontiers of transformation in a deliberative manner through leadership and social control is that government’s commitment to enhancing the power of the state<sup>17</sup> now appears to span both institutional and political reform (not the case before). This is the hallmark of the social transformation state versus the liberal market consensus model. The social transformation state also focuses on service delivery but to ensure rapid change, the state effects relatively massive interventions in property rights systems (land reform, seizures and redistribution for example); creates, manages and removes (rather than simply minimising and abolishing) growth-generating rents;<sup>18</sup> executes significant resource transfers; and presides over an effective institutional enforcement regime that suppresses or accommodates interests opposed to transformation (M Khan, 2004; Mustapha, 2006). Examples of this type of state include the United Kingdom, United States of America, Germany, France, Belgium, Sweden, Netherlands and Switzerland in the early stages of their industrialisation (Chang, 2002) and continuing (in a milder form) into the post-war Keynesian/social democratic period; the high growth Asian states including Japan, South Korea, Taiwan, Singapore, Hong Kong, Malaysia, and more recently, China and India; and also now in Latin America with Venezuela and Brazil (amongst others) under the leadership of centre-left governments.<sup>19</sup>

Unlike the liberal market consensus state wherein enforcement is fixated on matters of anti-corruption and judicial reform (which are not unimportant), the enforcement capacity of the social transformation state is one that revolves around a combined package of institutional reform and political restructuring of organised power blocs. Put differently, institutional capacity building in the social transformation state proceeds in parallel with political

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<sup>17</sup> To accelerate service delivery, pursue an integrated housing plan, improve services in the health sector, expand access to education and social grants, redress economic imbalances, and deepen the democratisation and responsiveness of institutions (local government and the judiciary being key institutions) (ANC, 2005).

<sup>18</sup> There are a variety of rents including information, licensing, and access to natural resources.

<sup>19</sup> The Latin American experiments are underway and it is perhaps too early to make authoritative statements about their transformative horizons, capabilities and capacities. It can however safely be said that they seem to be increasingly veering towards a variant of the social transformation state in both ‘hard’ and ‘soft’ forms (Grabowski, 1994). This is further elaborated upon in the Conclusion.

interventions aimed at restructuring the distribution of political and organisational power with a view to encouraging the construction of productive coalitions to support the reforms of the transformation state.

In the housing sector, the evolving Comprehensive Plan is an ambitious attempt to:

- Intervene in property rights (delinking of land from the subsidy; stimulation of the social housing sector along diverse tenure tracks; preferential procurement; land expropriation at market value; mortgage lending disclosure);
- Create and manage growth-generating rents (tax incentives for inner city renewal; creation of urban development zones; developer clawbacks with the view to socio-economic residential integration; strengthening of the emerging contractor programme; deepened engagement with the financial sector around the Financial Sector Charter);
- Enhance resource transfers (accelerating the delivery of subsidies; informal settlements upgrade programme); and
- Politico-institutional restructuring of power blocs through Lead/Pilot projects (Cape Town's N2 Gateway Project being a case in point).

Effecting the transition from the immediate post-apartheid housing policy framed by the parameters of the liberal market consensus state to the more recent BNG (couched more in the ethos and spirit of the social transformation state) is not without its own problems at policy and implementation levels. The organisational, institutional, financial and political imprint of the (old and 'newish') liberal market consensus state is extremely powerful, codified in a host of regulations around which some programme managers have built extremely durable 'empires', i.e. officials who command incredible power by virtue of their monopoly of knowledge, expertise and control over the mechanics of implementation. As new opportunities for a more progressive housing dispensation arise, they may use their knowledge of and expertise in 'codification' (rules and regulations) to frustrate the progressive impulses/thrusts of new policy objectives. But their power also extends into policy production and classic principal-agency problems<sup>20</sup> that serves to narrow the BNG's development horizon<sup>21</sup> and 'negatively' (DOH, 2007:49) impact on 'improved service delivery' (Ibid), with more progressive<sup>22</sup> officials fighting a daily unremitting rearguard battle.<sup>23</sup>

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<sup>20</sup> There are various manifestations of this. In some instances, alliances between third tier top officials (Chief Directors or Programme Managers) and the most senior official in the department (the Director-General) results in the bypassing of formal organisational levels of reporting and accountability. In other instances, there is 'a practice of uncoordinated inputs that are sent directly from sub directorates and directorates [to Cabinet and other governance structures] without the Chief Director's or Programme Manager's endorsement' (DOH, 2007:49).

<sup>21</sup> Partly to protect their empires and the integrity of their first generation or First Decade programmes.

<sup>22</sup> Distinguishing 'progressive' officials from those implicitly being characterised negatively as 'not progressive' or directly as 'conservative' is not straightforward. There is a tendency in the debates about South African public service reform to speak of the *new guard* (officials mainly employed post-1994) (portrayed as 'progressive') and the *old guard* (apartheid-era officials) (villified as 'conservative'). It is asserted that a key

At the level of implementation, the new instruments (being tested through ‘pilots’) have to negotiate their way through a maze of inherited apartheid-era regulations and first generation/ First Decade of Freedom policies, legislation and regulations. Complicating matters is the ‘assumption’ that officials are the expert technocratic translators of political directives. Increasingly, these ‘expert technocrats’ ‘deliver’ to satisfy politicians and top officials, using simplistic sets of ‘instruments’ that are weak and, frankly, unworkable, without peer review and/or even properly applying their minds, thereby failing to meet the real needs of the people. Additionally, time lags associated with the promulgation of regulations<sup>24</sup> to activate and give effect to new (strong and weak) policy instruments further compromises (efficient) implementation.<sup>25</sup> Effective implementation is thus bedevilled by a host of tensions and contradictions with delays undermining the integrity, stature, authority and developmental potential of new policy. The net effect is a ‘business-as-usual’ outcome and, many a time, even worse outcomes.

It is the contention of this study that the policies framed by the parameters of the social transformation state affords government a unique opportunity to design and execute more sustainable human settlement interventions. However, the imprints and dominance of

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problem confronting the state and negatively impacting on development performance is the intransigence of the (apartheid-era) ‘conservative’ officials who refuse to align their [personal] value systems with the transformation objectives of the post-1994 government. These divisions are evident in the Department of Housing. New guard ‘progressive’ officials are broadly committed to a development agenda that is redistributive and pro-poor. Their project spans both institutional and political reform with the intention being one of deepening democracy, restoring dignity and expanding citizenship. This project is one of shifting the state from service delivery mode to transformation mode. The (old guard) ‘conservative’ officials take as their starting point the preservation and reproduction of the inherited socio-institutional fabric writ large in apartheid-era and first generation post-apartheid codes (and their work programmes). Whilst they may be committed to redistribution and equity, their development imaginations are not easily ‘re-programmable’, steeped as they are in the authoritarian rationalities of the apartheid state in whose service they spent many years. Their mindset is one that is disdainful of civil society and the state is viewed as the sole author and driver of development. However, it must be said that this view of the state is not exclusive to this group of officials. The distinguishing feature of these old guard officials though is their resistance and/or reluctance and/or inability to innovate and/or translate commitment to redistribution and equity into policy and programmatic instruments because self-preservation and protection of organisational empires is their starting point. But preliminary research suggests that this distinction between the ‘progressives’ and the ‘conservatives’ is very crude as there are fissures within these groupings. Also to conflate ‘old’ with ‘conservative’ and ‘new’ with ‘progressive’ is equally problematic. There are messy alliances between so-called ‘progressives’ and ‘conservatives’/‘new’ and ‘old’ guard officials at different organisational levels. This alliance is cemented by ‘status scripts’ – stories, legitimations and symbolic references a social group employs to distinguish itself in its competition for resources, power or influence from others within the institution – and draw its strength from extant and emerging circuits of power (Sitas, 1996). Together, these officials set agendas, frame debates, design interventions and then ‘code’ them. Under these circumstances, policy, programmatic and institutional re-orientation is rendered ad hoc, fragmented and uncoordinated as the consolidation of power and prestige takes precedence over transformation.

<sup>23</sup> Most of the ‘progressive’ (old and new guard) officials share an identity of purpose with Minister Lindiwe Sisulu. Although her purpose is largely aligned with that of the most senior officials in the department, these officials have to work through the senior official and strategic managers (Chief Directors) who may frustrate their efforts to actualise this purpose.

<sup>24</sup> Leaving aside the thorny problem of the identity, intentions and motivations of the ‘codifiers’.

<sup>25</sup> Where the first decade housing policy had only 9 programmatic instruments, there are nearly 30 BNG programmes, a number which will probably increase with further refinement of the demand-driven, supply-negotiated approach.

inherited apartheid-era regulations and first generation policies present very significant hurdles and obstacles manifested in a range and host of deformities and dysfunctionalities. The real acid test of the appropriateness, viability and efficacy of the BNG plan in respect of sustainable human settlement development resides in skilful management of the policy production-implementation nexus/conundrum (alluded to above); constant adjustments and innovations in the regulatory environment; socio-institutional capacity-building; and the construction and mobilisation of developmental social coalitions to support citizen-centred developmental statism. Anticipating and defusing tensions and contradictions associated with the new policy and additional ones (those generated during implementation) will require quite invasive (ongoing) ‘surgery’ to remedy institutional dysfunctionalities. This must of necessity run in tandem with systemic reform of our political economy which continues to reproduce and reinforce uneven development. With this in mind, the research problematic is one that probes and tests the assertion as to whether the Comprehensive Plan and the N2 Gateway Project can deliver sustainable human settlements that contribute to wealth creation, poverty eradication and equity.

### **Goals, Assumptions, Premises and Research Questions**

Amidst citizen and government disillusionment about the outcomes of first generation housing praxis are glimmers of hope – particularly in official circles, academia and civil society organisations – that the Second Decade of Freedom/second generation policies affords us opportunities to remake our human settlements in ways that are responsive to the needs and priorities of the poor. Whilst probing, testing and scrutinising the basis of this hope is the core component of the study, it is crucial here to signal an unapologetic commitment to use this research to inform and lend support to the broad project of advancing democratically empowering and poverty-eradicating shelter production regimes. Another goal is to take up Appadurai’s (2000) challenge to further ‘grassroots’/‘globalisation from below’ in the academic/research world. This is about engaging with the scholarship of the public intellectual and social critic – the intelligentsia of the poor – whose work is not primarily conditioned by the academic/professional criteria of criticism and dissemination associated with the (sometimes) barren world of the global professoriate. This research endeavour is an exercise in intellectual transgression – an attempt to find a rapport between the academic social scientific register and the humanistic styles of inquiry residing in the imaginations and aspirations of the poor and their intellectuals. The case study of the ‘alternative’, coupled with both formal and informal/structured and unstructured interactions with civil society representatives and champions are instances of the author’s commitment. These interactions and engagements are referred to in many places in this study.

In pursuit of this objective, the research is guided by five primary, interrelated, research questions:

- What are the key factors explaining the widening wedge between policy intent and outcome in the first generation of housing praxis?
- What ‘alternatives’ have been presented by civil society to mainstream official practice? How was/were this/these ‘alternatives’ incubated? How did the state respond? What were the implications of the ‘appropriation’ of the ‘alternatives’ for civil society formations?

- If existing housing praxis stands guilty of perpetuating, reinforcing and renewing uneven development, and if the appropriation of the ‘alternative’ has not shifted praxis in any significant manner, what measures (policy, programmatic and institutional) has the state embarked on to bridge the gap between intent and outcome by way of policy and implementation?
- What are the prospects of success for Comprehensive Plan? What are the key stumbling blocks within the state and wider political economy that presently and in the longer term are likely to frustrate and distort developmental outcomes? How are and can these stumbling blocks be addressed?
- What insights does praxis, both locally and elsewhere, offer to improve human settlement development outcomes?

This study is premised on the belief that development is a profoundly ‘ambiguated’ undertaking wherein processes of dependency and underdevelopment can be challenged and reversed by processes of development (Mkandawire, 2006). Arresting and reversing processes of dependency and underdevelopment pivots on striking and sustaining dynamic developmental balances between state, market and civil society, i.e. ‘tripod balancing’ (Evans, 2005:30). Of critical import here is the orientation of the state. If the state is one that ‘settles’ on a social formation – ‘builds its behaviour’ on the existing social structure of society, reproducing within public services and its various development interventions the many inequalities existing in the social formation, then the prospects for developmental outcomes are severely circumscribed. This is because service delivery and related official development interventions become the ‘bearers’ or expressions of the class, gender, racial and other divisions of the society of which they are a part. The inequalities and differentials in infrastructure provision, service delivery, infant mortality rates and so forth, observed between poor and wealthy neighbourhoods of the *post*-apartheid South Africa, bear testimony to many of the imbalances spawned (albeit not wholly) by the minimalist programme of this ‘settlement’ and/or liberal market consensus state.

On the other hand, service delivery, housing provision and the multiple activities of the state are also a terrain for challenging continued social division and exclusion, i.e. the transformative state. This is a state that challenges existing power relations but whose project is broadly one of advancing the goals and objectives of social inclusion, equity and justice. But the transformative state’s development agenda and mode of intervention is not unproblematic. Although it has a demonstrable track record in benefitting the poor (through increasing their incomes and resource transfers), its interventions and manoeuvres have also been technocratic, modernist, oppressive, demobilising of civil society formations, thereby reducing citizens to passive beneficiaries and objects of development. In this sense, the state is simultaneously a critical part of the solution – in expanding citizenship and furthering social justice – but is also part of the problem (Mackintosh, 1998).

Moreover, and more importantly, the state – as a key engine/dynamo of development – is not a monolithic entity with a single goal and driven by a single purpose.<sup>26</sup> Its intrusions,

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<sup>26</sup> Notable here is how Presidential pronouncements and edicts cascade through the political, institutional, organisational and bureaucratic hierarchies of government in uneven, fragmented, contested and conflictual formats.

interventions and penetration of civil society are not uniform but wavers/flitters between ‘settlement’ and ‘transformative’ thrusts/dynamics, depending on the balance of social forces and the configurations of state-civil society relations. Hence, institutional reform and the strategic (re-)orientations of the state is – to paraphrase the Italian Marxist, Antonio Gramsci – ‘a continuous process of formation and superseding of unstable equilibria’ (cited in Desai & Imrie, 1998:637). This conception of development as being ‘ambiguated’, and the state as part of both the problem and solution is a recurring theme of the study and an essential premise in explaining praxis vacillation. Accordingly, whilst the study aims to register and record movements and shifts in praxis, and to constructively contribute to ongoing deliberations about sustainable human settlement development, the study will strive to negotiate ‘statecraft’ in both optimistic and pessimistic veins, realist and hopeful, drawing quite heavily from the work of scholars associated with the ‘political economy of policy reform’ school of thought. Underpinning this outlook is one of an engaged individual (contract researcher in the employ of the Department of Housing) and an epistemology anchored in critical theory.

## Approach

Housing...is about everything but houses! It’s about the availability of land, access to credit, affordability, basic services, economic growth, social development, and the environment (Minister of Housing, 1997a).

Housing praxis eschews being sectorally bounded. It cannot be officially, academically, and disciplinarily pigeonholed, and is impacted by and impacts on broader societal processes. Viewed ‘**from above**’, housing praxis is both *expression* and *component* of a society’s wider development agenda. As *expression*, the agenda is conditioned and circumscribed by the nature of socio-institutional regimes regulating intersecting associational economies that define access to (amongst other things) land, credit, services, incomes, and welfare. The contours and content of informal and official regulation of the relationship/s between landowners and landless, moneylenders and borrowers, workers and bosses, employed and unemployed, homeless and landlords, and so forth define the materiality of the official development intervention; its effectiveness/outcome; and the broader orientation of politics (*settlement* versus *transformation*). The orientation in turn is mediated by local and external forces anchored in the dominant logics (and discursive adaptations) pertaining to poverty eradication/alleviation, economic development and wealth creation, the state’s institutional architecture (inclusionary/exclusionary, unitary/federalist/co-operative), and the pressures of international market forces. As *component*, official interventions condition, interact with and echo off the outputs of other departmental and sectoral policies and programmes, often unfurling a host of unintended consequences in the everyday experiences of poor communities. Seen ‘**from below**’, a sustainable living environment is likewise a great deal more than ‘bricks and mortar’. It includes access to land and secure tenure; appropriate infrastructure and services; the strengthening and reinforcing of (horizontal/positive) social capital; civic empowerment; deepening the access of the poor to the circuits of bureaucratic and political power; maximisation of choice and opportunities; and active measures to counteract discrimination against vulnerable groups.

The view **from above** and **from below** takes as its starting point how power (in all its manifestations and configurations) is assembled and wielded in mediating the boundaries of

social inclusion-exclusion, which defines access to and control over resources (land, credit, incomes, ‘voice’). Thus the housing question cannot but engage with poverty and inequality – not as discrete ‘policy problems’ – but constitutive problems, a starting point for negotiating and addressing uneven development. In other words, poverty and inequality – an understanding and appreciation of its political economy – cannot be residualised or blotted out in praxis deliberations. The political economy of poverty and inequality should be screwed into the marrow of praxis deliberations or be, more pointedly, the ‘essential entry point for transformative policy interventions’ (Parnell, 2004:10).

When taken together – **above** (*expression* and *component*) and **below** – the research approach is of necessity eclectic at epistemological, theoretical and methodological levels.

### Epistemology and Theory

The epistemology employed in this research combines – albeit not restricted to – inter-and multi-disciplinary approaches<sup>27</sup> with critical theory, which is concerned with the critique of dominant ideology and practice, the effects of domination, and potential for resistance. The distinguishing feature of critical theory is its penchant to creatively borrow from different schools of theory and practice related to both resistance and emancipatory thrusts.<sup>28</sup> The schools this research relies on include critical rationalism (which encourages open-mindedness and anti-dogmatism); and Marxism and neo-Marxism (to probe and uncover structural sources of power, to amplify the strategic selectivity and biases of the state, and to ‘overcome’ the post-structuralist tendency of the *subject* being primarily a product of discourse) (Fine, 1998; Jessop, 1983, 1988, 1990, 2002, 2002a, 2002b, 2003; Mackintosh, 1998; Mouffe, 2000; Heartfield, 2002); postmodernism/ post-structuralism with its focus on deconstruction and discursive analysis (which facilitates questioning of ‘objectivity’ and practice of apparent objectivity, normality and factuality through language and text which are both socially shaped and socially shaping); multiple and multiple-layered realities; the power-knowledge-order nexus and the contradictory nature of power (associated with the various works of Foucault) (e.g. Fischer & Forester, 1993; Dean, 2002; Flint, 2003; Flyvberg et al., 2003; Gordon, 1991; Higgs & Smith, 2000; Moodley, 2003; Robinson, 1996, 1997, 1998, 2003, 2004, 2004a, 2004b; Lemke, 2001).

The theoretical approaches deployed draw from fields and sub-fields of old and new political economy (e.g. Grindle, 1991, 2001; Fine, 2006, 2006a, 2006c; Jayasuriya, 2001, 2005; Rodrik, 2000a, 2000b; 2002a, 2002b, 2002c; 2006); comparative institutionalism (includes Amin & Thrift, 1994; Evans, 1996, 2000, 2002, 2004, 2005; Chang, 2002a, 2006; Rodrik, 1999; Lange & Rueschemeyer, 2005); public administration and development management (amongst others, Luke, 1986; Bentley & Wilsdon, 2003; Cooke, 2001, 2003; Kirkpatrick et al., 2002; James & Lodge, 2003; Turner & Hulme, 1997; Grindle, 2007); urban planning and human geography (includes Harrison et al., 2003; Hillier, 2002; Holston, 1998, 2002; Judin & Vladislavic, 1998; Satterthwaite, 2002; Hajer, 1993; Hart, 2001, 2002, 2004a; Harvey, 2007; Mantysalo, 2003; Sandercock, 1998, 1998a; Simone, 1997; Watson, 2003, 2004, 2005,

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<sup>27</sup> Multidisciplinarity combines perspectives and interdisciplinarity integrates perspectives.

<sup>28</sup> The contours of these emancipatory thrusts are fluid and its peaks can never be scaled – as some would have us believe - in a single revolutionary outburst.

nd); and political sociology (democratic transition/consolidation and developmental state literature) (Johnson, 1982; Amsden, 1989, 1997; Naim, 1994, 1995; Bresser-Pereira, 2006a, 2006b, 2006c; Klug, 2000; Fine & Rustomjee, 1996; Fine, 1999, 1999a, 2001, 2003, 2006, 2007; Gordon, 1996; Kohli, 2004; Leftwich, 2000, 2002, forthcoming; Przeworski & Limogni, 1993; Mkandawire, 1998, 2002; Sandbrook, 1996; Smith, 1993; Woo-Cummings, 1999; Robinson & White, 2002.).

The combination of inter- and multi-disciplinary approaches with critical theory permits the dissection of convoluted social relational fields that are bolted together by a conception of reality (ontology) that is provisional and fluid but framed in *Realpolitik* operating at multiple levels, i.e. political economy, social processes, institutional dynamics, and discursive adaptations. The theoretical approaches employed provide glimpses into *Realpolitik* from different vantage points but when layered and compacted into multi-focal lenses, they contribute to enabling unpacking and understanding *Realpolitik*. But the theory only partly assists in interpreting reality. Knowledge is also moulded and shaped by the modalities, form and substance of the individual's engagement with the world, which conditions and shapes the methodological approach and methods of data collection.

### **Methodology and Methods of Data Collection**

The research strategy encompasses a combination of textual analysis; case studies; structured, semi-structured and unstructured interviews; and electronic communication with activists, officials, practitioners, scholars, researchers and consultants. The texts are drawn from various sources including government media releases, speeches by government officials, policy, legislation, discussion documents and 'grey' literature (O'Laughlin, 1998) - documents not in the public domain. These include minutes of meetings, internal memoranda, internal organisational policy directives, internal evaluations, research reports and departmental business plans – to which the researcher had access to in his capacity as consultant to the national Department of Housing. Appropriate textual analysis techniques<sup>29</sup> are drawn upon in the interrogation of these documents, aided by secondary literature from the various abovementioned theoretical fields.

This research strategy is located on a spectrum ranging from total engagement (utilising personal records, documents prepared for the Department, interactions during the author's employment in the Department of Housing) to total disengagement or lack of engagement (reliance on (semi-/un)structured interviews and documents in the public domain). The strategy holds both advantages and disadvantages. The advantages include being able to understand and interpret present and unfolding praxis in an unmediated manner, i.e. direct exposure and insights into the workings of bureaucracy, housing practice and the dynamics of reform. Another advantage is the ability to clarify and test hypotheses and findings with key officials and politicians with a view to refining the research output. The disadvantages of total engagement are numerous but, in the main, they revolve around maintaining a critical 'distance' that could potentially be compromised by 'intimacy' with the state and its functionaries. The 'intimacy' harbours within it the danger of restricting the research gaze to state visioning and imaginaries versus a research outlook that is some distance from the

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<sup>29</sup> Discourse theory, critical discourse analysis and genealogical analysis.

subject matter and supposedly more rigorous (not unproblematically associated with the total dis-/un-engaged stance). In sum then, total engagement allows immediate unmediated exposure; and the ability to test, clarify and verify findings. The challenge is maintaining ‘distance’ and a critical research gaze (which is associated with the total dis-/un-engaged orientation). To reduce the risks associated with total engagement, the supervision is split between an academic and the previous Chief Director of Research of the Department of Housing – a PhD graduate who was seconded to government to mould and inform the content of the Comprehensive Plan.<sup>30</sup> Dual supervision – by an academic and engaged intellectual<sup>31</sup> no doubt contributes to safeguarding the rigour, integrity and credibility of the research as pertains to cross-checking and verification of findings.

Three case studies are presented which collectively reflect phases in policy development and practice refinement, i.e. state appropriation of an ‘alternative’; state-civil society re-engineering of policy; and state-driven implementation of the new policy through the N2 Gateway pilot project. Some lessons and trends are teased out (as per the traditional case study approach – see Yin, 2003) but the case studies are more about understanding statecraft through revealing patterns, rhythms, processes and motivations and the open-ended/fluid processes of institutional and strategic re-orientations of the state.

The first case study focuses on the HPA – the ‘alternative’ – and here the author draws on primary material (public and grey material) supplied by the HPA, and secondary material, supplemented by participant observation and structured interviews. The second case study focuses on the rationale and engineering of the ‘shift’ from the First Decade approach to the Second Generation strategy/Comprehensive Plan, drawing on a similar set of primary and secondary material but supplemented by the researcher’s personal involvement in the production of the Plan and interviews with key officials who drove (and are still driving) the design and content the BNG, and other officials responsible for implementation. An essential focus of the structured and semi-structured interviews with officials is identifying key obstacles to implementation, and how these obstacles are being negotiated. A select number of representatives from civil society organisations and housing institutions were consulted with the object being to record their views about the efficacy and appropriateness of the Plan. The third case study – which is not dealt with in depth – focuses on the N2 Gateway Project.<sup>32</sup>

The case studies strive to furnish the reader with a lens to view the mechanics of a society that is perpetually defining and redefining itself, its political identity and development agenda

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<sup>30</sup> This individual is familiar with academic protocols, has published work, and supervises other university post-graduate students.

<sup>31</sup> The previous Chief Director continues engaging with the Department, refining and giving greater definition to the Comprehensive Plan.

<sup>32</sup> The initial research proposal intended to conduct a detailed study of the N2 Gateway, but two key obstacles arose. In mid-2005, there was a breakdown of relations between national and local government around the Gateway project, and relevant primary documents were ruled by the Minister of Housing, Western Cape MEC responsible for housing and Mayor of the City of Cape Town to be ‘secret’. In addition, the author’s contract with the Department of Housing included a confidentiality clause which meant it was not possible to undertake a detailed study, conduct interviews, or administer questionnaires. The N2 Gateway is therefore dealt with in less detail than was originally planned, drawing only on data extracted from documents circulating in the public domain.

in ways that are responsive to the needs and priorities of the poor. The first case study – the ‘alternative’ – is one incubated in South Africa’s slums and adopted by the state through skilful political manoeuvring by the poor and their champions in civil society. The appropriation of the ‘alternative’ by government was not without its problems for civil society formations, but at the very least it alerts us to a state whose development agenda is open to influence by the poor (and their champions) and not – as conventional political economy theorists would argue – only serving the interests of the powerful and wealthy. The second case study relates the story of officially driven re-engineering of shelter policy with not insignificant contributions by prominent progressive development activists/practitioners located in civil society. The progressive impulses and thrusts of the Comprehensive Plan could potentially be thwarted by officials in the state (straddling various spheres and departments) and outside the state (in business and in international organisations). However, the BNG is nevertheless widely perceived as offering serious prospects for a real material advance of the poor. The third case study (N2 Gateway) speaks directly to how the state, through centralised decentralisation, attempted to materially transform the shelter conditions of over 100 000 inadequately housed citizens in a city that, years after the advent of democracy, remains the country’s most inequitable and divided. The N2 Gateway is a crucially important litmus test of BNG, hopefully providing clues about how (or how not) to deliver on a transformation project that views the production of viable social-public sector economy (in the Second Economy) as pivotal to deepening and consolidating socio-economic democracy.

Summarily, the case studies enable reflection on and assessments of our understanding of the hopes and perils of social constructivism in service delivery and social transformation. These studies potentially equip us to comprehend (albeit partially) the ‘reality’ of development – its ambiguity, ironies, tensions and contradictions that theory, expert scientific knowledge and policies can never fully digest, grapple with, understand and explain. They are firmly located in the ‘contextual constructivism’ (Bloor, 1997:235) frame that permits insights into how both theory and policy can be improved. ‘Strict constructivism’, as opposed to ‘contextual’ constructivism, is akin to social engineering as it sets up the vision of an ideal society (usually modernist), and then designs and assembles instruments, techniques and technologies to give effect to that vision. The problem with this approach is that it tends to ‘fix the future...by appealing to precedents that negate the value of present circumstances’, i.e. ‘the conflict, the ambiguity and indeterminacy characteristic of actual social life’ (Holston, 2002:326). ‘Contextual constructivism’, in contrast, works backwards, i.e. from a reality of development underperformance and deficiencies filtered through life-experiences and real impacts. Policy – in the contextual constructivist frame – is a situated discourse and the generation of ‘solutions’ entails working with and through diverse ‘collectivist members’ in examining, debating and resolving competing claims, demands and objectives (Bloor, 1997:236).

## **Impact**

Development is a constant struggle over the shape of the present and future. This struggle is complex, dramatic and traumatic, conditioned by (and conditioning) our location in the socio-institutional and political milieu. For those of us who are committed to pro-poor developmental outcomes, the aim of knowledge and knowledge generation is two-fold. Firstly, research is about critique to assist us in fighting, resisting and refusing to accept the

orthodoxies and inherited wisdoms of our world. To fight and resist *what is* constitutes an exercise in laying bare to our policy makers and other influential people in our society that – to paraphrase Ben Okri (1991) – their ‘dreams’, ‘visions’ and ‘imaginaries’ routinely brutalise the poor, but show them that the ‘facts’ of our world are far more imaginative than the productions of our (mainstream) imaginations. Every reality, alerts Okri, has an alternative possibility. Challenging power in its myriad formations and manifestations, i.e. visible and invisible, centred and decentred, conscious and unconscious, obtrusive and unobtrusive, is an essential step in re-dreaming and rethinking our world. If our realities, as Okri reminds us, are manufactured, and humans are blessed with the necessity of transformation, we must, as ‘creative participants in the universe’, re-dream our world.

This re-dreaming – constructive visioning versus utopian plans/planning – is of the contextual constructivism type embedded in an ontology that rejects positivism and the endless (impoverished) relativism (of certain streams) of post-structuralism/post-modernism. Contextual constructivism, as situated discourse which critical theory layers and compacts to illuminate and clarify *Realpolitik*, determines the methodology of the research that, in this instance, ranges from full engagement to total dis-/un-engagement. Put differently, re-dreaming is a journey that moves from critical realism (ontology) to inter- and multi-disciplinarity and critical theory (epistemology), powered by degrees of dis-/engagement (methodology) with the destination being uncovering the structural distortions of our society and the ambiguity of development.

In summary, if the epistemology and theoretical frame is embedded in critical theory, if deconstruction of discursive adaptations is a critical thrust, and if the research aesthetic<sup>33</sup> is inspired by a passion and commitment to inform and support the broad project of advancing developmental shelter production regimes, the intended impacts of the research are:

- Redefining the scope of existing housing praxis scholarship and inquiry in order to break with dominant disciplinarily pigeonholed approaches and prising open energised theoretical vistas drawing from political economy, comparative institutionalism, democratic transition/consolidation, developmental state, political sociology and policy reform literatures;
- Registering and recording the views of a select spectrum of excluded voices and perspectives from mainstream housing debates – previously characterised as an ‘exercise in intellectual transgression’ - to demonstrate the value of other voices in enlivening housing praxis, and potentially rendering it more responsive to the needs and priorities of the poor;
- Contributing to and deepening the knowledge base of democratic consolidation referenced to the complex and convoluted nature of policy formulation, policy reform and implementation in general, and the shelter sector more specifically; and
- Contributing to improved shelter outcomes through the injection of research findings into (one of) the laboratories of policy formulation and implementation, namely the Department of Housing’s Policy Research and Programming Directorate.<sup>34</sup>

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<sup>33</sup> See Silverman, 1997 for full discussion.

<sup>34</sup> The prospects of being able to influence ongoing official praxis debates and deliberations are improved by the researcher’s relationship to key national department officials in a number of strategic directorates.

## Structure of Study

The first Chapter delves into the origins, evolution and informants of post-apartheid housing policy, identifying and analysing the paradigms, pressures and forces that collectively conspired to produce a housing policy conditioned by ideas circulating in the late apartheid period. The dominance of the market enablement paradigm; the pervasive influence of planning orientations that fenced out power; the timing of the negotiations; the structuring and workings of the NHF (whose main concern was with ‘establishing some kind of compromise than with sorting out the optimal housing plan’ (Gilbert, 2002a:1928)); the ANC’s views on representation and leadership; the liberation movement’s moderation of its socio-economic transformation aspirations; and the hegemony of consensual models of reconstruction and transformation worked to generate a policy based on ‘precepts of the pre-democratic period’ (Mabin, 2000a:15). Drawing from the policy reform literature, it is proposed that state policies are products of struggles to define and narrate problems which can be dealt with through state action, thus setting the bar at what is possible and implementable. In other words, the ‘effectivity of policy-making is closely tied to rhetorical and argumentative framing’, with ‘effectivity, like beauty’, existing ‘in the eyes (or ears) of the beholder’ (Jessop, 2001a:11). Elite discourse coalitions framed the problem (‘adamant that no other kind of subsidy programme [old IDT type] was possible’ (Gilbert, 2002a:1920)), in ways that suppressed other discourses (namely, admitting and permitting only the past technocratic market-driven developmentalism - ‘housing as a technical problem which could be solved on the basis of a subsidy formula and minimum standards’ (Rust, 1997:93)), and executed the policy reform process according to the ideas of the discourse, i.e. consensual and depoliticised modes of decision making which excluded service organisations and direct representation of the poor, a strategic blunder of the ANC. Underscored in this Chapter is the theme of continuity in discontinuity – that is, how ‘framing’, discourse coalitions and timing collectively conspired against adjustment of the boundaries of exclusion, i.e. modifying, rather than substantially altering, the existing distribution of power and privilege.

The subject of Chapter Two is how a left-of-centre government came to settle on a minimalist and conservative housing programme that conformed closely to - and some even say was more conservative than - World Bank strictures. Surprisingly, this incoming government ‘tacitly rejected’ (Mackay, 1999:388) World Bank strictures and ‘normally ignored’ (Gilbert, 2002a: 1926) their advice. To explain housing policy’s colonial and apartheid continuity in the apparent discontinuity of the *post*-apartheid era, we move beyond the ‘agential’ (a term borrowed from Habib & Padayachee, 2000:259) analysis of Chapter One and turn to the structural, institutional and social dynamics conditioning developmental state construction in the transition and liberalisation periods. This is a discussion of the *Realpolitik* of post-apartheid developmental state-making, spotlighting housing praxis as *component* and *expression* of these complex, confused and convoluted dynamics.

The Chapter commences with a discussion of the core features of the developmental state, spotlighting its activist industrial policies, its challenging of the negative association of growth and rent-seeking, the state’s dense and intimate ties with capital, and its dismantling of existing socio-political blocs in the service of nurturing appropriate class coalitions to support and drive new development paths. We then detail the prejudices and hypocrisies of the present debates around late industrialisers (particularly in Africa) employing these same techniques on the grounds of these countries being dependent, prone to capture, lacking

ideology, and their past poor performance record. This all comes together in the ‘impossibility thesis’, which rules out African governments mimicking these strategies. We trace how South Africa, in the early period of democracy, came to contest the impossibility thesis to its gradual embrace of pragmatism and minimalism refracted through the different conceptualisations of economic development and housing from the MERG to the RDP to the White Paper. Underscored here is the subordination of the shelter programme to orthodox macroeconomic policy orientations, i.e. to the fortunes and failures of existing path dependent economic growth cycles. The adoption of the fiscally disciplined instrument of the capital subsidy - a function of the rightsizing of the ANC’s economic transformation aspirations – is proposed as the ‘forerunner’ (Monty Narsoo, the ex-Deputy Director General of the national Department of Housing cited in Charlton & Kiharto, 2006:278) to our self-imposed structural adjustment programme (Growth, Employment and Redistribution Strategy (GEAR)). GEAR, it is asserted, solidified further neoconservatism’s already firm grip over the shelter sector.

The Chapter then shifts to a discussion of SA’s commitment to developmental state construction and details our weaknesses with respect to our fears and hesitancy to purposefully wrestle, developmental state-style, with white economic interests or the interests of capital more generally (Leftwich, 2000). This fear and hesitancy is also registered in the housing sector given the ANC’s view that for housing policy to have ‘credibility’, it necessarily required the ‘endorsement of the largely white professional, construction and financial community’ (Mackay, 1995:143). The ANC’s problematic conceptualisations of the mechanics and modalities of developmental state construction, its myopic conception of the world economy and globalisation, and its marginalisation of social forces that could partner with government in leveraging progressive change, places capital in a hegemonic position (the driving seat of reconstruction). The prospects of ‘getting the politics right’ to ‘get the prices wrong’ is in this context not very promising. The Chapter alerts us to the paramount importance of applying our collective minds to transformative state construction, given that it is highly ‘unlikely’ for ‘any society to make a speedy and successful transition from poverty without a state that in some senses corresponds to [the] model of a developmental state’ (Leftwich, 2000:169).

Chapter Three closes the state construction-housing dialectic loop by focusing on the imprinting of these numerous miscalculations and myopias on *post*-apartheid housing praxis. The first part of the discussion concentrates on our governors’ conception of relationship between housing and the macroeconomy and the second hones in on the relationship between the housing intervention and poverty. This Chapter counterpoises the enshrinement of these relationships in the White Paper to that of East Asian developmental state praxis. The focus here is on how the key thrusts of our policy – housing as a short-term welfarist intervention in an untransformed political economy – differs from the approach of the East Asians. South Africa’s chosen approach negatively impacts on urban efficiency and productivity, socio-economic and spatial integration, citizenship and asset accumulation, property market development, responsiveness to demand and need, institutional viability, and fiscal sustainability. The programme’s failure to locate itself in the microeconomics of livelihood and survival strategies, its blindness to demand-side factors, and its bias towards freehold tenure (amongst other things) exacerbates poverty and destroys fragile livelihoods. Searching questions are posed here about the substance and materiality of post-apartheid citizenship, our commitment to advancing human rights, the broad socio-institutional reform project, the

democratic construction of place, asset accumulation and wealth generation and urban restructuring and integration.

Having alerted to a few fundamental problems of the housing programme and its many unintended consequences arising in significant measure from government's inability to productively re-configure politics and prices or establish an appropriate social ecology, Chapter Four turns to an analysis and dissection of civil society-engineered alternatives. Targeting the most vulnerable segments of the poor (those living in slums, backyard shacks and hostels), the HPA rejected both apartheid and post-apartheid housing solutions. Anchored in the microeconomics of the livelihood and coping strategies of the poor, and at some distance from traditional forms of state-civil society collaboration and partnerships, the featured strain of civil society or democratic developmentalism rewires the terms of trade between the state and the poor premised on reclaiming the poor's democratic right and power to choose, champion and implement their own development path. Contesting the dominant state-facilitated market-driven approach, the civil society delivery regime is positioned at the intersection of the *inventiveness* of civil society (their cents and pennies, their networks and social capital, their links which stretch from pavement to continental) and the *intervention* of the state (housing subsidy). The alternative pro-poor (*Third Way*) strategy, it is demonstrated, recorded progressive advances over the mainstream delivery regime. However, the marriage of conservative state governmentalities with the (not unproblematic) HPA counter-governmentalities (self-empowerment, self-responsibilisation, the aestheticisation of poverty and heroic narratives about the poor) torpedoed the delivery regime. Put differently, when democratic developmentalism was harnessed by the state in the service of social wage downsizing and legitimisation of social contract minimisation, the result was its bastardisation (People's Housing Process equals 'savings' and 'sweat' versus societal capability-building and empowerment). The main finding of this Chapter is that state developmentalism and civil society developmentalism rise and fall together. Similar experiences in Latin America demonstrate that the marriage of the inventiveness of civil society and the intervention of the state need not always degenerate into joint decline. In other words, and here drawing from experiments in the South, reconnecting state and economy (the vertical axis of governance) and state and society (supersizing civil society) need not degenerate into state ensnarement of civil society or societal capture of the state. So, if in South Africa, the failing of state developmentalism and civil society developmentalism resides in them jointly and separately 'getting the politics *right*' to 'get the prices *wrong*', historical record and contemporary experimentation, we argue, alert us to successful interventions pivoting on 'deliberate interference with public and private operations' (Burger, 2006:n.p). This is arguably precluded by our zigzag politics of staying and changing the course and the dysfunctional developmentalism it generates, nurtures and perpetuates. It is this zigzagging that the narrative turns to in Chapter Five.

Irreverently penned, Chapter Five addresses the causes of and reasons for our inability to reconnect and reconfigure the axes of governance and the associated slide into dysfunctional developmentalism. At the base of this dysfunctional developmentalism is the abiding (misguided) commitment of 'doing the *right* things' (Freund, 2006a:20) for the *right* people (the 'tightly-knit elite of black businessmen, ex-politicians and public servants, bureaucrats and ANC leaders' (Ibid)), which, in the end, comes to nurture and sustain a socio-political ecology of 'fragile stability' (Beall et al., 2005:697). The praxis schizophrenia generated by fragile stability goes some way in explaining our failure to break with inherited and new institutionally and socially corrosive fault lines and why, despite our best efforts and

intentions, the state, in the end, hijacks and sabotages its very own progressive policies, programmes and projects.

*Breaking New Ground* – whose genesis, birth and evolution constitutes the subject matter of Chapter Six – has to negotiate and engage the complex hybridised dynamics generated by zigzagging and fragile stability. The Plan's firm roots in the 'sound fundamentals' of the pre-democratic/late apartheid precepts of the White Paper, Treasury's considerable influence over the Plan's emergence and genesis, and its contested lineage, divides experts and authorities as to whether BNG as strategy is just 'more of the same', 'fundamental departure', or 'rhetoric trumping reality'. In practice, BNG has to cope with the numerous overlapping irresolutions of macroeconomic stabilisation, structural adjustment and the heightened dysfunctional developmentalism of contemporary post-adjustment strategies. These are manifested in the contests and controversies surrounding the extent of, and interactions between, commodification and decommodification, formalisation and informalisation, regulation and deregulation, sustainability and speed, centralisation and decentralisation. For many, the prospects for success of this genetically compromised, contradiction-laced and half-cooked Plan are slim, related to problems in the spheres of finance, institutional capability, instrument impurity, regulatory frameworks, deep-seated principal-agency problems, socio-institutional capacity building and tripod re-balancing. For others, success is contingent on structurally rewiring housing delivery imperatives with land availability, infrastructure, transport, economic opportunities (which were delinked in the White Paper and inadequately addressed in BNG). This would mean, it is posited, a decisive break from continued reliance on charters, accords, compacts and memoranda of understanding, which offer diminishing returns under present market conditions. More importantly, this would require - and here again verified by historical record and experience - a radical redistribution of power that substantially alters structural power between the homeless poor, public authorities and the private sector; building and mobilising collective action of the poor; and the democratic negotiation of large scale collective solutions across the public-private divide. Once again, SA history and contemporary statecraft (in East Asia and Latin America) illuminate the many pathways to rewire the contacts, connections and circuits between rich and poor, state and citizens, and state and society, which our governors are not oblivious to and/or ignorant of. Indeed, without the strategic interventions and/or positioning of the (admittedly weak and hesitant) First Decade state, the building industry, the financial sector and construction sector would not have lent support (albeit grudgingly and not without problems) and/or been delivered to the immediate post-1994 housing drive.

Latin American and East Asian case studies, amongst others, suggest that developmental states are not available on demand, commanded into existence, nor 'had to order'. Against this backdrop, the Conclusion of the thesis is directed to re-dreaming, re-thinking, and resuscitating developmental statehood and statecraft grounded in experimentation, empirics and experience. In the closing pages, we locate the South African state in the contemporary debates and praxis of developmental statecraft and transformative state-making. Utilising two schools of developmental state scholarship (the 'economic' and 'political'), the state is characterised as 'weak/soft' and 'intermediate' (respectively). The cumulative result is a state that refuses to engage in the invasive socio-economic and institutional surgery that characterises the developmental state. A further constraint, it is asserted, is the intertwining of state-orchestrated 'outside in' and state-facilitated conglomerate 'inside out' globalisation (Carmody, 2002:266). This gives rise to state that is embedded in global forces and negatively connected to ('negative autonomy from') domestic social forces. It is a state that

'uses its power to constrain its power' (Ibid) and thus undercuts the social foundations of a project of developmental state construction and intervention. Differently worded, the transnational capitalist business model embeddedness and the intertwining of globalisations potentially rules out any drastic interference in property rights, financial markets and the socio-political distribution of power. If the one leg of the explanation for poor development performance is located in the class-compromised nature of the present state, the mode of operation of the 'intermediate state' drives further the social distance between state and society, manifested in the design and execution of technocratic and authoritarian development policies, programmes and projects of the poor. The Conclusion invites and provokes us to re-interrogate our statecraft grounded in institutional and democracy/tic thickening/densification; opportunities presented by a reconditioned shelter-governance agenda regime (whose success hinges on squarely confronting and negotiating the exclusionary workings of the interlinked financial, land and property markets); old and contemporary experiences and lessons of developmental statecraft; and the present re-balancing and realignment of domestic social forces.

## Chapter One: Conceptually Framing Post-Apartheid Housing Policy Origins, Evolution and Informants

### Introduction

Siphokazi Ntutela – a resident of QQ, one of the oldest squatter camps in Cape Town<sup>35</sup> – searched desperately for her 13-year old sister, Nombifuthi Mdibaniso, and eventually found her weeping ‘doing something unspeakable outside a stranger’s toilet’.

It is something most residents of QQ...are forced to do, because it not only has no toilet of any kind, but lacks even the primitive bucket system of many other camps... QQ’s people must walk to Q-section of Khayelitsha, beg strangers to unlock their outside toilet – and clean the excrement piled around it to earn the right to use it. Ntutela found her sister... on her knees, with plastic bags on her hands, tears streaming down her face. I thought, my God, what has happened to this country? That a young girl must do this just to be sanitary.<sup>36</sup>

In the third week of May 2005, QQ residents joined communities from Gugulethu and Happy Valley in demonstrations demanding delivery of housing and basic services, with tactics ranging from land invasions to the dumping of sewage buckets in the streets. Police action, reminiscent of the dark apartheid days, was swift and brutal, namely, rubber bullets, tear gas and arrests on charges of public violence. There were also reports – although denied by the National Intelligence Agency and the Western Cape Department of Local Government and Housing – of the intelligence services investigating the involvement of ‘sinister [third] forces’ in the 1980s-style township protests.<sup>37</sup>

In the following week, President Mbeki reportedly told Parliament that the *riots* ‘did not pose an immediate danger to our democracy’, although the country’s stability could be threatened if the demands of the poor for housing and basic services went unaddressed.<sup>38</sup> But while the President uttered these words, another drama was quietly unfolding in the National Assembly. The honourable Member of Parliament Gatsha Buthelezi was reportedly subjected to what his colleagues termed ‘humiliating’ treatment after a security dog – following a customary sweep of the house before the Presidential address – defecated under his desk. The ‘incident’ caused a furore. The honourable Buthelezi was astounded that ‘it should come to this in this holiest of holies’. After an exhaustive investigation of the ‘incident’ by both the police and Parliament’s management, Buthelezi was issued with apologies, with the police expressing relief that the ‘incident’ did not constitute a ‘breach of the President’s security’.<sup>39</sup>

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<sup>35</sup> Residents have been living in this flood-prone area for over 15 years, with no access to sanitation, refuse collection or shelter. The streets are said to resemble sewage canals. Children are constantly sick and have ‘purulent sores’ on their faces (*Sunday Independent*, 5 May 2005; *Cape Argus*, 18 July 2005).

<sup>36</sup> *Sunday Times*, 29 May 2005.

<sup>37</sup> *Cape Times*, 30 May 2005.

<sup>38</sup> *Ibid.*

<sup>39</sup> *Cape Times*, 27 May 2005; *Weekend Argus*, 28 May 2005.

When reflecting on these seemingly unconnected incidents, it is extremely unsettling that protests against the daily violations of the dignity of the Siphokazis and Mdbibanisos of our world are brutally suppressed and criminalised; their politicians in high office, on the other hand, when confronted by dog excrement are issued with apologies for having to endure ‘humiliating’ treatment. Suppression and criminalisation of the poor forced, in the words of a Khayelitsha protest organiser, to ‘live in shit’<sup>40</sup> – but exhaustive investigations and apologies for the elite who occasionally have to confront dog poo in their grand debating chambers supposedly dedicated to upliftment of the lives of the poor and downtrodden! Surely, there is something profoundly awry with our society’s moral frame, not because of the co-existence of dual value systems. More pointedly, it is the depth and intensity of the difference in the way ‘public spectacle’ is perceived, managed and defused.

How South Africa arrived at this situation is partly the subject matter of this Chapter through a brief tracing of the origins, informants and evolution of *post*-apartheid housing policy, whose subsequent materialisation in legislation, regulations and institutions betrays its very deeply compromised underpinnings and foundations. But an argument of the policy being compromised is by no means an original insight if grounded in an understanding of policy reform and change as a ‘messy process’ conditioned by, amongst other things, a country’s history, ideology, political economy, influences of development agencies (foreign and local), policy entrepreneurs/experts, bureaucrats and civil servants, political parties, and pressure groups (Dolowitz & Marsh, 1996:356; Klak, 1997). It is in this complex interplay of forces and force-fields that housing (like all other) policies and programmes always ‘result from political expediency’ (Jenkins, 2002:106), reflecting the prejudices of the age, classes and institutions from which they derive. In South Africa’s attempt to balance and reconcile ‘antagonistic aims’ – community development and empowerment and private sector-driven (state-facilitated) delivery regimes - expediency led to the reliance on ‘previously tested mechanisms’; i.e. ‘policy and subsidy mechanisms were basically developed for implementation by the existing civil service, which had – and has – limited experience of alternatives’. Institutional and technical capacity constraints combined with the ‘political and economic goals of the new ruling elite and their consociational partners’ (Jenkins, 2002:106), spawned expedient policy.

But the cruel irony of ‘expedient’ policy (and policy manufacture) – a tale still to be coherently narrated – is how South Africa came to settle on a shelter policy that conforms closely to the World Bank (1993) prescriptions, even though the incoming government supposedly ‘tacitly rejected’ (Mackay, 1999:388) key Bank proposals and ‘normally ignored’ their advice (Gilbert, 2002a:1926).<sup>41</sup> Important also is the finding that the leverage of Bretton Woods institutions (World Bank and International Monetary Fund) at the macroeconomic level was not significant, even well into the 1990s (Saul, 2005).

Unemployment, a low level of domestic investment, and poor economic growth presented (and continues to present) daunting challenges, but inflation and public sector debt were within international standards and therefore not considered problematic. Despite declining rates of net investment and savings, private sector financial surpluses were on the rise from

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<sup>40</sup> Cited in *Sunday Independent*, 5 May 2005.

<sup>41</sup> In contrast to housing policy, the influence wielded by the Bank in the spheres of infrastructure provision, service delivery reform, intergovernmental financing was extremely powerful (see R Tomlinson, 2002).

1988 ('locked within giant conglomerates') (Habib & Padayachee, 2000:247) and foreign debt was dramatically reduced through an 'enforced debt rescheduling arrangement' in the latter part of the 1980s. The country's 'physical infrastructure stock...and financial, banking and informational systems were impressive (albeit racially skewed) even by international standards' (Ibid). Moreover, significant skills and expertise (technological, human and business) existed in 'some sections of the population' (Ibid). Undoubtedly, the South African state required very substantial re-orientation and surgery, but a 'successful history of state-led industrialisation' through parastatals (Luiz, 2002:601) presented promising avenues for sustainable poverty- alleviating growth. On the shelter front, there were also some 'potentially beneficial aspects': cheap labour, low overall population and development densities, 'English model sanitary and building codes' that sustained infrastructure and prevented the type of urban collapse encountered in other developing country cities, 'not excessively onerous' planning and building regulations, and 'well established' building and building supplies industries (Mackay, 1999:388–9).

The prospects for the negotiation of a more progressive development policy were further enhanced by the emergence in the early 1990s (grudgingly accepted even by the World Bank) of a 'countercritique of the neoclassical [economic growth] paradigm based on a reinterpretation of the East Asian development experience'.

The central thesis associated with the newly emerging countercritique, which we might classify as broadly 'institutionalist', is that the phenomenon of "late development" should be understood as a process in which states have played a strategic role in taming domestic and international market forces and harnessing them to national ends. Fundamental to East Asian development has been the focus on industrialisation as opposed to maximising profitability on the basis of comparative advantage. In other words, market rationality has been constrained by the priorities of industrialisation. Key to rapid industrialisation is a strong and autonomous state, providing directional thrust to the operation of the market mechanism (Onis, 1991:109–10).

In two of these East Asian developmental states – Hong Kong and Singapore – state-directed public housing provision, the 'backbone' of sustained and spectacular economic growth – '*preceded*' the economic take-off and was '*functional*' to the rapid growth registered by both countries (Castells et al., 1991 cited in Lupton & Murphy, 1995:161, original emphasis). Evidence to support the idea that housing was functional to economic growth – not necessarily referenced to the developmental state – is 'ample'. Housing investment stimulates economic growth and can 'also be used to affect both the pace and direction of growth'.

Countries with large settlement development and housing programmes tend to have faster economic growth, and often faster industrial growth, than countries without them. With few exceptions, countries that stimulate construction activities and make high allocations to settlement development and housing programmes achieve fast rates of economic growth, low rates of unemployment and an equitable income distribution (Adebayo, nd:5).

Predictably, the intellectual mercenaries of South Africa's organised and traditionally myopic white capital, Mike Oelofse, the senior manager of the disbanded Urban Foundation's Housing Policy Unit,<sup>42</sup> were quick to dismiss developmental state examples as 'not viable models transferable to the local situation'. The Singapore experience was slated as 'too idiosyncratic', and thus 'irrelevant' to South Africa (Oelofse, 1994 paraphrased in Lupton & Murphy, 1995:161). Radical geographers contested these assertions, claiming that the policy instruments and planning mechanisms of developmental states were relevant and transferable, i.e. an 'efficient technocracy; stable fiscal policies; long term planning' (cited in Lupton & Murphy, 1995:161).

If external leverage was limited 'positive and potentially positive economic fundamentals were in place' (Habib & Padayachee, 2000:247); policy precedents along the lines of developmental state housing interventions were available, relevant and transferable; a state with some history in undertaking successful state-led industrialisation was present; and 'potentially beneficial aspects in the housing system' existed – all of which, collectively, afforded resources that could have been creatively and imaginatively mined. A further intellectual lever at the disposal of South Africa's policy community resided in endogenous growth theory – although not unproblematic (see Fine, 2006, 2006a, 2006c) – profiling alternative growth, investment and development policy outcomes especially as this relates to the impact of investment on human capital formation and skills acquisition. Endogenous growth theory offered prospects to cobble policy balancing macroeconomic growth imperatives with democratically chosen priorities in the sphere of basic needs. This entails an approach that commences with democratically-oriented developmental objectives and then considering how constraints can be influenced to enable achievement of the objectives rather than vice versa (see Harris, 1997 for a full discussion).

Alternatives were thus available and within our reach. South Africa, for one commentator, presented an 'opportunity' for a 'democratic strategy of development', which entailed government investment in social programmes, and structural transformation through democratic developmental means (Peet, 2002:77). Tragically, this opportunity was squandered. The evidence suggests that in the negotiation of the housing challenge, social forces did not seriously attempt to shape the future state into a developmental one, nor did they come to articulate a consistent and credible pro-poor shelter development policy. But should we have expected a different outcome, asks Peet (2002:77), in the face of the dominant perspective 'articulated by SA capital through liberal business organisations strategically integrated into the ANC'? The writing seemed already to be on the wall in early 1992, some months before the launching of the National Housing Forum. One of capital's intellectuals – with not insignificant influence in the liberation movement's policy circles – said:

In my view it is likely that the housing policy debate will focus on adjustments (which could be quite substantial) to the De Loor proposals [<sup>43</sup>] rather than the consideration

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<sup>42</sup> Representing the interests of organised business, the Urban Foundation (UF) was set up in 1976. Its core purpose was the maintenance of the economic status quo through liberal market-driven urban deracialisation (Swilling, 1998a).

<sup>43</sup> Appointed by the South African Housing Advisory Council, the De Loor Commission presented its proposals to government in 1992. It was during this time that the outgoing government became concerned to be perceived

of **vastly** different housing policy alternatives. Reasons include: a growing international consensus on approaches to national housing policy; pressures from international development agencies such as the World Bank, the IMF and others to think about housing policy issues in particular ways; the crisis on the left about the relation of ideology to policy; and finally a variety of practical considerations which have to do with existing capacity differentials (between the main actors) (Smit, 1992:1, original emphasis)

Every one of these ‘reasons’ – for non-deviation from De Loor – is deeply contestable and is nothing short of discursive adaptations justifying the retention and protection of the status quo. Accordingly, it will be argued in what follows that the conservative *post*-apartheid housing policy outcome is attributable to a complex confluence of forces and ‘constraints’ (primarily self-imposed) that pre-/overdetermined the contours and materiality of the transformation project (in general) and housing policy (in particular).<sup>44</sup>

This Chapter identifies, explores and elaborates the self-imposed constraints (and their mechanics) with specific reference to the origins and evolution of *post*-apartheid housing policy. The international policy environment is sketched as background informing the late 1980s and early 1990s shelter policy deliberations. The discussion pertaining to the origins and evolution of *post*-apartheid housing policy points to the importance of not imposing/imputing a master-slave (global-local) binary on local policy development in light of its (previously alluded to) ‘messy’ nature. Not unexpectedly therefore, governments of less developed nations (in the area of housing praxis) have often ‘resisted the pressures of colonial rulers and the blandishments of the technical experts deployed by international agencies’ and ‘nations in the developing world have been more than passive recipients of ideas and programmes’ (Harris, 2003:165). Gilbert (2002b; 2004a; 2004b) further demonstrates that countries have considerable autonomy in negotiating their own shelter

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as adhering to international trends in development policy and thus – started to become ‘especially responsive’ to policy recommendations emanating from international agencies and Bretton Woods institutions. The Commission borrowed from the World Bank’s market enablement approach, with its proposals falling within a market-oriented framework in which housing is seen as an ‘economic good’ or commodity. In accord with World Bank recommendations, the De Loor Report suggested that government should adopt an enabling strategy, ‘involving policy formulation, co-ordination, and the provision of key interventions, for example a once-off capital subsidy’. The role of the private sector was elevated on the basis of its perceived ‘superior ability’ to deliver and maintain sites and housing. The Report recommended that government’s budget for housing should increase from 3% to 5% of the gross domestic product. It called for an income graduated once-off capital subsidy, commencing with the provision of a serviced site to a formal house. Interestingly the Report contained a proposal for the establishment of a housing finance corporation that would, *inter alia*, facilitate the provision of loans for land purchase, bulk infrastructure, rental housing, short-term development finance and finance for upgrading and urban renewal. The development NGO Planact challenged the key assumption underpinning these recommendations, i.e. South Africa’s ‘capital shortage’, pointing to the significant amounts of money already in financial markets, insurance companies and pension funds. Planact held that the dangers of deregulated housing finance and dependency on foreign capital had not been properly evaluated, nor was the assumption that poor households could afford deposits and pay housing loans and service charges. Planact contented further that the Commission’s subsidy proposals failed to target informal housing consolidation (existing and serviced sites to be delivered through the proposed subsidy intervention) or to factor in differential land costs (Lupton & Murphy, 1995:156–8). Bond (2000a:133) critiqued the report at length, labelling it as a ‘synthesis defending status quo institutions and promoting neoliberal mean-spiritedness’.

<sup>44</sup> Large sections of the arguments below are extracted from Khan (2003).

policy through clever officials playing off powerful institutions against one another and/or exercising their market power (through sheer size) and/or mobilising expert knowledge to counteract unwelcome intrusions into domestic policy.

Rebutting the conventional belief that policy transfer is only a top-down process is the finding that the flow/diffusion of policies and ideas between powerful social groups in periphery and metropole is mutually constitutive. But in relatively ‘closed’ and ‘unexposed’ policy communities like South Africa<sup>45</sup>, instead of ‘introducing new ideas’, policy transfer through ‘lesson’ drawing – and its filtration through structurally uneven institutional terrains, perceived socio-economic and political imperatives and realities, and strategic (mis)/calculations of politicians and bureaucrats – tends to reinforce the existing status quo (Dolowitz & Marsh, 1996). This process of policy diffusion served (at most times, but not always) to ‘manage’ the adjustment of social boundaries in ways permitting the existing ‘distribution of privilege to be modified rather than overthrown’ (Lester et al., 2000:135–6). Tracing the history of this dynamic from the early nineteenth century to the present, Lester et al. (2000) posit that the previous radical reconstruction discourse of social groupings opposed to the apartheid state came to be managed/moderated by (amongst other things) the workings of the negotiation process; (perceived) economic crises; the accommodationist stance of moderate factions of the opposing elite; the delegitimisation of radical solutions;<sup>46</sup> and the influence wielded by a triumphalist (post-Cold War) West and other international organisations (also see Leftwich, 1994; Swilling, 1999). In this context, South Africa’s much vaunted ‘transformation’, it is asserted, is more of a ‘transition’ to a ‘new, internationally and internally acceptable social and economic order than a radical break with the past’ (Lester et al., 2000:145).

The informants outlined below provide valuable clues related to the ‘tempering’ of the transformation project. However, it should be borne in mind that the reality of policy adoption, transfer and diffusion is a function of local socio-institutional mediation and not (in our case, at least) foreign authoritarianism (structural adjustment style) and/or internationally negotiated imposition (Gilbert, 2004a).

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<sup>45</sup> According to Mackay (1999:388), the international development debates of the 1980s largely passed South African intellectuals/academics at a time when their efforts were concentrated on ‘the struggle’ and its repression.

<sup>46</sup> The delegitimisation of radical solutions is related to the disillusionment flowing from the collapse of Soviet Union socialism, which over the decades came to occupy a prominent place in the liberation movement’s imaginary. The collapse left the ‘aspirant liberation movement ideologically rudderless’. In the absence of a

...critical stance toward Soviet socialism, having never partaken in the debates about the meaning of socialism – real and imaginary – the [South African] liberation movement in power found itself without a cognitive map to navigate the problems of national reconstruction. An “exodus without a map”, as Adler and Webster call it, became vulnerable to neoliberal redemption, especially when the entire globe is spell bound by the magic of the market (Buroway, 1997:1).

## Section One

### **Informants of Shelter Policy: The State, Urban Development, Housing and Planning**

During the 1980s and 1990s, an ‘emerging transnational class alliance...disembedded post-war capitalism from its prevailing matrix of social and political regulation’ associated with Keynesian welfarism (Atlantic Fordism), developmental states (East Asian capitalism), and the ‘clientelist... populist political regimes and/or military dictatorships’ (developing economies in Latin America, Africa, and South Asia). Cognisant of the limits of the market as a ‘steering mechanism’ and ‘basis for social cohesion’, the alliance steadily came to re-embed capitalism in a ‘new, rescaled form of market society with a new institutional architecture’ (Jessop, 2003a:2).

Two interrelated set of features are discernable in this re-embedding project. The first relates to the pursuit of an accumulation strategy based on privatisation, liberalisation, de-regulation, marketisation, tax cuts and internationalisation. The second relates to the search for new forms of social regulation to construct a market society in accord with the imperatives of a globalising market economy. The emerging mode of regulation sought to foster international competitiveness and innovation through supply-side policies, with the emphasis moving away from full employment and planning. Social policy during this period was subordinated to economic policy, stressing labour market flexibility and downsizing of the social wage (considered a ‘cost of production’ as opposed to an instrument for redistribution and social cohesion). Allied to this regulatory regime was the diminution of national-scale policy making and implementation as local, regional and supranational levels of government and partnerships gained new powers and prominence. Finally, the new form of social regulation placed increasing reliance on partnerships, networks, consultation, negotiation and ‘other forms of reflexive self-organisation rather than on the combination of anarchic market forces and top-down planning’ (Jessop, 2003a:3). Although these changes were widespread, they assumed several forms reflecting different national and regional traditions and different combinations of socio-economic forces (see Jessop, 2002, 2002a, 2002b).

In the urban development and shelter sectors, the international thinking during this period shifted quite dramatically. Cities were increasingly projected as engines of economic growth, centres of innovation, and key actors in promoting and consolidating international competitiveness. Underpinned by a development agenda privileging productivity maximisation, cost recovery and privatisation, the focus was on repackaging cities as efficient sites of production. Thus government was assigned the role of *facilitator/enabler* in enhancing city efficiency through managerial innovation; public-private partnerships; deregulation; intergovernmental reorganisation; and fiscal rationalisation (see World Bank, 1991 and Khan, 1996a for a critique of the Bank’s position).

In the shelter sector, the dominant theme (in the period 1986–1996) centred on *market enablement*, whose ascendancy and adoption came at a point in history when the state was ‘least able to help the poor’ (Gilbert, 1992:444). *Market enablement* pivots on the re-orientation of government activity away from direct housing provision and regulation of private housing markets. The two dominant rationalities of enablement are institutional capacity creation and promoting an open market environment for expanding formal private sector activity. Closely tied with these ideas is ‘good governance’ (World Bank, 1994) undergirded by the view that market forces furnish the optimal means to satisfy basic needs

provided they are steered in the ‘right’/‘appropriate’ direction through the rule of law, contract-enforcement, accountability, transparency, competitive political systems, i.e. the service delivery state. The policy recommendations accompanying the *enablement* approach – as articulated by the World Bank (1993) – identifies seven enabling instruments at government’s disposal to render markets more efficient and effective. The suggested reforms aim to address demand-side constraints (developing property markets, increasing mortgage finance, and targeted housing subsidies); supply-side constraints (infrastructure provision, regulation of land and housing development, measures to maximise the productivity of the construction sector); and focus on improving the management of the housing sector in its entirety.

The market enablement approach has come under fire from a range of quarters. Firstly, and most damningly, the market enablement approach holds up ‘few concessions’ to a government committed to improving the lives of the poorest segments of society (Jones & Datta, 2000:411), i.e. ‘those who live in destitution’ (Adebayo, nd:13). Secondly, this approach has been described as inappropriate for developing countries because it ignores the need for considered expansion of, and support to, informal private land markets and developers in shelter production to deliver affordable and accessible housing at scale to the world’s poor. Thirdly, rightsizing of the state and political compromises severely limit the ability of governments to design, negotiate and execute the battery of suggested reforms (Baken & van der Linden, 1993 cited in Berrisford et al, 2003:12). Thus, even with commitment to enablement, the state has no ‘route map’ to guide the process of policy formulation – ‘how the principles are to be translated into concrete policy reform’. Policy makers have to figure out the ‘form of governance’ (beyond the Bank’s ‘good governance’ frame) implied by the strategy; the construction of a ‘system of government to administer decentralised mandates’; and ‘obtain a political consensus as to the desirability of the reform’ (Jones & Datta, 2000:410). Lastly, and complicating matters further, is that the Bank omits providing a ‘normative position on the sequence in which the principles of an enabling strategy are to be translated into policy’, which is of crucial importance to transitional societies in the throes of the dual processes of economic reform and political liberalisation (Ibid:411). For instance, if the housing intervention is intended to be ‘comprehensive’ and biased towards the poor, simplification of development regulations and legislative reform may be easily and rapidly accomplished but without simultaneous reform of malfunctioning and inequitable subsidy and end-user financial regimes and land markets, such simplification could produce perverse results.

On the *planning* front, neoliberalism came to redefine the boundaries between public and private spheres, and remaking of market society was linked to a ‘wider range of political subjects than is typical of orthodox liberalism’. It tended to ‘promote “community” (or a plurality of self-organising communities) as a flanking, compensatory mechanism for the inadequacies of the market mechanism’ (Jessop, 2002:455). The net effect was erosion of the public realm within which planning was previously located (a theme returned to in the Conclusion). Planning also came to be challenged by critical Marxism and then postmodernity with the latter drawing attention to difference rather than possibilities for collective social action (Storper, 2001). By the early 1990s, planning theory was ‘in something of a muddle and it seemed unlikely that it would provide a source for a reconstituted legitimacy for planning’ (Harrison, forthcoming:2). What came to be dominant

though, during the 1980s and 1990s, was communicative action theory – with its universalising assumptions<sup>47</sup> – suggesting that ‘planning decisions’ could be reached through ‘collaborative processes involving all stakeholders, and conforming to particular rules’, thus ensuring that ‘participation is fair, equal and empowering’.

Embedded in this approach are assumptions that community divisions can be overcome and consensus can be reached on planning issues; that collaborative processes involving primarily civil society-based groups can act to put pressure on the state to act more responsibly; and that collaboration can provide a learning environment and can serve to build social capital within communities (Watson, 2003:398).<sup>48</sup>

Other planning theorists attempted to progress beyond the ‘assumptions of universality contained in communicative action theory’, allowing differences to surface between actors (but only at level of speech or ideas), which could be overcome through the force of ‘better argument’ and debate in a consensus-seeking process (see Watson, 2003:398).

In sum, observable from this brief description of the international conjuncture is how the market economy of the 1980s and 1990s disembedded itself from the existing social milieu and attempted to re-embed itself in a society reshaped according to the dictates of the new accumulation strategy. This reshaping could not however rely solely on the rationality of market forces as the latter also had to be ‘tamed through more reflexive, dialogical rationalities of governance’ (Jessop, 2001a:12), readily furnished by communicative planning, which fences out power in its various manifestations.

Before immersing ourselves in a discussion of the dynamics of ‘re-embedding’, a brief detour into the main framing elements of *post*-apartheid housing policy is presented to ground and contextualise the subsequent discussion.

## Section Two

### South African Post-Apartheid Housing Policy

By the early 1990s, it was widely recognised that South Africa needed a coherent and legitimate national housing policy. Different arms of the state responded in a poorly co-ordinated manner to rapid informal settlement proliferation, ranging from ignoring them to relocation in site and service schemes situated on the peripheries of urban centres thereby perpetuating apartheid socio-spatial marginalisation and exclusion (Lupton & Murphy,

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<sup>47</sup> Drawing from critical theory – especially Habermas – it starts from a situation wherein there is already a shared worldview and a shared yardstick of rationality, both of which are highly problematic. Secondly, although Habermas defines the process of lifeworld production, he does ‘little...to assess how these processes work, how worldviews, allegiances, identities are elaborated, routinised, established, or altered’. Thirdly, how ‘communicative and strategic actions intertwine to produce and reproduce forms of social and societally institutionalised behaviour’ is not analysed (Mantysalo, 2003:16, 20, 25).

<sup>48</sup> The similarities with the social compact/ corporatist type approach of the late apartheid and early political liberalisation periods are explored below.

1995:162). Moreover, the 1968 'directive from the Department of Bantu Affairs' that ordered the 'cessation of all provision of family housing in urban townships' (Wilkinson, 1998:220 – 1), translated into the new government inheriting a 'shelter crisis akin to that of the post-Second World War period' (Parnell & Hart, 1999:383).

The urgency of a coherent and legitimate housing policy was also connected to a realisation that our human settlements are inequitable, inefficient, unsustainable, expensive to manage and maintain, and exacerbate(d) poverty and unemployment. South African human settlements are characterised by spatial separation of residential areas according to class and population groups; a 'discontinuous and fragmented urban fabric, with development occurring in discrete pockets or cells'; 'different land uses are agglomerated and separated from other uses to the greatest extent possible'; the 'grain of urban settlements is loose and coarse';<sup>49</sup> disparate levels of service provision; urban sprawl; low levels of suburban population density; and the concentration of the poor in relatively high-density areas in the urban peripheries and the wealthy in core and intermediate areas (Dewar, 1995:408; DOH, 2000).

The Housing White Paper (1994) states that government's intention is

... to establish viable, socially and economically integrated communities, situated in areas allowing convenient access to economic opportunities as well as health, educational and social amenities, within which all South Africans will have access on a progressive basis, to a permanent residential structure with secure tenure, ensuring privacy and providing adequate protection against the elements; and potable water, adequate sanitary facilities including waste disposal and domestic electricity supply.

The policy and programme commits government to mass and rapid delivery; people-centred housing processes prioritising the needs of the poor and vulnerable groups (women, youth and disabled); and the delivery of a decent standard of product with access to public services and amenities.

Focusing resources on width rather than depth, the policy is described as 'incremental', with official documents underscoring its 'progressive' nature. The policy is founded on the principle of creating an enabling environment whereby the state supports and facilitates delivery rather than engaging directly in provision, i.e. a state-assisted, facilitated, and market-driven delivery approach. Levelling the playing fields and creating a supportive regulatory and institutional environment for efficient functioning of housing markets are central to enablement. Implementation is based on partnerships, i.e. the mobilisation and harnessing of the combined resources, efforts and initiatives of communities, the private sector and the state. The legislation underwriting the policy (Housing Act 107 of 1997) places considerable emphasis on housing development being economically, financially and socially sustainable. There is an emphasis on the need for housing development to redress inherited patterns of racial and spatial inequalities and to promote integration at socio-economic, physical and institutional levels.

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<sup>49</sup> Most buildings are free-standing and there are large land reserves, especially for roads, schools and other public buildings (Dewar, 1995:408).

The way the roles and functions of different spheres of government were defined follows the usual format with national government setting policies, norms and standards; determining and distributing funding to other spheres; and monitoring performance. Provincial government administers the programme, regulates and supports housing development through legislation; and disburses funding through provincial housing development boards. Public and private sector delivery agents applied to the Board for subsidies and their proposals were assessed according to the same criteria. Subsidies were accessed through the project-linked, individual and institutional delivery routes. These subsidies were aimed at new housing developments although top-up subsidies can be accessed in cases where there was prior state investment. Local government is primarily the implementing agency. In some instances, local government is the developer, but in most cases the municipality facilitates delivery through partnerships and joint ventures; identifying and designating land for housing; and ensuring the provision of basic services and infrastructure.

The role and functions of the different spheres have, however, evolved over time and have been modified; moving in tandem with shifting thinking on local government's role in service delivery and infrastructure provision. In the early part of the new millennium, a few initiatives were underway to accredit municipalities to administer and deploy subsidies, thereby according them greater authority over project selection and enabling them to link more closely their housing and spatial development plans. Local authorities – then and now (discussed below) – understandably expressed and demonstrated a measure of reluctance with respect to accreditation, fearful of what could degenerate into another unfunded mandate.<sup>50</sup> The Housing Amendment Act (2001) abolished the housing boards, transferring their powers, duties, rights and obligations to the MEC responsible for housing in each province. The Act empowers the Minister of Housing to determine a procurement policy for housing development and details regulatory measures to restrict the sale or alienation of state subsidised housing.

## **Section Three**

### **Origins and Evolution of Post-Apartheid Housing Policy**

During the policy negotiation and formulation process, the liberation movement's agenda of transforming inherited settlement patterns through housing policy was 'seriously undermined by the outgoing apartheid government and business interests'. The 'inappropriate timing of the negotiations', and 'fundamental oversights' regarding the 'critical connections between housing policy and core issues of citizenship, property and place' overrode well-meaning attempts to formulate a pro-poor and empowering housing policy (Lalloo, 1999:36) (discussed further below).

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<sup>50</sup> Speaking at the South African Local Government Association conference in Bloemfontein, eThekweni's (Durban) Mayor Obed Mlaba stated: 'We are concerned that we are seeing a lot of powers being devolved to local government without the resources and budget that go with it'. He said there was a need for municipalities to engage with/in housing delivery because local government was the first port of call for people seeking housing – 'If there is that need, let us get it [the power to decide on housing] with the finances appropriately allocated' (*Sunday Times*, 8 April 2001).

How did this situation come to pass? The thesis proposed is that existing development policy is deeply conditioned by ideas circulating in the late apartheid period (Mabin, 2000), and is based on the ‘precepts of the pre-democratic period’ (Mabin, 2000a:15). At a general level, the Urban Foundation’s approach to housing was implemented at scale by the Independent Development Trust (described below) which ‘can be seen to have directly influenced the De Loor Task Group’.<sup>51</sup> In turn, the De Loor Task Group Commission on Housing Policy for South Africa report ‘undoubtedly contributed to the formation of the key ideas incorporated into the current policy framework’ given the ‘continuities between its membership and the membership of the National Housing Forum’. The key element of the *post*-apartheid housing framework – the capital subsidy scheme – is ‘cast in essentially the same mould as the earlier Independent Development Trust (IDT) scheme and conforms with the central proposals of the De Loor Task Group, taking the form of a once-off capital grant...graduated on a sliding scale according to income’ (P Wilkinson, 1998:225). Moreover, the ‘models’ espoused in this earlier policy thinking are ‘implicit’ in the post-apartheid policy, viz. a single household, detached dwelling unit situated on its own plot in a ‘properly planned’ township with full freehold tenure (P Wilkinson, 1998:223–5).

The implementation of this model over the last decade has produced ‘largely mono-functional’ mass schemes, on ‘disconnected parcels of land and characterised by low-density, undifferentiated free-standing housing shells’. Notable by their absence are social and commercial facilities and other ‘vibrant urban activities’ and the local market is ‘so thinly spread’ that there are insufficient thresholds to support a range of goods and services. A ‘striking feature is the almost total lack of spatial cohesion’ with buildings being ‘isolated events in a sea of space’. The results are lives that are ‘appallingly inconvenient and expensive’ and environments that are ‘overtly hostile’ to residents, offering ‘no shade, no cover, no features of interest or stimulation, [and] no short cuts’. It is ‘impossible to discern any social, economic and environmental concerns in the making of these schemes, which seem to have been ordered simply by questions of [physical and financial] engineering efficiency’ (Dewar, 1998:369).

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<sup>51</sup> It is important not to read a direct/ linear continuity between policies. For instance, the Urban Foundation criticised the De Loor proposals for marginalising the poor and recommending an ‘inappropriate’ role for government. The Foundation argued that the recommendations paid inadequate attention to the consolidation process and to mechanisms that protected the poor regarding the identification and acquisition of well-located land for settlement. At the base of the UF critique of De Loor is that the poorest households (those earning under R1 000 per month) would receive a serviced site from the state and pay a monthly rental to a regional or local authority. As tenants, they would ‘enter into a dependency cycle’ which, the UF argued, was not sustainable (the UF favoured freehold tenure regardless of the consequences – discussed below). In this scenario, the state would become the ‘main player’, rather than the preferred option of an enabler/facilitator (Lupton & Murphy, 1995:157–8). But the Foundation’s criticism was informed by its hard-line enablement approach, which as pointed out earlier offers little to the most destitute (the poorest). Hence, differences in the policy orientations and thrusts – if the UF critique of De Loor is anything to go by – appear to be referenced to market (un)friendliness or extent of (de)commodification as inspired by conformity to the strictures of poverty-agnostic enablement strategies. Strict conformity is preferred with any deviation slated ‘inappropriate’. Critique of one set of proposals by the authors of another is akin to fights between siblings. What is sometimes lost in these fights between siblings is the realisation/recognition that no country drafts policy starting from a blank slate – ‘there is likely to be considerable path-dependency so that an acceptance of the [World Bank’s] list of normative principles is likely to be mixed with an understanding of previous conditions’ (Jones & Datta, 2000:410) which, in all four cited instances (UF, IDT, De Loor and White Paper) were inadequate.

The similarity in development outcomes of pre- and post-democracy official housing interventions was lamented by prominent members of state from 1995 to 2004 (noted in the Introduction). The continuity between the ‘old’ and ‘newish’ orders suggests that there has been no meaningful alteration in the inherited socio-spatial boundaries which include the privileged and exclude the poor. The reasons for this, it is proposed, can be located in the architecture and functioning of the institutions that drove the formulation of *post-apartheid* housing policy (the NHF); the process of knowledge production; authoritarian conceptions of social change coupled to radical shifts in ANC development thinking about economic development/transformation; transplacement/elite-pacting; and the associated underwriting of non-conflictual approaches to transformation and reconstruction.

*Negotiating Housing Policy: The Dynamics of Policy Production – Change and (Dis)/Continuity*

Apartheid is dead – Long live apartheid!  
(Graffiti on a shack wall in Mandelaville in Soweto – post 1994)<sup>52</sup>

The National Housing Forum was officially launched on 31 August 1992 with a mandate to negotiate a future housing policy and framework. The nineteen members of the Forum comprised major political groups; parastatal agencies (Development Bank of Southern Africa [DBSA], IDT, South African Housing Trust); representatives of the financial services, construction and insurance sectors; and two ‘non-governmental’ organisations (Urban Foundation and Kagiso Trust).

Both the IDT and the Urban Foundation had very close links with business and their credibility was seriously questioned in many settlements. Created in 1991 by the de Klerk government, the IDT was set up to finance large numbers of urban upgrading projects on terms ‘defined by the logic of economic liberalism, legitimated by a politically correct board and justified by a conservative “basic needs” approach to development’ (Swilling, 1998a: 289). The Chairperson of the IDT was Jan Steyn who, incidentally, was also the Chair of the Urban Foundation.

From its establishment in the aftermath of the 1976 uprising to its disbandment in 1995, the Foundation – while presenting itself as ‘avowedly non-political’ (P Wilkinson, 1998:222) – was ‘untiring first in its search for minor palliatives for apartheid’;<sup>53</sup> ‘always’ fell short of endorsing universal suffrage; and was the lead ‘stormtrooper for conservative (‘neoliberal’) social policy’ (Bond, 2000a:125–6). Its main aim was to ‘promote improvement of the quality of life in urban (and primarily African urban) communities’ (Urban Foundation, n.d. cited in P Wilkinson, 1998:222) through a redefinition of the (apartheid-) ‘established parameters of housing policy’. The objective was to create a property-owning (mortgage bonded) stable society, targeting African households in particular.<sup>54</sup> Pursuant to this end, the

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<sup>52</sup> *Sunday Independent – Reconstruct*, 12 November 2001.

<sup>53</sup> The Foundation drafted the Black Local Authorities Act of 1983.

<sup>54</sup> As liberal-capitalist political strategist Zach de Beer put it in 1998, ‘When people are housed – more especially when they are home owners – they are not only less likely to be troublesome, they are also likely to feel they have a stake in society and an interest in its stability’ (cited in Bond, 2006:8).

Foundation came to aggressively promote ‘self-help’ based on individual freehold tenure, which in their minds was most suited to addressing the large and growing backlog of housing and creating the conditions for social stability.

A number of the leading ‘radical’ intellectuals of the 1980s – who ‘did not challenge [apartheid] white hegemony’ (Mabin, 2000a:13) and who sought to ‘mobilise ‘free market’ forces in an arena from which they [had] been excluded for some thirty years’ (P Wilkinson, 1998:222) – played a crucial role in the lobbying activities of the Foundation by way of generating pro-market policy documents and championing these positions in various forums.<sup>55</sup> These ‘intellectuals’ also piloted and implemented the approaches they developed while consulting for the Foundation, most notably the supply-side, once-off small capital subsidy that created the legendary apartheid-perpetuating ‘toilet towns’ through arms-length apartheid-funded institutions like the IDT (Bond, 2000a:125–6).

The balance of power within the NHF ‘favoured the business interests which generally acted in concert with the state and parastatal institutions’. Nine of the sixteen founding members of the Forum were businesses representatives or were pro-business, i.e. ‘business interests were over-represented’ (Lalloo, 1999:38–9). Business interests were also ‘favoured insofar as the Deputy Chair Matthew Nell, was a former employee of the Urban Foundation’ (Gilbert, 2002a:1923) and ‘member of the De Loor Task Team’ (Rust, 1997:90).<sup>56</sup> Nell’s position was crucial – he was not only ‘regularly pulled to the right by the NHF’s banking, business and parastatal groupings’ (Bond, 2000:134), he also ‘appointed the majority of technical experts’ (Gilbert, 2002a:1923), drawn from the ranks of the Urban Foundation. These conservative technical experts ‘guided the negotiations’ (Jenkins, 1999:191) and ‘controlled’ (Bond, 2000a:133) and/or ‘dominated most of the proceedings’ (Bond, 2000:247). Nell, writing with others, acknowledges the significant role played by consultants, conceding that in ‘reality’ their ‘neutrality is never entirely possible’ (Nell et al., 1996:44). What is however significant is that consultants, appointed by Nell, constructed papers that framed the problematic of various working groups on the grounds that their ‘neutrality’ (theoretically speaking) would permit the levelling of playing field/s.

The consequence of the high reliance on consultants and their questionable neutrality was suspicion on the part of some members, and undue comfort on the part of others. Members from whose network consultants were drawn felt comfortable that the work emerging from consultants’ efforts was right and good, as it both justified their position and provided comfortable ground on which to tread. Members from whose networks consultants were **not** chosen, felt cheated, suspicious that their alternative

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<sup>55</sup> The names of Dan Smit and Jeff McCarthy stand out prominently here. As part of an ‘ageing clique of white radical men’, these intellectuals, during the late 1980s, ‘sold out their earlier radical beliefs’ and ‘also showed a radical disdain for the emerging societal demand for transparency’. Where before Smit and McCarthy ‘criticised capital’s agenda with undisguised venom’, they ‘changed their stripes’ even faster than ‘apartheid bureaucrats... transmogrified into the UF’s [Urban Foundation’s] leading guides to the Left and its most insipid apologists’ (Bond, 2000a:129–30). During the 1990s, the work of these scholars, and those associated with them, centred around the promotion of ‘informal settlement intervention simply as a form of housing delivery, dismissing a role for community organisations, supporting the imposition of individual freehold titles and promoting increased stakes for the private sector’ (Huchzermeyer, 2001a:72).

<sup>56</sup> Rust (1997) lists Nell as the Chairperson of the NHF’s Co-ordinating Committee.

paradigm was not getting due audience, cynical that levelling the playing fields was more than an empty promise (Nell et al., 1996:44, original emphasis).

Tilting the balance further in favour of business was their high level of organisation and capacity to generate positions very rapidly for consideration by the Forum. Civil society organisations, on the other hand, battled to participate not only because of ‘the lack of expertise, but also because of the lack of resources’ (Sandi Mgidlana of the South African National Civic Organisation (SANCO) cited in Nell et al., 1996:64). This imbalance tended to overly focus negotiations on ‘credit’ and expedient implementation.

Where this mattered was in the extent to which the policy was accepted on the ground. Some members now argue that delivery constraints and social compact problems are consequences of the NHF’s oversight in this regard. On another level, the lack of support could also be argued to have contributed to the over-emphasis on credit as an answer to the housing crisis. Because the financial institutions could develop their own positions for consideration by the NHF and because organisations like SANCO lacked similar capacity, the focus shifted to that which was seen to be ‘possible’ rather than that which might have been more ‘appropriate’. The two are not always the same thing (Nell et al., 1996:64–5).

But could this outcome – the ‘possible’ rather than the ‘appropriate’ – have been any different, given that the composition of the NHF, whose membership was limited to national level civil society organisations,<sup>57</sup> was purposefully engineered to ‘depoliticise’ housing (Nell et al., 1996:44), and given that the ANC was complicit? (The ANC’s complicity may have been for different reasons – highlighted in the synthesis). Removing housing, posits one authority, ‘out of the political debate seemed logical, if also necessary’ to reduce the ‘risk that political interests seeking to gain favour with their constituencies could hijack the housing issue as a centre around which to mobilise’. Housing then became defined as ‘a technical problem which could be solved on the basis of a subsidy formula and minimum standards’ (Rust, 1997:93) to offset the ‘single most important constraint to the housing delivery process, that of affordability’ (RSA, 1994:S3.3.10). Although low income presents a huge challenge,<sup>58</sup> the technicist solution proposed, by definition, delinks housing problems from ‘historical inequalities and injustices in the educational and political structure’ (Mackay, 1999:389) and the workings of the land, financial sector, property and labour markets (a theme returned to in Chapter Six and the Conclusion). It is this technocratic rationality allied to the ‘policy analytic’/‘policy rhetoric’ turn of the transition period (discussed below) that effectively precluded the formulation of ‘appropriate’ policy.

Power was also stacked against the most marginal and vulnerable groupings of society – rural constituencies, issues affecting the poorest of the poor, rights of women, the disabled, the aged, and against planning in favour of mass implementation – by the narrow Work

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<sup>57</sup> Three sub sectors of the extra-parliamentary interest in housing were identified, i.e. mass-based organisations (political organisations, civics and unions), business, and development organisations.

<sup>58</sup> It will be argued later that the externalisation of income from the policy – that is, poor/low/irregular incomes limiting affordability – is a fundamental flaw as it denies the lived reality of the majority. Poor/low/irregular incomes should be factored into the policy and not – as the Housing White Paper (RSA, 1994:3.3.9) mistakenly does – cast as a factor that ‘militate[s] against a massive increase in effective demand for, and supply of housing’ (RSA, 1994:3.3.9).

Programme of the NHF. 'Indeed', according to Nell et al. (1996:65), 'the NHF only gave cursory attention to some of them'.

Arguably though, the needs of these and other excluded sectors could have been potentially addressed through the envisaged second and third phases of the NHF agenda,<sup>59</sup> but this opportunity was also squandered when 'appropriate housing strategy' became confined to resource allocation matters only, and the third phase was 'abandoned altogether' (Lalloo, 1999:40). The new state, Jenkins and Smith (2001a:493) assert, 'did not continue the negotiation process on housing policy, reverting to the use of appointed Task Forces...and the review within parliamentary committees' (which themselves were co-opted and manipulated by the executive (see the IDASA magazine, *WHIP*, 18 October 1996; and IDASA, 1999)). It is perhaps for this reason why the policy and subsequent modifications remain confined to the 'possible'/'implementable', tending to 'reinforce rather than reduce the spatial inequalities of the apartheid system' (Lalloo, 1999:45–6). The policy overlooks the special needs of rural women trapped in exploitative patriarchal and African customary relations. In the absence of an urbanisation strategy, the policy is arguably rendered even more unresponsive to the needs of migrant workers and long-distance commuters, whose livelihoods depend on mobility and maintaining multiple residential bases (see Lalloo, 1999). In fact, mobility as part of a livelihood strategy is perceived as a '*problem*' (Huchzermeyer, 2001a:80 – original emphasis) given that the main aim of capital subsidy scheme (with its emphasis on individual freehold tenure) is to 'permanently fix' people in hostile spaces and tie them into a system of (ill-affordable) payment of rates, taxes and service charges. Abandonment of RDP houses is an expected outcome of 'fixing' poor people in space, whose survival depends on mobility. Such a 'transient and placeless existence' impelled by survival-based mobility is at odds with subsidy-related 'burdensome restrictions on movement' (Lalloo, 1999:37).

Thus, the way that knowledge came to be produced in the NHF; discursive and programmatic frame-narrowing; depoliticisation; elevation of the 'possible' over the 'appropriate'; exclusion of the voices of the most vulnerable segments of society; and non-recognition of the poor's lived reality drastically limited the policy horizon's responsiveness to survival needs. A small group of consultants organised into eight technical committees generated reports about housing conditions, delivery, equity and affordability that adopted very restricted views of the housing problem. Solutions proposed by these consultants were heavily influenced by experiences drawn from the United Kingdom, United States and the 'Benelux' countries (Gilbert, 2004a:202), reflective of the 'institutional history of SA academia', i.e. its 'colonial cultural/linguistic mindset and its obsession with the latest Anglo-American intellectual and theoretical fashions' (Simon, 2001:378). It is maybe for this reason that NHF policy formulation was based on the 'intellectual assimilation of housing best practice on the part of key contributors to the negotiations' (R Tomlinson, 2002:4). Two employees and a consultant 'within the [Urban] Foundation' are credited with having formulated the capital scheme. The employees, 'already well-versed in housing issues consolidated their expertise by attending a course at MIT [Massachusetts Institute of Technology] and imported best practice' (Ibid).

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<sup>59</sup> The second phase entailed the development of appropriate housing strategies and the third entailed engaging the public in 'interactive policy discourse' (Lalloo, 1999:40).

Further evidence of deficiencies of the knowledge production process is evidenced in the crucial sphere of housing finance, which three of the eight committees focused on.<sup>60</sup> The reports produced paid scant attention to the background of current financial difficulties within townships or squatter settlements; there was little discussion of political conditions; no appraisal of informal finance methods; no detailed discussions of how the poor housed themselves over the previous two decades; and no consideration of how the poor saved or the costs of informal credit. Moreover, the reports were largely uncritical of past experiences with supply-side housing subsidies in South Africa (e.g. IDT-type interventions) and abroad; and did not adequately engage with alternatives proposed by non-establishment sectors, most notably the trade unions, Urban Sector Network (USN), South African Homeless People's Federation (Jones & Datta, 2000: 399–400). The policy gaps, flaws and silences (as identified by these non-establishment sectors in their critique of the Housing White Paper) are recorded here as they continue to this day to be the very same hurdles and obstacles that compromise integrated and sustainable human settlement development (discussed below). Contemporary housing policy reform discussions and proposals are increasing coming to focus on these gaps.

In COSATU's submission to the Portfolio Committee on Housing on the White Paper, the trade union federation criticised the policy on the grounds that it is 'state-assisted and market-driven' (rather than state-driven and market-assisted); subsidised the private sector through a whole range of (hidden) subsidies without any performance obligations; encouraged individual ownership as the preferred form of tenure; paid no attention to the dismantling of cartels among the private sector building material suppliers; made no provision for financial sector re-engineering; offered the majority of poor households little hope of securing end-user finance; and furnished little detail on the restructuring of parastatal organisations linked to the shelter sector and development finance more generally. COSATU called for the housing policy to be revised, underscoring the leadership role of government; the transformation and regulation of the private sector in housing delivery; and amendments to numerous aspects restricting access of working people and the poor to housing (COSATU, 1996).

The Development Action Group (DAG), an NGO specialising in housing, played a leading role in drafting and presenting the Urban Sector Network's response to the White Paper. (The Network is a national co-ordinating body of NGOs active in the built environment sector.) In its submission to the Portfolio Committee, DAG criticised the policy's over-reliance on the private sector which had 'little direct experience of the constraints and opportunities facing poor communities' (DAG, 1996:1), and whose drive to reduce costs produces shelter outcomes out of kilter with developmental objectives, i.e. spatial peripheralisation and marginalisation of the poor. Secondly, the policy 'assumes' that the poor will add to the subsidies by way of bank loans, thereby excluding approximately 70% of the poor from housing opportunities. Thirdly, the exclusion of individuals without dependants from accessing subsidies spawns conflict, especially in private sector-driven project intervention which focuses on 'existing communities' (Ibid:3).

DAG proposed a significant re-orientation of the policy including a social housing subsidy stream to furnish incentives for *'non-profit, non speculative, local authority* and

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<sup>60</sup> Only one committee looked at land and there was no dedicated committee on infrastructure.

*community-driven* housing provision' and 'planning' to promote integrated cities via the development of high-density housing. This subsidy stream, it was proposed, should be '*protected* from downward raiding and property speculation'; be invested in decommodified housing stock for the poor; and be coupled to the provision of 'well located public *land outside of the market pricing mechanism*' thus breaking with the White Paper's dependence on market-related land pricing (Ibid:4, original emphasis). Other recommendations proposed to incentivise alternate housing production routes under the social housing rubric included greater support to NGOs (bulk subsidy allocations to accredited NGOs) and CBOs in low-income housing provision, and disbursing of 'retrospective subsidies to communities so as to enable them to bypass unnecessarily complex application procedures and recognise de facto development on the ground' (Ibid).

A second re-orientation called for the development of a rental housing subsidy and the provision of rental stock that would be affordable for the poor and accommodate people excluded from other subsidy streams. A third re-orientation recommended was for the policy to seriously address land pricing and land tenure matters. DAG noted that there was 'little recognition of the land pricing mechanisms required to re-integrate the apartheid city' (Ibid:5). In this regard 'clear planning decisions, backed up by land pricing mechanisms which render well-located land – particularly that which is state owned – accessible for low-income, higher density developments... is a minimum condition' (Ibid) to redress apartheid spatial imbalances and achieve urban compaction and efficiency.

Furthermore, the DAG submission deemed facilitating secure, flexible and legally sound tenure to be essential to enhance the effectiveness of the subsidy scheme and community investment in upgrading. The final suggested re-orientation was to review the macro-economic assumptions that underpinned the approach to the budgeting and financing of low-income housing. The submission recommended assessing the long-term costs of urban sprawl so that fiscal allocations for well-located, integrated housing take into account (amongst other ways) the resulting savings in transport subsidies, energy, and land-use. This could result in the provision of housing, rather than housing opportunities, and narrow the gap between community expectations and current reality (DAG, 1996:5).

In its submission to the Portfolio Committee on Housing regarding the Housing White Paper, the Homeless People's Federation (HPF) argued that the 'overall policy was developed by the financial and business experts with inputs from high level bureaucrats. It is inevitable that this distorts the way housing support is implemented' (cited in Rust 1997:90). People's Dialogue (the NGO supporting the Federation) contended that government had designed a

...capital subsidy system in order to allow the state to provide financial support as widely as possible, but set up rules which directly and simultaneously undermines the creation of an enabling environment. The result is that the overwhelming majority of subsidies are delivered to the private sector for families without tenure or without access to credit (n.d.:2).

In sum then, although progressive and radical NGOs participated in the NHF discussions, their views (summarised above), carried less weight than establishment forces. More importantly though, the reasons for the Forum's non-engagement with these views – over and above the power differentials and the strategic selectivity of the discursive terrain of the NHF – is more appropriately located in their effective exclusion from the discussions. This is because direct inclusion of low-income groups was restricted to the participation of SANCO

which, at the time, came under increasing pressure from the ANC to endorse and underwrite the party's emerging conservative conception of 'society' and 'social transformation', i.e. less political, consensus-seeking, technical and managerial (discussed in greater detail below). The absorption and co-option of key civic leaders into ANC structures and the emphasis placed on a 'united front' in the 1994 elections played a significant role in blunting the contribution of the civic sector to housing policy formulation. Not unsurprisingly, the demands of SANCO for – amongst other things – the democratisation of development finance and associated institutions; a people-centred and people-driven approach to housing; and the need for community reinvestment legislation did not feature in the housing policy (Huchzermeyer, 2001).

### *(Quasi-)/Structural Predispositions*

Whilst the rules dictating the composition and profile of the Forum, the relegation of housing policy to a technical fix, and the power imbalances arguably played significant roles in narrowing policy and development horizons, it would be problematic to argue that expansion of NHF membership and better power re-balancing between the members would have produced more developmental outcomes. This would underplay and misread the way both liberal and 'radical' political parties share similar notions of how social change is to be organised, orchestrated and led. Both liberal and revolutionary parties – despite their rhetoric – share an understanding of social change as being underpinned by hierarchical relationships between rulers and ruled and the primacy of leadership over mass action in effecting processes of change. Both agendas, 'anchored in the tradition of the nation-state, conceive of change in narrowly statist terms despite their anti-statist rhetoric'.

Furthermore, both visions of societal transformation and reorganisation are elitist in that they neglect the role of the popular masses in processes of change. Liberals advocate gradual, rational, managed change implemented by political leaders and an elite intelligentsia. Leninist vanguards push for faster, revolutionary change, but it is the role of an elite, revolutionary vanguard that is central to such change. Similarly, while both doctrines profess a stated belief in the rule of the people (that is, democracy), democracy is defined as a situation in which experts and elites represent the people, and are allowed to make essential political decisions, promoting the rule of the few, at least supposedly, in the interests of the many. In reality, liberalism has always supported the rule of the best, defined not by birth status but by educational achievement, that is, a meritocracy. Vanguardism, too, constructs its own meritocracy, defined by a combination of educational achievement, proper political training and political lineage (in the case of African liberation movements) (Johnson, 2003:202).

Consequently, despite the ANC's ideology and rhetoric of popular democracy and people-driven transformation, something which was significantly watered down in the run-up to, and during, negotiations – the non-establishment and establishment forces in the NHF shared a similar understanding of the role of leadership, representation and participation. The leadership role surrendered by the civil society formations to the ANC, particularly the exile wing, with its (secretive) top-down bureaucratic organisational structure and leadership style structurally predisposed the NHF negotiation process to be dominated by experts and consultants who were willing at all costs to ingratiate themselves with a leadership. Since the beginning of the 1990s, the ANC leadership was coming under increasing pressure from

domestic and international elites to ‘moderate its aspirations for socio-economic transformation... as a precondition for achieving a smooth transition’ (Saul, 1999 cited in Johnson, 2003:214). For many analysts, 1993 was the turning point in this ‘moderation’, when the ANC – ‘as member of the caretaker South African government, the Transitional Executive Council [TEC]’ signed an International Monetary Fund Letter of Intent.<sup>61</sup>

The pursuit of more progressive housing policy based on the recommendations of other civil society formations may have been precluded by particular conceptions of and strategies for social change processes. This approach can be characterised as the structural predisposition to privilege expert knowledge over knowledge springing from the community halls and informal meetings of the poor in their townships and squatter settlements. The rightward shift of key heavyweights in the party (namely the SACP’s Joe Slovo, the first post-apartheid Minister of Housing and a key actor in the NHF negotiations) in the early 1990s (Saul, 2005) played no small role in him accepting a capital subsidy regarded as extremely conservative and offering poor families very little in terms of quality of the dwelling and location. Recall here that the IDT-type housing subsidies survived because of their importance to the grassroots, the citizenry and unions, and the ANC had announced a highly ambitious housing target (Gilbert, 2002a:1924):

But, if 1 million subsidies were to be distributed in 5 years, and the budget was not to rise to the 5% for which the housing lobby was arguing,<sup>[62]</sup> the average cost had to be kept down. The answer found was to limit the budget to 2% of total expenditure and offer a once-off subsidy that would cover at least some of the cost of a new home. If the ANC pretended that the subsidy would pay for finished housing, rather than for the very low standard structure that it would cover in the larger cities, then all would be well.

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<sup>61</sup> Saul (2005:14) argues that the ANC spent a great deal of 1993 signing on as a party to a series of decisions that ‘cast the die for future policies once it was in power: including an extraordinarily market-friendly Letter of Intent in order to guarantee a balance-of-payments loan [regarded by Fine (2001:12) as ‘unnecessary’]... and joining the General Agreement on Tariffs and Trade (GATT)’. The Letter of Intent pointed to the dangers of increases in real wages in both the public and private sectors; highlighted the importance of controlling inflation; promised monetary targeting, trade and industrial liberalisation; and repeatedly espoused the ‘virtues of ‘market forces’ over ‘regulatory interventions’. The ‘secret’ Letter (Peet, 2002:73) committed the new government to the following policies: reduction of the budget deficit to 6% of GDP [Gross Domestic Product] within a few years; ‘expenditure containment rather than tax increases’; curbing the civil service wage bill; continuation of the tight monetary policies of the previous four to five years, and monetary targeting; policies coupling wage restraint with promoting training and fostering investment; maintenance of the financial rand mechanism without the introduction of new exchange controls (the ANC did however speedily and unceremoniously dispense with the finrand shortly after assuming power); and a simplification and rationalisation of the tariff system and the phasing out of import licensing and non-tariff barriers (Padayachee, 1997:32). While Saul (2005) seems to suggest that the Transitional Executive Council drafted the Letter, Habib and Padayachee (2000) state that the ‘standard, neoliberal, draft Letter of Intent drawn up the IMF [International Monetary Fund] was accepted by the ANC’. The important point made by Habib and Padayachee (2000:250), is that in spite of the many amendments/ revisions to the Letter suggested by progressive economists allied to COSATU and the ANC – it ‘was accepted without any changes’.

<sup>62</sup> To clear the backlog within five years required housing’s share of the national budget to be increased to 5%. This amount was in accord with the “‘growth with redistribution” model, which saw housing investment playing an important role in a programme of social spending, but not as a “lead sector”” (Tomlinson, 1999:285). A point returned to shortly.

To maintain this pretence was essential for the election outcome – given grassroots pressure around housing – while at the same time staying true to low budgetary deficit targets. The point being driven here is that, notwithstanding the blame for the adoption of the problematic capital subsidy scheme being routinely apportioned to intellectual turncoats and sell-outs (associated with the Urban Foundation), the ANC senior leadership’s commitment to deficit reduction contributed in no small measure to acceptance of the subsidy scheme. South Africa’s basic premise then, like in Colombia and Chile, for the introduction of the capital subsidy scheme was to ‘reduce government spending’ – ‘While every minister of housing [South Africa, Colombia and Chile] was anxious to increase both total expenditure and the subsidy level, every finance minister tended to say no. Only moments of severe political crises would threaten the latter’s resolve’ (Gilbert, 2004b:33).

Coherently, judiciously and rigorously accounting for the ANC’s ‘moderation’ is a dangerous undertaking, given the dearth of literature recording the mechanisms and mechanics of its orchestration, especially the main forces and individuals involved, party-political and elite machinations.<sup>63</sup> The dilemmas generated by democratic transition and consolidation add further levels of complexity. A useful way to commence thinking of change in transitional societies must of necessity combine (amongst others) political science, political economy and sociology. And here the work of Habib et al. (1998) is useful in their deployment of the ‘transplacement’ phenomenon.

‘Transplacement’, they opine, is guided by discursive adaptations that reformulate social boundaries of inclusion and exclusion in ways that do not threaten dominant established interests – a necessary precondition for elite pacting. ‘Transplacement’ is a common feature of transition in which the dominant groups in both the government and the opposition realise that they are incapable of unilaterally determining the nature of the future political and economic system (the apartheid government and the mass democratic movement in our context). This inability is situated in the context of global economic restructuring, the dominance of conservative elites and development ideoscapes (national and international), and the demise of alternative visions and formats for organising and governing society. Arguably, the players, accordingly, purge themselves of any remaining radical rhetoric and progressive ideas – an exorcism, for some, conducted by intellectuals (progressive economists turned apologists)<sup>64</sup> to reign in and disciplined/errant social movement forces

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<sup>63</sup> This is not in any way intended to dismiss, demean and/or belittle the scholarly works in this area, e.g. Bond & Tait, 1997; Marais, 1998; Michie & Padayachee, 1997; Bond, 2000, 2000a, 2002b.

<sup>64</sup> Previously progressive academic economists played no small part in the ANC’s ‘moderation’. With the ANC’s ‘leadership slide into neoliberalism’ (most noticeable from early 1993), the impact on the decisions and choices of the progressive economics community was most dramatic. The main reason for this, argues Padayachee (1998), ‘lies in the attraction to power, and loyalty to political patrons, that academics have displayed for most of this century’. Padayachee (1998), citing Said (1994), points to how willing intellectuals have been to respond to governments who recognised the importance of having:

...as their servants those intellectuals who could be called upon not to lead, but to consolidate the government’s policy, to spew out the propaganda against official enemies, euphemisms and, on a larger scale whole systems of Orwellian Newspeak, which could disguise the truth of what was occurring in the name of institutional ‘expediency’ or ‘national honour’(445, original emphasis).

Padayachee (1998:445, original emphasis) cites comments made by the right-wing commentator Johnson (1988): ‘*far from being highly individualist and non-conformist people, [intellectuals] follow certain regular patterns...they are often ultra-conformist within circles formed by those whose approval they seek and value*’.

under the banner of ‘unity’. This they do in the hope of establishing the appropriate credentials with international financiers and domestic capital. These are the essential pillars of the ANC’s transplacement. But this is only one part of the complex tale.

It was also during this period that it became a *universal* article of faith in development thinking that the optimal organisational route to secure consensus around ‘acceptable’ socio-economic policies – especially in societies undergoing transition that needed to bring disruptive social elements to heel – was through corporatist/neocorporatist<sup>65</sup> institutional arrangements. In our case, this was strongly anchored in notions of ‘national unity’, ‘rainbow nation’, ‘reconciliation’ and ‘compacting’ (discussed below). Corporatist institutional arrangements – usually a response to systemic crises in governance – are state creations reflecting the programmatic goals of elites struggling to realise an ‘integral’ security that serves to defuse conflict and stabilise a new regime of state-society relations, i.e. re-embedding (Habib, 1998; Jenkins, 1999). Corporatist institutional arrangements appeal to elites as they serve to re-establish their authority, precluding the possibility of a more thorough going, participatory and self-empowering democratic alternatives (Ginsburg, 1996). The NHF was one such institution. The difference with the Forum was that the apartheid state did not participate in its proceedings directly, but set itself up as a ‘bilateral negotiating partner’. The apartheid state thus wielded considerable influence through the parastatal organisations, and, the allocation of public funds for the continued implementation of the IDT capital subsidy scheme. The continued implementation of the IDT scheme shifted the NHF’s focus away from long-term policy issues to immediate delivery (the ‘numbers game’) (Laloo, 1999). Chasing ‘numbers’ (quantitatively measured), often to the detriment of quality living environments (qualitatively measured), is a legacy that still haunts us today.

### *Transformation and Social Change Narratives*

But if corporatist forums are predisposed to such outcomes, the dominant conception of society and social transformation that the ANC had come to settle on in the transition period further frustrated the realisation of an empowering and people-centred housing policy. Loosely dubbed the ‘let’s-join-hands [LJH] paradigm of transition’,<sup>66</sup> the thrust was to socialise a non-conflictual view of society. Thus, within the Reconstruction and Development Programme (ANC, 1994), for instance, ‘there are no essentialist identities, no oppositional identities’ (Leroke, 1996:244). Potential tensions, conflicts and disagreements around the notions of ‘fundamental transformation’, ‘democratisation’ and ‘restructuring’, for example, are eliminated by *ideological fiat*, i.e. tensions around societal transformation ‘are immediately offset by dissolving the differences into the goals’ (Wolpe, 1995:97). The effect of adopting this consensual model of society as one’s point of departure is that it permits contradictory goals to be accommodated within policy frameworks, thereby obscuring or eliminating the need to examine or meaningfully engage with conflict and power. In the housing and urban development sector, for instance, the interests of the white suburbanites,

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<sup>65</sup> Corporatism is defined as a system of interest representation welded by an ideology of national unity wherein organs of civil society, and in particular labour unions and employer associations, are given access to, and the possibility of informing policies decided in, state institutions, in exchange for restricting their demands, operating within the parameters laid down by and observing the ideology of national unity (Khan, 1997).

<sup>66</sup> See *Mail & Guardian: Quarterly Reconstruct Supplement*, 12–18 July 1996.

bankers, developers, construction material suppliers, industrial corporate polluters, estate agents, and slum landlords are presumed to be consistent with those remaking towns and cities in a productively inclusive, socially just and democratic manner (see Bond et al., 1996 for a full discussion). Failure to grapple with and negotiate these tensions leads to poor policy coherence/integrity with negative impacts on implementation. Is it then at all surprising why a very prominent housing authority remarked that the ‘key problem is that the [housing] policy is underpinned by conflicting and contradictory principles’<sup>67</sup> not easily reconciled and which ‘end up conflicting with one another’ in practice (Tomlinson, 1998 cited in CSIR, 1999:50).

The LJH approach – with its apolitical and non-conflictual view of society – was carried through into the *post*-apartheid housing policy via the ‘social compact’ philosophy and practice. Initially introduced by the IDT in response to criticisms of their intervention being unsupportive of community participation/empowerment and the overly prescriptive nature of housing package (Adler & Oelofse, 1996), a *social compact* is an agreement signed by the ‘community’, the developer and others with the intention of bringing all stakeholders to decide on a common goal and then working towards achieving it (Tomlinson, 1999:287). In the IDT (and *post*-apartheid) versions, the compact had to be in place as one of the conditions for project funding. The compacts (IDT-style) ‘were to initiate the establishment of community development organisations’ (trusts, in most cases) that would receive financial support for the training and employment of ‘consolidation co-ordinators’ or community development officers. The latter became responsible for ‘driving the longer-term consolidation of beneficiary communities’, organising needed health, education and other social facilities in the absence of local government structures (Adler & Oelofse, 1996:118).

The underlying premise of the South African social compact is conflict management through LJH-type social corporatism, i.e., ‘no matter how complex the situation,’ corporatist structured negotiations – between rich and poor, slumlords and tenants, squatters and wealthy residents, black and white, etc. – would supposedly yield ‘solutions’ broadly supportive of democratic urban reconstruction ‘given the necessary goodwill’ (Baskin, 1994 cited in Khan, 1997:11); and, recalling Watson (2003), rational argumentation and debate. The critical role of social compacts as an instrument to downsize/rightsize the social wage has not gone unnoticed by some commentators (Khan, 1997).<sup>68</sup>

In summary, the nature of the NHF agreements struck were ‘predicated’ by perceptions of the balance of socio-political forces, institutional processes, and dominant development ideoscapes. The process of securing consensus ‘essentially entailed groups with major differences reaching the “lowest common denominator” [LCD] in their agreements, i.e. that beyond which they would not concede’ (Jenkins, 1999a:433). What is perhaps most disturbing about the policy outcome is that LCD-type agreements came to be forged around an uncritical understanding of the housing process prior to 1994 (Jones & Datta, 2000), resting on ‘unexamined assumptions about the needs of the population’ (Wilkinson,

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<sup>67</sup> Rapid and visible developer-driven delivery, on the one hand, and community participation and empowerment, on the other.

<sup>68</sup> This does not necessarily mean or translate into a cessation or annihilation of class-/interest-based conflicts within (and outside) the social compact framework. It merely points to the limitations/horizons of the fields of interactions and struggles in what comes to be enshrined in these LCD-type arrangements (see below)

1998:224); and a largely apolitical/technical perspective centred around the production of dwellings rather than the development of viable living environments. Institutional and technical capacity constraints drove the conservative nail further, with policy coming to settle on 'previously tested mechanisms'. Consequently, the 'new' policy is but an 'extension' (Jenkins, 1999:192) and/or 'adaptation' of the supply-driven IDT scheme (Tomlinson, 1999 cited in Jones & Datta, 2000:410) which made/ makes no concessions to the poor.

The fact that the new policy is, at best, an adaptation, and, at worst, an extension of the pre-democratic approach is most clearly evidenced in capital subsidy scheme and the integration of the financial and housing sector – both conforming to varying degrees – to the *market enablement* approach. While the extent of South Africa's conformity to the 'enabling' approach is widely debated, at a very general level, it can plausibly be argued that post-apartheid policy does 'appear to be similar' to that of the Bank's (Goodlad, 1996:1642), but it has drawn very selectively based on narrow 'technical arguments' and with little consideration of beneficiaries needs (Jones & Datta, 2000:397–8). Of the seven strategies outlined in the White Paper (RSA, 1994), two concerned the development of housing finance (subsidy provision and the mobilisation of savings and credit at scale), and the other centred on the 'stabilisation of housing environment', which had a finance component. The remaining strategies were cobbled together without reference to alternatives or critiques of past policy.

#### *Local Mis/Appropriations of Enablement*

The *post*-apartheid capital subsidy scheme – as discussed above – is a modification of the previous IDT scheme. Originally designed by the Urban Foundation, this scheme was based on the principle of a 'standardised, household-based capital subsidy, defining the individual plot size, service level and form of tenure' (Huchzermeyer, 2001a:71) or a 'quantifiable product being a standardised serviced site financed through a once-off capital subsidy' (Huchzermeyer, 2001:309). The scheme has been criticised for a number of reasons including dismissing/discouraging community participation and engagement;<sup>69</sup> inflexibility around the product; imposing individualised tenure (in the hope of stimulating/activating property markets);<sup>70</sup> perpetuating the spatially segregated urban form; delivering incomplete houses; and, because users cannot afford monthly service charges, opens up the possibility of downward raiding (Adler & Oelofse, 1996; Lupton & Murphy, 1995; Huchzermeyer, 2001, 2001a). This scheme, with slight modifications, was adopted with 'relatively little question' by the NHF, with previous Urban Foundation staff working in the Forum being 'adamant that no other kind of subsidy programme was possible' (Gilbert, 2002a:1920).

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<sup>69</sup> Civic and community organisations are dismissed as 'exploitative, corrupt and self-seeking obstacles to government delivery' thereby justifying an 'intervention approach that ensures that the government administration interacts (be it via a developer) directly with the individual beneficiary' around a 'standardised capital subsidy (linked to freehold title)' (Huchzermeyer, 2001a:77–8).

<sup>70</sup> There is little or no demand for buying into upgraded settlements at a price equivalent to the subsidy and that there is no appropriate financing regime to support this market (banks have no interest in this segment of the residential market). This shores up the limited understanding the architects of the capital subsidy have of the functioning of property markets.

The problems associated with the scheme in the past, notwithstanding modifications related to the inclusion of a core house, continue to adversely impact housing praxis. Five specific problems stand out.

Firstly, the subsidy tends to create socially and economically homogenous ‘communities’ with respect to income, household composition, and size (CSIR, 1999). This type of intervention has ‘produced ghettos of unemployment and poverty’ (Gilbert, 2004b:27–8). Beneficiaries cannot afford to maintain the dwelling or pay service charges. They abandon the property and/or sell it informally (at a fraction of the cost) and/or rent it out, thereafter reverting to living in a shack.

The application of the subsidy regime to informal settlements oftentimes destroys the fragile livelihood and coping strategies of the poor. In fact, not unlike the residualisation of the informal economy in our dominant economic thinking, informal settlements, the spaces wherein the ‘the most critical aspect and dynamics of development occur’ (Minister of Housing, 2000) and which houses 1.84m households (2001 figures, DOH, 2004a:4), are viewed as illegal, disorderly and consequently a ‘problem’. Rather than accepting informal settlements as a ‘leading and dominant way of life for millions’ and supporting them as ‘productive and creative housing solutions’ (Hall & Pfeiffer, 2000:248, 246), the housing intervention was (until recently) geared towards ‘remov[ing] the scourge’ of informal settlements (Minister of Housing, 2001),<sup>71</sup> their ‘eradication’ and ‘ensur[ing] that new informal settlements are effectively prevented’ (Minister of Housing, 2001:5). Replacing shacks with ‘proper homes’ is perhaps a noble intention, but the social and economic consequences of this type of formalisation is rarely factored into official thinking. Many critics of government policy point out that ‘in situ’ upgrading is far less disruptive of survival networks, but government counters that in situ upgrade is ‘seldom possible’ as ‘most land occupied illegally is unsuitable for development’ (Minister of Housing, 2001:2). This, it is asserted, necessitates securing new land and relocation of affected communities. The relocation and subsequent reconstitution of communities (as per the subsidy qualification criteria) not only creates artificial communities in peripheral locations, but is also exceptionally brutal.

Secondly, the emphasis on private ownership (erroneously ‘modelled on the functioning of middle class property markets’ (Huchzermeyer, 2001:317)) and the narrow fixation on the production of housing units (as part of a ‘larger agenda of increasing the stakes of the profit-market sector’ (Huchzermeyer, 2001a:80), both upstream and downstream), is not supportive of urban restructuring objectives; viz. higher density housing in areas that maximise the access of the poor to amenities and opportunities. Most projects are located close to the old African or coloured areas (Gilbert, 2004b:26). Indeed, in the absence of any intervention in the land markets with the view to bringing poor people closer to employment opportunities and other social facilities, the deployment of the subsidy instrument continues to perpetuate spatial segregation and fragmentation (further discussed in Chapter Five).

Thirdly, the lumping together of tenure, infrastructure and topstructure in a (previously) non-inflation indexed subsidy that privileges width over depth not only compromises the quality of the product and the location of the housing, it also sets up tensions between individual and

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<sup>71</sup> Cited in *Mail & Guardian*, 23 February–1 March 2001.

collective interests. Compromising on quality and location has implications for the development of secondary markets and broader issues related to redressing spatial imbalances (elaborated further in Chapter Three). Cash strapped municipalities demand minimum standards of infrastructure so as to reduce maintenance expenditure (collective interest) while residents seek to maximise personal assets (house size and high quality internal services) (CSIR, 1999).

Fourthly, there are very serious democratic deficits relating to the ability of local government politicians and communities to meaningfully engage with the housing intervention. Taken together, the extreme pressure to accelerate delivery, the inordinate influence wielded by private developers; the removal of the requirement for social compacts;<sup>72</sup> and community suspicion regarding the bona-fides of ‘social facilitators’<sup>73</sup> are akin to a powder keg with a dangerously short fuse.

Lastly, the inability of the subsidy to bridge the finance gap between income and housing costs – especially in the context of the absence of an appropriate pro-poor end-user financing regime (discussed below) – is a major contributor to poor quality dwellings in poor quality locations. Although government ‘never intended’ for the subsidy to be the only financial contribution to housing,<sup>74</sup> the policy never required any form of ‘personal stake’ as a condition for receiving the subsidy (Tomlinson, 1999:292). And herein lies the ‘greatest contradiction of the South African housing policy’.

The success of the enabling approach to housing is dependent on the individual household’s contribution to the housing process. Yet, the lack of access to employment opportunities, lack of access to labour and employment skills and absence of credit mechanisms for low-income households, all of which have severe impacts on the enabling approach, continue to be a reality in South Africa today... Without affordability of credit and availability of appropriate credit mechanisms, the subsidy scheme is merely empowering people to become property owners without empowering them to benefit from investment in housing (Adebayo, nd:3–7).

With respect to the integration of financial and housing sectors (related to consolidation, deepening financial markets, primary and secondary market development) policy makers have tried to integrate sectors through various institutional and regulatory interventions designed to maximise the participation and involvement of the formal (established banking and financial sector) and informal lenders. Until recently, the emphasis was on the formal

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<sup>72</sup> Difficulties encountered by the private sector in securing agreements through social compacts led to them being scrapped in late 1996 (Jenkins, 1999a) even though the highest levels of satisfaction with the housing product were registered in those projects wherein social compacts were successfully implemented (Tomlinson, 1999).

<sup>73</sup> The facilitators tasked to work with communities in negotiating social compacts were – according to the 1994 agreement between the Department of Housing and NHF – to be chosen from a Housing Board list of ‘approved candidates’ selected on a ‘fair and equitable basis’ as per their experience in project development, neutrality and local knowledge. Not unsurprisingly, many of the facilitators were former government employees turned consultants or consultants (Jones & Datta, 2000:402–3).

<sup>74</sup> Wilkinson (1998:226) characterises the policy as a form of ‘state-assisted self-help’. A ‘central tenet of the policy framework’ is that state investment ‘must be supplemented’ through people’s own efforts via banks and financial institutions, and their ‘own resources of energy, accumulated savings and social networks’.

sector). What is notable is how the pre-democratic approach related to the upward redistribution of income to the more privileged (not-so-poor) black households during the 1980s township housing boom (see Bond, 2000) is reproduced in the new policy (discussed in the N2 Gateway Project case study). This is a cruel betrayal of the poor by the incoming democratic government. Government chose to exclude the NHF from a say in the most sensitive aspect of housing policy, namely, end-user finance; instead, it chose to negotiate this directly with the financial institutions.<sup>75</sup> A ‘significant casualty of this development was SANCO’ (Adler & Oelofse, 1996:133) who for some time were pushing for the democratisation of development finance, an end to redlining, and coaxing banks to extend finance to low-income black households (Huchzermeyer, 2001). The bilateral negotiations between the new government and financial institutions – whose outcome is enshrined in a 1994 Record of Understanding (ROU) (DOH, 1994b)<sup>76</sup> – created a plethora of institutions and incentives to normalise the lending environment for the not-so-poor (see discussion below).<sup>77</sup> On balance, the incentives were perceived to be ‘extremely generous for banks’ (Bond & Tait, 2000 in Bond, 2000:298) with few sanctions should banks not deliver on their commitments (further debated in the next chapter).

Not surprisingly, despite the repeated assurances, numerous guarantees, generous incentives and continuous moral suasion, credit-linked housing development accounted for only 4% of the housing programme in 2000 (Minister of Housing, 2000), and only 2% of total national housing provision from 1994 to October 2000. More recent figures obtained from officials of the Department suggest that credit-linked subsidies (from 1994 to 30 June 2005) totals 49 116, representing 3% of the total national finance provision (J. Minnie, DOH Official, personal communication: 4 August 2005). Financial institutions, in short, have failed miserably in delivering on their commitments. In 1994, they undertook to deliver *50 000 loans in a year. Ten years later they have only delivered 49 116 loans*. Two years later after signing the ROU, they redlined more than 25% of the areas in which they were charging higher interest rates than those extended to the wealthy (Ruiters & Bond, 1996 cited in Goodlad, 1996:1640). The BNG Comprehensive Plan notes that redlining of inner city areas and traditional black townships continues to this day (DOH, 2004a:4).

Successive Ministers of Housing have delivered harsh criticisms of the commitment of the financial sector to transformation and their poor delivery record. In 2000, the Minister of Housing lambasted the banks for violating agreements elaborated in the ROU; ‘breaking the law of the land [referenced to equality and housing clauses of the Constitution] without [sic]

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<sup>75</sup> The NHF Task Team was – prior to the accession to power of the post-1994 government – deliberating on end-user finance, focusing on creating and supporting retail lending capacity in the incremental housing market. It does not appear as if these deliberations were seriously considered by the new government.

<sup>76</sup> The *Record* made provision for the ‘resumption’ of lending by financial institutions to the low-income segment of housing market. The government committed itself to campaigning for a resumption of payment for goods and services, and to provide ‘temporary (three year) mortgage indemnity’ in areas wherein there was a breakdown of law. The banks, in turn, pledged to supply the Ministry with information on lending practices and to publish guidelines for credit extension (Goodlad, 1996:1637).

<sup>77</sup> These included a mortgage indemnity fund; a parastatal organisation to resolve problems related to property repossession; a warranty fund against defective building; a state controlled National Housing Finance Corporation to stimulate housing finance alternatives (Jenkins & Smith, 2001a, 491–2); and the National Urban Reconstruction and Housing Agency that guaranteed bank originating bridging finance for developers (Bond, 2000a:147).

impunity'; discriminating against people on the basis of gender, race, social class and location; and failing to perform their 'social responsibility'. Addressing the National Assembly at the First Reading of the Mortgage Disclosure Bill, the Minister of Housing stated:

We hope to not only eradicate the imbalances that [have] been entrenched for years but also improve what has been so far a dismal failure by financial institutions to penetrate the lower end of the market. By introducing a strong and effective regulatory tool, we are shutting the door to discriminatory practices and ushering a philosophy and way of life that is in synch with our national agenda. I am sure the banking sector will welcome this because it is one thing to stand on the world's elevated stages pronouncing about the negative effects of globalisation when ignoring cleaning up the cobwebs that shade the transparent, equitable and fair distribution of resources. We need to see the banking sector walk the talk (Minister of Housing, 2000).

Government continues to emphasise fairness, equity and co-shouldering the responsibilities attached to redressing imbalances of the past. Financial institutions, on the other hand, stress efficiency, returns on investment and growth (Abedian, 2001). The latter demands of government to concretely define the 'elusive knife-edge' between a sound financial sector and an affirmative approach to financing (South African Institute of Race Relations, 2001:415). Factors contributing to banks not extending finance include low incomes, poor credit ratings, insufficient collateral, problems related to repossession coupled to the absence and weaknesses of the secondary housing market in the low-income housing sector, high levels of household debt, interest rate volatility with impacts on affordability, and high and invariant transaction costs (from origination to servicing) that make small loans expensive (see Porteous & Naicker, 2003).

While most critical commentators single out limited disposable income and the structure and practices of the financial sector as the main reasons for exclusion of the poor from formal financial/credit circuits, there has to date been very little serious discussion about why government has devoted so much attention and committed massive resources to the 'estimated 30% of the housing market that does have the ability to contribute financially to their housing needs' (Jones & Datta, 2000:405–6). This segment of the market is likely to be *formally employed* and able to provide the guarantees of pension backing and payroll deduction. But these policies are at best irrelevant to the majority of the homeless poor who comprise the working poor, informally employed and unemployed; a large segment of whom have (despite all odds) demonstrated a remarkable ability to save and even provide a deposit (cash collateral) for a house (see Porteous & Naicker, 2003).

Disregarding for a moment the equity question, there is widespread agreement amongst housing professionals that 'while traditional mortgage bonds are very successful in conventional markets, they are, by and large, inappropriate lending instruments'<sup>78</sup> for those earning R3 500 (and below), which contra Jones and Datta (2000), incidentally includes the

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<sup>78</sup> Mary Tomlinson cited in *Mail & Guardian*, 23 February–1 March 2001

30% they mention above.<sup>79</sup> There are multiple reasons accounting for its inappropriateness. Firstly, low-income households cannot afford the deposits required by banks, have limited disposable incomes and ‘inadequate credit records’. The use of pension and provident funds as a deposit is extremely dangerous as the loss of one’s job combined with overall high levels of consumer indebtedness means the risk of losing one’s life savings and home. Secondly, the volatility of the labour market and fluctuating interest rates militates against poor households committing themselves to long-term mortgage indebtedness. Thirdly, and not uncontroversially, new borrowers, it is said, ‘often misunderstand’ the complexities of the mortgage bond instrument, and ‘consequently default’ (Tomlinson, 1998:289).

When the time came to renew the ROU in March 1998, the government ‘finally seemed to accept that forcing unwilling consumers and lenders into this [traditional mortgage] market should not be repeated’ (see DOH, 1998 for more detail). Attention shifted to fostering the development of alternative (‘appropriate non-mortgage’) financial instruments and it is at this point that the micro-lending sector drew government’s attention (Tomlinson, 1999:289–90).

Research (at the time) demonstrated that most low-income households could afford a small micro-loan (short to medium term) of between R6 000 and R15 000 (Tomlinson, 1999:289), with the micro-lending sector coming to play a critical role. A survey by the Micro Finance Regulatory Council released in April 2001 showed that in the first full year of regulation (September 1999 to August 2000), the 1 351 registered micro-lenders made nearly nine million loans totalling almost R13bn. The industry had outstanding loans of R10.9bn at the end of August 2000, compared to R277bn total credit extended to all private households in September 1999. The nine banks registered as micro-lenders accounted for 38% of the R12.9bn.<sup>80</sup>

Although micro-lenders have come to fill an important gap in the market – servicing the needs of those who do not possess collateral and ‘without regular employment’ – concerns have been raised about their limited impact when assessed in relation to the ‘scale’ of finance required. Additionally, many non-traditional lenders are ‘managerially weak’ and are unable to access formal financial markets. In cases where they have met with some measure of success, the cost is so high that it renders it unaffordable for the poor and/or credit is extended to the poor at extremely inflated interest rates. Limited product range and geographic spread are further problems (Adebayo, nd:9).

The impact of micro-lending on the housing sector also is difficult to assess given that micro-loans are fungible and hard to monitor. A 1998 survey of National Housing Finance Corporation (NHFC) micro-lender clients showed that largest category of loan usage (45%) was for home improvements (purchasing building materials and renovations of existing structures). Most of the improved housing was in township areas, although significant portions (25%) were in rural areas (cited in Porteous & Naicker, 2003).

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<sup>79</sup> Banks were severely criticised by the Minister of Housing for not supporting this segment of the population. The Minister argued that banks ‘were urging us [government] to ignore the lower end of the market and look at household incomes above R3 500’. This would entail ‘ignoring the people who need us most’ (Minister of Housing, 2001 cited in *Business Day*, 18 June 2001).

<sup>80</sup> *Business Day*, 18 April 2001.

On balance, though, many primary lenders have successfully operated in the housing sector for about ten years and have developed mechanisms that reduced their bad-debt ratio to less than 2%. This renders their models safer than traditional mortgage-backed finance operating in the 'developed market'. The large banks have expressed a willingness to continue funding securitisation of these primary dealers through their books. In the words of former Standard Bank chief economist, Iraj Abedian, 'that's the meaning of deepening the financial market, creating a space for new players and refining the functions that big banks can't play and maybe shouldn't play'. Inexperience, the lack of a methodology to assess risk in black areas, and perceptions of a fairly high potential for default, are reasons why banks prefer working through primary lenders. For government and primary lenders, the 'lack of experience' and related arguments offered as reasons for non-involvement are euphemisms for continued racial discrimination.<sup>81</sup>

Although the state has come to recognise the very valuable role played by the micro-finance sector in meeting the credit needs of the poor, the Minister of Finance in 2001 repeatedly expressed the need for further regulation of this sector as 50% of the R13 billion worth of loans disbursed in the period 1999/2000 were made available by companies not registered as banks.<sup>82</sup> The reason why many turn to these unregistered institutions is partly because of indiscriminate blacklisting by unaccountable credit bureaus. According to the Minister of Housing (2005c), the bureaus keep information on 18m South Africans which is then supplied to banks and retailers. Indiscriminate blacklisting (partly) accounts for a situation where 67% of the population secures less than 6% of credit granted, while 18m consumers are forced to take out expensive micro-loans on which they pay as much as 360% in interest.<sup>83</sup> Adjustments to usury legislation and credit extension legislation will go some way to protecting consumers, but there is a concern that lower interest rates, high administrative costs related to transparent reporting and accountability, and difficulties encountered in debt collection may lead to increased bad debts and reduced profits. Higher levels of micro-finance institutional concentration and consolidation could potentially follow, accompanied by stricter lending criteria. One of the few avenues available to poor households to access credit for housing may therefore be threatened. Whether this is government's intention is a moot point, but increased regulation of the sector could reduce the amount of formal micro-finance borrowing, generating new forms of potentially more exploitative informal lending practices.

## Synthesis

The Chapter began with a harrowing tale of a 13-year old, crying, on her knees with plastic bags on her hand, cleaning a toilet to relieve herself. These daily violations of dignity generated massive protests, which the state countered by repressive measures and criminalisation. In the same city, in the hallowed halls of Parliament, the 'humiliation' suffered by a senior politician being confronted by animal faeces was met by an investigation

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<sup>81</sup> *Sunday Business Report*, 1 July 2001.

<sup>82</sup> *Business Report*, 20 April 2001.

<sup>83</sup> Minister of Housing, 2005 cited in *Business Day*, 27 July 2005.

and apologies. These contrasts were used in an attempt to explain how our society has come to fail its most vulnerable members.

The attempt commenced by posing the question as to why our *post*-apartheid housing policy came to embrace conservatism, generally conforming to World Bank strictures and policy. The answer to this question was to be found in a host of forces and force fields. At the international level, the emerging consensus on *market enablement* (traces of which were already present in the policy positions of the late apartheid state) and the ascendancy of planning paradigms (fencing out power) came to exert a considerable influence on the nature and shape of *post*-apartheid housing policy mediated, as always, through local geometries of power vested in institutions and social relations. Key in this regard were the structural unevenness of the negotiation forum; the way knowledge came to be produced in the NHF (an outcome related to the ANC's conceptualisation of leadership, representation and participation); the 'moderation' of the ANC's elite's vision/aspirations for socio-economic transformation effected through a combination of domestic (societal governance) crises; international pressure (albeit not overwhelming) and transplacement; and relaying/transmission of the 'moderation' through the body politic via the underwriting of an apolitical/non-conflictual/consensual model of social change and transformation. The cumulative impact of these forces and force fields – a great many of which were of domestic origin and of self-construction/imposition by both default and design – functioned to produce a housing policy conditioned by ideas circulating in the late apartheid period and based on precepts of the pre-democratic period.

For those concerned with the politics and dynamics of policy reform and change – and with special interest in forwarding non-teleological explanations of social change – the thesis presented above suggests that

...state policies do not so much objectively represent the interests located in or beyond the state [the ANC and its constituency] or objectively reflect 'real' problems in the internal or external environments of the political system as they are discursively-mediated, if not discursively constituted, products of struggle to define and narrate 'problems' which can be dealt with in and through state action [that is, the 'possible'/'implementable' versus the 'appropriate']. In this sense the effectivity of policy-making is closely tied to its rhetorical and argumentative framing – especially as effectivity, like beauty, often exists in the eyes (or ears) of the beholder (Jessop, 2001a:11).

It is this blind spot of South Africa's housing praxis scholarship that could compromise our future attempts to reform policy. This is because discourses are, following Foucault (Sheridan, 1980:129), instruments and objects of power. In the case of the National Housing Forum, selected (elite) experts 'framed'<sup>84</sup> the problem and were drawn into working relationships with traditional economic and political elites, creating a 'discourse coalition'

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<sup>84</sup> 'Framing' is not a neutral process. They are problem-setting stories/narratives linking casual accounts of policy problems to implicit/explicit proposals for action and 'facilitate the normative leap from "is" to "ought"' (Rein & Schon, 1993:148). Stories/narratives are the 'medium through which actors try to impose their view of reality on others, suggest certain social positions and practices, and criticise alternative social arrangements' (Hajer, 1993:46).

(Hajer, 1993:47), or more appropriately, an ‘elite discourse coalition’ (Fischer & Forester, 1993:8), i.e. a grouping of actors (elites) sharing an ensemble of ideas, concepts and categories via which a phenomenon is ‘politically framed and given social meaning’. The ‘elite discourse coalition’ included experts from liberal and conservative ‘think tanks’ (the Urban Foundation) (Gilbert, 2004a:202) involved in ‘national policy agenda setting’ and aligning the ‘articulated advice of leading experts with the interests of economic and political elites’ (Fischer & Forester, 1993:8–9). A discourse coalition comes to rule when ‘it dominates the discursive space; that is, its central actors are persuaded by, or forced to accept, the rhetorical power of a new discourse (condition of discourse structuration)’ (consultants framing the problem); reflected in the ‘institutional practices of that political domain; that is, the actual policy process is conducted according to the ideas of a given discourse (condition of discourse institutionalisation)’ (Hajer, 1993:48). This coalition was institutionally embedded in a forum driven by consensual modes of decision-making, ‘fudging vital differences’ (Tomlinson, 1998:4) and promoting LCD-type agreements.

If the conditions of discourse structuration and institutionalisation were so heavily stacked in favour of establishment forces, the ANC (as argued earlier) strategically blundered. And here, the role of the ANC’s main negotiator, and the post-apartheid Department of Housing’s first Director-General, Billy Cobbett, is very significant. Cobbett ‘largely’ decided which segments of the liberation movement participated in the Forum.

When questioned why he largely kept the service organisations<sup>[85]</sup> out of the process, he said that his political bosses wanted the emphasis to fall on direct representation by political and civic leaders, rather than on ‘experts’ from the service organisations. This contrasted markedly with the strategy of organised business – in particular the banking institutions – which seconded large numbers of experts, and in so doing directly influenced policy... The democratic movement’s overcommitted political and civic leaders were not equipped to deal with this army of technical experts entrusted with broad negotiating mandates. The consequences of this strategic miscalculation will be felt for many years (Swilling, 1998a:295).<sup>86</sup>

Even where civic and political leaders – who were denied access to independent sources of information and analysis via the policy formulation process of the NHF – drew on the advice of their own ‘experts’ (from service organisations), their espousal of ‘alternatives’ was rendered extremely difficult. The ‘new, generalised, consensus’ – ‘policy analysis’/policy rhetoric – wrapped up in the ‘abstract, positivist methodological validation rooted in traditional epistemology, including the “objectivity” of the analyst’ – ‘required, by definition, the suppression of [radical] discourses that reflected unmet demands and needs’ (Swilling, 1998a:293). Whereas in the past, these very same ‘experts’ put their services to empowering

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<sup>85</sup> Urban service organisations that traditionally supported CBOs, both technically and politically.

<sup>86</sup> The analysis presented by Swilling (1998a) differs considerably from the ‘more teleological explanations’, which suggests that the conservative housing policy is a function of private sector dominance in the policy process.

the poor by espousing strategies and solutions that supported their collective actions, grounded in their needs and demands, this uncoupling<sup>87</sup> generated a mind-set of pragmatism.

The mechanics of discourse structuration and discourse institutionalisation potentially also conspired to reinforce rational high modernist models of social engineering, i.e. a single household, detached dwelling unit situated on its own plot in 'properly planned' townships with full freehold tenure. Following Scott (1998), social engineering of this high modernist type is politically promiscuous in that it appeals to both conservative and revolutionary elites. Structuration and institutionalisation are indispensable tools as they function to negate the conflict, uncertainties, indeterminacies and ambiguities of everyday life, moulding them into categories/units/schemas that privilege certain solutions over others (Scott, 1995), which can be 'dealt with in and through state action' (Jessop, 2001a:11), i.e., drawing on 'previously tested', 'possible'/'implementable' mechanisms. The deployment of authoritative expert knowledge – a critical component of modernity's social engineering arsenal – has a 'tendency to disallow other competing sources of judgement' and modernists' ideology 'tends to devalue or banish politics' on account of political interests frustrating the solutions 'devised by specialists' (policy wonks) (Scott, 1998:93, 94). The banishing of politics, the disallowing of other sources of knowledge, a commitment to 'comprehensive...administering ordering of society' and a 'prostrate civil society that lacks the capacity to resist [high modernist] plans' (Scott, 1998:88, 89) were all components of pernicious apartheid social engineering. High modernist aspirations/projects and the associated stratagems of social engineering, it seems, are indeed politically and historically promiscuous and when civil society is demobilised and/or emasculated and/or powerless to resist the project, the consequences are horrific, e.g. new RDP housing estates.

While this Chapter focused in the origins, evolution and informants of *post*-apartheid – the dominant thrust being one of uncovering the reasons for and drivers of policy continuity in (perceived) discontinuity – it is largely internally focused, and thus myopic. In other words, there is little engagement with the dialectic between statecraft and housing praxis. On the one hand, it remains for us to detail how statecraft and state construction, in its transformation or developmental incarnation, came to be conceived, imagined and appropriated as imparted by and impacted on by structural, social and institutional dynamics. Proceeding from this, we need to detail the implications and imprints of these dynamics on the shelter and housing problematic with the objective of improving our understanding of why a left-of-centre

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<sup>87</sup> A product of the transition process – or the shift from oppositional politics to 'preparing to govern' – which included the deligitimisation of mass action by the ANC, the relegation of local struggles to a secondary status in the pursuit of the 'seizure of state power', and the domestication of the civic movement via the formation of a unitary SANCO. It is interesting to note here that a similar dynamic was at play in the sphere of economic policy. Padayachee (1998:444) remarks that the:

...defeat, emasculation and disappearance of many civil society organisations in the 1990s, and the decision by many others, including COSATU, the SACP and SANCO, to accept the leadership of the ANC in the anti-apartheid struggle of the 1990s, effectively excluded civil society organisations from the policy world, as independent constituencies. As a result many progressive economists lost direct touch with the dynamic and more radical traditions of these mass-based labour and social movements. Progressive academic economists found themselves relating more and more to the ANC's elite leadership, whose concerns and agendas were increasingly being set by conservative forces and institutions. They followed the current into... the 'corporatist statism' of the 1990s. Many already conform to Mahmood Mamdani's characterisation of African intellectuals as 'state fetishists'.

government came to settle on a conservative programme. Accordingly, the next Chapter is about the *Realpolitik* of post-apartheid developmental-state making and housing praxis as component and expression of these complex, confused and convoluted dynamics. This discussion – of **housing from above** - lays the foundations for Chapter Three, namely the imprints of these dynamics, and impacts on performativity - **housing from below** - spotlighted via the (problematic) linkages between shelter and the macro-economy; between shelter and poverty eradication; and between low-income housing delivery and whole sector development. Implicated in these problematics are searching questions about citizenship, human rights, institutional reform, the construction of place and urban restructuring. An attempt is made in this Chapter to demonstrate that the key thrusts of the White Paper constitutes (in retrospect) a minimalist programme for transforming housing and shelter conditions which, despite the rhetoric of the developmental state, are more reflective of the rationalities and ethos of the service delivery state.

## Chapter Two: The Developmental State and Housing The View from Above

Locating South Africa's *Post-Apartheid Housing Praxis in Realpolitik*

They [East Asian dictators] may be sons of bitches but at least they are **our** sons of bitches (American President cited in Leftwich, 2000:128, original emphasis).

South Africa's relative industrial strength and economic sophistication have been built by a strong interventionist state, not market capitalism (Lodge, 1995:206).

It is by now conventional wisdom that the negotiated end to apartheid severely limited the room for manoeuvre available to the successor state. The essence of the CODESA [Convention for a Democratic South Africa] compromise was a trade-off between majority rule and capitalist stability. The National Party conceded universal suffrage in a unitary state; and the ANC accepted that there would be no expropriations nor radical redistribution; that existing relations of production would be maintained. It is equally uncontroversial that the ANC government's macroeconomic policy has pursued neo-liberal orthodoxy: fiscal discipline, debt reduction, deregulation and investor friendly provisions – a policy package that amounted to paying the entrance fee to the competitive arena of global capitalism (Bundy, 2004:1–2).

We can't live in a society where these sorts of things [murder] happen at this kind of level... There is enough killing in the lower classes, let alone when you get into high-profile people (Roger Kebble, father of tycoon Brett Kebble, at a press conference on his son's murder, 2005).<sup>88</sup>

Seize our houses, seize our lives! (Slogan of Mandela Park Anti-Eviction Campaign (Khayelitsha, Cape Town) cited in McKinley & Verriawa, 2005:24).

United to combat poverty! (Slogan of Bayview Flats Residents Association (Chatsworth, Durban) against service cut-offs and evictions, cited in McKinley & Verriawa, 2005:30).

Destroy the meter, enjoy the water! (Slogan of Orange Farm Water Crisis Committee (south of Johannesburg) against installation of pre-paid meters and cut-offs, cited in McKinley & Verriawa, 2005:35).

We are not Asian Tigers (Rob Davies, Deputy Minister of Trade and Industry, 2005).<sup>89</sup>

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<sup>88</sup> Cited in *Cape Argus*, 30 September 2005.

<sup>89</sup> Interview, *Mail & Guardian*, 30 September–6 October 2005.

## Introduction

The West's commitment to democracy, human rights and good governance has historically been 'provisional and conditional, and always subject to considerations of the national interest', i.e. regional/global security interests and/or economic interests (Leftwich, 2000:128). During the Cold War, and well into the 1990s, military, financial and technological support to predatory and developmental states demonstrated a 'clear pattern of subordination of human rights and democracy to other dominant foreign policy concerns, especially economic self-interest' (Crawford, 1997 cited in Leftwich, 2000:129) and, until recently, arresting the spread of the 'communist infection'. With the 'end of history' (Fukuyama, 1992) and the ascendancy of the 'Washington Consensus', developing countries were coerced into competitive restructuring of their economies, ruling out the mimicking of 'bad policies'<sup>90</sup> (Chang, 2002) adopted by both Western and East Asian developmental states. The latter are unique for not only have they been able to generate high and sustained average annual growth rates but have also managed to lift their societies out of poverty, hardship and vulnerability, and achieved average annual rates of growth in gross national product per capita of 4% over two to three decades (Leftwich, 2002:52, 62).

Chalmers Johnson is the pioneer of the concept of the 'capitalist developmental state', elaborated in his monumental (1982) study of Japanese industrialisation. The essential elements/features of the model are four-fold. Firstly, government sets the rules of economic competition through a small, inexpensive elite state bureaucracy staffed by the finest managerial talent. Employing market-conforming methods of state intervention, the duties of the bureaucracy included choosing the industries to be developed; identifying optimal means for the development of these industries; and supervising competition in the designated strategic sectors. The second element of the model is a political system in which the bureaucracy is given sufficient scope to take initiative and operate effectively. The third element pivots around the development of methods of intervention; viz. the creation of governmental financial institutions; indicative plans to set goals and guidelines for the entire economy; creation of forums for exchanging views, revising policies, obtaining feedback and resolving differences; extensive reliance on public corporations; creation and use of an 'investment budget' separate and not funded by the general account budget; anti-trust policy oriented to developmental and international competitive goals rather than strictly to the maintenance of domestic competition; and government conducted and sponsored research and development. The final element was the pilot organisation, namely the Ministry of International Trade and Industry (MITI). This agency controlled industrial policy, combining planning, energy, domestic production, international trade and a share of finance (particularly capital supply and tax policy). The key characteristics of MITI include its small size; indirect control of government funds (thereby freed from subservience to the finance ministry); its think tank function; and vertical bureaus for the implementation of industrial policy at the microlevel (Johnson, 1982:314–20).

The distinguishing feature of the developmental states is that their 'political purposes and institutional structures... [are] developmentally driven, while their developmental

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<sup>90</sup> These include trade barriers, industrial policy, infant industry protection, export subsidies, and patent violation. This is discussed further below.

objectives... [are] politically driven<sup>91</sup>]’ (Leftwich, 2000:154). Their distinctiveness derives from their mission of fostering economic development growth in which the state plays a ‘strategic role in taming domestic and international market forces and harnessing them to national ends’ with the focus being on industrialisation as opposed to maximisation of profitability on the ‘basis of current comparative advantage’ (Onis, 1991:110). The degree and nature of state involvement in socio-economic activity varied over time, with neither undiluted statism nor a dogmatic commitment to the free market characterising a successful developmental state (Khan, 2004). Rather, what is observed is market guidance, governed market, market-rational, market-conforming, and plan rational<sup>92</sup> interventions (Johnson, 1982; Onis, 1991; Doling, 1999, Wade, 1990) providing ‘directional thrust to the operation of the market mechanism’ (Onis, 1991:110). State elites establish a ‘singular principle for their legitimation: the ability to promote sustained development’, i.e. high and steady rates of economic growth, structural change and industrialisation (Thompson, 2002:2).

Sustained development derives from their unique ability to:<sup>93</sup>

- Extract and deploy capital productively;
- Generate and implement national and sectoral plans;
- Effect dynamic egalitarian and productivity-enhancing development programmes in land, education and training, small enterprise, infrastructure and housing sectors;
- Manipulate private access to scarce resources through amongst others financial sector re-engineering, subsidies, taxes, concessions, high levels of lending;
- Cultivate close and productive relationships with business in which state leadership is more important than its followership;
- Manage interest groups through state corporatism (authoritarian top-down imposition of the state’s agenda rather than social corporatism);
- Co-ordinate the efforts of individual business through encouraging the emergence and growth of private economic institutions; target specific industrial projects and sectors;
- Resist political pressure from popular forces and, at times, also brutally suppressing them; and
- Mediate and/or insulate their domestic economies from (extensive) foreign capital penetration; and, most importantly,

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<sup>91</sup> Includes nationalism, security, catching up with the West.

<sup>92</sup> The state sets national goals and objectives and ‘intervenes in order to direct the economy as a whole as well as its constituent sectors to achieve them’ (Doling, 1999:236).

<sup>93</sup> Extracted from Wade, 1990; Amsden, 1989, 1997; Pugh, 1997; Leftwich, 1995; Campos & Root, 1996; Leftwich, 2000:158; Khan, 2003.

- Sustain and implement a project of productivity improvement, technological upgrading and increased market share that breaks with their existing ‘path dependence’, i.e. economic, financial and institutional frameworks/structures of domination and co-ordination which locks a country into a particular inherited growth/development path.

But ‘whether we like it or not’, remarks Thompson (2002:7), ‘it is very unlikely that the ‘international community would tolerate a widespread adoption of these kinds of policies amongst the large and developing countries that are the models for the present process of development: China, India,<sup>94</sup> Brazil, South Africa, and Mexico’. Additionally, these countries are presently members of international institutions of economic governance responsible for policing the policy regimes of developing countries with additional gusto/determination. They will thus not be permitted to embark on the path of a developmental state ‘even if they wanted to or could do’ (Thompson, 2002:7).

This Chapter begins by narrating the mainstream arguments related to why the development state in both form and function is considered not to be applicable to developing country (especially African) contexts, this being the so-called ‘impossibility thesis’. The consequence of uncritical acceptance of the impossibility thesis locks developing countries into existing exploitative and inequitable path dependence. An attempt is undertaken in this section to deconstruct the ‘impossibility thesis’ to reveal its fallacious underpinnings and logic. Following this – in Section Two - is a discussion of South Africa’s bold attempt to contest the impossibility thesis, focusing, in the main, on the evolution of the 1990s economic restructuring debates with passing references to housing policy. The journey from the early expansive economic restructuring and shelter visions to minimalism is tracked and recorded through a discussion of various policy documents. Section Three lays bare the limitations of South Africa’s approach to the developmental state with respect to the shelter intervention by briefly sketching some key components of the housing programmes in select south-east Asian countries with ‘similar levels of development’.<sup>95</sup> The purpose of this discussion is to highlight the nature, depth and extent of developmental states’ intervention in the housing sector, of which our professed ‘progressive’ – but ultimately minimalist ‘liberal solution’ – is arguably not even a shadow. It further argues that major resistance to deal with the fundamental flaws in a nation’s housing system may stem from society’s resistance to deal with race, and, by implication in South Africa, wider issues of political economy.

Picking up on this thread and employing the developmental state literature, the study briefly unpacks the reasons for South Africa’s lacklustre performance in the areas of industrial development, employment and income growth and institutional reform. The reluctance of our economic technocrats, planners and politicians to contest status-quo preserving social forces, it is contended, has produced outcomes inimical to socially inclusive growth and development. The Section titled ‘We are not Asian Tigers’ – alerts us against the unqualified embrace of (developmental state) models, especially because of our own peculiar economic structure, political milieu and reform/change imperatives. On the other hand, it does point to particular institutional and political economy endowments that are available to construct a

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<sup>94</sup> Although China and India combine both orthodox and heterodox economic development programmes/instruments (Mukand & Rodrik, 2005).

<sup>95</sup> *Business Day*, 9 November 2005.

developmental state without which our transition from poverty will be slow and the human costs immense. The construction of such a state will need to wrestle with a range of misconceptualisations that the post-apartheid government has fallen victim to (and reinforces) with damaging prospects for democratic consolidation and socially responsive development policy. This comprises the focus of Section Five. The final Section cautions against our uncritical appropriation of stylised facts pertaining to developmental state construction, with particular reference to the relationship between state and capital.

## Section One

### **The Developmental State: ‘Getting the Politics Right’ and ‘Deliberately Getting the Prices Wrong’ – Construction and Deconstruction of the ‘Impossibility Thesis’**

The economic crisis of the 1970s; the disastrous record of ‘development planning’ in many countries (Monteiro, 2003); the ‘counter-revolution’ (Toye, 1989:22) in economics which reproduced the liberal dualism between economy and polity and stripped the state of any transformative potential as an agent of change and progress; the hegemony of neoconservatism in powerful metropolitan centres; and Afropessimism/ anti-Thirdworldism, collectively ‘pointed to “government failure” as more insidious than market failure that state policies had purportedly been designed to correct’ (Mkandawire, 2001:294).

Consequently, the most important case against developmental states in Africa is not faith in flawless markets, but rather that whatever the degree and extent of “market failure” African states cannot correct them in ways that do not make things worse. What emerges in the literature on Africa is that what has obviously worked in other “late industrializers” is simply a non-starter in Africa. While it is now admitted that the state has played a central role in the development of Asian countries, it is suggested that the replication of the Asian experience is somehow impossible for Africa. The reasons include the (a) dependence, (b) lack of ideology, (c) “softness” of the African state and its proneness to “capture” by special interest groups, (d) lack of technical and analytical capacity, (e) the changed international environment that did not permit protection of industrial policies, and (f) past poor record of performance (Mkandawire, 2001:294).

The validity of these findings aside for a moment, governments of developing countries (especially Africa) who were forced to implement economic programmes imposed on them by the World Bank and International Monetary Fund (IMF) – which brought no ‘visible economic growth and far from alleviating poverty they increased it’ (Mafege, 2001:18)) - contended that they were ‘misconceived’ in that they sought to apply ‘Euro-American development models in Africa’. The general view among African intellectuals and governments was that stabilisation and structural adjustment programmes and the state model that underpinned it were inappropriate to address deep-seated maladies, particularly in the agricultural/agrarian sector. Consequently, there was - and still is - an insistence on the need and role for a democratic developmental state. They also contended that addressing pervasive poverty was not a problem of amelioration but of development, necessitating radical change and not cosmetic reformism, i.e. interventions that reduce power imbalances, flowing from economic and political inequalities (Mafege, 2001:18).

Without these interventions, remarks the World Bank (2005), institutions charged with reducing poverty and driving inclusive growth will continue perpetuating inequalities in power, status and wealth, frustrating investment, innovation, and risk taking that undergirds long-term growth. Countries moving onto institutional paths marked by sustained prosperity achieved this through altering the balance of political influence and power so as to render it more equitable. Policies proffered by the Bank entail redistributions of influence, advantage and subsidies away from powerful groups through, amongst others, investment in human capacities; expanding access to justice, land, and infrastructure; and promoting fairness/equity in local and global markets.

Although the proposals forwarded by the Bank are not of the archetypal ‘developmental state’ variety, what is indeed interesting is their finding that inequality affects long-run processes of development and that without measures to effect redistribution, institutions will repeatedly reproduce systemic imbalances with attendant consequences for the growth elasticity of poverty reduction. Put differently, the higher the proportion of poor people there are in the economy, the lower the rate of growth; countries with high initial inequality experienced lower rates of growth; and initial inequality reduces the poverty reduction potential of growth. High inequality dulls incentives for wealth creation; fosters macroeconomic instability; and impedes efficiency promoting reforms that need trust and co-operation. Rapid poverty reduction requires a combination of more growth, a more pro-poor pattern of growth and success in reducing inherited inequalities that limit the prospects for poor people to share in the opportunities unleashed by economic growth – the main qualities of the social transformation state’s development path. Interventions that make institutions work better for the poor assist in promoting growth in the future, with successful policies focussing on correcting underlying market and governmental failures, or direct interventions to redress asset inequalities (see Ravallion, 2005).

Effecting productive linkages between redistribution, growth, poverty reduction and institutional reform is often said to be precluded by globalisation and the policy imperatives flowing from them. But progressive economists and political scientists maintain that successful pro-poor and sustainable development is predominantly determined and conditioned by domestic factors (Rodrik, 1998, 1999a), and that while development is subject to and conditioned by external factors, they are not the outcome of external factors (Wilson, 1996). The question then becomes one of interrogating the ‘room for manoeuvre’ around domestic constraints to engineer pro-poor patterns of growth. These constraints are influenced and shaped by the degree of social cohesion within a country. The chief economist and top social scientists of the World Bank (Ritzen et al., 2000) have argued that ‘social cohesion<sup>96</sup> and room for manoeuvre determine the quality of institutions, which in turn have important impacts on whether pro-poor policies are devised and implemented’ (Ibid:3). Class, ethnic and racial inequalities place severe constraints on the attempts of even the ‘boldest, civic-minded and well-informed politician’ striving to effect sustainable policy reform. High quality institutions – one of the hallmarks of developmental states – are positively associated with both higher average growth rates and lower levels of inequality. Greater levels of social cohesion produce better institutions and these in turn lead to higher growth. Policies to reduce inequality and address exclusion (e.g. land reform, boosting the

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<sup>96</sup> Taken here to mean the inclusiveness of a country’s communities.

social wage, centralised decentralisation, participatory budgeting, etc.) are thus central to building social cohesion, good-quality institutions and pro-poor growth.

Such policies in the developmental states often entailed quite radical social surgery including the restructuring of organised power blocs. Institutional reform in developmental states proceeded in parallel with political interventions that restructured the distribution of social and organisational power – both disciplining and directing capital – with a view to encouraging the construction of productive coalitions to support the objectives of the social transformation state. In other words, ‘getting the politics right’ is ‘developmentally prior to getting the prices right’ (Leftwich, 2000:195) or the ‘prices wrong’ as Amsden (1989, 1997) argues; a point elaborated below in the discussion of incentives/rent-seeking. This is indeed a pretty radical approach to effect social change going way beyond what Mafege (2001) calls ‘petty reformism’:

...there is a greater predisposition towards petty reformism or continuity than towards radical change, which often threatens instability and, therefore, a general sense of insecurity. This is particularly true of those groups or classes which enjoy hegemonic power nationally and internationally. Almost as an ideological reflex, opinion-leaders from the West often spurn anything that smacks of radicalism. Yet, radical and at time ruthless reforms is what brought western countries to a superordinate position. Therefore, it can be said that despite the tendency towards conservatism in society, under certain circumstances radical change can be the only way to guarantee that which is denied and to release latent social energies (Mafege, 2001:20).

The tragedy of modern times is that these radical and ruthless reforms implemented by both Western countries and developmental states in their rise to industrial and economic supremacy are regarded as market-distorting ‘bad policies’. In other words, these economies actively used ‘bad’ trade and industrial policies; practices now frowned upon – if not banned by the World Trade Organization (WTO). These included:<sup>97</sup>

- Infant industry promotion strategies and tariff protection (and even banning imports and exports of some items);
- Generous industrial financing schemes for targeted industries and sectors;
- Subsidies and import tariff rebates on inputs to promote exports; extensive and sustained government investment (deficit financing) of infrastructural development;
- Establishment of elaborate social welfare institutions;
- Labour and investment planning – directed credit programmes and generous support for research and development, training and education;
- The state setting up and running model factories that the private sector was hesitant to invest in; government grants of free imported machinery to private sector firms;

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<sup>97</sup> Culled from Chan (2002).

- State engagement in industrial espionage, smuggling of contraband machines, patent violation/refusal to acknowledge foreign patents, poaching of skilled workers and sometimes even banning emigration of skilled workers;
- State-created institutional mechanisms to facilitate public-private co-operation (joint ventures, subsidized industry associations with close links to government);
- Establishment of state-owned enterprises and nationalisation of select industries; aggressive restructuring of banking institutions and regulation/mediation of the relationship/link between financial capital and industrial development;
- State encouragement of mergers aimed at restraining wasteful competition and achieving scale economies, standardised processes and outputs, introduction of scientific management techniques;
- Government-instituted policies preventing the development of manufacturing capabilities in colonies through outlawing select manufacturing activities (banning exports from colonies that competed with their colonial countries); and
- Government-instituted ‘unequal treaties’ that imposed free trade thereby depriving the colonies of tariff autonomy; and tools for supporting and nurturing infant industries.

Chang (2002) demonstrates that once these countries reached industrial supremacy, they shifted their policy stances accordingly, i.e. they began advocating and pressed for free trade, prevented the outflow of skilled workers and technologies, and became strong defenders/protectors of patents and trademarks. They turned into gatekeepers, maliciously kicking away the economic/industrial development ladder that served them so splendidly. Preventing developing countries from using the ‘bad policies’ associated with developmental states constitutes a serious constraint on their capacity to generate sustainable economic development. Chang (2002) challenges the international development policy community to provide a valid explanation to the developing countries why the ‘bad policies’ are not suitable for poor countries and why – given their own experience – they insist on imposing a one-size-fits-all-laissez faire model on the poor of the world. This question is especially important because given the huge productivity gap between developing and developed countries. Developing countries now need to deploy much higher tariffs (compared to the now-developed countries in earlier times) just to achieve the same protective effects.

The negative impact of the non-deployment of ‘bad policies’ are aggravated by extremely restrictive international prescriptions for state reconstruction and statecraft. Atop the minefield of socio-economic apartheid and the inequalities of contemporary times, the ‘good governance’ agenda – whose provenance derives from the 1980s shift in the developed world from public administration to ‘new public management’ (Turner & Hulme, 1997:230) – is laid on with its emphasis on accountability, the rule of law, predictability and stability for the private sector, and transparency. Good governance is equated with sound development management, drawing its inspiration from the minimalist state. The emphasis is on private sector management techniques and non market-distorting market incentive regimes. In the words of Jayasuriya (2001:110), this governance orientation signals the

...emergence of a kind of ‘economic constitutionalism’<sup>[98]</sup> which endeavours to place certain market regulatory institutions [e.g. central banks, competition commissions, state auditing watchdogs, etc.] beyond the reach of transitory political majorities or the actions of the political executive through mechanisms that provide for a high degree of autonomy for these institutions.

Once again, Chang (2002) demonstrates that the strictures of ‘good governance’ (and representative democracy) – including clean and efficient bureaucracy and judiciary; protection of property rights, contracts and patents; good corporate governance institutions; and an independent central bank,<sup>99</sup> – was the outcome rather than the cause of economic development in the now-developed countries. He further shows that the numerous institutions demanded of today’s developing countries are irrelevant or harmful to their present stage of development, and are costly to run. The genius of Chang’s (2002) argument is his empirical demonstration that in many of the now-developed countries up until 1913 (and even beyond) universal suffrage and secret balloting was a novelty; there was widespread nepotism and corruption in the public sector; corporate governance institutions fell miserably short of modern standards; competition law was non-existent; banking regulation was underdeveloped and patchy in most countries; insider trading and stock price manipulation was common; income tax was a still a novelty; and labour legislation regarding working hours, occupational safety, child and female labour standards were patchy, coverage limited and enforcement poor. In other words, it took the developed countries centuries and decades to develop the institutions now demanded of developing countries. Thus, the current demand that developing countries should adopt world-class institutions right away or face punishment is at odds with historical experience of the developed countries.

More intriguing is Chang’s (2002) finding that developed countries were institutionally much less advanced in those times than the currently developing countries at similar stages of development. Put differently, the now-developed countries had relatively low levels of institutional development compared to the developing countries of today at comparable levels of development (especially per capita income). For instance, the United Kingdom in 1820 had only a slightly higher per capita income than today’s India but the latter has universal suffrage (the United Kingdom did not even have universal male suffrage), a central bank, income tax, bankruptcy laws, a professional bureaucracy, and labour legislation. Another example: the Italy of 1875 is comparable to today’s Pakistan (in per capita income terms), but the latter has universal male suffrage, an independent and professional judiciary, and a central bank. Paradoxically then, today’s under-developed countries, it might be said, are, perhaps, institutionally over-developed. The maintenance of this over-developed institutional infrastructure may also be responsible for diverting scarce resources away from much-needed

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<sup>98</sup> Economic constitutionalism refers to attempts to ‘treat the market as a constitutional order with its own rules, procedures and institutions that operate to protect the market order from political interference’ (Jayasuriya, 2001:121).

<sup>99</sup> An independent central bank rips the heart out of the developmental state through removing the power and capacity of ‘central economic agencies’ to direct the kind of industrial policies that were a marked feature of developmental states. The shift of power away from technocratic economic agencies to independent central banks effectively erodes the close political relationship or bargaining between state and business that informs the operations of core state developmental agencies (Jayasuriya, 2001:118).

investment in poverty eradication and human development, a state of affairs that is harmful to equitable development and contributes to their enslavement to the powerful of this world.

These comparisons can go on but suffice to say that, in their early days of economic development, the developing countries operated with institutional structures that were cruder or less sophisticated than that which exists in today's developing countries at comparable levels of development, and that their democratic credentials referenced to representative democracy and good governance were extremely suspect. Even in the developmental states of East Asia, a significant component of their success resided in a unique combination of close government ties with business, clientelism and bureaucratic insulation – termed in the literature 'embedded autonomy' (Evans, 1995). Similar practices in Africa are slated as 'state capture', corruption and neo-patrimonialism – fundamentally at odds with World Bank notions of 'good governance' (Mkandawire, 2001).

It is 'doubtful', says Stein (2000:9), whether accountability, transparency and the rule of law will produce vibrant economies in the developing world. It follows

...the general neoclassical notion of institutional neutrality... that will permit an unimpeded space for optimal private decision making. Passively create the conditions perceived as inducing private production and investment and "ye will come" (Ibid).

Fostering institutional neutrality for the removal of market-distorting rents (recently recognised as a flawed assumption under structural adjustment programmes) and now their redirection away from non-productive activities (import substitution industrialisation strategies) to (so-called) productive activities (export-oriented industrialisation), but with minimal state interference, is in neoclassical economics perceived as central to the achievement of competitive outcomes. Rents, in neoclassical economics, are perceived as exogenous to growth and competitiveness of firms/industries, and enterprises will (inappropriately) allocate resources to secure them. This allocation, it is argued, will leave fewer resources for productive investment if the state tampers with the process. If the assumption of exogeneity is removed and rents are now (more correctly) being seen as an indispensable function of a firm's performance, their pursuit and securing can lead to the expansion of productive activity. Rent-seeking then becomes a spur to growth as rent seekers attempt to capture the maximum amount of rents. It is in this context that 'government mediation of profits' – a significant component of the developmental state's intervention arsenal – and 'even extensive cronyism' - is compatible with heightened levels of productive investment and dynamic growth (depending on political conditions) (Mkandawire, 1998:11).

In the developmental states, rents created and allocated by the state – in which higher-than-expected profits are provided to the private sector in return for investment and production in economically targeted activities – played a crucial role in the development of a capitalist class and robust accumulation. In the words of Amsden (1997), the development of dynamic productive capacity and processes entailed the deliberate creation of 'distortions' in the form of firm-specific skills, knowledge-based monopolies and other types of entry barriers. Government's role involved 'joining' with the private sector to 'socially construct competitive assets' (resources, capabilities and organisations) rather than create perfect markets.

To construct socially those competitive assets for production purposes, governments have rigged key exchange prices, such as the price of foreign currency, credit, and

labour (by weakening its bargaining power); that is they have deliberately got relative prices “wrong”. Thus, even if the ultimate correction of market failures aptly describes the government’s normative role in the realm of exchange, it is a poor explanatory device for understanding its role in the realm of production, which is better analysed in terms of the “social” (public-private) construction of competitive assets (Ibid:471).

Accordingly, the system of contingent rents in the developmental states was effective because they were extended in response to activities deemed to serve the national interest. Rent-seeking costs (information collection, influence peddling, and bargaining) were kept low, governments closed off non-productive avenues for wealth accumulation such as real estate speculation (critical to the success of the housing programme alongside the successful capture of increments in urban land development/development gains), rents were provided on a selective and temporary basis and withdrawn as new industries matured enough to compete globally, and strict performance standards were enforced (Akuyz, 1996 cited in Stein, 2000:18).

The point of the Asian experience, remarks Mkandawire (2001:302),

...is that the use of “rent seeking” as an argument against a more active developmental state is simply not credible. The relevant issues are “rents’ for whom and with what reciprocal obligations for receivers of rents? And the answer will lie in the desired income distribution and strategy of development. The denial of an active developmental state for fear of “capture” is tantamount to the denial of the possibilities in Africa of accelerated development achieved by a deliberate “government of the market” towards greater mobilisation and developmental allocation of resources (including rents). In the African debates, the fear of the damaging effects of rent seeking has not only sustained the argument for a minimalist state, but has also given the foreign experts, who for inexplicable reasons do not engage in rent seeking like all other mortal beings, a moral upper hand.

‘Bad policies’ and their subsequent outlawing by the powerful; ‘rent-seeking’ and their present day vilification; and ‘good governance’ precepts are bolted together in a tight self-serving manner. As the main scaffolding of the impossibility thesis, they not only rip the heart out of the developmental state model and deny others the opportunity to ascend the ladder of economic progress and material upliftment; more importantly, they function to expunge from history the existence of such a ladder. Expunged also from history (implicitly, at the very least) is the active support of these developed countries to yesteryear’s (East Asian) dictators (*our sons of bitches*) and the former’s present deployment of economic hitmen (EHMs) to build and sustain their globally corrupt empire. The words of John Perkins, a self-confessed economic hitman, quoted here at some length, are most apposite:

We are an elite group of men and women who utilize financial organizations to foment conditions that make other nations subservient to the corporatocracy running our biggest corporations, our government, and our banks. Like our counterparts in the Mafia, EHMs provide favours. These take the form of loans to develop infrastructure – electric generating plants, highways, ports, airports, or industrial parks. A condition of such loans is that engineering and construction companies from our own country must build all these projects. In essence, most of the money never leaves the United

States; it is simply transferred from banking offices in Washington to engineering offices in New York, Houston, or San Francisco... Despite the fact that money is returned almost immediately to corporations that are members of the corporatocracy (the creditor), the recipient country is required to pay it all back, principal plus interest. If an EHM is completely successful, the loans are so large that the debtor is forced to default on its payment after a few years. When this happens, then like the Mafia we demand our pound of flesh. This often includes one or more of the following: control over United Nations votes, the installation of military bases, or access to precious resources such as oil or Panama Canal. Of course, the debtor still owes us the money – and another country is added to our global empire...The subtlety of this modern empire building puts the Roman centurions, the Spanish conquistadors, and the eighteenth- and nineteenth-century European colonial powers to shame. We EHMs are crafty; we learned from history. Today we do not carry swords. We do not wear clothes of armour that set us apart...We appear humble, normal. We visit project sites and stroll through impoverished villages. We profess altruism, talk with local papers about the wonderful humanitarian things we are doing. We cover the conference tables of government committees with our spreadsheets and financial projections, and we lecture at the Harvard Business School about the miracle of macroeconomics. We are on the record, in the open. Or so we portray ourselves and so we are accepted. It is how the system works. We seldom resort to anything illegal because the system is built on subterfuge, and the system is by definition legitimate. However – and this is a very large caveat – if we fail, an even more sinister breed steps in, ones we EHMs refer to as the jackals, men who trace their heritage directly to those earlier empires. The jackals are always there, lurking in the shadows. When they emerge, heads of state are overthrown or die in violent “accidents”. And if by chance the jackals fail, as they failed in Afghanistan and Iraq, then the old models resurface. When the jackals fail, young Americans are sent in to kill and die (Perkins, 2004:xvii–xxi).

In sum, there is little evidence to suggest to any meaningful shift in the strategies/stratagems deployed by the powerful in the past and now and/or that the neoliberal governance model is any less corrupt/subversive/violent than some characterisations of the developmental state as ‘crony capitalism’. One is left wondering whether the ‘impossibility thesis’ is less about the world we live in (*Realpolitik*) than the world we are told/made to believe we live in.

## Section Two

### **The South African Journey – From Contesting ‘Impossibilism’ to Pragmatism and Minimalism**

*The Transition Debates on Economic Restructuring and Housing: From MERG to the RDP*

The early 1990s economic policy debates in South Africa contested the ‘impossibility’ thesis and proposed mild forms of ‘bad policies’. This amounted to an argument in favour of the need for the ‘establishment of a culture of ‘developmentalism’, not only within the state, but also within ‘civil society’. Democratic government and the setting of national development goals would provide the platform for economic policy functional to both growth and redistribution objectives. A ‘slimmed down but strong state, insulated from sectional interests, but at the same time basing interventions on well-developed consultative mechanisms’ would furnish the requisite implementation infrastructure. Mindful of the limitations of the transformative capacity of the state and policy, it was recognised that the extent and nature of state intervention would ‘necessarily be constrained not only by the objectives of policy, but by the capacity of the bureaucracy’ (Black, 1992:142).

The progressive movement’s economic programme came to centre on addressing structural inequalities through an extensive and rapid redistribution of wealth and incomes. Redressing the imbalances of the past for the promotion of socially responsive and employment generating accumulation strategies constituted the cornerstones of the progressive movement’s growth path, i.e. growth through redistribution (Kaplinsky, 1993). Growth through redistribution underscored the need for radical changes in the existing structure and distribution of socio-economic power. More precisely, accumulation depended upon the ‘prior redistribution of resources’. ‘Redistribution’ was not seen as a ‘clever stratagem to wheedle concessions from the rich by allowing them to maintain real income growth, but rather as a necessary requirement for accumulation to occur’ (Kaplinsky, 1993:50).

Criticising the growth paths proposed at the time by establishment-aligned forces/thinkers for ‘their modest and uncertain views of state intervention’ was described as taking production and growth ‘too much on business’ terms, confined to fiddling with the slack space remaining from improving tax policies or saving on military expenditure after making business happy’ (Freund, 1992:85). Progressives argued for the redistribution of income, political power, educational and training opportunities, housing and infrastructural expenditure, regional growth, land and wealth to address the conglomerate structure of the South African economy (Khan, 1992).

In this alternative strategy of the progressive movement, a central role was accorded the state, whose capacities were viewed as crucial to counterweight the power of highly concentrated<sup>100</sup> (recalcitrant) capital, which was, and continues to be, viewed as unprepared to commit their financial resources to domestic investment in industry and/or to social and economic transformation (whether through private sector and/or public-private partnership

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<sup>100</sup> In 1971, the Mouton Commission found that in 37 sectors, three or few producers shared more than 75% of the sector’s market. Rumney (2005:409) cites McGregor’s (2004) contention that the degree of sectoral concentration has increased: ‘It is now hard to find sectors where there are not three or fewer dominant players’.

sector initiatives) in order to meet basic needs (Edwards, 1998). South African industries were perceived as too concerned – and still are – with integrating their domestic operations with their international interests (Chang, 1996). There was (and remains) no reason why the interests of South Africa’s minerals-energy complex (MEC) would coincide with the imperatives of generating viable domestic industry, related to the age of capital stock, low levels of vertical integration, the lack of intermediate and capital goods. There was also a general predisposition to oppose interventionist policies and there remains extreme pressure for the removal of (remaining) exchange controls restricting domestic corporations from capital export (Fine, 1998). It is for these and other reasons that the state was accorded a central role in redirecting capital accumulation and economic growth through a redistribution-driven reconfiguration of dominant socio-economic blocs – especially the conglomerates.

It was believed that the highly concentrated corporate structure dominated the provision of finance to industrial firms, with financial linkages between the various conglomerates constituting the nexus of the process. The subordinate position of the banks relative to non-bank financial intermediaries within the conglomerate structure reinforced their relative immunity from state control (Gelb, 1990). In West Germany, Japan and Taiwan, the opposite held and the state effectively shaped industrial development through central bank regulation, i.e. there was significant institutional mediation between finance and investment capital, which differs from South Africa’s Anglo-Saxon capital-based financial systems (Khan & Hemson, 1998).

In 1998, progressive economists continued arguing for the state to take active measures to reform the financial system to ensure lower interest rates and to direct funds out of the highly concentrated and integrated MEC core of the economy. The financial sector, they charged, was dominated by six, broad-based, organically linked axes of capital each with varying interests in mining, manufacturing and the financial sectors, i.e. SA Mutual, Sanlam, Anglo-American, Liberty/ Standard, Rembrandt/ Volkskas, and Anglovaal. This highly integrated and concentrated structure (four banking groups controlled 95% of all deposit taking institutions in 1991) also produced a highly segmented structure. The rates of interest charged on loans outside and inside the MEC varied quite considerably, impacting on the rate of job creation, investment and diversification potential. These rates rose by leaps and bounds, with the highest rates charged to small, micro and medium enterprises, and particularly the unbanked, poor majority (Edwards, 1998).<sup>101</sup>

Accordingly, borrowing from German, Japanese, East Asian examples, progressive economists asserted that the state must supervise closely the activities of the component parts of the MEC to direct credit into strategic areas; limit and regulate the outward flow of capital; and ensure the implementation of integrated and diversified industrial growth policies that are more employment-generative and poverty-eradicating. State intervention, it was contended, would on the one hand be ‘targeted’ and ‘selective’, yet ‘pervasive and far-reaching in shaping the activities of economic agents, in contrast to the neo-liberal reliance on autonomous responses’ (Gelb, 1991:31). A co-operative relationship between business firms and government planning institutions was to be secured through the latter’s involvement in sectoral planning, but with firms accepting a ‘subordinate role’ in the restructuring process on

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<sup>101</sup> These themes are revisited in the Conclusion.

the grounds that the state was the key agent in securing the conditions for productive, sustainable accumulation (Khan, 1992).

In sum, the progressive movement wanted to deploy redistribution as a mechanism to satisfy basic needs and create new patterns of demand away from racialised Fordism. A main plank of this alternative strategy – redistribution of investment into productive and employment-generative spheres – singled out housing as the most important sector for targeted investment. The envisaged strategy would strive to engineer a creative link between shelter, capital accumulation and production, and redistribution (van Gass, 1991).

A major influence on ANC economic thinking in the early 1990s was the Macroeconomic Research Group, a team of economists assembled by the ANC, whose report *Making Democracy Work: A Framework for Macroeconomic Policy in South Africa* (1993) - 'recommended significant intervention in the market place' (Friedman, 2004c:177). The MERG report recognised that housing played an important role in the economy as a generator of income and employment and a 'stimulus to growth in kick-start scenarios' with construction spurring demand across employment-intensive sectors, with limited demands on the balance of payments, and with the potential to be non-inflationary. Housing was also said to be 'integrated into the economy in other ways' beyond these multiplier effects. Housing availability interacts with the 'functioning of the labour market, the money market and savings rates' (MERG, 1993:84). Moreover, housing was seen to be heavily implicated in political processes, i.e. boycotts on rent and service charges, and access to land. The report drew on critiques of apartheid and late-apartheid housing praxis and emphasised a continuum of housing markets (low and upper-income) and their functional relation (underscoring the need to address the housing system as a whole); focused attention on alternative forms of tenure (away from the fixation on subsidised owner-occupation that was insensitive to mobility-based household livelihood strategies); supported informal upgrading; and singled out the need to pay particular attention to women-headed households.

The report cautioned that housing, by itself, was of 'limited worth in the absence of jobs, infrastructure and communal facilities' and the multiple components of housing delivery should not only be confined to financial issues. Equally important should be a focus on addressing the highly cartelised building supplies industry; upgrading state capacity to deliver separate but related components of the housing production (from land acquisition and assembly through to final finishing); tackling land speculation; lending support to collective forms of tenure (example, housing associations) and public rental accommodation (which should not be 'precluded at the outset through an ideological commitment to owner-occupation'). Rather than soliciting a housing programme through private sector finance (formal and/or informal and/or intermediaries), far more reliance should be placed on state finance to fund a public housing subsidised rental programme. Thus the solution proposed to affordability problems and bond boycotts – neither of which 'can be solved by efforts to devise the appropriate structure and form of financial instruments' – resided, according to MERG, in state provision of rented housing.

The degree of state intervention can vary over the range of functions involved – it can be a builder itself, or subcontract to an audited private sector; it can provide or guarantee loans; it can subsidise rents or charge at market value. Nor does extensive state intervention now preclude a more market-oriented stance in the future (MERG, 1993:84).

The MERG report presented its housing programme as appropriate for a 'transitional period', pivoting on the necessity to reduce, in the short term, gross inequities for medium- to long-term growth to realise the country's economic potential in an equitable manner. Following World Bank (1993) advice on tackling the reconstruction tasks confronting South Africa, the proposed aim was to transfer a significant amount of resources to the poor in the short term, cognisant that policy instruments of the proposed strategies would 'not necessarily be appropriate for medium- and long-term vertical and horizontal fiscal balance' (MERG, 1993:84).

Although short on the specifics of state intervention to address market failure, the report recommended regulating the housing market; breaking the white monopoly of contractors over local authority work through promoting black businesses that are more efficient and independent of white-controlled large-scale contractors; redressing the high degree of concentration in the cement industry; 'compulsory purchase' of privately-owned land and ensuring an equitable distribution of development gains; effective functioning of housing supply; and urban and regional planning. Implementation hinged on institutional reform and capacity building, with the report proposing a 'unitary national housing authority with corresponding institutions at lower tiers of government'. The responsibilities of the authority would include: urban and regional planning; infrastructural provision; restructuring of the apartheid city; co-ordination of all aspects of housing delivery; formulation and monitoring of planning regulations and ensuring their effective functioning; and facilitating the release of land for housing (Ibid).

On balance, the nature of proposed state intervention (influenced in significant dimensions by readings and interpretations of the developmental state experience) was rooted in the belief that sustainable growth necessitated a radical redistributive programme to address the chief obstacles to growth rooted in structural inequality. The restructuring of the economy, it was said, could not be left to the autonomous actions of capital, but required decisive state leadership, in which capital would have to accept a subordinate role in return for increased profitability. Restructuring the distribution of political and organisational power with a view to encouraging the construction of productive coalitions to support the reforms of the state was to be effected through a novel combination of consensual and inclusive embeddedness, distinct from East Asian state corporatism. Important in this growth path was the view that poverty eradication/reduction was not an 'add on' to the growth strategy, but an integral part of it (see Makgetla, 2004).

Government would thus use large scale anti-poverty programmes while expanding domestic demand, skills, services and infrastructure – a strategy used to great effect in 1950s in the high performing Asian economies (Makgetla, 2004:280). This was echoed in the RDP (ANC, 1994), which emphasised land reform and support for co-operatives and micro enterprises, as well as massive expansion in basic infrastructure, housing, education, welfare, and health care for poor communities (Makgetla, 2004: 270).

#### *From the RDP to White Paper and GEAR*

The original RDP broadly supported MERG's development policy orientation and strategy, premised on 'reconstruction and development being parts of an integrated process'. In contrast to establishment viewpoints that 'growth and redistribution are processes that contradict each other' (in this view, growth is seen as 'the priority that must precede

development' and development is portrayed as 'a marginal effort of redistribution to areas of urban and rural poverty') the RDP 'breaks decisively with this approach' (ANC, 1994:S1.3.6). The establishment position, it is asserted, 'would leave intact the severe regional, racial and gender and structural imbalances that characterise the present economy' (Ibid:S 4.3.1). Moreover, with the objective of effecting structural transformation, it was said, that it 'cannot be expected that the market will make such a structural transformation on its own' (Ibid:S 4.3.1).

The fundamental principles of our economic policy are democracy, participation and development. We are convinced that neither a commandist central planning system nor an unfettered free market system can provide adequate solutions to the problems confronting us. Reconstruction and development [an integrated process] will be achieved through the leading and enabling role of the state, a thriving public sector, and active involvement by all sectors of civil society which in combination will lead to sustainable growth (Ibid:S 4.2.1).

The RDP (ANC, 1994) repeats many of the themes encountered in the early economic restructuring debates, arguing for the integration of growth, development, and reconstruction into a unified programme. The key to this link was said to lie in an infrastructural programme that would provide people with access to basic services thereby opening up 'previously suppressed economic and human potential', leading to 'increased output in all sectors of the economy'. In the housing sector, the RDP restates MERG proposals and introduces a few significant new ones. The RDP recognises that:<sup>102</sup>

- A mass housing programme can help generate employment, skills and economic activity (both directly and indirectly);
- Commits government to the goal of allocating 5% of the budget to housing, sustainable human settlement development, tenure security and support to diverse tenure forms, and settlement upgrading (with high standards akin to formal housing);
- Development of legislation to address tenants' rights, squatter rights', women's access to credit and housing support, community re-investment by banks, evictions, consumer protection, community participation in planning and development;
- Intervention in the land market to deepen access; prevention of land speculation and breaking up of land monopolies; provision of affordable rental housing stock ('provincial and local government should be...particularly active in the delivery of rental housing stock'); establishment of a national housing bank and home loan guarantee fund;
- Mechanisms to prevent speculation and downward raiding; demand-side subsidies; encouraging commercial banks through legislation and other incentives to make credit available in low-income areas;

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<sup>102</sup> Text drawn from ANC, 1994: S2.4.1–S2.5.21; S 4.7.1–S4.7.8.

- Prohibiting redlining and other forms of discrimination by banks; introducing community-controlled financing vehicles;
- Devising unemployment bond insurance packages and guarantee schemes with a demand-side orientation; keeping interest rates as low as possible;
- The ending of cartels, price agreements and market share agreements in the building materials industry; and
- Resourcing small and medium-sized developers/ builders/ enterprises; and communities benefiting directly from the housing programme via employment, training and awarding of contracts.

As the elections drew closer and the ‘Left’ of the ANC lobbied for assertive redistribution (drawing in part on MERG findings), the ANC’s Department of Economic Planning (Trevor Manuel and Tito Mboweni in particular) were listening to technical specialists from the ANC, World Bank advisors and business people (‘mostly but not exclusively foreign’). They subsequently ‘became the prime advocates of economic pragmatism’. The Department of Economic Planning sought substantially to ‘water down MERG’s redistributive thrust’, with the ‘policy shifts they initiated appear[ing] to enjoy tacit or explicit [senior ANC] leadership support’ (Friedman, 2004c:217–8).

The strategy that came to be endorsed and later consolidated in the 1996 Growth, Employment and Redistribution Strategy (GEAR) (Department of Finance, 1996), very fundamentally changed the nature and orientation of economic policy. In the original RDP document, it was contended that the market on its own cannot effect structural transformation and that, if the present structure of the economy were left intact, it would further entrench and reproduce inequalities. It was recommended, therefore, that a programme driven and led by the newly-elected government was needed to ‘transform’ society, polity and economy along democratic and equitable lines. With GEAR, the focus on inequalities in income, wealth, access to productive assets, and the structure of production is displaced. Government embraced a ‘competitiveness strategy’, ‘predicated on the argument that apartheid repressed markets for labour, international trade and capital flows, particularly in the agricultural and financial sector’ (Makgetla, 2004: 267). Government’s primary role was defined as facilitating conditions (through fiscal restraint, budgetary reform, deregulation)<sup>103</sup> to produce a ‘competitive fast-growing economy’ that would generate more jobs. This, in turn, was believed to be the route to an ‘equitable distribution of income and improved standards of living for all’ (Department of Finance, 1996:14). Mhone’s (2003:49) précis of GEAR is apposite:

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<sup>103</sup> GEAR proposed a medium-term plan that would ‘bridge’ the existing constrained economic environment to improved growth and employment through tighter fiscal controls to counter inflation; the setting of what it called an ‘appropriate’ medium-term deficit target to eliminate government dissaving; further revision of the tax structure and a range of budgetary changes to contain costs and improve the redistributive goals of public investment; the gradual relaxation of exchange controls; monetary policies to further reduce inflation and exchange rate management; trade and industrial policies that lower tariffs, introduction of tax incentives to stimulate investment etc.; public sector asset restructuring, the sale of other state assets and the creation of public-private partnerships; an expansionary public infrastructure and investment programme; flexibility in the labour market; and processes to facilitate wage and price determination (Department of Finance, 1996:4).

GEAR is predicated on creating an enabling environment for the market to restructure the economy... Within this context, the government is expected to play an enabling role by providing a good macroeconomic environment, and by nudging the economic players through the provision of infrastructure and incentives and an appropriate regulatory environment... [T]he market should do the main job of restructuring the economy.

With the introduction of GEAR – a ‘self-imposed structural adjustment programme’ (Joel Netshitenze, 2003 cited in Khan, 2004:28) – South Africa seemed to internalise the ‘impossibility thesis’. GEAR turned the ANC’s previous commitment to building a developmental state which borrowed from the experience of newly industrialising countries on its head by implying that an inclusive and sustainable growth path could ‘only be precipitated by undertaking a major policy intervention that redistributes assets and undoes major allocative, technical and microeconomic constraints’, with the purpose of kick-starting a ‘virtuous cycle’ of endogenously driven growth and development, and ‘complemented by external factors such as exports and foreign investment’ (Mhone, 2003:63).

Debates rage about the efficacy of GEAR in addressing the structural distortions of South African economy and the deep social deficits. The distributional coalition that underwrites GEAR (white elite and emerging black business, resting on policies to promote globalisation and black economic empowerment (Terreblanche, 2003)) coupled to elite perceptions of poverty (see Box 2.1), and the shutting out of the poor from participation in political debate and development policy-making deliberations<sup>104</sup> does not present optimistic prospects for the installation of a social transformation state that can address structural distortions and deficits. But developmental states, Leftwich (1995:421) reminds us, ‘are not static’. Changes in social and economic structures, politics, and international environments can produce shifts of elite coalitions, and the ties and interests that bear on and bind them. Thus, even though the South African state ‘reflects an *aspirant* democratic developmental state’/‘proto’ democratic developmental state (Leftwich, 2002:57), extolling the ‘features of a democratic ‘non-developmental state’ (Pieterse & Donk, 2002:4), the jury is still out that this will remain the situation in the long term (a theme revisited in the Conclusion). It should be borne in mind, though, that developmental states are not available on demand, commanded into existence, nor ‘had to order’ (Leftwich, 2002:255).

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<sup>104</sup> For Aubrey Matshiqi (2005:7), political debate in post-apartheid SA is fraught with many tensions; there is an attempt to impose ‘a canon of rational debate or rational thought. Anything that falls outside this rational canon of thought is regarded as irrational’. Beyond the chambers of the educated who can participate and shape the *rational* debate – the privileged minority – is the majority, on the periphery, who ‘tend to be black, they tend to be poor, they tend to be women, they tend to be the working class’. ‘They are not part of this debate’ and are denied access both because of the technical jargon and language (predominantly English) (Ibid: 8–9). The ‘net effect’ is a ‘democratic political framework ‘caught between the tension of [an avowed] rule *by* the people and rule *for* the people’. The ‘technical nature of governance’ – relayed by the rational canon of thought –

...requires not rule by the people, but patience by the people while rule is left to the experts. Policy-making therefore increasingly looks uncomfortable, irritated and impatient when put before the eye of public oversight, and public input in any substantive manner loses its efficacy and is reduced to the ritual of practice diluted of its foundational meaning. Decisions about public life, about the will of the people, are made behind closed doors; deals are struck in hotel lobbies, on golf courses, or... ‘think tanks’ (Pillay, 2005:7).

### **Box 2.1: South Africa's Elite Perception of Poverty**

At a very general level, sustained and rapid shifts in socio-material boundaries separating the elite and poor – especially in those countries that secured the fastest reduction in poverty for the largest number of people ever recorded in history (Malaysia, Taiwan, South Korea and Thailand) – came to depend on three conditions (Watkins, 1998). Firstly, the elite perceived their welfare and those of the poor as interdependent. The elite were unable to insulate themselves from the living conditions of the poor. Secondly, the elite recognised that the poor did in fact have the ‘means’ to affect their welfare through crime, insurrection and disease. Thirdly, the elite came around to the view that some action would be efficacious in reducing threats to their welfare posed by the behaviour and action of the poor majority (De Swan, 1998 cited in Toye & Jackson, 1996; Toye, 1999). In Malaysia, Taiwan, South Korea, Thailand, Hong Kong and Singapore (see Khan, 1999; Khan & Pieterse, 2000 for a more detailed elaboration of pro-poor development policy interventions), *bona fide political will* – as opposed to mere rhetoric – was instigated by self-enlightened elites who perceived grinding poverty as the most significant threat to national security (see Hossain & Moore, 1999). In South Africa, the evidence suggests that, at present, the poor pose no significant threat to the elite (although this is slowly changing). Elite perception of poverty is highly skewed, often associated with urban crime and unemployment. The more endemic problem of rural poverty remains invisible and ignored. Moreover, there is little awareness amongst the elite of the interdependence between social groups and/or that the elite bear some responsibility for the suffering of the poor (evidenced in Roger Kebble’s statement on the murder of his son at the media briefing quoted at the beginning of this Chapter). Gated communities, private security services, decentralised office and commercial facilities insulate the elite, thereby increasing their socio-physical distance from the poor. On the other hand, there is a ruling elite that displays altruistic ideals with regard to poverty, but international market pressures are perceived as insurmountable (Kalati & Manor, 1999:2).

Of immediate concern, in this section of the chapter, is the impact of the shift to economic pragmatism, which many high-ranking ANC members involved in the housing policy negotiation process came to realise in 1993 (Gilbert, 2002a). Whilst the early radical positions of MERG and RDP on housing gave hope to those committed to an expansive and developmental shelter policy, pragmatism exercised an influential role on those involved in the writing of the housing White Paper, which clearly subordinated the shelter programme to macroeconomic policy orientations (discussed below). If the dynamics of the negotiations in the NHF tilted the balance of power in favour of Establishment forces, the downsizing of the housing programme was informed by this economic pragmatism at the policy level, resulting in the adoption of the fiscally-disciplined instrument of the capital subsidy that in reality was the ‘forerunner to GEAR’ (Monty Narsoo, the ex-Deputy Director General of the national Department of Housing cited in Charlton & Kihato, 2006:278).

As the forerunner of GEAR, the housing programme is a minimalist market-driven one with the ‘crucial question’ being:

Will carefully constructed liberal solutions to enormous housing problems be able to survive long enough to produce enough results to be able to stave off the demands of radical activists [and the homeless majority]? (Mackay, 1995:144).

This question cuts to the heart of the post-apartheid project. The social protests around the country by the likes of the Anti-Eviction Campaign, the Bayview Flats Residents

Association, and the Orange Farm Water Crisis Committee signal the failure of the liberal solution to basic needs provision, presenting serious threats to our democratic stability and consolidation. According to Jackie McKay, head of the National Intelligence Agency Information Centre and involved in monitoring these social movements, the greatest threat to national security is the potential for unrest as a consequence of socio-economic conditions (cited in McKinley & Verriawa, 2005:54). The 'greatest danger' presented by these state-community conflicts is the 'manner in which its current terms structure a self-reproducing discourse of marginalisation and repression' (McKinley & Verriawa, 2005:56).

At a general level, then, there is great distance between the MERG and RDP proposals (which countenanced measured redistribution of economic and political power) and the policy expressed in the Housing White Paper. Describing the White Paper, Patrick Bond (2000a):

[I]n contrast to the RDP mandate, each major facet of the housing policy relied upon the market: the broad policy objectives (specifically, 'to contribute to the certainty required by the market'); the role of communities (none, effectively); the size of the housing backlog (the 'present housing backlog' was considered to be merely the 1.5 million urban informal units such as shacks, not hostel beds or rural huts); housing standards (extremely low); the (unsubsidised) interest rate on bonds; housing finance guarantees that favour lenders not borrowers; an insistence upon full cost recovery for services; (self-) regulation of the construction industry; building materials price inflation (ignored); emerging construction firms ('not seen as a primary housing responsibility and therefore does not justify the allocation of housing funds'); housing tenure (no rental and very little support for co-ops); and a variety of other RDP policy provisions that were disregarded...[There is in the White Paper]...no explicit commitment to eliminating gender bias; no support for squatters' rights; no commitment on linking subsidies to ending bank discrimination; no assurance of end-user and bridging finance availability to complement the meagre subsidies; no possibility of land banking for future development (so as to lower land prices and make subsidies go further); no means of applying subsidies to higher cost inner-city areas; no attention to linking subsidies to the pricing of building materials or to private sector anti-trust considerations...; effectively limit[ing] tenure form to individually owned sites...(Ibid:145, 136).

Even in areas where there was agreement amongst both establishment and non-establishment actors on tenure and financial interventions, there was significant (and perhaps unnecessary) political compromise. For instance, the RDP spoke of a Housing Bank.<sup>105</sup> The consultant charged to look into the merits of this proposal (Dan Smit) reportedly rejected the idea in his report to the NHF, citing none of the arguments in favour of the proposal. Thus it 'came as a shock to conservative NHF participants when a National Housing Bank was strongly promoted not only in the *RDP* in early 1994, but by Slovo and Cobbett immediately following the election' (Bond, 2000:277, original emphasis). Instead, the White Paper provided for the establishment of a Housing Finance Corporation (Mackay, 1995), which has been criticised as being 'too risk-averse [charging interest rates way beyond affordability

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<sup>105</sup> 'The democratic government must establish a Housing Bank to ensure access to wholesale finance for housing projects and programmes' (ANC, 1994:S4.7.4).

levels of poor households] in order to protect their own credit ratings, as well as to have not opened up critical areas of the housing finance market' (Gardner, 2003:19).

In the case of programmes to ensure that state expenditure assumes the form of 'non-speculative subsidies' (Bond, 2000a:145), the constituencies on the 'Left and the private construction sector argued that the government should provide mass rental housing'. Mass housing based on subsidised rental was, for the Left, a means of extending affordable, high quality housing for the poor. The private construction sector also argued for the 'highest possible standards, as they would positively influence their profits'. Additionally, 'they wanted to act as contractors, rather than 'developers', to 'limit their financial risk'' (Tomlinson, 1999:286). The White Paper, though, paid scant attention to rental housing due, in part, to the assumption that most people wanted to become homeowners as opposed to renters – an assumption that has not been sufficiently tested (Smit, 1999:8) – and also forced upon the NHF and Department of Housing by the imperatives of rapid delivery.

To facilitate rapid delivery under the new subsidy system, the NHF and the Department of housing concentrated on project-based housing with individual title as its objective. This was the simplest way of delivering housing, since the actors in the housing environment were most familiar with this mode of delivery, and the necessary legal structures and implementation capacity was already in place (Adler & Oelofse, 1996:127).

Whilst the NHF supposedly engaged with MERG proposals – dismissing them on the basis of construction supply bottlenecks (and the consequent negative impacts on the balance of payments) and 'problematic for marginalised low-income groups' (Brugge, 1996:78) – it is not clear how seriously the NHF grappled with them. It is reported that the NHF 'debated quite vigorously the merits of social and collective ownership by housing co-operatives, NGOs and local authorities' but it is also said that there 'was a lack of information on rental tenure in South Africa, and the financial, legal and technical complexities of rental provision' (Adler & Oelofse, 1996:127). Yet there is extensive experience of the provision of affordable rental accommodation<sup>106</sup> by a 'heavily interventionist, administratively pervasive and bureaucratically complex state' (Lodge, 1995:196) that was not respectful of market-determined interest rates, courted market distortions, and risked vertical and horizontal fiscal imbalances in the interests of a racist transformation project, i.e. the apartheid state (see Parnell, 1997). To dismiss this experience and/or not productively deconstruct it and its mechanics surely constitutes a gross error in public policy discourse and analysis. To dismiss the public rental option on economic grounds is also problematic.

Although a wide body of literature can be summoned to dismiss the public housing rental option as expensive, there is – according to a world renowned authority on rental accommodation – 'no theoretical reason why governments cannot manage public housing effectively' (Gilbert, 2003:394). Peter Marcuse, another authority on housing policy, cautions against the (contemporary conservative) 'premature rejection of the possibilities of social housing', pointing to the 'unwillingness [of governments] to face up to the issues of resources than a detailed exploration of the possibilities of social housing'. It is 'easier, in other words, to seek solutions that are cheap, than to explore alternatives that might be more expensive but

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<sup>106</sup> For white, Indian and coloured low-income groups.

still within the range of possibilities'. Social housing was provided, he writes, under apartheid in an *effective* manner. Citing Khayelitsha, which won a prize for outstanding planning (from the 'International Union of Architects'), he says:

Leaving apart its segregated nature and purpose, and its location, the provision of fully serviced lots and solid walls and a roof, with room to expand, was done at not unmanageable cost. The units remained publicly owned, although residents were permitted to add to and expand, and did so; a lively informal market for units developed, but within bounds that could be largely policed by government (Marcuse, 2004:np).

The past does indeed hold messages to alternative developmental futures but only if we are prepared to 'brush against the grain of history' (Benjamin, 1969 cited in Gilly, 2003:277). And once again, the White Paper's insistence on levelling the playing fields, privileging the market, delivery within a normalised market frame, and the (accompanying) residualisation of the public sector<sup>107</sup> makes no allowance for short-term market distorting interventions that would potentially deliver long-term gains - a key feature of the developmental state. Unlike apartheid and late-apartheid housing strategies that permitted interest rate subsidisation, the new government, wedded to the 'crowding out' hypothesis, fiscal conservatism, and the maintenance of favourable international credit ratings, envisaged no re-engineering of the oligopolistic and anti-developmental financial sector, whose economic sophistication and strength rests on a foundation furnished by a strong interventionist state, not market capitalism (as Lodge (1995) observes). The findings about the financial sector in the early 1990s, still holds true today.

Even a cursory analysis shows that the financial sector has not supported employment creation either directly or, through its impact on investment patterns, indirectly. Nor has it contributed adequately to meeting basic needs, particularly in terms of low income housing... It has not overcome patterns of discrimination on the basis of race and gender, and continues to neglect relatively depressed rural areas. Finally, the sector demonstrates a high degree of concentration, and the regulatory agencies have not been systematically restructured to ensure more openness and accountability (COSATU, 2001:9)

Against this backdrop, it is indeed surprising that there is no provision made for some modicum of intervention in the financial sector, despite the RDP mooted the idea of community reinvestment legislation coupled to its extensive provisions on reforming the financial sector (see ANC, 1994:S 4.7) – and given that the housing policy is designed largely on the assumption that it would leverage private finance. The Record of Understanding (DOH, 1994b) – a 'weak mechanism' reliant on 'publicity as the only means of enforcement or encouragement' (Diamond, 2002:5) – depended entirely on bank self-regulation and even permitted the private sector to charge higher (than normal) interest rates to low-income people (DOH, 1994b:4). The proposal to reduce the costs of borrowing to the poor by spreading the burden of lending across the financial sector (cross-subsidisation between high and low income earners and loan products, for example) (see Diamond, 2002), is dismissed in

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<sup>107</sup> A theme revisited in the Conclusion

the ROU on the grounds that it would ‘diminish the ability of banks to operate in a competitive environment’ (DOH, 1994b:12). Even more bizarre are the many concessions afforded to banks in extending finance to areas considered ‘unstable’ and ‘risky’. The ‘reinstatement of a habitable public environment’ referenced mainly to an ‘acceptable level of civil responsibility and behaviour’, ‘civil and criminal law enforcement’ and payment of service charges, rates and mortgage bonds, points to extent to which the government made concessions to the private sector, i.e. restructuring of the low-income areas along ‘business’ rather than ‘civil service principles’ (Mackay, 1995:140) with no guarantees that the private sector would deliver on its side of the bargain (the ROU).

### **Section Three**

#### **South Africa’s Commitment to a Development State?<sup>108</sup>**

How the ANC came to settle on minimalism was the subject of the previous chapter. Germane to this discussion was that the omission from the White Paper of the various strategies proffered by the developmental state-influenced position papers and documents (e.g. MERG and RDP). This lays bare the commitment of the ANC to the establishment of a developmental state. A cursory examination of the interventions of the developmental state in the shelter sector reveals the hollowness and poverty of our shelter production and delivery approach.

The ability to establish and maintain legitimacy through rapid growth and low inequality (‘shared virtues’ (Campos & Root, 1996:12)) is an important lesson from developmental states. Successful efforts were undertaken to ensure more equitable ownership and opportunities through the 1950s. The developmental states emphasised land reform, education and training support for small enterprise and the provision of housing and infrastructure. The state generally subsidised skills development, education, housing and transport. The high performance economies formulated and implemented housing and land development systems that rendered distributions of wealth and income more egalitarian, thereby contributing to economic growth rates (Pugh, 1997a:1557). Again, a defining feature of the developmental state in these sectors is that they have been ‘serious and effective’ in bringing public housing (and other facilities including schools, roads, health centres) to an expanding number of people (Leftwich, 1995:419). This was achieved by implementing precisely the type of interventions, which the White Paper omits, dismisses and ignores.

In the developmental states of Hong Kong, Singapore, Taiwan and South Korea, housing and land development systems are ‘typically dominated by state planning, overriding private interests’ (Doling, 1999). In Singapore and Hong Kong, land is owned by the state; and the Taiwanese and South Korean governments wield considerable control via manipulation of development rights. These arrangements have facilitated the ‘planned supply of land’ for shelter development and have also furnished these governments with leverage over the quality and size of dwellings produced. Strong controls over finance ensured containment of

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<sup>108</sup> A great many of the references in this section pertaining to South Africa’s political economy are drawn from the late 1990s. The choice is deliberate, given the intention to contest the ‘impossibility’ in this early period of democratic consolidation. They function to shore up the limits and contestation of mainstream thinking in this period. Later sections and chapters update these references and alert the reader to the continuity in thinking and academic writing, i.e. reinforcement of the impossibility thesis.

capital costs, replicability and going to scale. In the construction of dwellings, all four governments intervened extensively by way of subsidies, contracts and regulations to modernise industries with a view to reduce costs and enhance industrial efficiency. Summarily, the success of the shelter programmes in these developmental states can be attributed to ‘deep interventions’ – which the White Paper shies away from – in which government directly organised the ‘factors of production’ (Ibid: 234, 247) (see Box 2.2).

### **Box 2.2: Developmental States and Shelter Interventions**

Singapore has mass (cross-subsidised) social housing programmes (rental and homeownership tenure). Housing is arranged in polycentric new towns. Government is empowered through legislation to acquire land below market value and, because land ownership can be threatened by state acquisition at any time, this reduces speculation. Finance for the housing programme is secured through the Central Provident Fund (CPF, a mandated employer-employee pension scheme). The CPF channels low-interest funds into the public sector to support the housing programme. In Taiwan, taxation of land value, the capturing of unearned increments in urban land development, and land acquisition provides resources for intensive redevelopment schemes in cities. Development is regulated by an extensive regional and city planning system. Finance to construct housing comes from a loan fund, supplemented by central government budget, which is then lent to provincial and city governments. The latter levy a land tax, the proceeds of which are used to purchase land and extend loans to households. Much of the publicly constructed housing is for sale with buyers benefiting from interest loan and property tax subsidies. In South Korea, legislation provides for the state appropriation of land below market prices. The unique method of land development provides for timeous land release and ‘recapture of development benefits’ enables reinvestment in other land development projects and combats speculation. The funding of the programme derives from state-established organisations. The Housing Bank collects and allocates funds. The National Housing Fund raises funds from savings deposits, lottery funds and housing bonds. Housing (rental) for the poorest is funded directly from the state budget. In Hong Kong, almost all land is owned by government and only that not set aside for public housing and infrastructure is allocated through the market. The government employs land ownership to achieve other objectives; e.g. land cleared of squatter settlements and declared available for commercial development is sold via public auction to the highest bidder raising considerable money for the state. The capital cost of the housing programme is provided by government with almost 50% of the population residing in public rental stock.

Major resistance, remarks Hartman (1998:240), to engaging with the fundamental flaws in the nation’s housing system may stem from society’s resistance to deal with race, and by implication in South Africa political economy issues. In the housing sector, the ANC was of the view that for the housing policy to have ‘credibility’, it was ‘essential that proposals should have the endorsement of the largely white professional, construction and financial community’ (Mackay, 1995:143). More generally, the ANC government, Leftwich (2000:141) argues, has been extremely careful in not threatening white economic interests or the interests of capital more generally. If one were to use the developmental state model to

suggest explanations for our failure to ensure rapid and equitable growth, the main arguments would be as follows.<sup>109</sup>

- Unlike the developmental states, South Africa's main economic groups are based in mining<sup>110</sup> and related financial services, rather than manufacturing and trade, but with considerable inter-locking, inter-meshing and integration of mining, finance and manufacturing. South African authorities, writes Chang (1996), have been far too lenient in controlling and regulating interlocked firms which have unusually advanced capabilities to engage in transnational investment activities. In other words, they are 'too internationalised' to sufficiently benefit the national economy. Unless institutional constraints are put on their investment behaviours – not avoiding making unpleasant and unpopular decisions on the grounds of political expediency – it will be very difficult to regulate the outward flow of capital by the highly diversified conglomerates and their new-found allies in the politically powerful and financially hungry black empowerment camp, especially with accelerated financial liberalisation. Currently, this possibility seems to be completely ignored, for 'obvious political reasons' (Chang, 1996:17). From the late 1990s, many economists (including die-hard free traders)<sup>111</sup> and decision-makers began questioning the abolition of foreign exchange controls with the World Bank recommending 'tighter financial regulation and where necessary, restrictions on capital flows'.<sup>112</sup> Indeed, those developmental states that maintained capital controls (e.g. Singapore) escaped the 1998 financial crises and their re-introduction in Malaysia enabled that economy to recover rapidly. It is for this reason why the iconoclastic economist, Paul Krugman (1998), proposed the (temporary) introduction of exchange controls, which would allow for a severing of the automatic link between the local currency and the domestic interest rates. Other economists moot the idea of 'speed bumps' in the form of a tax. First proposed by the Nobel Laureate James Tobin in the 1970s, it comprises a small uniform tax on private foreign exchange transactions that disincentivises financial speculation, slows down the speed of global financial flows, and rolls back the volume of foreign exchange transactions (see Khan, 1999). Proponents of this view often point to Chile which, although is the sweetheart of the neoliberal establishment (see Box 2.3), introduced capital controls.

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<sup>109</sup> The heads of argument presented below are extracted from COSATU (2005).

<sup>110</sup> Taxation, tariffs and energy prices are historically structured to support mining.

<sup>111</sup> 'It's a lot of ideological humbug to say that without free portfolio capital mobility, somehow the world cannot function and growth rates will collapse' (Jagdish Bhagwati - A Die-Hard Free Trader, cited in *Mail & Guardian*, 10 July 1998).

<sup>112</sup> Cited in *Business Report*, 3 December 1998.

### **Box 2.3: Chile: Neoliberal Poster Child?**

It is interesting to note that Chile mimicked many developmental state-type interventions, including keeping its largest export industry (copper) under state ownership; it has maintained capital controls on financial inflows through the 1990s (elaborated in Box 2.4 below); and extended significant technological, organisational and marketing assistance to its growing agro-industries (Rodrik, 2003:16). Over a decade, Chile managed to halve its poverty level – from 45.1% in 1987 to 20.6% by 2000. It has been reported that President Mbeki wishes to learn more about how Chile achieved this. ‘We would send people here to see how Chile confronted this problem of poverty, how this success has been achieved in such a short space of time’; ‘After a decade of democracy, we have not achieved that level of success in our own country’ (Thabo Mbeki, cited in *Sunday Times*, 12 June 2005). Developmentalism, capital controls and the combination of pro-poor social policies (targeted programmes in nutrition, employment and housing – Pugh, 1995 & 1997a) are all components of the Chilean success. What South Africa will learn from Chile is debateable as the interventions undertaken there may appear a tad too radical for the local elite.

The conservatives’ argument that controls inevitably lead to the contraction of capital inflows carries little weight in light of Chilean experience, which clearly demonstrates that countries can attract a significant volume of capital inflows, despite imposition of controls to discourage short-term speculative inflows (see Box 2.4).

### **Box 2.4: Chile and Capital Controls**

In the early 1990s, Chile experienced a surge in capital inflows that created a conflict between maintaining a tight monetary policy and spurring export competitiveness. In 1991, the Central Bank imposed controls on capital inflows in the form of a one-year unremunerated reserve requirement on foreign credits. In simple terms, this meant that local firms, which borrowed from abroad, had to deposit 20% of the loan in the central bank – without interest – for one year. In 1992, the 20% reserve requirement on foreign loans was extended to foreign currency bank deposits. In May 1992, the required reserve ratio was increased to 30%. In July 1995, the reserve requirements were extended to all types of foreign investments in Chile. These controls helped the economy in many ways. Firstly, it discouraged short-term and speculative foreign capital inflows, as these became expensive. Secondly, long-term capital inflows increased as these measures encouraged firms to borrow for long-term purposes. Analysts found that these controls led to major changes in the composition of inflows, from short-term to long-term, without adversely affecting the overall volume of capital inflows. Thanks to the controls, the impact of the Mexican crisis of 1994 on the Chilean financial markets was almost negligible, even though other countries in the region were badly affected. In fact, the stable external financial position coupled with strong ‘economic fundamentals’ enabled Chile to become the first country in the entire Latin American region to obtain an investment rating of (A-) from Standard and Poor in 1995. Colombia in the 1990s followed Chilean policy measures to control foreign capital inflows (Singh, 1999).

It is interesting to note that the ANC ‘steadfastly refused to introduce [the kind of] capital controls’ that proved successful in Chile and Malaysia. ‘The ANC feared that such a move would send a [wrong] signal to the market... and lead to an even bigger backlash’ (Gumede, 2005:93). Following the conservative line, South Africa’s deregulation and liberalisation

have not succeeded in attracting significant amounts of foreign direct investment (but there has been considerable speculative investment). Additionally, it has facilitated net capital outflows and large companies moving their primary listings offshore.<sup>113</sup> In the words of Mark Breedon, Senior Vice President of Alliance Capital, one of the largest asset management firms in the United States, primary listings offshore are ‘retrogressive’. Johannesburg could be a substantial financial centre in its own right if big companies were to stay – ‘Johannesburg should not be regarded as a second best listing’, he said.<sup>114</sup> And here we arrive at one of the ironies of economic restructuring in South Africa, i.e. to the extent that this country faces national and international ‘constraints’, these are ‘exacerbated by the policy actions of government itself’ (Harris & Michie, 1995:6) who then argue that the ‘constraints’ render government powerless to break with existing path dependence (a theme returned to in the Conclusion). By exacerbating the constraints, the room for manoeuvrability becomes more limited and inequalities deepen (see earlier reference to Ritzen et al., 2000 of the World Bank).

Unlike the governments of the developmental states, South Africa has not really purposively prioritised equity-enhancing, employment creating growth in economic and social development programmes. There is a strong emphasis in government documents on enhancing competitiveness, with little reference to restructuring the economy through effective and dynamic ‘incentives’ so vital in re-orientating/diversifying the economy away from its strictly mining-finance base<sup>115</sup> (this theme is revisited below). South Africa provides a ‘textbook example of inappropriate job-destroying capital-intensive production’ (Samson, 1999:8). The pattern of capital and labour use is typical of industrialised economies with far lower unemployment rates (see Box 2.5 below).

The reluctance to prioritise equitable growth is evident when contrasting engagements on sector strategies and the implementation of Black Economic Empowerment (BEE). In the 2000s, nearly every government department adopted policy documents referenced to BEE and drove BEE Charters in key sectors. There was considerably more difficulty in ensuring government commitment to sector strategies to ensure employment creation and more equitable ownership. Worse still, even in the BEE Charter negotiations, community and labour and business representatives have usually had to promote commitments to serve the majority and improve investment, with little encouragement from government whose focus has been more on ownership, control and employment equity, practically ignoring developmental initiatives (Makgetla, 2004). In the sphere of health, education, housing and household infrastructure programmes, government has not gone far enough in supporting equitable economic growth or alleviating poverty.

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<sup>113</sup> In late 1998, as the recession was announced, Anglo American, South African Breweries, Liberty Life and Old Mutual announced plans to relocate their South African share listings to London (Bond, 1999). Implicated here are three of the six broadly-based organically-linked axes of capital dominating the financial sector.

<sup>114</sup> Cited in *Business Times*, 7 February 1999.

<sup>115</sup> Minerals and metals contribute two-thirds of exports but only 10% of gross domestic product and employment. Diversification within minerals will continue, with government efforts to support growth in the high end of the formal sector such as heavy chemicals and vehicles. With this structure of production, formal employment will grow slowly (about 1% a year), and unemployment will remain high. Should there however be a crash in commodity prices, redistribution will fall apart as both tax revenues and employment shrink (Makgetla in *Business Day*, 9 September 2005).

- Economic policy has adopted an export orientation – especially minerals and the capital intensive automotive sectors<sup>116</sup> – but has not ensured a basis for local production ‘in an increasingly equitable, prosperous and protected domestic market’.<sup>117</sup> A disproportionate emphasis on the role of exports for long-term economic growth can frustrate the development of a viable domestic market and the economy’s ability to absorb ‘surplus’ labour. These are both important prerequisites for achieving sustainable growth. Indeed, it is a paradox that South Africa’s trade flows are dominated by capital-intensive exports and labour-intensive imports while unemployment levels are disturbingly high and rising.

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<sup>116</sup> The National Economic Development and Labour Council, (NEDLAC) report on the government’s Motor Industrial Development Programme (MIDP) reveals that the Programme has yielded benefits of R55bn to car manufacturers over the last decade. NEDLAC claims that the cost of the programme ‘may have outweighed its benefits to the country’. The report alleges that R22bn worth of the benefits went to two German luxury car makers and R37bn to four companies in the first eight years of the programme. The report says that the benefits of the programme in terms of employment and consumer interests have been overstated. Vehicles are less affordable under the MIDP than they would have been without the programme. Ten years into the programme, car makers in South Africa are still not competitive (cited in *Business Day*, 8 November 2005).

<sup>117</sup> Makgetla in *Business Day*, 17 June 2005.

### **Box 2.5: South Africa: Job-Destroying Capital-Intensive Production**

Some of reasons proffered for the imbalances in capital and labour use relate to distortions, unqualified admiration of inappropriate technology from industrialised countries, scarcity of skilled workers, imported consumer preferences that skew demand towards capital-intensive goods, and anti-competitive behaviour by large South African conglomerates that undermine smaller labour-intensive enterprises. One study estimates two million job losses over the past 20 years from inappropriate capital intensity. Statistical analysis links this inappropriate capital and labour use to consistent underpricing of capital relative to labour (Samson, 1999). The absence of significant capital taxes supports the relative attractiveness of capital over labour, particularly since the weight of the tax structure falls on labour income and consumption. Stringent monetary policy that maintains the value of the rand also tends to keep the price of imported capital equipment from rising. Furthermore, the allocation of fixed capital is skewed within the economy. Certain industries are characterised by abundant labour-saving capital, while others – particularly in the informal sector – lack adequate capital to effectively employ labour. Historically, public policy has encouraged relatively capital-intensive production rather than job-creating growth. The Katz Commission Interim Report, for instance, identified tax distortions that have lowered the user cost of capital and made labour relatively more expensive. These include skewed depreciation rules, investment allowances, payroll levies, registration fees, and the employment-discouraging manner in which the Secondary Tax on Companies has been implemented (Ibid). The cost of capital in South Africa does not reflect the true cost to society of diverting resources to employing machinery and equipment. Enterprises retrench workers, replacing them with automated machinery based on expected cost-benefit analysis that assesses the relative costs to the firm. The additional costs borne by society of increasing unemployment do not enter the calculation, yet they are very substantial, in terms of social safety net costs (both public and private) as well as increased crime and social unrest (a theme revisited below). Policy-induced measures to increase the cost of fixed capital constitute an essential ingredient of poverty-eradicating job creation and redressing market failure resulting from decades of generous capital subsidies. Calls and demands for higher wages tend to make capital expenditure relatively more attractive, reducing the employment of workers. While higher labour productivity will tend to offset this, it may be insufficient. Policies that directly increase the cost of capital can be an effective way to shift factor demand towards job creation. Such policies may include higher taxes, reduced subsidies, as well as a weaker rand. These policies would also have other benefits. The capital taxes and resources freed from eliminating capital subsidies can support social investment objectives. A weaker rand goes hand-in-hand with lower interest rates, broadly supporting the objectives of poverty-eradicating job creation. In this scenario, government is advised by experts to implement policies that increase the price of capital relative to labour, thus shifting incentives towards more rapid job creation. Firms that restructure their production processes with the purpose of shedding labour should face the true cost to society of their contribution to increased unemployment. Protective labour legislation alone might be inadequate to achieve this objective, since increased protection for workers might discourage firms from hiring workers in the first place. Increasing the cost of fixed capital would discourage firms from substituting machines for workers in order to escape the costs of labour equity (Ibid).

What is also surprising to learn is that the effect of non-gold, non-agricultural exports on employment are statistically insignificant (in fact, research in the late 1990s shows that employment losses have been comparatively larger in export-oriented sectors), while an increase in non-export output has significant effects on employment (Adelzadeh et al., 1998) (see Box 2.6 below). Something has gone profoundly awry when government extends

generous support to a capital-intensive export sector but is yet to prioritise investment and direct assistance to domestically-oriented enterprises that are potentially more employment-generative. In contrast, governments in East Asia complemented their (labour-intensive) export orientation with a coherent domestic investment strategy that boosted private returns to capital, promoted entrepreneurialism and was employment-intensive.

#### **Box 2.6: South Africa's Export-GDP Ratios**

Comparatively, it is notable that the export-GDP [gross domestic product] ratios of the North American, European and Asian countries have remained small, despite long-term growth and vigorous export promotion over numerous years. All these economies show that a high percentage of production is geared towards domestic use (consumption and investment). For example, the US and Japan's share of exports of total output respectively averaged 8% and 10% on average between 1960 and 1994. The corresponding ratio for the Organisation for Economic Cooperation and Development countries was 15%. The average annual exports of India, Brazil, and South Korea hovered around 16% of the GDP between 1960 and 1994. During the same period, South Africa's non-gold, non-agricultural export-GDP ratio averaged 22%, which is higher than all the countries above (Adelzadeh, et al., 1998). Moreover, empirical studies have shown that production for the domestic market is more job-creating than production for exports. Estimates for the US economy show that a 1% increase in non-export production creates almost twice as many jobs as a 1% increase in export production. This ratio is even larger for the United Kingdom and Italy, where an increase in non-export production generates four times and 3.4 times more jobs than similar increases in production for exports, respectively (Ibid). The existing export-oriented strategy of South Africa might explain the country's recent experience of jobless growth as domestic consumption demand is increasingly being satisfied from labour-intensive imports.

- Monetary policy has concentrated more on maintaining inflation targets (rather than currency manipulation to support exports). The developmental states of Asia consistently held down the value of the currencies to limit imports and stimulate exports. This was coupled to substantial financial support and tariff protection for industries, which enabled them to compete on the basis of dynamic competitiveness rather than comparative advantage deriving from currency fluctuations. Tight deficit reduction targets add further to our woes. The *Poverty and Inequality Report* (May, 1998) supported this finding, and was highly critical of GEAR reaching its targets, and its ability to generate the necessary growth and investment to address poverty and inequality. The authors of the *Report* argue that the fiscal and monetary policies necessary to restrict inflation to any single digit may reduce employment opportunities and real income in the short term. GEAR asserted that raising the deficit above 5% will 'crowd out' investment, but the *Report* stated that government investment in urban and rural infrastructure and human resources would 'crowd in' private sector investment (a theme discussed below). These authors argued that rapid budgetary compression could constrain government in reducing poverty and inequality. The high real interest rate regime can lead to demand contraction, depressed output and lower job creation. Moreover, public sector restructuring, if not strategically managed and implemented, can whittle away existing state capacity – the institutional and policy support so critical to enhancing the economy-wide net employment effects of any growth path (see UNDP, 2003).

Unlike in the developmental states, government has not ensured direct benefit to workers and communities from economic growth, spawning persistent conflict in workplaces and communities. Shared growth has remained elusive in South Africa. Although the government has used the budget to redistribute resources (more effectively though in income transfers rather than asset creation and accumulation by the poor), income earned from employment and ownership has remained highly inequitable. From 1993 to 2002, the share of profits increased while employee compensation declined (Makgetla, 2004). In contrast, the early phases of industrialisation in East Asian developmental states witnessed rapid improvements in workers pay in real terms, although from a low base. Keeping the cost of living down through subsidised housing, education, transport and relatively cheap food boosted the wage. Undervaluation of the currency reduced pay in foreign terms, but did not raise living costs, and non-tariff obstacles blocked imported goods.

In contrast, apartheid settlement patterns and concentrated farming<sup>118</sup> and retail systems increase the cost of basic necessities. High unemployment and high dependency ratios render it impossible to reduce worker's salaries. Inequalities in opportunity, distorted and deficient human capital formation and weak institutions through which the poor can express voice undermines social mobilisation around economic growth and improved access to basic needs and services. This largely rules out the generation of trust, collaboration and deal making around a social contract between state and society of the kind encountered in early stages of industrialisation in East Asian developmental states. Such a compact provides for societal compliance to a politically- driven and state-directed economic development path in return for rising incomes and basic needs provision.

- On the institutional front, the defining characteristics of the developmental state is the concentration of power, autonomy and capacity at the apex of the state to 'pursue and encourage the achievement of explicit development objectives whether by 'establishing and promoting the conditions of economic growth' and/or 'organising it directly' (Leftwich, 2000:155). This is a state comprising a determined developmental elite with some measure of relative autonomy and staffed by a powerful, competent and insulated economic bureaucracy (Leftwich, 1995:405). But this type of bureaucratic rationality and ethos and its effective deployment depends critically on the 'apportionment of *power* among state policy agencies'. And here the notion of 'internal cohesiveness' is critical. In order to promote or organise directly the conditions for development, the developmental state was able to act as a corporate entity with 'broadly collective goals, rather than a sum of the individual strategies of the functionaries' (Chibber, 2002:952). This internal cohesiveness of the developmental state was normally secured through the creation of

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<sup>118</sup> Dynamic smallholder agriculture, rather than large-scale commercial agriculture, has been one of the foundations for growth in East Asia. Land distribution in most of East Asia is more equal than in the African and Latin American regions. As a result, poor rural producers have had access to one of the productive assets needed to take advantage of market opportunities and contribute to economic growth, which in turn is strongly correlated with poverty reduction. Countries where land ownership patterns are highly unequal have suffered on both counts. World Bank research suggests that of those countries with the most unequal distribution of land, only two (out of the total of 15) have sustained growth rates in excess of 2.5% a year (cited in Watkins, 1998). Research confirms the negative impact of concentrated asset ownership for growth and poverty in Latin America. According to the Washington-based Inter-American Development Bank, asset distribution has been the single most significant influence on growth in the region, retarding overall economic performance by about 2% per annum (Ibid).

powerful planning agencies to which all other state departments were accountable, guided by and which had the power to approve or reject policies and programmes. This prevented the slide into predatory practices by sectoral departments and individual functionaries, and the wastage of resources through a lack of selectivity in development policies (Ibid:955). The RDP held that the inherited apartheid state suffered from 'excessive departmentalism leading to uncoordinated, sometimes contradictory, decision-making by various state agencies' (ANC, 1994:S6.1.1.1).

Strategic intervention in social and economic development (S 5.2.4) – via the state exercising a leading and enabling role in reshaping the economy (S 4.2.3) – required democratisation and building of the requisite capacity to intervene effectively. Accordingly, provision was made in the RDP for the establishment of structures to 'manage policy and determine spending priorities within a strategic perspective' and to 'coordinate resources and actions' (S 6.2.2.1; S 6.2.2.2). These structures would elaborate planning frameworks and envisaged was the allocation of 'real powers of coordination and appropriate budgets' (S 6.3.2). The national RDP structure 'should also have oversight of inter-governmental financial transfers...to ensure that these are in conformity with overall national objectives of the RDP' (S 6.3.2). Regrettably, instead of the government establishing a planning agency that exercised real leverage and control over government departments, a co-ordinating agency was established in the Office of the Presidency (the RDP Office) with little power to rein in and control line departments, a small budget, a limited staff complement, no systems to manage state spending, and with no power to lead and influence economic policy.

After the closure of the RDP office in 1996, co-ordination shifted to the Treasury, which had no truck with heterodox economic thinking and institutional restructuring, being in the main relatively finance-driven and conservative (centred on such goals as deficit reduction, fiscal stability and systems maintenance). The establishment of the Co-ordination and Implementation Unit (CIU) in the Office of the President and its successor, the Policy Co-ordination Advisory Services (PCAS) did not help matters. Although these entities had more professional and competent personnel and dedicated funding through the increased Presidential budget, their remit was, and remains, confined to oversight, monitoring and co-ordination, rather than leadership, guidance and control over the state apparatus and the direction of economic development (COSATU, 2005).

The discussion above spans post-apartheid South Africa's industrial strategy, monetary and fiscal policies, economic and social development programmes and distributional regimes. It points to the reluctance of the state to engage with the real materialities of power related to, amongst others, political expediency, strategic (mis)calculation, and fear of negative investor sentiment. What emerges quite clearly is the yawning gap between rhetorical and actual commitments to constructing and establishing a developmental state (of sorts). But developmental states, as pointed out above, are not available on demand nor had to order, not least because of differing economic structures and conditions, political milieu and reform imperatives that affect particular constellations of economic interests.

## Section Four

### South Africa is Different – Challenges and Opportunities

#### *We are not Asian Tigers*

Economists almost never question their ability to come up with general rules about society. In their eyes, a path of development that worked in Germany or Singapore must also apply in SA. This is methodologically dubious at best, since it is impossible to isolate economic factors and development strategies the way scientists can isolate an element or a reaction in a lab.<sup>119</sup>

The South African economy differs very markedly from other middle-income countries. It is one of the most inequitable countries in the world; it is dependent on commodity exports to an extent comparable to far less developed countries and is highly capital-intensive; it has unusually high levels of unemployment; consumes almost twice as much energy; and almost three times as much electricity as other middle-income countries.

For much of the past 25 years, SA's peculiar economic structure has been associated with low investment and slow growth [and high levels of unemployment]. In recent years, the international commodity boom has boosted overall economic expansion to about 4% a year. This is still slower than other middle income countries, however. Investment continues to account for less than 20% of GDP, compared to 25% in comparable economies. In short, the twin legacies of apartheid and mining still largely shape SA's economy. In seeking to initiate shared growth, the challenge is to find ways to modify these deep-seated structures in sustainable ways towards broad-based empowerment and greater social justice.<sup>120</sup>

Imitating the strategies employed by the developmental state would be extremely difficult given the rules of the World Trade Organization. But 'there are possibilities in the current framework', according to a 2005 interview with the Deputy of Minister of Trade and Industry who chairs an expert group on industrial policy feeding into government plans to push economic growth past 6% while reducing poverty and unemployment.<sup>121</sup>

Changing deep seated economic structures in a rapidly changing international environment presents not inconsiderable challenges. But it is highly 'unlikely that it is possible in the modern world for any society to make a speedy and successful transition from poverty without a state that in some senses corresponds to [the] model of a developmental state' (Leftwich, 2000:169). 'Without such states', writes Leftwich (1995:421), 'transitions [from poverty] may be slow but the human cost immense'. Thus, despite rising levels of government expenditure on social and economic services, the extent and depth of poverty in SA remains staggering (see Borat, 2001; UNDP, 2003; Borat, 2004; Borat et al., 2005;

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<sup>119</sup> Makgetla in *Business Day*, 7 October 2005.

<sup>120</sup> Ibid.

<sup>121</sup> Interview, *Mail & Guardian*, 30 September–6 October 2005.

Bhorat & Kanbur, 2005; Bhorat & Kanbur, 2006; Bhorat, 2007; and various issues of SACN's *State of Cities Report[s]* .

It is against this backdrop that the new democratic state has to achieve three major tasks, i.e. correcting the gross inequalities by undertaking broad based redistribution, promoting rapid economic growth and maintaining democratic stability. In other words, the South African class-compromised state has to negotiate the

...structural contradiction between the conservative requirements of stable democratic survival [incremental, consensual and accommodationist politics] and the transformative logic of economic growth [that to be successful must transform economic and social structures and being a junior partner<sup>122</sup> does not help this cause] which the new or old democracies must survive and ultimately transcend if they are to become effective developmental democracies (Leftwich, 2002:56–7).

Pieterse and van Donk (2002:9) refer to this as the 'insoluble contradictions of being an aspirant democratic developmental state' which, labouring under a host of constraints associated with elite pacting and constitutional and political compromises, has produced slow growth rates and conservative economic/development praxis. The compromises and pact that underpin the democratic process 'necessarily limit[s]' (Leftwich, 2002:78) state autonomy to craft appropriate developmental policies and institutions to drive them. This is compounded by inexperienced leadership that frequently misjudges the balance of class forces, erring on the 'side of caution rather than radicalism, as evidenced in the adoption of conservative macroeconomic policy choices' (Pieterse & Donk, 2002:9).

The contradictions emanating from balancing the structural imperatives of transformation within democratic frameworks have come in some post-apartheid institutional reform imaginaries to be polarised around the democratic state versus the developmental state. The former is associated with the amplification of democratic voice, participation in public policy formulation, greater inclusiveness of vulnerable groupings, and transparent decision-making. The latter relates to transforming the state via improving managerial effectiveness, technocratic efficiency, and the streamlining of procedures and processes for the delivery of goods and services. Fakir (2005:3) regards this polarisation as misguided:

The need for a developmental state that emphasises performance, managerialism, technical and bureaucratic efficiency and effectiveness, and institutional rationalisation and transformation must co-exist with the idea of a democratic state that creates a voice for the poor and marginalised, that promotes, enhances and protects the rights of citizen that accrue but pursues the obligations owed to it by citizens, and which inculcates diversity, responsiveness and representation and representativity, the institutional separation of powers and functions, transparent decision making, accountability and effective oversight.

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<sup>122</sup> The class compromise and the pacted nature of the settlement, asserts Terreblanche (2003), witnessed the co-option of the present government as a junior partner in a compact of power wherein the (mainly white) corporate sector is the senior partner.

Leaving aside for the moment this rather limited understanding of real world developmental states, the evidence suggests that ‘regulated’ (e.g. limited popular sovereignty, low participation, state defined institutionalised channels of engagement) and consolidated democracies ‘appear to have been more successful developmentally than those where greater political equality and participation have been the norm’ (Leftwich, 2002:74). The democratic deficit in our institutional structures and the shutting out of the poor (discussed below) may perhaps function to ‘make the authoritative decisions both to redress the inherited social and economic imbalances, and to compete in the global market place to ensure economic growth’ (Jenkins, 2002:114).

Despite the government’s commitment to the establishment of a developmental state to transform the economy and redress past imbalances in a possibly ‘regulated democracy’, a crucial component of which resides in the utilisation of the ‘power of the state to discipline and direct capital’ (Vavi, 2005:22), it chooses to negotiate transformation on the terms dictated by conservative forces. All the while, government is cognisant of conflict that emanates from ‘democratising while keeping the structures of inequality within society and further entrenching them, a minority having monopoly of that access to these resources’ (President Mbeki, 2005b:8). Although the pacted democratisation ‘serves to define and limit the ways the new government can implement social and economic reform’ (Lodge, 1995:195), ‘South Africa has fairly effective governance, in part a consequence of the state’s high degree of social autonomy’.

For the most part, officials conduct their routine transactions with the public honestly. Tax collection is efficient, as is the financial management of most central government departments. Until the mid-1980s, government’s administrative reach was extensive, despite the breakdown of influx control... The state’s social presence is facilitated by highly developed communications. Until the late 1980s, government welfare provision was expanding and its expenditure today [1991] continues to exceed the budgetary allocation to security. State-sponsored research and development, though insufficient, still puts the country in a different league of technological and scientific capacity to the rest of the continent. Notwithstanding its bureaucratic shortcomings and the possible political hostility of many of its personnel, the state still represents an effective instrument for the implementation of reformist programmes (Lodge, 1995:196).

Social autonomy of the state, the legacy of an activist/developmental state (with tried, tested and proven forms of effective intervention)<sup>123</sup> and the ANC’s electoral strength endowed the

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<sup>123</sup> It is interesting to note that many of the interventions effected by the apartheid (activist) state to build Afrikaner-influence and power in the economy (see below), are similar to the ones proposed by COSATU (2005), with some even practised and legislated by the ANC of today, albeit in a watered down/less aggressive manner. Under the National Party, the notion of ‘an activist state’ was put into play – a state that

...would actively and often forcibly intervene in social and economic affairs...The apartheid state...intervened to assist with the survival and creation of new Afrikaner-owned businesses, and to support the growth of Afrikaner interests generally. Through a concerted affirmative action programme it augmented the Afrikaner capitalist class and advanced Afrikaners in all spheres of life. Government bank accounts were moved to an Afrikaner-controlled bank, government contracts were handed to Afrikaner-owned firms, Afrikaners were appointed to serve in and head scores of state department, top bureaucratic and military posts, official boards and commissions. Cultural production by Afrikaners

new state, notwithstanding pacts and compromises, and with not insignificant power to craft an alternative development path. This finding is bolstered when combined with the insight (in hindsight) that the government 'had more than enough opportunity to come up with alternatives'. 'A more differentiated and strategic approach to South African business' would have found a substantial 'real economy bloc of industrialists, and those involved in construction, civil engineering and infrastructure quite prepared to support an expansionary approach' (Gumede, 2005:94) buttressed also by writings of the International Monetary Fund (see Lachman & Bercuson, 1992), whose three policy scenarios for South Africa concluded that a rise in the fiscal deficit to 12% of GDP is sustainable because the higher growth pattern will gradually generate more public savings such that by the year 2000 the country will experience fiscal surplus (also see Edwards, 1998).

But the dictating of ANC policy by the 'financial bloc of the South African economy' led to privileging of 'financial stabilisation over any prioritisation of social development' thereby restricting

...key elements of local capital that would have benefited from a more robustly implemented redistribution and could have assisted in developing a consensus bloc around social transformation. For example, instead of cutting taxes by about R72 billion in the first ten years, that amount could have been used to address the housing problem. The direct investment in infrastructure would have surely spun off a wide range of increased economic activity and indirect job creation, while at the same time generating increased tax revenues to compensate the fiscus (Gumede, 2005:94).<sup>124</sup>

At the base of the failure of the ANC government to chart an alternative course and bridge the gap between rhetorical and real commitment to installing a social transformation state is a misconceptualisation about how the developmental state is to be constructed and the motor forces driving it. On the one hand, one frequently encounters the senior ANC leadership decrying the market, globalisation and the 'Washington Consensus', and its inability to meet the needs of the poor (Minister of Finance, Trevor Manuel at Commonwealth Finance Ministers' Meeting, September 1998 and cited in Khan, 1999; President Mbeki, Summit of Non-Aligned Movement, September 1998 cited in Gumede, 2005; President Mbeki, 2005b). On the other hand, statements are encountered to the effect that the 'private sector must and will play a central and decisive role in the struggle to achieve many of the [transformation] objectives' (Mandela, 1999 cited in Gumede, 2005:79). In the ANC discussion document, widely understood to be inspired by Mbeki and unveiled a few months after GEAR (November) – *The State and Social Transformation* (ANC, 1996) – it is argued that the state should be a 'neutral referee between business, labour and other social groups' (cited in Gumede, 2005:89), and proposes the establishment of a dialectical relationship with private capital as a social partner for development and social progress (ANC, 1996: S 5.16). No

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was encouraged and widely disseminated through a range of cultural bodies, festivals and publishers (Marais, 1998 cited in McKinley & Verriawa, 2005:16; also see Gelb, 1991).

<sup>124</sup> On the other hand, whether the state could spend the additional revenue is a point frequently trotted out by conservatives and progressives alike. But proponents of this view say little about the weakening of the state and its dismemberment orchestrated by GEAR and (associated) poorly thought through public service downsizing. This was recognised by President Mbeki in 2005 when he conceded the 'failure of doing more with less' (in respect of the downsized public service) (cited in *Cape Argus*, 14 February 2005).

reference is made in the document of the consequences (with respect to government action) that may follow should capital not co-shoulder transformation and reconstruction imperatives with the state.

## Section Five

### Misconceptualising/ Misunderstanding Developmental State Construction

Underlying much of the global and SA thinking related to the developmental state is the ‘assumption that national capitalists are a natural ally for initiating rapid development’ premised on ‘three [taken for granted] stylised facts’ about post-war development strategies. Firstly, centred on the idea of rapid industrialisation and catching up, governments strived to mould their policies around the successes of the previous generations of late developers that placed industry at the centre of their development strategies. This was to be accomplished through import restriction and heavy subsidisation of firms. Secondly, industrialisation was to be driven as a project between modernising political elites, state managers and domestic capital – with ‘some measure of inclusion for labour as well’. Thirdly, within the alliance between state and business, the state assumed the role of ‘senior partner’. But these strategies in many supposedly developmental states failed to deliver the results and the (over-simplified) reason offered is that the state lacked the *capacity* to carry out the task of modernisation (Chibber, 2004:147–8).

Although the lack of state capacity undoubtedly looms large in any assessment of poor performance, the more pertinent question is why the state did not purposively and deliberately build the necessary institutions and capacities for executing a developmental project? For Chibber (2004:149), the ‘main source of resistance to building strong and supple policy apparatuses turned out to be the national bourgeoisie itself’. While capitalists in many failed developmental states welcomed and benefited from protection and subsidies, they resisted attempts at capitalist planning, or what in technocratic language would be described as ‘system-wide economic management’. Industrialisation strategies and state management of industrial development (which the government planners and progressives saw as complementing each other) were actually in ‘deep tension with each other’. In other words, domestic capital wanted to reap super-profits and secure monopolies (through protection and subsidisation) but had ‘no proclivity to invest in those lines’ deemed by planners to be ‘best for long term growth’ and robust development. Over the years, public subsidisation and socialisation of the risks of accumulation gave these firms virtual monopolistic control of domestic markets but with little to no compulsion to innovate (for new value chains) and re-invest to upgrade existing plant and equipment.

Market dominance obviated the need to minimise costs. It made better sense, instead, to use the resources to start operations in altogether new lines and acquire a ‘first mover’ advantage there. What made this especially attractive was that industrial firms in the leading ‘late developing countries’ were typically part of large, diversified business groups, which had expertise in numerous sectors, and maintained diverse investment portfolios. For the national bourgeoisie, ISI [import substitution industrialisation] thus presented the possibility of enormous economic gains. The problem was that, in order to maximise these gains, it made good economic sense to

accept ISI's subsidisation component, while rejecting the ambitions of state managers to control what industrialists did with the subsidies.

In sum, whereas planners saw ISI and industrial policy as two sides of the same coin, for capitalists, ISI generated an incentive to *reject* the discipline of industrial policy. Those institutions intended to further the subsidisation process were supported by capital; but dimensions of state-building aimed at enabling planners to monitor and regulate firms' investment decisions were stoutly resisted. At the surface level, the conflict between the national bourgeoisie and economic planners was not always apparent. It was common to find industrialists joining the chorus calling for planning, economic management and the like. But what they meant by this was a process in which public monies were put at their disposal, and at their behest. To them planning meant the socialisation of risk, while leaving private appropriation of profit intact. Business groups in these countries accordingly waged a campaign in which they called for, and supported, central co-ordination of economic policy while at the same time fighting strenuously against measures which would give the planners any real power over their investment decisions (Chibber, 2004:151, original emphasis).

More research is required to assess the applicability of this argument to the SA context as apartheid created a peculiar industrial structure. The state did not intervene to push industry into a selected growth path. A 'distance/dependency' relationship existed between capital and state (see Box 2.7 below), with business today resistant to any form of state direction of the economy while at the same time continuing to 'expect the state to secure for it lower labour costs' and 'ease micro-economic constraints on investment'. This ranges from the

...hassle of regulation, inefficient utilities, poor telecommunications, the price of insurance when crime is high, all the way through to the costs of moving goods around a congested city road network, [and]... a chorus around the opportunity costs of an exchange rate that does not allow for local goods and services to be priced at competitive international rates (ANC, 2005a:13).

There is no doubt validity in many of these concerns, and they need to be addressed. But little is said in capital's continued call for lowering labour costs and easing the constraints of the crippling costs to the economy and society of a large under-/un-employed population with respect to welfare, housing and health expenditure, as well as increasing crime and social unrest.<sup>125</sup> Once again, it seems as if capital expects of the state to carry this cost whilst simultaneously extending economic infrastructure and reducing labour costs. This amounts to nothing more than a continuation of the socialisation of risk and costs to support accumulation strategies that are out of kilter with job creation and poverty eradication objectives. Business's excessive focus on lowering costs and addressing constraints is quite disingenuous in that it portrays them as 'perfectly machined local firms...held back because of cost constraints imposed on them unnecessarily from outside' (Ibid), when in actual fact they are lethargic and unimaginative, i.e. bereft of any competitive innovative capability and capacities. This runs the 'risk that the local economy will be excused responsibility to invest in future economic growth drivers' (Ibid). The challenge of redirecting the 'local economy from a growth path established under apartheid' (Ibid), towards one based on investment in

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<sup>125</sup> Many international investors are worried about the about social upheaval resulting from frustrated expectations, persistent unemployment and inequality (*Business Day*, 28 June 2001).

human development, stimulating sustainable demand, maximising job creation and investment in ‘future productive capacity, entrepreneurship, innovation’ (Ibid) is thus displaced.

**Box 2.7: Industrialisation in South Africa: Distance/Dependency**

Industrialisation in South Africa was based on import substitution, production for a small and buttressed white home market, and export of primary commodities. Trade policy was used as a vehicle to promote rapid output growth and industrial expansion by concentrating on consumer goods production. These industries thrived behind high protective barriers on ‘booming white incomes, and diversified into more complex durable products’ (Hirsch, 2005:22). There were low effective protection rates on capital equipment and intermediate goods, encouraging importation and actively discouraging local production. The latter was paid for by mineral exports. These policies facilitated rapid industrial expansion and growth but simultaneously increased the country’s fragile and unpredictable mineral exporting dependence on the world economy (Gelb, 1991). The wage relation was based on rigid apartheid differentiation, with social reproduction costs maintained at artificially low rates. Because the costs to the state of ‘serving African residents in under-developed townships were kept artificially low, industry costs of location and urban services were indirectly subsidised’ (ANC, 2005a:9). The success of state in regard to labour suppression and cost containment; the protection of domestic firms behind high tariffs and incentives; and the insulated domestic market provided industrialists with rich pickings for many decades but at the expense of the development of a robust employment-intensive export sector, a highly-capital intensive and inefficient manufacturing sector, and high unemployment (Nattrass, 1992). The relationship between the capital to the state was characterised by distance/dependency, i.e. the state protected national capital interest’s in ensuring cheap labour, provided cheap and concessionary finance (served through patronage networks as well), and protected the domestic market but attempted no radical restructuring of capital in order to ensure its international competitiveness. There was, unlike in the other developmental states, no interlocking, intermeshing and interaction between the state and capital (Morris & Padayachee, 1989:70–2).

The post-apartheid government’s deployment of its incentive system to support and direct industrial transformation seems to date to have met with little success but have brought windfall profits to some manufacturers. According to the Deputy Minister of Trade and Industry (2005), the incentive regime is ‘seen to have been too broad’; ‘the criteria too general’; ‘little evidence that the right people have accessed them, or that we have seen the right conduct from those who have’, and ‘there is also the sense that the scale hasn’t been sufficient’.<sup>126</sup> The incentives have not arrested poor manufacturing sector performance with no measurable impact on aggregate total manufacturing investment, aggregate foreign investment in manufacturing, geographical location of manufacturing activity, and increasing the share of smaller companies in the manufacturing sector (Kaplan, 2003:2). In fact, the incentives have continued to ‘foster the capital intensity of production, at the expense of encouraging employment potential’.

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<sup>126</sup> Interview, *Mail & Guardian*, 30 September–October 2005.

As a result, the mainstream of the economy, i.e. the private sector, has remained on the same comparative advantage path as before, resulting in increasing capitalisation of production activities and corresponding direct job losses (UNDP, 2003:10).

Increased capitalisation and rising unemployment has been associated with a falling share for labour in national income accounts. In 2002, remuneration accounted for 51% of national income, the 'lowest level in any year since records began in 1946 except for 1980... Labour's share fell particularly sharply in 1999–2002, [while] profits rose from 29% to 34% of national income' (Makgetla, 2004:265). The possibilities of changing the relative shares of labour and capital and re-orienting the industrial path will no doubt be resisted. As demonstrated above, even mildly redistributive actions in selected areas of economic activity have been resisted by capital, eliciting 'immediate reaction from investors...through the stock market and by voicing their dissatisfaction in the media' (Mhone, 2003:49).

The private sector is also well aware of the fact that the ANC's renewed commitment to the developmental state will not lead to any real pressure being applied on it and will not impact too much on their business-as-usual approach. Confidence that the political economy will not be tampered with too much resides in assurances provided by the ANC's top leadership that achieving transformation through a developmental state

...does not mean importing models from other areas of development in other parts of the world. Rather, it means creating the capacity within the state to lead and direct development in the context of South Africa's *unique* realities. Some of the developmental states in Asia pursued their vision of economic development in the absence of democracy. With powerful support of global powers, they were able to dragoon and coerce society towards their development goals... (Ngonyama, Head of Presidency of the ANC, 2005:2, emphasis added).

If the national bourgeoisie in the late industrialisers worked to sink the developmental state, the state in alliance with industrialists were united in the belief that 'national development could not be trusted to the labouring poor' (Chibber, 2004:155) and went about actively demobilising civil society, focusing particularly on the labour movement either through their outright exclusion from the policy-making process and/or (selective) inclusion through corporatist frameworks. But this demobilisation worked to shift the balance of power in favour of business, 'narrowing further the political space, and increasing the ability of capital to set the terms for policy and state-building'. While not lost to state managers that 'an alliance with a mobilised labour force might have bolstered their leverage against a resistant business class' (Ibid); they dithered acting upon it.

And in this context, South Africa makes the same errors. Not only did the dominance of pre- and post-apartheid corporatist stances lead to the substantial demobilisation of civil society (Pieterse, 2002), but any questioning of the ANC's economic policy direction by trade unions and other social formations have been met by fierce criticism and spirited rebukes by senior members of the ANC. Mbeki went so far in mid-1998 as to accuse COSATU of being misinformed and opposed to change when they criticised GEAR, threatening to deny them access to interaction with government 'unless they changed tack' (Gumede, 2005:94).

Centralisation of decision-making (a key theme of the Mbeki presidency)<sup>127</sup> has tended to insulate economic policy-making from pressures within the alliance and public debate has been stifled<sup>128</sup> by the labelling of dissenters as ‘ultra-leftists’ (Friedman, 2004c:179). Secretary-General of COSATU, Zwelinzima Vavi, has complained that business has more access to the state and has played a key role in the construction of economic policy. Labour, on the other hand, encounters a state that adopts a ‘hands-off approach’, ‘refusal to engage’, ‘adoption of hostile positions’ and sometimes casting them as presenting a ‘threat to the transition itself’. This combination, remarks Vavi, has led to a ‘marginalisation of labour as a key partner in transition’ (Vavi, 2005:14).<sup>129</sup>

Centralisation of decision-making, the insulation of economic policy making from civil society, the vilification of dissenters, the deference afforded foreign business (through Mbeki’s hand-picked International Investment Council),<sup>130</sup> and the alienation of organised labour has produced a ‘public climate less favourable to growth [<sup>131</sup>] by depriving the governing party of an important asset – the support of its allies, labour most of all’

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<sup>127</sup> Some analysts say that at the core of the conflict in the succession battle between Zuma and Mbeki is the latter’s centralising, aloof and autocratic management style. Constituencies have crystallised around Zuma (the ANC Youth League, COSATU and fractions of the Communist Party) longing for the ‘sympathetic, inclusive, tolerant and consultative leadership style President Mbeki so signally lacks’. Zuma is ‘popular principally as a rallying point for opponents of Mbeki’s leadership style’. As one ANC National Executive Committee member said: ‘Any decision Mbeki makes now is perceived with suspicion... We realise that we gave the president too much power and he abused it’ (*Mail & Guardian*, 7 October–13 October 2005; *Mail & Guardian*, 14 October–20 October 2005; *Mail & Guardian*, 28 October–3 November 2005).

<sup>128</sup> Mbeki has been accused of systematically shutting down opposition in both the Alliance and the country at large. He has accused perceived ANC rivals of plotting against him and his life. He has even had the ‘effrontery to tell towering figures such as Nelson Mandela and Desmond Tutu to shut up’ (*Mail & Guardian*, 28 October–3 November 2005).

<sup>129</sup> As a *Business Day* editorial remarked on 18 October 2005: Mbeki’s ‘autocratic style of leadership has meant many people who should be key allies – such as COSATU’s Zwelinzima Vavi – have been left out in the cold, notably on policy decisions. Incredibly, Mbeki has never had a one-on-one meeting with Vavi, the executive head of the ANC’s biggest political ally’.

<sup>130</sup> The elite is more disposed to listen to and accommodate international business than its own grassroots supporters, alternative voices in the Tripartite Alliance, local development activists, and the parliamentary opposition. The considerable leverage exercised by foreign business over government – likely to increase, given the increasing internationalisation of South African businesses and increasing foreign ownership of domestic enterprise (Rumney, 2005:415) raises very searching and profound questions about nature of the democratisation project and the future identity of our politics. As Steven Friedman, ex-Director of the Centre for Policy Studies remarked in 2001:

And so we have arrived at a situation in which the most effective check on a democratically elected government is not the voters who chose it but foreigners who own wealth. It should hardly need saying that, if the government is indeed showing a respect for foreign business interests that is largely denied locals, this is a problem for democracy... [G]overnment checked only by international business... is hardly guaranteed to always produce pressure for the government that is open, fair and meets the needs of citizens... [O]n pragmatic grounds as well as principle, democrats including those who favour free markets should see government willingness to lend an ear to foreign business rather than its own voters not as a solution, but as part of a serious problem (cited in Khan, 2003:6).

<sup>131</sup> For Rodrik (1998a), heightened political conflict and social instability through the discouragement of debate and the exclusion from policy making circles of those most likely to lose from economic reform harms growth prospects.

(Friedman, 2004c:186). The absence of a countervailing social pressure that allies of the state could apply to bring a recalcitrant business class to heel is lost in this scenario.<sup>132</sup>

The ability of the state in late industrialisers to play the role of senior partner in the restructuring process was not only rigorously opposed by capital and/or undermined through their resistance, but the state had little chance of ensuring enforcement due to under-investment in institutional capacity building and the design of an appropriate regulatory infrastructure. Recalling Chibber (2002) above, the developmental states that failed were unable to establish internal cohesiveness, i.e. acting as a corporate entity with ‘broadly collective goals, rather than a sum of the individual strategies of the functionaries’. In many of the failed developmental states, the creation of powerful planning agencies to which all other state departments were accountable to, proved elusive, hastening the slide into predatory practices by sectoral departments and individual functionaries and the wastage and dissipation of resources through a lack of selectivity in development policies.

The failure of the South African government to also put in place an agency that could lead and direct development was discussed above. It is now widely recognised that government’s attempt to transform the public sector to play a developmental role has not produced the desired results (see Ben Turok, ANC Member of Parliament, cited in *Sunday Times*, 4 November 2007). This is not unrelated to the impact of restrictive macroeconomic policy which has not only – as pointed out above – ‘resulted in inadequate institutional and policy support to enhance the economy-wide net employment effects’ (UNDP, 2003:11) of the capital-intensive technology driven growth path but has decimated the public sector with retrenchments and rightsizing being the main causes of ‘overall formal job losses’. On the one hand, the public service responded to declining budgets after 1996 by freezing vacancies. Parastatals – the engines of the developmental state of the past – responded to commercialisation and increasing private competition by shedding jobs (Makgetla, 2004).

Downsizing of the public sector in the context of the increasing integration into the globalising economy flies in the face of research on the relationship between economic development and the size of government sector. Rodrik (1996) reveals a robust empirical association between the extent to which an economy is exposed to trade and the size of the government sector. In short, the size of the government sector (consumption) actually increases as a country opens up to the global economy. This holds for both poor and rich countries. The author demonstrates that openness exerts a statistically significant positive effect on most types of government spending including general public services, education, health, housing, community amenities, economic affairs and social services, and that increases in government infrastructural spending have a positive effect on growth. Globalisation may in fact require big, not small government. Thus, scaling down governments through downsizing and privatisation may harm South Africa’s prospects of dynamic integration in the globalising economy, particularly if the objective is to construct a state committed to rapid infrastructure extension. Moreover, the loss of key experienced and skilled personnel to drive infrastructure provision and ratchet up government investment bodes ill for rapid and effective delivery as the country’s recent experience with voluntary

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<sup>132</sup> In 2005, the ANC’s National Executive Committee urged Mbeki to change his dismissive approach to COSATU and the SACP and be more responsive to grassroots voices (*Mail & Guardian*, 7 October–13 October 2005).

severance packages demonstrates (see Khan & Bardill, 1998 for a discussion on the impacts of voluntary severance packages for government officials).

The whittling away of state capacity and capabilities through non-negotiated downsizing is one reason for weak state performance. Another reason is that GEAR had the effect of shifting the public sector transformation programme into a 'narrower, budget-driven paradigm' (Bardill, 2000 & Swartz, 1999 cited in Pieterse, 2002:9) that effectively excluded the introduction of short term horizontal and fiscal imbalances to secure longer-term developmental gains. Drastic cost-cutting measures accompanied by poorly conceived and executed rightsizing interventions has (from experience elsewhere) been shown to undermine morale, commonality of purpose, and cross-sectoral co-operation and co-ordination so pivotal to poverty eradication efforts (Ibid).

The portrayal of the public service by senior members of government 'as bloated, as a burden on the public fiscus, as consuming huge resources into 'unproductive consumption expenditure', and workers being 'lazy and corrupt' has not helped matters. This has led to 'demoralisation and ultra-defensiveness amongst public sector workers' (Vavi, 2005:18). Arguably, the most challenging tasks confronting the construction of a developmental state in South Africa, referenced to building the capabilities of the public sector and service, is the absence of an overarching national development strategy, bearing in mind the earlier contention that the institutional and political structures of the developmental state were developmentally driven, while the development objectives were politically driven. If the transformation of the public sector is not constituted on the basis of a clear understanding of developmental tasks, public service restructuring and their development efforts will remain dispersed, fragmented and overly dominated by the 'project' logic (Naidoo, 2004). The fundamental task thus confronting the state is the construction of a national development strategy incorporating both poverty eradication and economic development (not yet clearly stated (Public Service Commission, 2002:26)) and that elaborates a coherent narrative of socio-economic change, its engineering, its management and sustainability. Engineering internal cohesiveness around this development strategy is the related task. Successful accomplishment of both tasks confronts the ANC with its most difficult challenge.

## **Section Six**

### **Rethinking the Developmental State in South Africa**

The vision of a developmental state here and elsewhere derives from numerous sources. It occupies a very influential place in the development imagination of progressives not least because it offers powerful empirical and analytical grounds to challenge neoliberalism. It demonstrates that strategic interventions by government do not necessarily lead to failure. 'Getting the politics right', 'getting the prices wrong' and 'bad policies' can lead to greater industrial sophistication and inclusive growth. Secondly, the developmental state thesis also refutes the fatalism that integration into the world economy always produces dependency. Instead, the developmental state model opens up new ways of 'seeing', revealing multiple development pathways from the periphery. Finally, the developmental state paradigm has partly facilitated the revival of institutional thought and political economy – underscoring the primacy of politics and statecraft.

It is for these and other reasons (most notably those around the success of the developmental states in reducing poverty, increasing incomes and competitively positioning their economies in a brutal international division of labour) that the developmental state still captures the imagination of developing country elites. In the South African case, for example, some economists suggest that we have most of the ‘institutional components’ of the developmental state, albeit imperfect – a determined development elite, a relatively autonomous state, an economic bureaucracy whose competency is growing daily, non-state economic interests are managed (although quite patchy), and a state that can take unpopular decisions (like GEAR) and then manage the fallout (not unproblematically though) (Luiz, 2002).

Sorely lacking though are the ‘bad’/‘good’ policies. In this respect, South Africa needs to establish an effective development strategy that benefits the majority and be geared to structural change;<sup>133</sup> provides comprehensive social protection to combat poverty, unemployment and support livelihoods; improves the income-earning and income-generating opportunities available to the poor by enhancing access to assets and skills; and ensures the substantive democratisation of governance, economy, polity and society. This list is more expansive than the East Asian development programme, which has traditionally equated development with narrow ‘economic growth’ targets – increases in per capita GDP without much ‘attention’ (a most generous interpretation considering the not infrequent suppression of human rights and denial of basic civil and political liberties) being devoted to empowerment, participation, and, the promotion of a vibrant public realm (presently deemed indispensable to effective poverty eradication efforts and programmes). However, to effect such a strategy implies a serious rethink of developmentalism, the developmentalist project and institution-building. In this vein, should the ANC government, as it has historically done, look to capital to spearhead the development project and continue to recycle the ‘three (taken for granted) stylised facts’ about the ‘dynamics’ and ‘ethos’ and ‘assumptions’ of late industrialisers, the outcome will probably be extremely disappointing. A ‘sober assessment’ of the developmentalist era, remarks Chibber (2004:245), suggests that ‘the last time political elites and the subaltern classes looked to the national bourgeoisie for spearheading a development project they got something less than they wanted, and much less than they deserved’.

If left to its own devices, there is no reason to think that capital will react differently on another occasion...Indeed, ...the resistance to state intervention will most likely be even stronger in future...Future national development strategies will have to generate a new kind of politics capable of extracting concessions that were rarely even demanded last time around...In an era where the political momentum is in precisely the opposite direction, this is no mean task. But that is not a reason to continue labouring under the influence of myths [stylised facts] that are demonstrably false, and with hopes that are sure to be dashed (Ibid).

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<sup>133</sup> Some instruments being mooted to effect this change include targeting, prescribed assets (which business takes a dim view of but was used very effectively by the apartheid state), responsive tariff policies, and aggressive (partly deficit-financed) investment in infrastructure.

## Synthesis

The gap between post-apartheid South Africa's development policy objectives and outcomes is a function of multiple factors located, amongst others, in our political economy, strategic (mis)calculations, reluctance to challenge vested/status quo-preserving social forces and actors, and (mis)conceptualisations of developmental state construction. At the base of the poor outcomes lies an inability to get our 'politics right' and 'prices wrong' (the former being developmentally prior to the latter) that is piloted and engineered by a state whose internal cohesiveness is appropriately configured around a development strategy that is redistributive, poverty eradicating and socially inclusive.

In the early 1990s, South Africa elaborated just such a strategy. This was a bold attempt to construct a developmental state committed to mild forms of 'bad policies' with the objective being to effect structural transformation as a precondition for sustained accumulation and social upliftment. The development strategy advocated was one premised on state intervention that envisaged the line of causality between economic growth and human development as running counter to mainstream thinking and conceptualisations.

Pivotal to this development orientation was, according to the state, a leading and enabling role, especially because the 'market on its own' was portrayed as unable to redress apartheid inherited development imbalances and social pathologies. South Africa was all set to challenge the 'impossibility thesis' in a novel way through a combination of both consensual and inclusive embeddedness – a significant advance over the conventional developmental state model.

The shift to economic pragmatism, a few years before the election, scuttled the liberation movement's harnessing of will. Soon after, the 'market' was accorded the main job of restructuring the economy with government's main role being to facilitate the conditions for accumulation through 'good' (not 'bad') policies.

The development programmes chosen to address the staggering social and human deficits sought to realise socio-economic rights through reliance on those social forces already in dominant possession of political and socio-economic power. Not unsurprisingly, development policy horizons and imaginaries became constrained and limited, and manifested in declining human development indices, growing inequality, increased poverty, and staggering unemployment. Well-intentioned institutional reforms to improve the efficiency, effectiveness and responsiveness of development programmes continue to fail to address citizen's needs and priorities, and shutting out the poor from participation in political dialogue and development policy making plays no small part in fuelling social unrest and instability.

But post-apartheid developmentalism has seeds within it that if properly nurtured could germinate into a more productive social transformation imaginery. The state's high degree of social autonomy, the legacy of an activist state, a not incompetent bureaucracy, and the dominant party's electoral strength are suggestive of alternative state futures and development trajectories.

The installation and construction of a developmental state will need, however, a new type of scaffolding that begins to purposively engage with the 'three (taken for granted) stylised facts' about the dynamics of late industrialisers. The scaffolding required demands moving

beyond the exclusive modernist economic growth fixation of the developmental state to embrace wider issues of substantive democratisation of governance, economy, polity and society, thus working through the insoluble contradictions of being an aspirant democratic developmental state.

The choice is not between democracy and development, but the recognition that the strategies employed for consolidating democracy have implications for state autonomy, institutional reform and development performance, and citizen and community activism. We must, however, be alert to the dangers of according capital a pivotal role in reconstruction and transformation and begin applying our collective minds to mining alternative conceptions of institutional reform, market manipulation and productive (re)configuration of state-civil society relations. If development is to mean more than simply 'economic growth' (e.g. empowerment, freedom, human capability building); and if societies are to negotiate globalization on beneficial terms in a *post* post-Washington Consensus format, another strategy must be championed, one whose contours – alluded to in Chapter Four and the Conclusion – are most probably not unknown to us.

## Chapter Three: The Developmental State and Housing The View from Below

Locating South Africa's *Post-Apartheid* Housing Praxis in the *Realpolitik* of Developmental State Construction

### Introduction

Where the preceding Chapter focused on the institutional, social and political dynamics of developmental state construction (housing **from above** – expression and component of development strategy), this Chapter turns to a discussion of housing – or, more appropriately, housing **from below** - so as to round off our engagement with the state construction/housing dialectic. Employing the developmental state literature and the discussions on developmental state construction, we delve deeper into the reasons accounting for the dissonance between noble policy intent and disappointing outcomes. This is done by spotlighting the limitations of present praxis as it relates to the policy's problematic conceptualisation of housing within a particular macro-economic policy framework, its problematic relationship with the poverty reduction (a stated aim and goal of housing policy and strategy), and more generally, its problematic relationship with what will be referred to as socio-economic citizenship and how this has changed and expanded over time.

### Section One

#### Housing and the Macroeconomy

[There is a] disconnect between macroeconomics and housing research... Standard macroeconomics either treats housing as one of many consumption goods or neglects it all together. "Mainstream macroeconomics," simply put, ignores the housing market... Conventional housing economics and urban economics research for its part virtually ignores interactions between and among housing markets and the macroeconomy. At best, some of the theoretical and empirical analyses for urban and housing economics include macroeconomic variables (such as inflation, economic growth, GDP, unemployment, etc.) as exogenous "control variables" (Leung, 2004:250).

The relationship between the macroeconomy and housing is the subject of a great deal of debate with most authoritative housing commentators arguing for housing to be included 'as a facet of economic policy – as a productive capital good, a generator of wealth, a factor in labour mobility, and tool for deepening the financial system' (Keare & Angel, 2002:10). In a similar vein, Malpezzi (1999) of the World Bank points out that many people working in the shelter sector are 'not used to thinking of investments [in the shelter sector] as productive'. This holds true, he states, of developing country analysts and previous socialist regimes, where housing was not counted in the gross national product. But shelter and infrastructure investments, argues Malpezzi (Ibid:1816), 'are, in fact, by definition productive: they are an investment in an asset that yields a flow of services over time. To label such investment as "consumption", is quite common, but incorrect'.

In the early 1990s, the thinking in ANC circles around economic development – associated with growth through redistribution and the mixed economy – envisaged housing to be a lead sector of the economy in two ways. Firstly, a lead sector is one that came to be defined as one in which a massive amount of resources are invested so that the sector becomes the central component of a sustained growth path (ANC, 1991:11). Housing in this sense came to be seen as a stimulus to growth in kick-start scenarios, with construction generating demand across sectors with high levels of employment-intensity, limited demands on the balance of payment and non-inflationary (depending on the availability of slack capacity) (MERG, 1993:76). This understanding, for Hassen (2003), is based on government boosting aggregate demand in the economy through public investment that would stimulate forward and backward linkages. The Keynesian assumption that state intervention was needed to secure full employment and equitable distributional outcomes served as the rationale for this perspective.

In the vision of the RDP, housing comes to be seen as playing a role in catalysing development and directing government spending. This is the second sense of the ‘lead sector’. Whereas in the first case, kick-starting the sector can ‘cause positive growth even though at that point the general trend in the economy is that no growth is occurring’ (ANC, 1991:11); in the second sense, increased investment rides general economic trends – not counter-cyclical – but still with significant multiplier effects (ANC, 1991:11; Hassen, 2003).

In the White Paper (RSA, 1994), higher investment in housing is contingent on increasing the rate of economic growth, rising per capita incomes, job creation and savings, reduction in government dissavings, and effective containment of the rate of inflation – all to be delivered through a ‘broad economic policy framework’ (Ibid: S 2.2.9). This is a classic example of the ‘exogenous control variable argument’ as pointed out by Lueng (2004) above. Increased investment in housing is thus in the White Paper viewed as a ‘dependent outcome of macroeconomic performance’ and ‘a subordinate component of macroeconomic policy’ (Baumann, 2003:93).

If housing policy is viewed as ‘subordinate component of macroeconomic policy’, and macroeconomic reform does not yield the required incomes and revenues to increase spending on housing, then, given constitutional and democratic consolidation imperatives, the housing policy must of necessity direct limited resources to maximum effect. This is recognised in the White Paper (S 4.6.2) : ‘until such time as the Reconstruction and Development Programme has started to make inroads on the problems of poverty and unemployment, the State has to accept the responsibility to meet at least the basic needs of these households’ (referring to households unable to access credit or accumulate savings to acquire housing). This strategy is, however, seen as ‘a short term’ intervention to ‘ensure that they are able to progress towards the realisation of effective right to housing’ (S 4.4.2). On the other hand, the ‘aggregate need for subsidies measured against fiscal constraints determines the level of subsidy benefits payable to qualifying beneficiaries’ (S 4.6.5) with government committed to ‘favouring width over depth in the provision of financial assistance’ (Ibid). There are numerous problems with this approach which have implications for urban efficiency and productivity; asset accumulation and (upward) residential property market mobility; household affordability and need responsiveness; and institutional viability and fiscal sustainability. These are briefly discussed here and selectively teased out in more detail in the following sub-section.

Firstly, the bundling together of the land acquisition, land assembly, service provision and top-structure into a small subsidy<sup>134</sup> impacts negatively on dwelling quality, housing location, and is not supportive of urban restructuring imperatives. Densification, compaction and reconfiguration of spatial flows of goods, services and people through strategic deployment of residential and infrastructural investment (so vital to enhancing urban efficiency and urban productivity) are lost to spatially peripheralising, low-density housing investment patterns. The location of the housing investment, the public environment (resulting in poor investment grading by financial institutions and consequent non-extension of finance for property transactions, upgrading, economic activity and market expansion), and low incomes, amongst other things, militate against the development of robust secondary and primary markets in poor areas (see Shisaka, 2004 for a full discussion).

The inability of significant segments of the historically disadvantaged population to realise the exchange value of their properties; the continuing discriminatory practices of financial institutions; and the steep property gradients across markets (not unrelated to the speculative bubble) traps (potentially upwardly mobile) households in inhospitable and barren spaces.<sup>135</sup> Homeownership that does not translate into a stepping stone into residential property markets that offers improved access to consumption amenities, educational and labour market opportunities undermines socio-spatial integration and urban efficiency; asset accumulation and wealth generation (with negative consequences for socio-political stability); and economic growth (especially of the labour-intensive domestic demand-led type).

Secondly, the overwhelming emphasis accorded delivery frequently obscures other aspects essential in addressing poverty and inequality related to issues of tenure diversity, levels of vulnerability as conditioned by life needs, and community-centred and controlled development. The lack of serious consideration to these aspects derives partly from conservative understandings of basic needs and a conventional imaginary of housing provision dominated by Western industrial construction techniques and methodologies. The emphasis of this housing delivery regime (informed by modernisation theory and the basic needs approaches of the 1970s) is the mass production of standardised outputs for nuclear families, with the state legislating appropriate levels and standards of housing, services and infrastructure; government establishing financial systems to capture savings and generate resources for the housing programme; official promulgation of regulations detailing division of the subsidy to land, services and top structure; the devising of policies to guide location of settlements; and the replacement of informal settlements by orderly (modernist) town planning layouts and formal housing. Whether this is affordable, culturally responsive, livelihood-supportive, attuned to shifting employment dynamics and associated processes of household consolidation and fragmentation are not concerns of this delivery regime (see

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<sup>134</sup> It is interesting to note that the apartheid government treated land and services as a separate subsidy category, i.e. it was not lumped together with the housing unit (Baumann, 2003).

<sup>135</sup> Shisaka (2004:46) holds that the 'housing ladder' – by means of which a household sells one property to purchase a better quality property – is ineffective, with limited movement between submarkets. Households are 'locked' in less formal submarkets (informal, site and service and RDP submarkets) due to economic factors and there is 'little evidence' of households residing in RDP units moving upwards into the privately-developed formal submarket. There is some evidence of households living in old township housing (rental housing built by government in the period 1948 to 1960) and privately dominated submarkets moving out of the townships (Ibid).

Khan, 2003; also see Fiori et al., 2000), contributing in no small measure to the alienation of assets at great cost to the state, economy and household.

Thirdly, weak institutional capacity, the pressures and strains of organisational restructuring, and the fiscal constraints confronting local government have impacted negatively on the housing programme. In order to meet infrastructure and top-structure standards, local government has been forced to supplement housing subsidies, which constitutes a significant drain on their resources (Royston, 2003). Coupled to this is that poor beneficiaries are unable to pay rates and service delivery charges (a theme revisited below). The net effect is that housing projects 'tend not to be enthusiastically supported by local government officials, especially those responsible for financial management' (Charlton et al., 2003:13) because it imposes more costs than generating or garnering revenue.

Although seldom commented upon, the reluctance of local government to undertake housing projects cannot be divorced from a macroeconomic orientation that elevates cost recovery and restricts all forms of deficit financing, which worked so well in the past. In this regard, post-apartheid financing of urban development in general, and housing in particular, imposes heavy burdens on the poor and subsidises the wealthy. In the case of the development of middle to high-income areas, the municipality normally provides infrastructure upfront and recovers the costs via rates (Built Environment Support Group, 1999:29), usually over many years. This is not the case for low-income areas. In the latter, the infrastructure costs are financed from subsidies and full cost recovery is the norm.

Put differently, in wealthy areas, capital costs are recovered over a long period (normally over 15 years); residential property rates have historically not been market-related; and service costs are cross-subsidised, given that these areas are well-endowed with commercial and industrial enterprises, and the poor spend large percentages of their disposable incomes in these areas. In poor areas, capital costs are recovered immediately via the bulk infrastructure subsidy, which requires poor households who are already struggling to cover the finance gap between the housing subsidy and construction costs to commit 7% to 13% of their (erratic, irregular and low) income to basic infrastructure (Jones & Datta, 2000:409);<sup>136</sup> service costs are market-related; and the prospects for cross-subsidisation are limited because of the weak or non-existent economic base and continued municipal allocation of the bulk of planning and development resources to wealthy suburbs. The bundling together of the subsidy, the differential urban development financing regime, and the continuing capture of public resources by the wealthy raises profound equity questions, which government has yet to recognise and deal with in a systematic manner.

The subordination of housing praxis to macroeconomic policy has resulted in the downsizing of an expansive housing vision and objectives. The emphasis on width which comes to define the nature, size and shape of the housing 'benefit' or product, rapid scale delivery (the mass production of standardised outputs utilising modern construction and engineering techniques); and the institutionalised expenditure and budgeting regimes relayed by conservative economic thinking, conspire to establish or re-establish a path dependence. The

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<sup>136</sup> While this subsidy is not available to wealthy households, bulk infrastructure costs are borne by the municipality and recovered through rates. Thus, there are no immediate demands made by local government on the incomes of wealthy households.

outcomes of this path dependency are ostensibly negative as they relate to spatial restructuring; socio-economic integration; quality housing; citizenship; poverty eradication and, asset accumulation and wealth generation (Charlton et al., 2003). The development imprint of this path dependence harbours implications for the success of future policy reform and bequeaths a legacy of new settlements which, fundamentally at odds with stated policy objectives, are wasteful of scarce public resources and impose additional burdens on the lives of the poor, especially the poorest of the poor. Paradoxically, macroeconomic subordination and rightsizing of housing praxis generate contradictions which feed upon themselves. The 'short term' intervention (which is supposedly designed to enable the poor to progressively realise their effective right to housing) introduces and cements long-term rigidities, anomalies and imbalances, and violates one of the key 'basic points of departure' of the White Paper related to the housing process, i.e. that it should be 'fiscally, socially and politically sustainable in the long term' (RSA, 1994:S 4.5.2). Contra the developmental state where 'short-term' rigidities and inflexibilities were introduced to maximise developmental outcomes and catalyse systemic medium to longer term reform; in South Africa 'short-term' narrow 'economistically' determined interventions deepen and consolidate medium to longer-term status quo, preserving rigidities and inflexibilities.

In the developmental states of Hong Kong, Singapore, Taiwan and Korea, housing provision had significance for the national economy. Housing was not merely an instrument to deliver a fit and productive workforce and/or a social overhead but a 'productive sector in its own right' (Yeung, nd cited in Doling, 1999:247). This recognition assumed the form of support in national (five and ten-years) plans (Ibid:247).

The relationship between economic growth and human development was differently conceptualised in these states. Interventions in land, or more appropriately, the agrarian economy (see Box 3.1 below), and human capital formation in the early phases of their development paths contributed to sustained high rates of growth. In fact, it was only after the programmes of land reform, housing and education investments began to bear fruit that rapid economic expansion occurred. This holds true for the economies of China and Vietnam, South Korea, Japan, Singapore, Taiwan, Hong Kong, Singapore, and Malaysia. Important here to note is that although the components of the social wage may have differed with some countries placing more emphasis on and/or investing more in shelter provision and basic services than others, the sequencing and contribution to dynamic economic development is not in question (see amongst others Castells et al., 1992; Lupton, 1992; Campos & Root, 1996; Watkins, 1998).

Highlighted in the discussion above is the necessity of acknowledging the line of causality between growth and human development (including various configurations of the social wage) that runs counter to the conservative perspective encountered in the housing White Paper. In other words, investment in human development is growth-enhancing and that subordination of human development to the fortunes of growth is not only short-sighted, but inimical to macroeconomic growth itself. The East Asian meltdown of 1998 demonstrated this when thousands of families were plunged into poverty on account of the absence of social safety nets and almost 50 years of investment in poverty eradication hung in the balance (see Stewart, 1998; Ranis & Stewart, 1999).

### **Box 3.1: Land and Agrarian Reform in East Asia**

One aspect of the East Asian ‘miracle’, which has received insufficient attention, is that of agrarian reform. In Taiwan, for example, between 1949 and 1953, almost half of Taiwan’s land area was redistributed to the poorest rural households. The resulting redistribution of wealth from landowners to small farmers was equivalent to 14% of GDP. A broadly similar process of asset-redistribution occurred in South Korea. In both cases, land reform contributed to a reduction in poverty, increased savings and investment, and promoted the creation of dynamic economic inter-linkages between the urban and rural sectors, with the benefits of growth being spread equitably across society. By contrast, countries such as Zimbabwe, the Philippines, Brazil, and Mexico have built agricultural growth strategies upon the foundation of enclave economies dominated by powerful commercial interests. The vast majority of the rural poor are excluded from participation in global markets, except as labourers on commercial farms. For many experts on East Asian development, the evidence strongly suggests that far-reaching agrarian reform – which includes land redistribution, improved credit, and efficient marketing infrastructure – is a precondition for optimising the human-welfare benefits of agricultural exports. Access to land, credit, and marketing infrastructure enabled the rural poor to produce and invest their way out of poverty. In turn, redistributive reforms in these areas helped to unleash the productive potential of the poor, reinforcing the linkages between high growth and a widespread sharing of its benefits (Watkins, 1997)

This finding is also borne out by a study of 67 countries in Latin America, Asia and Africa, which demonstrates that states with growth paths and investment patterns biased towards human development (education, health, social services) tend to enter a virtuous cycle wherein growth and human development (HD) feed off each other. Countries whose growth paths are strongly growth-oriented and with poor investments in human development - biased towards economic development (ED) - revert to vicious cycles (poor performance on HD tends to lead to poor growth performance which in turn depresses HD achievements). The vicious cycle thesis holds for all the 67 countries studied. This study further demonstrates that HD must be strengthened before a virtuous cycle can begin. Economic growth is not sustainable, it is argued, unless preceded or accompanied by improvements in HD. The lesson is that bias towards ED leads to vicious cycles and that it is not possible to move to a virtuous cycle by starting there. The GEAR logic of macroeconomic restructuring (which the housing policy subscribes to) leading to job creation, higher incomes, more government revenue to fund human development, redistribution and poverty reduction, is arguably an ED-biased strategy that is questionable in light of this finding (Ramirez et al., 1998).

With poverty eradication ‘flowing from growth’ (at worst) or an ‘add on’ (at best), and coupled to the absence of ‘linkages between government’s main social programmes and the economic departments’ (Makgetla, 2004:268), South Africa’s poor performance on the economic development and poverty reduction fronts is not altogether unsurprising. The ‘lack of a coherent, national strategy for poverty reduction’, manifested in the ‘dearth of integrated and large scale programmatic interventions and preponderance of uncoordinated, piecemeal projects’ (Roberts, 2003:9) which is compounded by and feeds off (budget-driven) institutional deficiencies.

Interestingly, the appropriateness of the ED-biased approach for South Africa was called into question by a prominent economist and senior government official as early as 1996, when he and his co-author asserted that improved and increased spending on human capital formation

are prerequisites for growth, including the creation of an innovative, inclusive labour-absorbing economy (Fine & Rustomjee, 1996:253). Contesting the arguments of conservatives who posited that an HD-biased approach was not possible, given the structure of the globalised economy, some argued that ‘far from being totally constrained by the global economy, there are various possible development strategies’ (Harris & Michie, 1995:8) that place considerable emphasis upon a state programme of public expenditure to provide social and economic infrastructure:

This forms part of the strategy to provide for basic [human] needs. The problem of how to finance such a programme is less acute than the formation of the political, social and institutional capacity to carry it out (Fine & Rustomjee, 1996:253).

## **Section Two**

### **Housing and Poverty**

Internationally, investment in shelter is considered ‘a basis for poverty eradication’ (Berrisford et al., 2003) for its income-generative potential (through construction, home-based enterprises, rental) (e.g. Moser, 1998; Werna, 2001), and its contribution to health; safety; nutrition; household productivity; children’s physical, social and intellectual development, (e.g. Satterthwaite, 2002; Rakodi, 2002; Harpham & Grant, 2002). A less well-known point of central import is that the exercise of civil and political rights is ‘closely dependent’ on the satisfaction of basic socio-economic rights (Hartman, 1998:226).

Adding more weight to this assertion is the Special Rapporteur of the United Nations on shelter and housing:

Responses to the causes and consequences of homelessness need to draw upon key principles of international human rights law and practice: indivisibility of rights, gender equality and non-discrimination. The right to adequate housing has to be recognized as being linked to and congruent with the right to security of the person, the right to security of the home, the right to participation, the right to privacy, the right to freedom of movement, the right to information, the right to be free from inhumane and degrading treatment, and the right not to be arbitrarily detained [for activism and social mobilisation around socio-economic rights realisation] (Kothari, 2005:19).

The contribution of shelter to poverty eradication is thus of necessity embedded in a wider context than the narrow functionalist contentions of direct and indirect multipliers. The underscoring of adequate housing as one component of the right to an adequate standard of living and the exercise of civil and political rights as being closely dependent on the satisfaction of socio-economic rights comes to coalesce around ‘human development’ in its holistic sense. Given the ‘strong relationship between urban slum prevalence and low scores on the HDI [Human Development Index]’ (Garau et al., 2005:18), the ‘challenges faced by slum dwellers [and the homeless], parallel the overall challenges in human development’, or put differently, ‘slum prevalence [and homelessness] is not an isolated concern but is closely related to the overall development trends, and the concerns addressed by all of the [Millennium Development] Goals and targets’ (Ibid).

South Africa's housing programme straddles both the narrow and broad definitions of shelter intervention. On the one hand, the Housing Code, the implementation manual of the housing White Paper (RSA, 1994), says that the housing programme 'has a positive influence on the alleviation of poverty as well as contributing to the redistribution of wealth' (DOH, 2000a). The subsidised home can be used to serve as collateral for credit for home improvements or other purposes such as the development of small business. On the other hand, the definition of 'adequate housing' (elaborated in the Code) is in line with international covenants (detailed below) that implicate the full gamut of rights. Sadly, the underlying premises of the housing programme (in particular, its difficulty in negotiating contradictions generated between conservative economic imaginaries - small capital subsidy, in particular; restrictions on deficit financing; public service right/downsizing - and poverty eradication), and the legalistic resolution of this contradiction by the judiciary, robs the programme of its redistributive, politically empowering and poverty-eradicating potential.

Undoubtedly, the housing programme transfers to the poor an immediate asset with access to services that impact generally positively on health and welfare. Secondly, the bulk of the subsidies since 1994 have gone to the poorest segments of society (households earning less than R1 500 per month). Thirdly, the provision of a tangible asset furnishes a buffer against poverty and reduces their vulnerability to changing circumstances. On balance then, at the level of the individual household, the research suggests that state-provided housing has improved the lives of beneficiaries with respect to the delivery of basic services, security of tenure, fostering pride and dignity (Charlton et al., 2003).

But the extent to which poverty is (measurably) significantly alleviated is highly debatable. The White Paper (RSA, 1994) identifies 'affordability' (which has two components) as the 'single most significant constraint to the housing delivery process' (S 3.3.10). The first component of the affordability problem relates to state affordability; that is limitations imposed on government by the fiscus and macro-economic realities. The second component relates to the 'grinding poverty' experienced by a large proportion of the population. This, the White Paper says, 'provides the single most important limitation on the housing programme' (S 3.3.10). The 'resolution of this problem', the White Paper says, 'is something that a sustainable housing programme can significantly contribute to, but not remotely seek to resolve on its own' (S 3.3.10). Employment creation and rising incomes are seen to be what will enable households to access housing opportunities (S 4.1; S4.2)

The constraint and the limitation above led the drafters of the White Paper to, in the 'short term' (DOH, 1994:S 4.4.2), 'focus limited State resources on the poorest sections of [the] population' (S 3.3.10), but 'short term action should be structured in order not to frustrate medium to longer term interventions' (S4.5.2). This was in direct tension with the MERG proposals and the developmental state strategies (i.e. short-term inefficiencies for long-term return). Given insufficient resources, investment will need to be attracted from outside the fiscus. A 'fundamental pre-condition for attracting such investment', is 'that housing must be provided within a normalised market' implying striking a balance between State intervention and the efficient functioning of the housing market with vigorous and open competition between suppliers of goods and services to end users' (Ibid). Hence, a feature of the 'subsidy system is its concern with ensuring that private sector delivery agents are not squeezed out by 'unfair competition' from the public sector' (Rogerson, 2001:351).

Firstly, there is 'virtually no historical evidence' (Makgetla, 2004:280) for the crowding-out hypothesis in South Africa. Historically, public sector investment in South Africa leads

private sector investment (Krafchik & Robinson, 1998), potentially leading to larger output multipliers as (expanded) spending on social programmes keeps almost all the money in the country (Stiglitz, 1998). Judicious government expenditure can thus play an important role in reducing the social deficit, i.e. financing industrialisation strategies, job-creating public works programmes, and productivity-enhancing social and infrastructural projects. A well-planned public expenditure programme can therefore initiate a virtuous circle of increased social investment which ‘crowds-in’ increased private investment, which in turn expands the tax base, thus allowing government to recoup previous expenditure through increased revenue collection (Horton, 1998).

Secondly, the policy is premised on rising employment and incomes and is problematic on numerous counts. Firstly, research suggests that redistribution through job creation will not necessarily eliminate the problem of poverty. Analyses of anti-poverty strategies in Africa emphasise that employment, as currently defined, may provide less than the required compensation to sustain a livelihood (Ramirez et al., 1998; also see Torres et al., 2000; Bhorat, 2001; Bhorat, 2004; Bhorat et al., 2005; Bhorat & Kanbur, 2005; Bhorat & Kanbur, 2006; Bhorat, 2007). Secondly, international development agencies warn that countering the inability to earn a sustainable livelihood cannot be tied to ‘indirect’ remedies such as economic growth. What is required is an ‘explicit, dedicated commitment on the part of governments to take direct action’ (Garau et al., 2005:xiv). Thirdly, the policy premise fails to take into account recent innovations in development thinking around poverty eradication. New perspectives on poverty eradication present fresh insights about the nature of the ‘economy’ and ‘poverty eradication’, and the relationship between ‘economic growth’ and ‘poverty’.

With respect to the ‘economy’, policy makers understand the economy as comprising a particular distribution of assets, a particular set of power relations, a finite collection of cultural factors, a given set of institutions, and a specific productive logic. These structural factors define the parameters of growth and development. Within this framework, individual choices and capabilities determine the distribution of income. Poverty is the result of low incomes and the medicine for this is economic growth, productivity improvements, education and training.<sup>137</sup> Emphasised here are the ‘macro-level determinants’ (Cross, 2001:113) of growth and development – getting the prices right, low inflation and fiscal discipline. These economic fundamentals are seen as paramount in and of themselves and all government programmes must therefore conform to fiscal and monetary targets. Not unsurprisingly, sustainable development comes to be equated first and foremost with affordability and cost-recovery (Hassen, 2000) rather than those of reducing vulnerability; building capabilities and capacities; promoting social inclusion, integration, and cohesion.

But the flows of resources necessary to sustain an individual or household emanate from various sources determined by a particular distribution of assets, productive relationships, gender dynamics, and class distinctions. Poverty, from this perspective, is more than a ‘lack of income’. Poverty exists when an individual’s or a household’s access to income, jobs and infrastructure is inadequate or sufficiently unequal to prohibit full access to opportunities in society. In short, the condition of poverty is caused by a combination of social, economic, spatial, environmental and political factors (Isandla Institute, 1999; Heintz & Jardine, 1998). Critical here to note is that the

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<sup>137</sup> This is the logic of GEAR (Heintz & Jardine, 1998).

factors are not simply a function of public policy but connected to broader issues of democratisation, socio-economic empowerment, and institutional restructuring (these themes are discussed in the next Chapter dealing with the HPA).

Some strands informing this thinking have come to be organised in the 'asset vulnerability framework' (AVF)/'sustainable livelihoods' approach, which takes as its starting point the livelihood strategies of the poor (Moser, 1998; Rakodi, 1995, 1999). These approaches seek to understand how households manage various assets (labour and human capital; productive assets which include land and housing; household relations; social capital; natural assets and financial assets) in pursuit of their livelihoods (Baumann, 2003). Poverty, according to the AVF, is not only an outcome of insufficient monetary income, a lack of assets and the poor's inability to accumulate an asset portfolio, but also the 'inability to devise an appropriate coping or management strategy'. The key issue in anti-poverty strategies resides in 'building up the asset base of the poor, and increasing their capabilities to manage their existing package or portfolio of assets' (Rogerson, 1998:8).

Consequently, the objective of development programmes and projects as informed by this (microeconomic) livelihoods approach (in contrast to the macro-level perspective) strives to 'enter' the locality not just through the 'house and bathroom' but through the 'inter-relationship between poverty, productivity and the environment' (Moser, 1995:162). Effective poverty reduction must therefore simultaneously look at issues of income (derived from salaries and wages, subsistence and household economies, transfer payments, private and government sources, and self-employment); infrastructure (physical and social); spatial isolation (from employment and social opportunities) and environmental degradation; social exclusion and access to power and resources; and the livelihood strategies of the poor (Isandla Institute, 1999; Heintz & Jardine, 1998).

The inability of the housing intervention to locate itself in a livelihoods perspective, the effect of the 'crowding out' hypothesis, and the presumption that there is a binding macro-economic constraint, combined to create a macroeconomic strategy that failed to see increased spending in human development as both a *requirement* for accelerated growth and a *precondition* for converting growth into poverty reduction (even at the expense of introducing short term imbalances). This prevented the poverty eradicating and redistributive impacts of the shelter intervention from becoming the central pillar of poverty eradication in post-apartheid South Africa that it should logically have been.

Not unsurprisingly occupants can ill-afford maintenance and upkeep of the new homes; are spatially marginalised and peripheralised; lack access to the basic facilities and amenities to support their livelihoods; their constitutionally enshrined rights are violated even by the institutions that purport to uphold these rights; little to no consideration is devoted to alternative tenure forms that are potentially more appropriate to their needs; and deficiencies in the design and implementation of intervention instruments impoverishes them further. These are briefly discussed below.<sup>138</sup>

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<sup>138</sup> The ensuing draws from Rogerson (2001) and is supplemented by findings from elsewhere

Firstly, there is little to no protection of beneficiaries who cannot afford the obligations of homeownership, i.e. payment of rates and services<sup>139</sup> witnessed in the ‘downward-raiding’ and the abandonment and selling of RDP houses. The movement of these beneficiaries and households back into shacks (‘downward trading’) swells the population of those who are informally housed<sup>140</sup> and renders them structurally homeless as they are disqualified from accessing another subsidy given national policy that entitles once-off access per household. More disturbing are the social groups that ‘purchase’ the houses from the (abandoning) beneficiaries and the consequences of this phenomenon on community-building.

In Cape Town, for example, media reports showed that desperate families – unable to pay rate and service charges and feed their families – were selling their new homes to shebeen owners and druglords. The RDP houses – which cost close to or over R30 000 – were being sold for as little as R500 in many cases. The top price was R3 000.<sup>141</sup> Rows and streets of publicly-funded RDP houses snapped up by druglords and the like at bargain basement prices were then rented out or used for their nefarious and illicit activities. The debt recovery strategies of some municipalities to settle arrears (attaching and repossessing pensioner’s homes<sup>142</sup> and municipal auctioning of RDP houses<sup>143</sup>) added further impetus to strengthening the grip of warlords and gangsters over poor communities. This is a very strange case of the government subsidising the illicit economy, unintentionally working in a morbid partnership with the latter to produce structural homelessness and thereby further eroding the battered social fabric of poor communities already overrun by brutal gangsterism and drugs.

Secondly, the subsidy places a ceiling on the various components (land purchase, land assembly, levels of service provision, etc.) of housing production. This inflexibility coupled to the income-subsidy ‘packaging’ of *communities* leads to the ‘reproduction of apartheid-style ghettos of the poor’ (Bond & Tait, 1997 cited in Rogerson, 2001:354) on the peripheries that are divided along class lines of the poor and not-so-poor. This strict separation and spatial marginalisation stifles the development of local markets and thresholds to support a range of goods and services. The development of dense, intense and vibrant local markets within settlements is lost through income stratification. Market development facilitated by cross-settlement transactions is rendered impossible by socio-spatial peripheralisation.

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<sup>139</sup> In 2000, it was found that 56% of households in Cape Town were unable to afford the typical minimum monthly rates and service charges of R100 to R150 per month (Cape Metropolitan Council, 2000 cited in Khan, 2003:18). Other reports, also cited by Khan (2003:19), state that close to 80% of residents in low-income housing estates cannot afford to pay for municipal services charge levied in these areas.

<sup>140</sup> Alongside declining family size, in-migration, and urban population growth, this is one of the reasons which account for the persistent growth of slum settlements and why the impressive delivery record of government has not succeeded in reducing the housing backlog in any considerable measure. Indeed, the South African Cities Network Report (2004) reveals that the increase in the amount of shack dwellings is almost equal to the total number of houses built between 1996 and 2001.

<sup>141</sup> *Cape Argus*, 10 April 2000.

<sup>142</sup> *Cape Times*, 25 March 2002; *Cape Argus*, 26 March 2002.

<sup>143</sup> *Cape Argus*, 6 March 2002.

The nature of the output (with respect to location, accessibility, habitability, etc.) can be construed as a violation of citizen's rights if one takes into account the fact that the government included within the National Housing Code a definition of *adequate housing* that accords with the International Covenant on Economic, Social and Cultural Rights (1966) (ICESCR). The Covenant defines 'adequate housing' as measured by certain core factors:

...legal security of tenure; the availability of services, materials, facilities and infrastructure; affordability; habitability; accessibility; location and cultural adequacy. South African housing policy concurs with this concept of housing (DOH, 2000a:7-8).

In the *Grootboom* case<sup>144</sup>, the Court ruled that S26(1) of the Constitution accorded citizens the right to *access*, which effectively limits the state's obligation to housing provision, 'but the exact scope of the right and the state's duty is unclear'.<sup>145</sup> Indeed, the judge dismissed the ICESCR interpretation and elaborated a position that is 'more conservative than the interpretation given by the Department itself'. Furthermore, the Court's interpretation of 'available resources' (S26(2)) differed from that stipulated in the ICESCR, which states that government must take steps 'to the maximum of its available resources' to fulfil 'minimum core obligations' (defined by 'adequate housing' above) in order to meet the obligation. In other words, the state 'must demonstrate that every effort has been made to use all resources that are at its disposal in an effort to satisfy, as a matter of priority, those minimum obligations' (McClellan, 2003:153-4). This thrust was rejected by the Constitutional Court and is worrisome given that national policy conforms to the norms laid down in the ICESCR.

The court's justification is also questionable, as the court, in accepting an international norm, would not need to reassess the content of a minimum core obligation in the context of South Africa, as the Committee of the ICESCR has laid down a minimum standard to be applied irrespective of local conditions. The minimum core obligation is not meant to be a flexible standard, but to "describe the minimum expected of a State in order to comply with its obligation under the Covenant"...To conclude: the court's analysis of s26(1) and (2) is a fairly restrictive

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<sup>144</sup> A community in Cape Town invaded private land after departing deplorable living conditions of a previous settlement. The owner of the invaded land secured an eviction notice under the Prevention of the Illegal Eviction From and Unlawful Occupation of Land Act 19 of 1998 (PIE). The request by the community for assistance from the local authority met with a negative response, so the community sued the municipality in the Cape High Court, drawing on S26(1) of the Constitution ('Everyone has the right to have access to adequate housing') and S26(2) ('The state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of this right'). The High Court ruled that the municipality must provide shelter for children and the parents. The state appealed the decision in the Constitutional Court. The Court issued a declaratory order to the effect that the state must put in place a reasonable plan to realise the right to adequate housing over time and within fiscal constraints, and that this programme must include relief for those who are destitute and homeless.

<sup>145</sup> The Court's awarding residents the right of access to shelter, water and adequate ablution facilities meant that 263 families (390 adults and 510 children) were housed in temporary dwellings built from R200 000 worth of materials supplied by the authorities and serviced by 10 taps and 20 permanent toilets.

reading of the right, often ignoring a more practical and progressive understanding of the state's duty in national legislation and policy documents (Ibid:155)<sup>146</sup>

The Court's fairly restrictive reading of rights in *Grootboom*, together with two other prominent eviction-related cases (known as the Bredell and Alexandra cases) highlights the 'limitations of the judiciary as a route to democratic access' (Huchzermeyer, 2003a:80) to societal resources and urbanity. When the poor call upon *the* institution tasked with enforcing their socio-economic rights enshrined in the Constitution and written down in government programmes, the judiciary is 'reluctant to rule in [their] favour when the economy or investor confidence is at stake' (Ibid). What is also perturbing is the Court's underwriting of a particular interpretation of the materiality of the housing intervention (i.e. the constitutive elements of 'adequate housing', 'reasonable and other legislative measures' and 'within available resources') that effectively shields the state from assuming responsibility for resolving the contradiction between conservative macroeconomic management and poverty eradication. The independent Court, immune from state and public pressure, has resolved the contradiction for the state with profound implications for democratic consolidation and human development.

If the Constitutional Court is unable to affirm and entrench the entitlements of the poor with a view to expanding their human-capability generating capacities (Sen, 2001), their rights to development, freedom and livelihood opportunities are further reduced or extinguished through the reluctance of government to regulate interventions in the land market so as to maximise the poverty-elasticity of growth in the economy as a whole and property development in particular (in other words, the capture and redistribution of development gain). The development of human capacities for poverty eradication will not broaden opportunities if, remarks the World Bank (2005), some people face unfair returns on capacities, unequal protection of their rights, and are denied access to the complementary factors of production. In this matter, the access to land is of paramount importance because the 'location of new settlement[s] is a crucial element in determining whether or not the housing and related rights of residents have been violated' (Centre on Housing Rights and Evictions (COHRE), 2005:93). This is because 'rights are geographical in several senses':

...rights are often about access to space or place; in liberal societies, geographies of private and public space shape access to rights;... and places are both defined and called upon in struggle for rights (Blomley & Platt, 2001 cited in Maharaj, 2005:133).

Accessing land at reasonable prices for low-income housing, even on the periphery, presents practitioners and officials with serious dilemmas. Often the land the private sector used for housing delivery was purchased and 'banked' by the private sector, prior to the introduction of new housing policy, in 'expectation of a huge upsurge in delivery to the poor' (Tomlinson, 2005:np).

Intervention in urban land markets is vital because the activities of private landowners, wealthy developers and industrialists are also shutting out the poor from well-located land. The research suggests that the 'supply of well-located land for the provision of housing to the

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<sup>146</sup> However, care must be to avoid pushing this line too far. While the Housing Code conforms to the ICESCR strictures, South Africa has not ratified this Covenant (COHRE, 2005:99).

poor, is limited by collusion amongst private landowners, developers and speculators' (COHRE, 2005:92). For example, the relocation of 7 000 people 10km away from the informal settlements of Alexandra to make way for the Alex Renewal Project was opposed by landowners of the identified site on account of the land being held on a speculative basis and the landowners fearing a decline in property values. Efforts to expropriate land did not receive the needed political support because the provincial government was 'unwilling to tackle the property interests at play' (Ibid). There is also evidence that 'extensive land banking of well-located land has been undertaken by private sector developers assisted by planning agencies that often possess more information on state land holdings than the state itself' (Engelbrecht, 2003:281).

These developers then 'tend to monopolise housing delivery activities and local authorities are loath to undertake the unpopular step of expropriation... Local authorities, have, however, successfully expropriated land from private developers, but this generally as a last resort' (Ibid). There seems, says Marx (2003), to be a lack of political will to expropriate land in the public interest - as provided for in S25(2) and S25(4a and b) of the Constitution - and a 'narrow adherence to the protection of the principles of land markets on the part of state agencies...prevents the acquisition of well-located land for implementing a different urban vision' (Ibid:303). Although expropriations are considered controversial, in Gauteng (for example), both the procedure and compensation payable were not challenged in a single case. This 'bears testimony', asserts Engelbrecht (2003:293),

...to the considerable expertise residing in local government where the political will exists. The expropriation of land is technically simple once the political will and financial resources are established.

The absence of measures to shape the land markets<sup>147</sup> so as to optimise redistributive and poverty-eradicating outcomes is arguably frustrated by the unwillingness of the state to challenge historically established and new interests. While government has admirably equipped itself to address historical imbalances in rural land ownership patterns, a similar intervention in the urban land market remains to be articulated. Arguably, this policy lacuna – redistributive intervention in the *urban* land market – is not an innocent oversight. Indeed, this gap in the reconstruction and transformation agenda is 'not unrelated' to government having to confront the political backlash from historically established interests and those from the formerly excluded (black) middle class who now have substantial investments in the urban/suburban property market (Berrisford, 1999 cited in Hassen, 2003:137).

The social and economic benefits of well-located housing settlements 'surely outweigh the short-term problems caused by tackling the vested interests of landowners' (COHRE,

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<sup>147</sup> There are numerous ways to intervene in the land market, including compulsory acquisition (or expropriation); government purchase in the open market; statutory purchase in the open market; developers with delegated powers of compulsory acquisition, statutory authorities with power of compulsory acquisition, and land pooling/ re-adjustment. Most of these are:

...permissible in terms of South African law, but very few of these used. Land pooling is not expressly provided for in South African law. With respect to partnerships, there is no need for additional legislation. Required is a coherent policy to guide programmes/project execution, especially in an environment of informality that is increasingly supplanting formal approaches to land development (Berrisford et al., 2003:23, 32).

2005:93). Failure to tackle vested interests ignores the social, environmental and longer-term economic consequences for poor households and the state, and flies in the face of poverty eradication and redistribution policy objectives. If spatial restructuring is intrinsic to widening access to poverty ameliorating and alleviating measures, then the praxis works to frustrate these goals. This is due to the fact that ‘much of post-1994 low-income housing has been developed on land purchased in the 1980s by the apartheid government for township development in accordance with its segregationist ideology’.

Thus, many apartheid urban plans have been implemented unquestioningly by the post-apartheid government... Reinforcing the same urban pattern, the cheapest tracks of developable land recently purchased for low-income developments have been those adjacent to or beyond existing townships (Huchzermeyer, 2003b:212).

Although infrastructure spending that connects up to existing bulk infrastructure is preferable to the increased capital and operating costs of new infrastructure in better located areas - this is excluded because of the macroeconomic commitment to deficit reduction and fiscal austerity (Marx, 2003) - the location of low-income settlements at considerable distance from employment opportunities and higher-order commercial and social facilities imposes major burdens on the state fiscus and household expenditure (Behrens & Wilkinson, 2003). For households, exorbitant travel costs weigh heavily on time and expenditure that could be deployed towards improving nutrition, health, education, incomes, and dwellings. For the state, it has been pointed out by Dewar (1999) that as of 1999, the annual bus subsidy in Cape Town (R3 300), accumulated over five years, is equivalent to the housing subsidy, and over 20 years, it would be the equivalent of four subsidies. The CSIR (1997) argued that if the number of national subsidised bus commuters travelling longer than an hour (approximately 112 761 commuters in 1995) were to be relocated closer to work (at a cost of R3.4bn), the yearly saving would be around R118.6 million. If central location enabled a switch to walking or other unsubsidised modes of transport, recouping the R3.4bn would take considerably less than 28 years (assuming, most critically, constant levels of subsidy and current land values). A study by Rensburg et al. (1992) compared full transport and settlement costs of Orange Farm with two hypothetical central housing developments in Johannesburg over a 20 year period. The study concluded that the societal costs of peripheral housing are greater (R11 993 in per dwelling unit (1999 prices)) compared to R9 741 and R7 100 in central areas (Dewar, 1999; CSIR, 1997 & Rensburg et al., 1992 cited in Behrens & Wilkinson, 2003:162). These figures above, albeit indicative, point to the societal and household costs of continuing with peripheral, spatially marginalising shelter development, which will no doubt be considerably larger if the ecological footprinting methodology is used, and also bearing in mind the additional costs associated with the various infrastructure and basic needs amenity deficiencies of new RDP housing estates, i.e. access to health, education and social development facilities.

Thirdly, the overlooking of rental housing presents a serious gap in praxis. The White Paper paid scant attention to rental housing due in part to the assumption that most people wanted to become homeowners rather than tenants. This is most surprising especially because rental housing (which constitutes about two-thirds or more of housing stock in developing countries (Khan, 1993)) tends to offer better location, services and infrastructure than self-help housing, and supports, assists and facilitates labour mobility – an important survival strategy of low-income households (Gilbert, 1997 cited in Smit, 2003).

Unfortunately, the housing policy and the financing instruments are not sufficiently geared (except through the institutional subsidy and the hostels programme) to cater for the needs of this segment of the population. While the growth of new social housing institutions should further increase rental stock significantly, this type of stock is simply not appropriate for the lowest income groups. 'Social housing', according to the ex-Managing Director of the Social Housing Foundation, Arvinda Gohil, 'is not aimed at the poorest of the poor, but at those who can pay for housing, but whose purchasing power is limited, making rental a necessary as well as desirable option' (cited in *Housing Southern Africa*, February 1999).

Significant more policy work needs to be done with a view to supporting and strengthening private and public formal and informal rental housing market for low-income people (backyard shacks included) (see Khan (1993) for further details and discussion). Future initiatives will however need to break with 'either/or' options (public versus private) and focus on how to meet basic needs of the indigent and mobile workers for whom the need for this type of housing – a year after the release of the White Paper – was recorded as 'dire'.<sup>148</sup>

Fourthly, there remain significant problems with the impact of the housing programme on informal settlements related to deficiencies in both the legislative and regulatory architecture, and the technologies and instruments of intervention. The main intervention (the resettlement of informal residents in new housing) has meant that the opportunities for *in situ* support or 'upgrading' have been largely neglected.<sup>149</sup> Until recently, the key structuring elements of interventions in informal settlements tended to lead to the 'projectisation' of development; was narrowly focused on housing and infrastructure provision; reinforced the institutional bases of exclusion; and was co-ordinated very poorly in financial and sectoral terms.

Some preliminary studies suggest that the cumulative impact of this intervention regime may unwittingly have contributed to increased vulnerability and poverty. The relocation of households to greenfields development revealed a variety of negative impacts on poverty, related to the impact on households of changed location; the economic reconstruction of communities; changes to the status of housing assets; limitations on freedom of movement; reduced savings capacity; disruption of social and solidarity networks and institutions; increased insecurity; increased vulnerability to crime; inability to absorb or support the extended family; and reduced capacity to invest in social capital (see Baumann, 2003; Marx, 2003).

Undoubtedly, a great deal can be done to improve the effectiveness of the housing intervention with respect to maximising its effectiveness in attaining the objectives of poverty eradication and redistribution. But it is also of critical importance to repeat the observation of the White Paper that the 'resolution of the [poverty] problem is something that a sustainable housing programme can significantly contribute to, but not remotely seek to resolve on its own' (S 3.3.10). Impacting on poverty necessitates a 'co-ordinated, multifaceted approach towards initiating and maintaining sustainable socio-economic development. Housing interventions by Government can at most be seen as part of an integrated approach to resolve the problem of poverty' (S 4.6).

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<sup>148</sup> See *Financial Mail*, 9 June 1995.

<sup>149</sup> This situation is likely to change with the introduction of the Department of Housing's Upgrading of Informal Settlements Programme.

This assertion is supported by housing experts, the most renowned being Angel (2000), who argues that the affordability problem is ‘first and foremost a poverty issue and not a housing issue. The solution to this problem must therefore ‘rely primarily on policies for the alleviation of poverty, and not on policies that aim at the provision of adequate housing’ (112). Citing Donnison (1980), he writes, that ‘most housing problems are really problems of unemployment, poverty and inequality’. Angel (2002:113) says further:

Keeping this in mind, we should restrain our expectations that the housing problem of the poor can be adequately addressed amidst persistent poverty. It simply cannot be done...There are two arguments, however, for state support in the form of direct housing subsidies, in addition to general income support or other redistributive social welfare programs that improve people’s ability to pay for housing. The first argument...[is] that housing is a ‘merit good’ – wherein the state intervenes to ensure that people consume adequate amounts of housing because it is in their long term interest and in the public interest. The merit good argument is strengthened by focusing on the externalities associated with the underconsumption of housing – its adverse (or beneficial) effect on the immediate neighbourhood, on the quality of life in the city as a whole, or on the social and economic stability. If such externalities were severe, the public would have an interest in making adequate housing available to everyone, regardless of their ability or willingness to pay...The second argument in favour of housing subsidies rests on the fact that housing-related poverty exacerbates and multiplies other inequalities...Inadequate housing is thus a source of poverty, as well as consequence of poverty...In the last analysis, there is therefore, indeed an inherent logic in incorporating housing subsidies in an overall subsidy regime.

Angel (2000:112) also makes the point that ‘it is doubtful that housing subsidies in any form are an especially useful form of redistributing income or reducing social inequality’, citing low income elasticity of demand from the British housing policy experience as the main reason. The extent to which the ‘elasticity of demand’ argument is applicable in developing countries is debatable. This aside, he argues that there is ‘no a priori reason to suspect that housing subsidies would be an effective instrument for redistributing incomes’ (Ibid). This is not to dismiss subsidies as ‘they are an important part of any social policy’, it ‘depends how they are administered’ (personal correspondence with Angel, 3 November 2005). At issue is the weighting and location of the subsidy in a wider redistributive regime that encompasses both asset and human capital poverty reduction.

Implicated here are questions about sculpting redistributive measures that work with the livelihood and coping strategies of the poor or the microeconomics of livelihoods, area-based and rooted demand-responsive interventions and deepening institutional access of the poor to resources and decision-making. In short, the redistribution of opportunities, capabilities, capacities and opportunities change the terms of trade between the poor and the state and have to be in concert with the housing and wider subsidy regime for this to reduce social inequality or redistribute incomes. Without these accompanying interventions, South Africa’s housing subsidy is unlikely to play a dynamic role in both redistribution and poverty eradication.

Although redistribution of the type alluded to can potentially enhance outcomes, this is likely to be unsustainable until such time as the state rethinks the direction of causality between economic growth and human development. This rethink strikes at the heart of the

affordability thesis at both economy-wide and household level. At the economy-wide level, a great deal has been said about the modalities and mechanics of breaking path dependent development modes as demonstrated by developmental states across various ideological contexts. At the household level, rethinking of affordability would require re-evaluation of a housing intervention presently based on mass production of standardised outputs with freehold title for nuclear families.

This intervention (seen in some influential policy circles as inflating the housing backlog and committing the state to unrealistic housing targets that far outstrip its available resources (e.g. Tomlinson et al., 2003)) is based on Western notions of functioning property markets (properties exchanged on open markets with the backing of financial institutions and also used as collateral). This is a crucial failing of the policy. What is not recognised, in contexts such as ours, is macroeconomic volatility and its impact on household incomes and spending patterns (high and fluctuating food prices being critical to household survival in this regard). Secondly, the bulk of the target population is poorly remunerated and unemployed and dependency ratios at much higher than they are in developed societies. Thirdly, locationally shifting employment opportunities impel poor households to establish multiple job-proximate residential bases (Charlton et al., 2003). Fourthly, there is an absence of social welfare programmes to complement meagre incomes especially in times of household crises and shocks (death of the breadwinner, for example). Fifthly, the financial sector does not recognise the RDP house as collateral (see for example, Shisaka, 2004). Lastly, for a society ravaged by the AIDS/HIV pandemic wherein poor households to divert their scarce resources to securing medicine, water and nutrition, housing is not an immediate priority (R Tomlinson, 2001).

In short, the assumptions undergirding the housing intervention, which profoundly implicates questions of affordability, rights and citizenship, largely derives from countries with well developed social wage regimes (Satterthwaite & Tacoli, 2003); macroeconomic stability and/or vast state resources and/or considerable policy manoeuvrability to soften socially debilitating blows of economic restructuring and economic instability; ‘tightly controlled, directed financial sectors’ (as recent as 1986 – see Buckley & Kalarickal, 2004:10); and formally employed, decently remunerated workforces, and not afflicted by major epidemiological crises.

It is against this backdrop that affordability should be (re)defined as taking into account household size and cost of non-shelter basics, as opposed to the present Westernised notion of households allocating a fixed percentage of income (which amongst our target population is erratic and irregular). Thus,

...the most a household should be required to pay for housing is that which leaves it able to meet non-shelter basics at a minimum level of adequacy. The larger the family, the more it has to pay for nonshelter basics, and thus the less it can afford to pay for housing; similarly, the lower the family’s income, the less it can afford to pay for housing; since nonshelter basics take up a higher percentage of income (Stone, 1993 cited in Hartman, 1998:237).

This has radical implications for SA housing praxis, especially for the poorest of the poor. The housing intervention for those without incomes, the irregularly employed working in the most marginalised sectors of the informal economy, specific categories of migrants, child- and women-headed households needs to be fundamentally reconceptualised. The levels of

subsidisation for these segments of the population with respect to addressing shelter poverty would have to be significantly higher, the tenure type made more flexible and appropriate, the social amenities of a higher quality, the location of the dwelling accessible and strategic (inner city or in close proximity), and the (municipal) financing regimes far more sophisticated than at present.

Whilst the microeconomics of household survival and the rethinking of affordability complement each other most flatteringly, the intervention regime called for above reverts back to quite radical systemic reforms, a subject about which the sustainable livelihoods literature is silent. These are questions related to the political economy and mechanisms to link micro- and macro-level change processes, which the benign conceptions of localised livelihoods and asset manipulation tells us precious little about.

The emphasis on redistribution and political economy so central to effective and sustainable poverty eradication implies paying attention to the ‘livelihoods of others who are not poor’ (Murray, 2001:14) and the strategies they deploy and will continue deploying to frustrate a redistributive, poverty-eradicating and empowering shelter development regime. Not surprisingly, the latest thinking in international housing praxis places emphasis on managing the sector as a whole, ‘including the formal and informal sector; the rich and the poor; the private, the voluntary, and the public sectors; the inner city and the suburb...[to] guide macroeconomic policy’ (Angel, 2000:28). In this regard, the developmental state model could greatly assist policy and decision makers.

This brief discussion of the poor outcomes and developmental deficiencies generated by the economic calculus and distributional logic of the housing intervention can at base be ascribed to a policy that represents an awkward embrace of conservative macroeconomic thinking and a misconceptualisation of the developmental state as facilitator of private sector dominance rather than effective empowerment of the poor. The developmental state model suggests that investment in human development and poverty eradication is growth enhancing.

The experience demonstrates that we would be better advised to aim primarily to foster redistribution and poverty eradication, get the politics right, deliberately get the prices wrong, and in this way promote growth. Delivery of this unholy grail cannot be entrusted to the private sector. Recalling Chibber (2004), ‘the last time political elites and the subaltern classes looked to national bourgeoisie for spearheading a development project they got something less than they wanted, and much less than they deserved’. The last decade of reconstruction and transformation bears (excruciatingly painful) testimony to this claim.

## **Synthesis**

This Chapter turned to the materiality of democratic consolidation refracted through the shelter lens and the latter’s relationship to the macroeconomy and poverty eradication. Noted here are a myriad of problems flowing from its minimalism and the consequent entrenchment of a path dependence that frustrates its potential redistributive, empowering and poverty eradicating potential. Realising the potential would entail a fundamental rethink of the economic logic that underpins the programme and its very real impact on poverty. It is heartening to note that the BNG signals a renewed willingness and determination to grapple with these problematics coupled to a belated recognition by the Minister of Finance that the

line of causality between economic growth and human development ‘also runs the other way’ (Minister of Finance, 2005:2).

The extent to which the Plan and this belated recognition will swing the socio-economic development policy pendulum the other way will in large part depend on the collective capabilities and capacities of society and the state to jointly scribe a transformative political economy score (‘brushing against the grain of history’) and skillfully choreograph the dance of an inclusive social coalition (‘getting the politics right’) that courts unholy and unorthodox (not ‘good’) institutional and governance reform, and heterodox (economic) policy experimentation (‘deliberately getting the prices wrong’).

The ‘transcendence of the dominant form of state and society’ is indeed a ‘very perilous situation’ remarks Balakrishnan (2005:20), especially without ‘compelling alternatives to the governing norm’ and status quo. The ‘greatness of the thing’ (social transformation), to paraphrase Machiavelli, ‘partly terrifies men, so they fail in their first beginnings’ (cited in Balakrishnan, 2005:14). Reactivating radical causes, writes Balakrishnan (Ibid:17), demands disciplined and unpleasantly rough ‘strategic reckoning in the midst of ...devastation, as preparation for a very long-term reconstitution of collective praxis through intellectual and material rearmament’.

Staying with such causes in the midst of the prevailing ambiguous waning and waxing of status quo thought invites both social resignation and restoration. Returning to Machiavelli, we should stay with the cause because

Men can second fortune, but not oppose it...they can weave its warp but not break it. They should indeed never give up, for, since they do not know its end and it proceeds by oblique and unknown ways, they have always to hope, not to give up in whatever fortune and whatever travail they find themselves (cited in Balakrishnan, 2005:19).

Redeeming the hopes, aspirations and ambitions of yesterday’s progressive development planning regime demands a new form of transgressive political thought and action grounded in historical record, emerging practices and collective creative practices. State-mandated transgressive thought and action (dubbed the ‘developmental democracy’) is in its infancy and holds both promise and pitfalls for the poor. But the transgressive thought and action of the poor in our shanty towns (dubbed ‘democratic developmentalism’) presents a counterweight to state developmentalism; another pathway to shelter and human development that is arguably seductively more promising but nonetheless also ‘ambiguated’. This is the subject of the next Chapter – the story of the Homeless People’s Alliance.

## **Chapter Four: The Homeless People's Alliance**

### **Purposive Creation and 'Ambiguated' Realities (circa 1991 to mid-2004)<sup>150</sup>**

The state...is the coldest of all monsters...(it) lies in languages of good and evil; and whatever it says, it lies – and whatever it has, it has stolen...only there, where the state ceases, does the man who is not superfluous begin...(Nietzche, 1969 cited in Rose & Miller, 1992:173).

Nowadays the ambition to 'change the world' meets with cynicism – because of the questionable record of several development decades, doubts over social engineering and rationalist planning as exercises in authoritarianism, and over modernism and the utopian belief in the perfectability of society (Nederveen, J-N, 2000:187).

The past 10 years have witnessed a remarkable apparent confluence of positions in the ...development arena. Barely any development actor could take serious issue with the way the objectives of development are currently framed. The new consensus is captured in a seductive mix of buzzwords. 'Participation' and 'empowerment', words that are 'warmly persuasive' and fulsomely positive, promise an entirely different way of doing business. Harnessed in the service of 'poverty reduction' and decorated with the clamours of 'civil society and the 'voices of the poor', they speak of an agenda for transformation that combines no-nonsense pragmatism with almost unimpeachable moral authority. It is easy enough to get caught up in the emotive calls for action, to feel that, in the midst of all the uncertainties of the day, ...institutions are working together for the good, and that they have now got the story right and are really going to make a difference (Cornwall & Brock, 2005:1043).

In the old days, we lived in fine houses and shat in the bush. Now we shit in fine toilets and live in the bush (Patrick Magebhula, ex-President of the South African Homeless People's Federation, describing public housing pre- and post-apartheid, in his address to Minister Joe Slovo at the first national meeting of the Federation in May 1994, cited in Baumann, 1998:2).

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<sup>150</sup> The author is indebted to Edgar Pieterse for his contributions to and editing of this Chapter, and accepts responsibility for any errors and mistakes.

## Introduction

The *Favelas* of Brazil, the *villas miseria* of Buenos Aires, the *colonias populares* of Mexico City, the *Kampung*s of Jakarta, the *chawls and zopadpattis* of Mumbai, the *bustees* of Kolkata, the *katchi abadis* of Karachi, the *iskwaters* of Manila, the *shammasas* of Khartoum, the *umjondolos* of Durban, the *bidonvilles* of Abidjan, and the *baladis* of Cairo, are the ‘fully franchised solution to the problem of warehousing the twenty-first century’s surplus humanity’ (Davis, 2004:13). The slum and shantytowns are at ‘once a dumping ground for the city’s byproducts – the (human) waste generated by its own development – and its products’ (Diken, 2005:307). The slum (as product) in its modernist representation and popular cognitive consumption is an aberration, a ‘state of urban exception’; the space ‘outside the law and outside civilisation’ (Ibid).

Accommodating 43% of the urban population of the all developing regions combined, and a staggering 78% in the least developed countries (2001 figures) (UN-Habitat, 2003:xiii), the slum, in reality, is ‘not outside the city’; it is screwed ‘within its very centre’. Contemporary urban space is ‘organised according to the logic of the favela’ (Diken, 2005:307). The very possibility and existence of the formal (recognised/acknowledged) space relies on its inherent transgression (Ibid).

In our clinical and disciplined imaginations and imaginaries of development, slums are ‘social wastelands’ – the physical manifestations of social inequality, exclusion, marginalisation and discrimination. They are the products of failed policies, ineffective governance, corruption, inappropriate regulation, exclusionary urban (economic) development and growth paths, poor urban management strategies, dysfunctional and inequitable land markets, discriminatory financial systems, and a profound democratic deficit. The ‘product’ and the human ‘waste’ (the aberrant and abhorrent) bear testimony to the failure (rather than an integral and structuring component) of contemporary ‘development’ – a project designed and engineered by a malignant, malevolent and monstrous state. It is only ‘beyond the state’ (in the ‘free market’ and ‘civil society’) that true ‘human flourishing’<sup>151</sup> is perceived to be possible. Criticising the excesses, inefficiencies, and injustices of the state is what unites market fundamentalists and post-/anti-developmentalists. In both cases, there is little room for ‘forward politics’; ‘development’ is only the ‘destructive power of social engineering’ (Pieterse, J-N, 2000:186–7).

The human waste of development’s desultory landscape ‘rudely’ interject these sterile and impoverished debates, opening up the eyes of our deadened minds to an alternative possibility rooted in and inspired by a poetics of a political imagination inhabiting a realm located midway between purposive creation and determined resistance to injustice and exclusion (adapted from Robinson, 2004a). These residents participate in social movements akin to what Arturo Escobar (1992:396) defines as follows:

Today’s social movements are seen as playing a central role in producing the world in which we live, its social structures and practices, its meanings and cultural orientations, its possibilities for change. Social movements emerged out of the crisis

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<sup>151</sup> Human flourishing refers to the full development of a human being’s innate intellectual, physical and spiritual potential/s in the context of wider communities (Friedmann, 2000:46).

of modernity; they oriented themselves towards the constitution of new orders, and embody a new understanding of politics and social life itself. They result in the formation of novel collective identities which foster social and cultural forms of relating and solidarity as a response to the crises of meanings and economies that the world faces today.

These social and cultural forms of relating and solidarity are distinctive because the state is not their starting point for existence and relevance. Instead, and provocatively, these social movements mobilise rather on the assumption that the state is unlikely to create the environment for and extend the opportunities to the movement and their members to substantially transform their material conditions through, for example, pro-poor resource re-ordering and institutional restructuring. Sutured by the imperatives of everyday life, survival and solidarity, a determined series of social and political practices follows, implicitly setting the terms of engagement with the state. The uniqueness of the engagement is not solely derived from the priorities and the associational schemas of their cultural politics. Rather, and, once again, provocatively, the poor and their movements engage the state when they consider themselves able and ready (elaborated below).

The socio-political practices are first and foremost about deconstructing, exposing and resisting the dominant culture, including the exclusionary and discriminatory meaning it produces, circulates and legitimates as the elementary and natural ‘constitution of our world’ (Gregory, 2004 cited in Roy, 2006:16). Challenge and resistance enacted through metaphor, ritual, rhetoric, public performance and spectacle, bolted together by the mobilisation and management of their (latent) resources breeds radically new social and relational economies. These economies – the ‘sites of radical possibility’ (Cornwall, 2002:17) – steadily break down the ‘atomization of slums’ (*SDI Bulletin*, 15 December 2004:3), opening up and expanding opportunities for the poor to collectively strategise in the transformation of the inequitable and marginalising institutional and spatial ecologies of contemporary urbanity. The ‘social and cultural forms of relating and solidarity’ and the accompanying ‘struggles are at once economic, political, and cultural – and hence they are biopolitical struggles, struggles over the form of life...creating new public spaces and new forms of community’ (adapted from Hardt & Negri, 2000:56). Material upliftment, the restoration of rights and collective social inclusion are conterminous with productive reconfiguration of ‘technologies of self’ (discussed below).

The political practice unifying the restoration of human dignity and self-affirmation with poverty eradication and inclusion is anchored in ‘deep democracy’,<sup>152</sup> an indispensable component of which is the nurturing and embedding of a specific cultural capacity, namely the ‘capacity to aspire’ (Appadurai, 2004:5), daily denied them by material poverty, routine violation of human rights, and socio-institutional practices of political and economic exclusion (People’s Dialogue, 2000). The project, then, is about ‘optimising the terms of trade between recognition and redistribution’ (Appadurai, 2004:5) through reclaiming the democratic right and power of the poor to choose, champion and implement their own

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<sup>152</sup> Defined as people directing their own development initiatives and organisations through ‘active internal debate’ and a ‘commitment to transparency and inclusion’; the poor engaging key actors in the state and local administrations; and individuals and communities ‘achiev[ing] solidarity and [being] empower[ed] through horizontal connections’ to other individuals and groups (Wilson & Lowery, 2003:51).

development path. Reclaiming their right and power revolves around institutionalising resource mobilisation strategies aimed at autonomy and self-reliance; adopting actions of ‘high symbolic content’; pursuing ‘concrete objectives’; and forging ‘strong personal engagement of participants’ structured around local, city, national, continental and international networks (Ruggiero, 2005:299).

The ‘capacity to aspire’ in the teeth of fierce opposition and resistance to reversing the socio-institutional patterning of inequality and exclusion requires mastery of an intensely complex political calculus inscribed in templates of association whose repertoires span rejection and resistance; opposition and demonstration; complicity and subversion; and compliance and co-operation. Shaped by the ‘contours of poverty’ (Anonymous (c) nd:2), the everyday practices of *holding on* and *getting by*, these templates and repertoires empower the poor to internally generate, mobilise and manage financial, institutional, political and organisational resources and capacities whose deployment simultaneously changes life and world.

Cast differently, their development practice, particularly the definition and production of their own ‘solutions’ to pressing daily livelihood survival needs, contests and rejects the ‘passive object’ identity engraved in official development interventions and exposes their limitations. With contestation, rejection and exposure replaced by self-affirming and democratically empowering ‘solutions’, whose implementation reworks inequitable socio-institutional power circuits, the poor combine the militant poet Rimbaud’s injunction to ‘Change Life’ and Marx’s imploration to ‘Change the World’ (Ruggiero, 2005:299).

Not easily comprehensible by conventional Western knowledge sets and ‘scientific’ or ‘modernist’ development paradigms (with their constipated binary logics), the solutions, Swilling (2005:15) notes, ‘dissolve the assumptions underlying the solutions imposed by others’; crumbling the subject-object dualism as the ““objects” refuse to be the “objects” by doing what objects should not be able to do, i.e. think and act like “subjects””. In this formulation, and drawing from transdisciplinarity (Nicolescu, 2002), the access of the poor to (endogenously-generated financial, institutional, organisational political and social) resources ‘determines a strong affirmation of identity, whereas for others identity is forged because access to resources is denied’ (Ruggiero, 2005:304).

The poor, then, are both rich and poor. The transcendence and dissolution of the subject-object dualism hard-wired into solutions and, when implemented, constitute the foundations for the synthesis – again not easily comprehensible by Western knowledge sets – of reform and structural change, amelioration and transformation.

Transcendence and dissolution, ameliorative transformation or transformative amelioration – is for many a ‘koan’ that even the postmodernists, postcolonial scholars and anti-development ‘establishment’ would find hard pressed to explain. The poor through their templates and repertoires have come to plait together

...strands of development knowledge that are normally compartmentalized into separate types of developmental practice: the key role of micro-finance in development; grassroots community-organizing to build collective solidarities; technical innovations aimed at doing more with less; challenging existing inequalities at the political level; pragmatic autonomism within civil society; the specificity of the city and in particular the socio-cultural context of the urban poor as a field of organizational practice; and subordinating professional knowledge and roles to the

organized chaos of community leadership. Unsurprisingly, as with any kind of synthesis, it makes everyone who has not seen the synthesis unhappy (Swilling, 2005:12).

The development practice combining recognition (capacity to aspire) and redistributive (deep democracy) struggles (to change both daily life and the world) defines a unique approach to state engagement. Best characterised as one of ‘bargaining at the top, pressure from below’ (Appadurai, 2002), the state is not perceived as a body to be ‘taken over’ and turned into an ‘instrument of social change’ (Farhi, 2003:38). Rather, the manner of the state’s insertion into social, economic and cultural life, the organisational codification of the assemblage of actors, policies, programmes, and the associated technologies of rule that denies, inhibits and frustrates ‘human flourishing’ constitutes the focal point of struggle. In brief, the objective of the struggle is for the poor to ‘determine the conditions’ attached to development interventions within an ‘open and inclusive’ engagement process, ‘determined and controlled by the poor’ (d’Cruz & Satterthwaite, 2005:36, 56).

Patience is the key organising frame of politics (Farhi, 2003) wherein a central place is awarded to accommodation, compromise, negotiation and long-term pressure instead of confrontation or threats of political reprisal (Appadurai, 2002:29). This type of political engagement (the politics of patience) is less about climbing or scaling the emancipatory peaks of the imaginaries of the contemporary development thinkers. Politics, in this frame, is ‘not an event that happens once, a spectacular outburst of energy that overcomes the dark forces of oppression and lifts liberation into a superior state of perpetual triumph’ (Farhi, 2003:39). Politics is the ‘very act of climbing, daily, tenaciously and incessantly’ (Ibid), advancing each day in ‘millimetre’ (President Hugo Chávez of Venezuela, 2004 cited in Swilling et al., 2005b:1) and ‘centimeter’ (President Luiz Inácio Lula da Silva of Brazil cited in *New York Times*, 27 June 2004)<sup>153</sup> towards sustainable pro-poor development policies and outcomes (points returned to in the Synthesis).

The movement towards pro-poor outcomes via pragmatic negotiation of the uncertainties, instabilities and disequilibriums of the everyday renders this politics less-than-heroic. Indeed, it must of necessity be precarious, pragmatic and unstable. Breaking with dominant forms of politics founded on conflict between polarised opposites (communism/capitalism; left/right; state/masses); politics is grounded in ‘agonistic’ pluralism, i.e. ‘wrestling with the issues, contesting differences and diversities’ (Benington, 2001:202), embracing disagreement. As a politics of permanent provocation, partly consensual but respectful of disagreements, it comes into direct confrontation with the central paradox of modern democracy, namely the liberal and democratic tradition,<sup>154</sup> and, maybe even resolves or transcends the paradox.

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<sup>153</sup> Available at <http://www.msu.edu/course/aec/810/Lula-Brazil.htm> (accessed 11 April 2006).

<sup>154</sup> Modern democracy can be characterised in terms of the historical conjunction of two constitutive traditions (Mouffe, 2000). The liberal tradition is associated with the rule of law, individual liberty and human rights; and the democratic tradition is associated with participation, citizen equality and majority rule. The tension between the traditions are supposedly reconciled through the exchange of public reason (discussion and dialogue) by free and equal citizens. The inclusions and exclusions – a persistent and enduring feature of contemporary citizenship (Kabeer, 2002) and, more broadly, ‘the constitution of a people’ – is hereby effectively denied in the contemporary ‘consensus’ models of democracy, planning and social change.

The Homeless People's Alliance can be counted as one of the worldwide social movements resonating closely with the conceptual lens of Arturo Escobar. Spanning the period 1991 to mid-2004, the focus of this Chapter is on narrating and analysing the genesis, rise, restructuring and consolidation of the HPA from a civil association to a civil-political movement concentrating solely on community mobilisation to gradually combining community work with political engagement of state actors at different scales (Millstein et al, 2003). This is no small undertaking. The internal and external relational dynamics are dense, multi-faceted and complex entailing multi-pronged strategies of localisation and a shifting political strategy linking identity, territory and culture at different scales and spanning the globe (adapted from Escobar, 2001:163).<sup>155</sup>

Particularly fascinating about this movement, and its partners across the world, is that despite its grassroots preoccupation wherein it almost ignores the state, it ends up exercising a profound influence over the state and official urban development ambitions and programmes. Thus, in South Africa, by the late 1990s, the state appropriated elements of the community mobilisation methodology of the HPA – the People's Housing Process (PHP) – mainstreaming it into government policy. The HPA's seeming victory in making their ideology and praxis hegemonic, coupled to the powerful political role seized by and accorded them in the domain of urban development policy and debates about poverty reduction, was not without contradiction and challenge. Mediating the tension between effectively engaging the state and maintaining the movement's core grassroots values and identity came to overshadow its growth, organisational identity, developmental impact and political practice.

Tracing the origins, growth trajectory, ideological framework, organisational praxis and developmental impact of the HPA is the spine of this Chapter. The sophisticated ideological framework of the HPA and its unique engagement with the state is of particular significance therefore constituting a substantial focus of the case study. However, to fully understand the dynamic adaptability of this movement, a key episode in the life of the movement is honed in on – a major restructuring exercise in 2001 precipitated by a series of crises detailed later on (in Section Three). By adopting this approach, the aim is to explore the unique attributes of the HPA vis-à-vis other social movements, teasing out broader conceptual and political implications for understanding the unfolding dynamics between the state and civil society in democratic South Africa's housing project and programme and developmental state (re)construction.

Given the unique character and political ideology of the movement, considerable space is devoted to the ideology and identity of the movement (Section Two), which through a confluence of forces eschewed transitional and post-apartheid official and civil society discourses about appropriate community development processes in (amongst others) the shelter sector. However, this only makes sense if located in the over-arching political transition from apartheid to political democracy – the starting point in Section One. Across these two Sections, the unique approach of the HPA to the state is explored.

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<sup>155</sup> Unpacking the complexity and density of the relational dynamics is rendered more complicated by a post-apartheid transformation project that combines – in varying amounts and varying over time – *democratic developmentalism* and *developmental democracy*. The state is on one day a friend of the poor; on the next a foe; and on another day both friend and foe. It is this dynamic constantly wrestled with in this Chapter and, more generally, in this thesis.

At the outset, it needs to be registered that the HPA is too large, complex, established and dispersed a movement to capture in (its full richness) within the confines of this Chapter. Supplementing the earlier detailed studies (for example BRCS, 2001, 2003; Marx, 2003; Baumann & Mitlin, 2002; Napier, 2003) are interviews conducted with strategic activists and practitioners during 2004. It is also critical to record that, since the latter part of 2004, this movement of the urban poor has radically reconfigured its identity, modus operandi and institutional infrastructure. In extremely broad strokes, the uTshani Fund has been recapitalised and its activities refocused with the most important immediate priorities being the recovery of old debt and bringing all existing projects to fruition. The NGO People's Dialogue no longer exists. The national Homeless People's Federation was disbanded and the individual federations have recently joined the Federation of the Urban Poor (FEDUP) (the successor to SAHPF), whose development thrust and orientation is not confined to the principles and practices of Slum Dwellers International (SDI) (discussed in the Chapter). The Urban Resource Centre – now the Community Urban Resource Centre (COURC) – has partnered the Fund. Although its engagement format is similar to the one that existed between People's Dialogue and the SAHPF, it is also reportedly substantively different.

To the extent that these changes portend the emergence of a different version of democratic developmentalism, the key concern in this Chapter is to elaborate the genesis, rise, content and mechanics of this particular version of democratic developmentalism (circa 1991 to mid-2004) as counterweight to state developmentalism (of the first decade of democracy). This discussion will take into account the contradictory consequences flowing from (selective) state appropriation of the PHP, and the limits of a temporally-bound version of democratic developmentalism (that is, the rise and fall of the HPA, its tango/partnership/'judo' with the state, and the aftermath).

The bulk of this Chapter then describes the inventive capabilities and capacities of the human 'waste' in defining and constructing their developmental future. The unstable and precarious nature of their politics, local contingencies, and (internal and external) geometries of power corrupt most clear-cut definitions of what is going on and 'complexify' constructions of alternative futures. But the source of frustrated 'futures', it is opined, may derive more from the HPA's complementary and conflicting discourses (empowerment and social responsabilisation, asset-based community development and supply-side citizenship) and social governance regimes underwriting HPA templates and repertoires (notwithstanding HPA's subversive manipulation of established technologies of rule). 'Ambiguated' development practice and frustrated 'futures' - the latter being the outcome of the contradictions and complementarities generated by disarticulations and articulations of different yet similar governmentalities<sup>156</sup> (state and civil society) - supports the insights of transdisciplinarity perspectives. These relate to an entity harbouring identities (HPA development practice and technologies) that simultaneously affirm and deny the entity itself, this being the so-called 'included middle' that makes it possible to transcend traditional dualism. Thus, in its attempts to craft and operationalise a politics positioned midway between purposive creation and determined resistance to injustice and exclusion, the identity of HPA's development practice (both 'A' and 'not-A') came to both contest and consolidate,

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<sup>156</sup> In Foucault's writing (1978), governmentality is a specific form of power with its target being the population; its primary source of knowledge being political economy; statistics its science; and the security apparatus its mechanism of control (in Gordon, 1991).

weaken and fortify inequitable resource endowments and institutional landscapes. This outcome was not inevitable. Despite this (debateable) identity and the possibility of its unstable stabilisation around transformative thrusts and real everyday applications, the HPA under-invested in institutionally consolidating its proclaimed counter-governmental self-organisation. At the risk of over generalising, the poorest of the poor were not ready and able to effectively engage the state that managed to outflank and disorganise them through replacing/displacing the poor's solution with an (officially) disempowering one. More subtly, but again at a high level of generalisation, the HPA misjudged the level of readiness and the (organisational) capabilities of the poor when intensive state engagement commenced. The deleterious consequences of this miscalculation were exacerbated when state-HPA partnerships were scaled up. Had the HPA devoted more time and energy to 'getting the politics right' through investment, entrenchment and institutional consolidation of the necessarily prior pro-poor relational fields of politics, the outcome could potentially have been substantially different.

The Chapter ends by flagging the failings common to (this strain of) democratic developmentalism and developmental democracy alongside the need to recognise their interdependence and interconnection. Proposed here to overcome the failings and (re-) establish dynamic interdependence is reconnecting politics and economics through deepening democracy from the community level up and building redistributive mechanisms into policy making from the state down.

Before commencing with this complex narrative, it is important to alert the reader that there are innumerable ways of telling this tale. The one narrated here draws on (and deconstructs) HPA and mainstream literature. The latter is probably correctly criticised for its 'linear cause-effect' orientation, with one manifestation being a simplistic view of states and governments 'that for whatever reason' 'do not have the financial resources' and tap into the savings of the poor to boost their legitimacy ('without increasing their financial commitment'), and/or, at the same time, upsizing (in quite a novel way) the (declining) social wage.<sup>157</sup> There is without doubt a great deal of merit in this line of argument, but only if detached from the material and historical context.

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Throughout the Satterthwaite paper is the constant refrain about the way CBO-driven processes bring down the unit cost of housing and infrastructure, increase the number of beneficiaries...and improve the capacity for 'cost recovery' – these financial advantages being what has often enticed government into adopting this CBO-driven model... The savings resource that is built up by the CBOs from below is seen as useful both as a resource for investment in built structures and as process vehicle for delivering services. If this is seen from a broader political economy perspective it effectively means that states for whatever reason (neo-lib econ, kleptocracy, class capture, etc) do not have the financial resources find a way of benefiting from legitimacy without increasing their financial commitment. The poor end up using their sweat equity and savings that would otherwise go into food consumption or education for housing. This is a linear cause-effect analysis that ignores power and the dynamics of power embedded in the condition called poverty. In other words, it is very easy to identify the causes of poverty, but very difficult to determine what will eliminate poverty. The reason for this is because development can result in resource flows that simply run through communities without making a difference. The trick is how to build institutional and human capacity to capture resources so that the outcome is what could be called developmental (Swilling, 2005a).

In the South African case, for example, the adoption of the PHP into official policy was related to debates in the state about the financial sustainability of the subsidy programme, its long-term future, and its inability (in the face of spiralling land, building materials and other costs) to provide decent shelter. Indeed, across ideological divides, in state and civil society, there is agreement pertaining to the ‘bastardisation’ of the PHP, i.e. mainstreaming was driven in large part by the dominant view of the poor’s contribution to the housing process being little more than savings and sweat, coupled to the abandonment of the private sector from the low-income shelter sector because of (amongst other things) poor returns (see, for example, Rust, 2002; DOH, 2004a). The building of the human, social and institutional capital of the poor was not (and here there is broad agreement) a feature of the official People’s Housing Process. Secondly, and here connected to a state that is downsizing the social wage, is not only the general failure of the state to meet its financial obligation (specifically, non-capitalisation of the uTshani Fund). While the state may have furnished many legitimate reasons for not recapitalising the Fund (discussed below), the withholding of the subsidy to those who had built their own homes (via the HPA-PHP sweat-savings-small loans formats and schema) is arguably a very strong case for those who read subversive and repressive governmentality in the CBO-driven processes. Put differently, those who housed themselves via the HPA-PHP format in the belief that their hardship and sacrifices would be recognised and rightly compensated (a subsidy as per policy and with wider reference to the Constitution) were told afterwards that they were not entitled to a subsidy on the grounds that there were ‘technically speaking’ housed. In the state’s showcasing of its commitment to People’s Housing Processes, it is unclear if those who were effectively robbed of the subsidy/ stripped of this right, were excluded from government’s flashy brochures and annual reports of state-supported people-driven delivery.

Finally, for those championing the undoubtedly powerful position of reimagining CBO-driven processes (‘building institutional and human capacity to capture resources so that the outcome is what could be called developmental’ (Swilling, 2005a)) the South African chapter of the global SDI movement demonstrated little sign of this due to a host of factors, both internal and external. In sum then, the tale narrated here is contextually-specific, time-bound and informed by the writings of the HPA and mainstream authorities. It is left to others to write this tale from other developmental angles that they champion and advocate in the present and future.

## **Section One**

### **Locating the HPA in the Transition**

Toppling the repressive regime, seizing state power and remoulding the state into a developmental apparatus defined the identity and politics of the dominant (majority) wing of the anti-apartheid movement. Armed with a democratic Constitution and developmentally re-gearred, the state was accorded an active, leading and creative role in redressing development imbalances and responding to the priorities of an awakened citizenry. In the march towards this (imagined) post-apartheid utopia, the mobilisation strategies, opposition discourses, political culture and elite (re)alignments gave cause for some concern related in the main to the constitutionalisation and institutionalisation of a pro-poor development dispensation.

If the mobilisation strategies, opposition discourses, political culture and elite (re)alignments gave little cause for hope that the (emerging) new dispensation would be a pro-poor one (see, for example Greenstein, 2003; Habib, 1998; Jenkins, 2002; Bond, 2002; Pieterse, 2002), the dynamics of political power at local level added further grist to the anti-poor mill. At ground level, petty bourgeois elements were (and still are) often in control of the party machinery, development forums and civic bodies. Economically better off and better educated than their neighbours in informal settlements and backyard shacks, the local political elite is under 'no pressure to extend their socio-political reach to their poorest neighbours' and are dissuaded from active participation in local politics (Everatt, 1999:27).

Residents of backyard shacks are vulnerable to financial exploitation by landlords; landlords mediate access to basic on-site facilities; and they are not infrequently called upon to perform the duties of domestic workers in the landlord's house. Tenants rarely involve themselves in political activities for fear of reprisals from landlords. Those living in informal settlements feel alienated from mainstream township life, including the political and development process, and are 'regarded and treated as lower-class residents by their township neighbours' (Ibid:17). The combination of poverty and exclusion feeds growing inter-group hostility but also alliances against newcomers (informal settlers and 'illegals'). In a great number of cases, newcomers and illegals are routinely blamed for a host of problems including crime, unemployment, social exclusion and growing poverty, with often violent (and deadly) consequences. So while the ANC committed itself to delivery to the poor, local reality was (and continues to be) one of 'shutting out the poor' (Ibid:25) compounded by the fact that the ANC did (and still does) not have a 'public language to deal with the[se] intense local power struggles' (Jensen, 2001:107, 118).

This accounts in part for why the HPA's organisation of the poorest segments of society was initially viewed by both the ANC and civics as a 'threat'. Tensions were skilfully defused by the HPA through working on a settlement-by-settlement basis, assuaging fears and building trust via underscoring the movement's non-party political stance and orientation.<sup>158</sup> Patricia Matolengwe, ex-General Secretary of the Inland Provinces (SAHPPF) and former Member of Management Team (People's Dialogue), explains how relationships were established with the ANC and civics:

In the beginning they were not sure if we are not starting another political organisation. They started to doubt us... but observed that this movement is not going to be one of the political... because we have organised people in the community saying that we are going to talk about the developments. It's very sensitive. It is critical for you as an ANC member to stand up in a meeting of the ANC and say that: 'I am one of your members. I am coming as one of your members'. When you are there, you are there to negotiate. That is all. That we are a movement. You explain how we are working as a movement. That is all. You must always keep that you are a movement. You don't even use the sweaters [and] all those kind of materials to present yourself... In some provinces there were [tensions and fights between the

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<sup>158</sup> Federations refuse to align themselves to and/or endorse political parties for three reasons. Firstly, to facilitate maximum inclusivity and openness to all segments/sections of the urban poor. Secondly, their independence is protected, which enhances their capacity for independent action. Lastly, it allows negotiations and facilitates working with those in power at all levels of government (d'Cruz & Satterthwaite, 2005).

Federation and the ANC and civics]. But not real fights due to this understanding which I was talking about. Yes, in other provinces – even if they were not so visible – they started to have at the back of the mind that there is that tension. There were some at the beginning. Then we started to tell ourselves: ‘Let us go back. Let’s explain to the people. At the end of the day they will understand us’. It was not easy, especially for the civic bodies. For them, because we identify us as a movement, when we were explaining to them according to their constitution, they started to see that there is no difference to what the civic has to do... as they identify themselves as the ones who deliver for the communities. So it’s why they always doubted us. Now, it’s not a problem, in the sense that, as we were explaining ourselves, telling them it was difficult for us as an organisation to have a constitution... When we started to talk about the constitution, we realised that this constitution is going to contradict the constitution of the civic body... We are the individual members who join the movement in the communities who belong to the civic bodies. We rather agreed: Let us write the guidelines, so that we can work according to the guidelines; being bound by the constitution by the civic organization in the communities. The guidelines have not been produced as a document. This has been negotiated at every level. We started at the localities. And at the beginning, some of us started from the provincial body. Then we used the provincial body to influence the local (Interview, 2004).

The alienation and marginalisation of the most vulnerable segments of society (the poorest of the poor) from political life and development processes through default, design and structural configurations was reinforced and deepened by the activities of other civil society organisations that at the time purported to service the needs of the poor. Whilst numerous NGOs working in the urban development sector were able, within the confines of (late) apartheid politics and the immediate liberalisation period in the early 1990s, to access government funded programmes to address the shelter needs of low-income communities, most of them worked through local civics which were not representative of all segments of the population.

## **Section Two**

### **Ideology of the HPA and its Identity**

The Homeless People’s HPA is founded on a critical reading and analysis of South Africa’s political economy and the practices of the liberation movement. With respect to the latter, the main ideologues of the HPA – most notably those in People’s Dialogue – were ‘explicitly uncomfortable with the politics of the liberation movement’ even in the years of liberation. They were equally uncomfortable with ‘contemporary anti-communist ideas of [an] “open society”’ (uTshani Buyakhuluma, nd cited by Tweedie, 2003:5). The ideologues were convinced that the creation of an ‘open society’ wherein all individuals were autonomous and equal in the eyes of the law was not ‘a necessary and sufficient guarantee that the rights of poor were to be realised’.

Also People’s Dialogue was one of the first organisations to be deeply sceptical of the state’s capacity to make interventions that would ensure meaningful resource flows into poor communities. At the same time, it recognised that many politicians and officials in Government had a genuine interest in addressing the needs of its largest

constituencies – the urban poor. However, without a common voice and collective action emanating from the poor themselves, it was certain that the state would mediate national resource struggles in ways that continued to benefit other social classes (Ibid:5).

The new dispensation provided cold comfort to these ideologues. The early 1990s, they write, can be characterised as one of high expectations and ‘generous promises from politicians’. During this period of political liberalisation, the ANC and SANCO made explicit commitments to urban development to mobilise and win the votes of the urban poor. They however ‘envisaged a top-down “delivery” process’ wherein the ‘triumphant liberation movement would solve all the problems of the dispossessed’. To the ANC, the poor, they argued, were ‘*objects* of “development”’ (Baumann & Bolnick, 2001:109, original emphasis).<sup>159</sup> With democracy envisaged as not much more than a ‘pantomime every four years’, and with people ‘abdicat[ing] their power to political parties over whom there is little control’ (Bolnick, 2005:8), the likelihood of reconfiguring the subject-object/benefactor-beneficiary relationship were considered very slim indeed.

In a document titled, *Housing and the Urban Poor*, posted on the website of People’s Dialogue, the following is recorded about the South African conjuncture, the political complexion of new regime and the poverty-amelioration potential of its policies, programmes and strategies:

South African society, by and large, still praises itself and still anticipates praise, for the miraculous political compromise that enabled it to evade an almost certain conflagration similar to the one that continues to bedevil the Middle East. The new South African Government continues to pride itself on its unfailing efforts to reverse poverty (that it often constructs as strictly an apartheid derivative) and to guarantee the social and economic rights of all citizens in the country. The reality does not quite coincide with this kind of imagery, but the full extent of the current problems facing the poor in South Africa is often underplayed or ignored. This is reinforced by an obstinate refusal to let go of consoling illusions. Throughout the world, people who fight for justice and human rights like to uphold South Africa as a shining example. Given the irrefutable ugliness of the old regime, it is predictable, although horribly naïve, to believe that those who have supplanted them are without blemish, or at best that the blemishes are only skin deep; that the ANC Government’s strategies of reconstruction and development is generally on course, that social and economic rights are being upheld and that poverty is on the retreat (Anonymous (a), nd:1).

This deep scepticism of government is premised on sociological and historical beliefs that the interests of the poor and government seldom coincide (or more boldly put, ‘state and the market act in ways that are universally against the interests of the poor’ (Anonymous (a),

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<sup>159</sup> It is interesting to note that, a decade into the transition, this criticism still prevails in influential circles. In a brutally frank essay analysing post-1994 development trends and currents, Jeremy Cronin (2005:13), Deputy-Secretary of the Communist Party, critiqued the ‘well-intentioned and often large-scale “delivery” interventions from the state’ as ‘top-down’, ‘technical’ and ‘technocratic’, something which demobilises, fragments, disempowers and atomises communities.

nd:1)). Thus, in spite of the installation of a popular democratic government, the founders of the HPA ‘understood that the needs and problems of the urban poor were not going to be a priority for the new government’ (Baumann & Bolnick, 2001:106). Pressure by existing civil society formations (e.g. SANCO) that could potentially be brought to bear on the new government to prioritise the needs of the poor admitted only pessimistic scenarios, not least because these formations developed an uncritical relationship to the ANC and were mostly led by men. The co-option of the leadership of the civic structures further weakened their ability to perform this function. NGOs, on the other hand, were equally ill-suited to this task (for the reasons outlined above).

But the ideologues were not unsympathetic to the constraints confronted by the new government that inherited and wielded an apparatus of power ‘designed to be regulatory and not developmental’ and governing a ‘deeply authoritarian’ society, ‘controlled by a very aggressive and organised private sector’ (Anonymous (a), nd:3). With an eye on securing the best deal for the poor, the ideologues realised that it would be ill-advised to demonise and frontally assault a state commanding unprecedented levels of legitimacy (at home and abroad) but struggling to consolidate its democratic credentials and extend its hegemony under difficult material conditions. Pragmatic engagement, the ideologues decided, directed at securing working relationships with state (and market) institutions were likely to yield the most fruitful outcomes for the poor (Ibid).

The structuring of working relationships around post-apartheid development programmes and interventions not considered pro-poor by the ideologues presented additional dilemmas and hurdles. Maximising the benefits for the poor through pragmatic engagement encompassed recognition of both the weaknesses and opportunities presented by government programmes, and devising strategies and technologies to deepen the access and benefits flowing to the poor. Thus, whilst the ideologues were most critical of the post-apartheid housing policy slated as ‘clearly dysfunctional, anti-poor and driven by the enlightened self-interest of the private sector’<sup>160</sup> (Anonymous (a), nd:1–3), they chose not to challenge the policy.<sup>161</sup> For them, the subsidy was an ‘entitlement under law, based on the constitution’ and enhancing access to it by all means possible was to be encouraged (Baumann & Bolnick, 2001:106).

Enhancing and maximising access to the constitutionally entrenched entitlement extended far beyond the (traditional) claim-making strategies of mainstream human rights advocacy civil

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<sup>160</sup> On a more fine-grained level, the policy was criticised on the grounds that it continued to ‘finance the orderly settlement of poor households on peri-urban land’ with its roots in the mid-1980s strategy of orderly urbanisation; reinforced and reproduced the existing inequitable structure of the South African city; impacted detrimentally on the urban poor; ‘perpetuate[d] systems of control via patronage and clientelism’; was a ‘powerful instrument of socio-political control’; and ‘perpetuate[d] and deepen[ed] a culture of dependency...[with the result]...that democracy is never deepened beyond the ballot box’ (Anonymous (a), nd:1–2, 3)

<sup>161</sup> The Botshabelo Accord was signed by Rose Molokane on ‘behalf of the organised urban poor’ (People’s Dialogue, 2002:4). The key word in the quotation is *organised*. The period 1991 to 1994 witnessed the HPA undertake concerted mobilisation and capacity development programmes with the objective of creating and nurturing an organised and powerful political presence of the poor. Only in 1994, when the HPA felt some measure of confidence in the capacities/capabilities of the poor as an organised force, did the courting of the state begin in a purposive and concerted manner (discussed below). Regrettably, the partnership with the state, structured around the housing subsidy, was poorly founded and misplaced/misjudged .

society formations fixated on popular education and awareness-raising. People understanding their rights, in the words of one of the ideologues, is ‘not even half the battle won’. Organising and uniting people to ‘make those rights become realities’ is the real battle (transcript of interview with J. Bolnick & V. Mbeki, n.d.:6). Deemed necessary to triumph in this battle was the construction of new relational fields of politics, whose territories and boundaries are defined, delineated and patrolled by the poor themselves. A prerequisite for the construction and patrolling of this field is for the poor to command a ‘truly self-organised presence in the political sphere’ (People’s Dialogue, 2000:42).

Because the poor are – borrowing a phrase from a recent ardent devotee of this view, the World Bank (2000a) – the ‘true experts on poverty’, effective solutions to poverty originate in their everyday practices. The challenge to contemporary development praxis, the HPA ideologues charged, is to respect, trust and appropriately support (as defined by the poor) the inventiveness, genius and energies of their (everyday) livelihood strategies (see Baumann, 2003). In brief, the task was to invest in the poor and their solutions in formats empowering them to drive the expansion of the scale and scope of their solutions. Lasting poverty reduction, according to their logic, pivoted on an organised, confident and determined poor whose power derived from strong networked organisations articulating and championing their solution, and engaging the state on their own terms.

This type of claim making differs radically from other civil society formations that, in most cases, work with existing government programmes, with all their imperfections and potentially anti-poor orientations, and adjust their conduct accordingly, which usually entails a narrowing of the democratic horizon. Examples of this include NGOs which have entered into partnerships with the state to deliver on government-formulated programmes. The other approach is where communities (often in partnerships with NGOs) lobby, petition, pressurise and protest to either ameliorate living conditions or alleviate the impacts of existing state development interventions using a rights-based discourse. The major focus of both strategies is on securing a state output, either through pushing the interpretive and real boundaries set by legislation or policy and/or the enactment and activation of new rights. The HPA’s strategy was one of initiating a ‘grassroots-driven, non-hierarchical process to reclaim the latent collective power of poor households and their communities, and use this to identify options and strategies to address their self-identified priority needs’ (Baumann & Bolnick, 2001:106).

This is an inversion of mainstream development praxis where the state designs and plans and invites the poor to participate in the execution of official plans. The HPA’s templates and repertoires were directed at the creation of a ‘self-conscious [organised] movement of the poor’ whose collective resources and capacities are mobilised to design and plan their own development intervention and thereafter invite the state (and others) to participate and invest in the implementation of their plans and programmes (Ibid). Recalling Swilling (2005), the empowerment of poor communities to define their own solutions (and leverage the resources for implementation) dissolves and transcends the subject-object/benefactor-beneficiary dualism that is ontologically (and historically) hardwired into ‘scientific’, ‘modernist’ development paradigms and praxis.

Activating and mobilising the power residing in institutionalised (alternative) forms of self-organisation thus rewires historical relations of power and could potentially usher in a development pathway situated midway between yesterday’s state-driven mass production of standardised outputs (which is socially totalising and homogenising) and individualised

market-driven/privatised production delivery (which is socially fragmenting and disorganising).<sup>162</sup> In short, the HPA approach could be called a Poor People's *Third Way* (discussed below).

### **Mobilisation ideology in practice**

Reclaiming the democratic right and power of the poor to choose, champion and implement their own development path is (at base) a struggle about dispelling deeply ingrained societal misconceptions about the inability of the poor to coherently articulate their needs, let alone generate solutions to satisfying them without external injections of professional technical expertise and resources.

The prejudices of our age, class and culture, embedded in our value systems and knowledge sets, portray the poor as unsophisticated, unproductive and illiterate. The poor – here (see next Chapter) and elsewhere - are characterised or caricatured as unable to assume responsibility for their upliftment, deficient in capabilities, and seeking only hand-outs or hand-downs from the state with no obligations and responsibilities (d'Cruz & Satterthwaite, 2005). Reversing this negative 'vagabond' definition and portrayal of the poor, the HPA creating a discourse premised on the assumption that the potential exists for them to restore their own dignity and affirm their own agency.

This constituted the core thrust of the HPA's activities in the first three years of its existence (1991 to 1994). The priority during this period was for the Federation to become a 'rallying point for the urban poor, an institution in which the poor and homeless people could find a safe passage to decent and affordable shelter' (People's Dialogue, 1996).

The foundations of subsequent HPA development practice were: building a critical mass; empowering the homeless (particularly poor women) to take charge of their own lives; and ramping up the capabilities of the poor to demonstrate that their housing process and solutions were best suited to effectively address the challenge of providing affordable housing at scale, with minimal external intervention and only appropriate support.

In contrast to conventional claim-making strategies, the strategy of the HPA in their engagement with the state was underpinned by the belief that if official programmes were to benefit the poor they 'need[ed] to be redesigned and redeveloped by the poor' so that they 'work for them', followed by negotiation with the state to obtain support for the implementation of their 'solution'. The solutions proposed strived to strengthen long-term capacity and capability-building through (financial and social capital and solidarity) asset-building; developing a knowledge of community priorities and needs and how best to meet them; accumulating and mobilising resources to test the efficacy and sustainability of the solution; and then engaging the state to support the solution engineered by the poor, without strangling the 'life out of their organisations' (People's Dialogue, 1996:21; People's Dialogue, 2000). This form of engagement is undergirded by three distinct but interlinked change processes:

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<sup>162</sup> For an insightful discussion of the phrases in parenthesis, see Watson (2006) on the politics, rationalities and governmentalities of traditional and present day liberalism.

**(i) Organisation for Empowerment:** The first change process focuses on creating organisational capability within poor settlements and linkages between community and peers through federating; networking and exchanges; and the savings and loan activities (elaborated below). These stratagems were crucial to nurturing and sustaining the participation of the poor in ‘demanding change, both within their communities as well as from the broader environment’ (People’s Dialogue, 2000:22). ‘Strengthening democratic organisation’ has numerous implications but is in the main the ‘most powerful legacy of any developmental intervention’ as it secures long-term sustainability of development interventions and processes (d’Cruz & Satterthwaite, 2005:54). This approach differs from other civil society organisations which structure their mobilisation strategies and organisation building efforts around the delivery of a tangible product (the standard ‘input-output’ model).

The HPA approach avoids the pitfalls of the standard model that may deliver ‘products’ but often impoverishes the poor further (see Patrick Magegula’s criticism of RDP housing at the Federation’s first national meeting in May 1994 (epigraph)), and, after delivery, the *raison d’être* for the continued existence of the organisation falls away. In the HPA’s approach, the delivery of the product is the ‘entry point for mobilization, learning and changing relationships with external groups’ (d’Cruz & Satterthwaite, 2005:54).

Sustainability and empowerment, the most powerful legacies of development interventions, derive from the poor being organised to define what is delivered, and, more crucially, the continued survival of the organisation (beyond the delivery of the tangible) to sustain and deepen empowerment. Empowerment of the poor, for the HPA, is thus a necessary precondition and outcome for sustainable poverty eradicating development processes and interventions.

**(ii) Community-Based Problem-Solving:** The emphasis of this change process is to build skills, and locate and mobilise resources within and outside communities to solve problems. The mobilisation strategies in this process include enumeration, ‘barefoot collective town planning’, and house design supported by exchange visits between settlements and internationally (People’s Dialogue, 2000:24). Via these mobilisation strategies, the poor are capacitated to reflect collectively on both deconstructing the problems confronting them and identifying ‘solutions’. The HPA often provides grant funding to pilot activities whereby the poor

...attempt to solve a problem, innovate decision-making and resource-allocating processes, test their solutions, and even fail and try again, if necessary. Even *mistakes and failures* are viewed by the HPA as *sound investments* in the evolution of sustainable change processes, and are considered more effective learning mechanisms than workshops or study tours... [C]ommunity exchanges provide a critical supportive context in which this learning can take place (Ibid, emphasis added).

**(iii) Learning to Negotiate:** This change process is referenced to the development of the abilities of communities to negotiate with city and state administrations (and other actors), with whom dialogue and negotiation is necessary to scale up their solutions. The dialogue, negotiation and engagement with the state occur on terms determined and dictated by poor communities and their organisations.

The key thrust is to lead by example wherein communities pioneer and develop their own ‘solution’; demonstrate its viability practically (precedent-setting); and then engage the state in an effort to transform official praxis.<sup>163</sup> What is significant here is that the engagement and dialogue is not about pitting the ‘solution’ proposed by the poor against the state programme or lobbying directly for policy change (confirmed, for example, by the HPA’s engagement with the 1994 Housing White Paper) (see footnote 161). Rather, the approach is to influence *institutional arrangements* that determine the way policy translates into action.

This is because the action-based focus of a people’s organisation is better suited to demonstrating how institutional arrangements *fail* to provide the support that is articulated in policy and simultaneously to demonstrate what shifts would be necessary to facilitate a people’s housing process. The attendant shifts in the institutional framework, if they are of some magnitude, will be bound to have a direct impact on policy (People’s Dialogue, 1996:21, original emphasis).

The modalities of engagement and dialogue with the state are extremely sophisticated; working underneath, with and beyond it. Joel Bolnick, Co-ordinator of the Urban Resources Centre and Shack Dweller’s International, captured the spirit of this engagement format most eloquently: ‘Don’t confront authority head on. Instead of storming the citadel, infiltrate it...Play judo with the state – use its own weight to roll it over’ (Interview, 2004). Accordingly, diverse spatial scales and territorial-administrative jurisdictions are straddled; the political and official divide is criss-crossed; deals are struck with progressive and/or conservative political parties; and different levels of government are played off against each other. These are dangerous games, which can easily go wrong and backfire on those who play them.

The HPA’s approach is different from the conventional claim-making and engagement stratagems of other civil society formations. The HPA’s approach ‘forces communities to clarify exactly what they want’; ‘hones the skills of leaders’ who realise that successful negotiations are dependent on the strength of grassroots organisational formations; and that securing concessions are vital to sustain the commitment of the membership (Swilling, 2005:16). Strategic practice of this type is rendered possible through multi-scalar organisation-building interventions.

Commencing with each micro-community with a particular city, city-level federations are established, and then grown into federations that can claim to represent a particular constituency for the sake of negotiating.

Following the formation of federations at city levels, the municipal administration is drawn into discussions about the needs of the federation and how they can be met. In a majority of cities, the federation’s first choice is to enter into a dialogue with officials rather than politicians. Ultimately, the bureaucrats are the agents charged with translating political and policy directives into action through the assembly of regulative and institutional regimes.

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<sup>163</sup> This shift of the organisations of the urban poor from issuing demands to designing their own solutions and demonstrating to government what they are capable of flows, in part, from the realisation of the poor that government systems are ‘too weak, ineffective or rooted in vested interests to deliver for them in conventional projects’ (d’Cruz & Satterthwaite, 2005:48).

Dialoguing with and influencing those charged with implementation has other advantages over and above their influence over political decisions, the decision-making process and institutional infrastructures.

The experience of the SAHPF reveals that the education and inclusion of officials in Federation discussions and initiatives from the beginning delivers long and short term benefits and gains. Even when these officials are transferred or redeployed, they ‘take with them their experiences’ of working with the Federation that other federations can tap into later (d’Cruz & Satterthwaite, 2005:55) This process is replicated at regional and central government levels. Various departments of the state are made to recognise their clout and begin to dialogue with community groups.

Finally, there is the international development community, which contributes resources for development and creates the multinational language and legitimacy for HPA interventions (discussed below). The Federation (together with other like-minded groups) strategically engages with donors to ensure that support is extended to community-driven programmes. Significantly, donor funds provide the flexibility for innovation (that is, mining new development approaches, community building and precedent setting) to leverage government funds and ensure optimal utilisation (Development Works, 2002).

In sum, the linked change processes are focused on and directed at organising, mobilising and empowering the poor to ‘determine the conditions attached to projects – thereby enabling plans and processes to be better suited to their needs and capacities’. The pro-poor rightsizing, centred around their solutions, is effected through ‘an open and inclusive process that engages the many other groups’ relevant to the development process ‘within a process determined and controlled by the poor’, i.e. city-wide planning, negotiation and action. City-wide engagement and action is deemed fundamentally important as it is only at this level that ‘structural change’ (in laws, regulations, financing, standards, access to land) can be executed and poverty targets realised (d’Cruz & Satterthwaite, 2005:36, 56). The structural change feeds upward through regional and national ‘federating’ and state engagement processes, and through exchanges (discussed below), to other countries and internationally (d’Cruz & Satterthwaite, 2005:36, 56).

### *Distinguishing Features of HPA’s Mobilisation Ideology and Practice*

People-controlled development that harnesses the energy, feeds off the genius, and strengthens the capabilities of the poor to champion and implement their solutions are the cornerstones of the HPA’s development approach and practice. The people-centeredness of people-controlled development is structured around empowerment as the pre-requisite, organising frame and outcome of development interventions and processes. The strategies for people-driven development (that is people-centred) cohere around localised problem-solving, experiential learning, and bottom-up formulation of development processes. The democratisation of development is also led by the people through their mobilisation, organisation and institutionalisation of collective capabilities, capacities and resources. People-controlled development, the HPA way, is (thus projected as) people-centred, people-driven and people-led.

This approach to development (and here being mindful of the complexity/real world-flattening consequences and implications related to the imposition of staid conceptual frameworks) is similar to what has come to be known as Asset-Based Community

Development (ABCD). This approach takes as its starting point the activation, organisation and mobilisation of existing strengths and assets of communities, particularly those residing in community-based associations and other social networks (Mathie & Cunningham, 2003).

As a strategy, it is shaped by a distinctive set of principles, informing field-based methods and practices. Eschewing blueprints, the methods include detailed micro-investigations to identify hidden and unrecognised assets; asset mapping (wherein the full range of assets that the community can draw upon are comprehensively recorded and documented); community mobilisation; and a progressive ‘scaling up’ of activity as linkages to outside external institutions are called upon to invest in community-driven development initiatives. The scaling up of the HPA is organised around a ‘politics of patience’.

This ideology of social mobilisation and organisation modelled around the livelihood and coping strategies of the poor differs radically from the supply-driven, technocratic, deficit-driven development praxis of civics, government agencies and NGOs. In the next section, we delve into the evolution of the HPA; the technologies employed to fuel change processes; the components and workings of their shelter production regime; and state appropriation and subversion of the People’s Housing Process.

### **Section Three:**

#### **Walking the Talk: From Ideology to Mobilisation**

##### *Planting the Seeds*

This social movement is the product of purposive political intervention in response to a direct challenge by residents of informal settlements to the Southern African Catholic Bishops’ Conference to assist them (Marx, 1992). In other words, unlike its Indian counterpart,<sup>164</sup> the HPA did not emerge gradually over a number of years from the convergence of autonomous grassroots and professional NGO processes. Although the Federation builds on traditions of mobilisation and consciousness originating in struggles of poor communities in the apartheid era, middle-class activists, who identified and formed partnerships with grassroots counterparts, forged the HPA through conscious intervention (BRCS, 2002:54).

A key actor in the formation of HPA was Joel Bolnick. Following the advice of the Jesuit priest Jorge Anzorena from Argentina,<sup>165</sup> - whose work in housing contributed to the

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<sup>164</sup> The Mumbai Alliance comprises the Society for the Protection of Area Resources Centre (SPARC – an NGO), the National Slum Dwellers Federation (a CBO) and Mahila Milan. The Federation, which predates SPARC by a decade, consists of slum dwellers from cities throughout India. It focuses on community organisation and mobilisation with the goal of increasing the access of poor communities to resources at local, state and national levels. Mahila Milan is an organisation of poor women set up in 1986 with its base in Mumbai and a network throughout India. This gender-centred network is focused on urban poverty and especially concerned with local and self-organised savings schemes among the very poor. The Alliance operates on the understanding that members of the Federation and Mahila Milan ‘own’ the organisations, not the middle class professionals employed by the NGO. SPARC provides technical, managerial and organisational support to Mahila Milan and the Federation (Appadurai, 2002).

<sup>165</sup> Incidentally, a second cousin of Che Guevara.

formation of the grassroots Asian Coalition for Housing Rights - the cardinal pillar of the HPA became pro-poor organisation, mobilisation, teaching and learning resting on the foundation that 'no one knows more about how to survive poverty than the poor themselves'. The goal then was for the 'poor to "own" as much as possible of the expertise that is necessary to claim, secure and consolidate [their] basic rights' (People's Dialogue, 2002:6). Accordingly, the key informants guiding the establishment of the HPA coalesced around creating a 'space' to enable the poor to 'learn from each other through *dialogue* among themselves about what does and doesn't work' and that 'whatever emerged from the dialogue' conducted in that space 'belonged to the participants and was therefore the only possible outcome' (Wilson & Lowery, 2003:52, original emphasis)

In 1989, Bolnick was requested by Peter Templeton of the South African Catholic Development Agency to organise a housing conference for slum and shackdweller organisations along the lines elaborated by Father Anzorena. In 1991, Bolnick busied himself with organising a networking meeting of shackdweller organisations in South Africa. With the full knowledge that the network must be managed by the community-based organisations themselves, rather than NGOs, Bolnick allowed NGOs to attend only if they brought five shackdwellers along. Professionals, government officials and foreign delegates (from the Philippines, Hong Kong, Kenya, Zambia, Colombia, Thailand, Japan, Zimbabwe and India) were restricted to observing and recording proceedings. The homeless poor were the only ones allowed to speak in the 'space'. In March 1991, 150 men and women from shacks, backyards and hostels gathered in Broederstroom to 'strengthen their positions as poor, homeless and landless people, by sharing their experiences' (People's Dialogue, 1996:4).

The gathering found itself negotiating the (global) dilemmas of the political sociology of transition and democratisation, and the role of civil society formations and organisations in pro-poor democratic consolidation. On the one hand, there were the service-providing NGOs which mobilised communities around human rights, and generally maintained a confrontational posture towards government and the private sector. When working directly with poor communities, the tendency was to adopt a few settlements as pilots and work towards upgrading them according to their 'professional imagery of development'. On the other hand, there were those who saw their function as supporting organisations of the urban poor in their efforts to design and sustain their own institutions through which they could determine development priorities and contest political space for access to public resources. This distinction was neatly replicated among the South African participants.

During deliberations, the majority of the South African participants argued that with political liberation and the seizure of state power, the non-racial government would deliver social and economic rights to the poor. Any effort to organise autonomous institutions of the urban poor was rejected as reactionary and counter-productive. A significant minority was less convinced that political liberation and a democratic society would automatically or unproblematically guarantee a better deal and/or life for the poor. Democracy would simply open space for the poor to contest power and resources. For this minority, it was imperative to build and consolidate an autonomous organisation of the poor who, conscious of their basic rights and entitlements, would jointly with the democratically-elected government address poverty and underdevelopment. This view was undergirded by the belief that the realisation of human rights is dependent on collective action and organisation (see People's Dialogue, 2000).

Amidst the heated exchanges of this creative chaos, a slum dweller from India stood up and shouted slogans praising both sides, followed by a powerful oration cautioning South Africa's poor not to invest their trust in a democratically-elected government to respond positively to their needs; a mistake the Indians made 40 years previously when they decided to wait for the newly independent democratic government to meet their needs. The final vote was 55 to 45 to network, and the 'seeds of the South African Homeless People's Federation were planted' (Wilson & Lowery, 2003:52). In sum, following Father Jorge's advice, Bolnick assisted in creating a space for the poor to dialogue, let go of outcome, and, they made their own decision.

### *Growing the Seedling*

After the 1991 meeting, the Catholic Development Agency spun off a sub-committee to sustain the initiative, and the People's Dialogue on Land and Shelter was established with Bolnick as Director. Rather than delivering professional solutions, People's Dialogue supported and facilitated the efforts of the poor through interfacing between formal institutions and the poor; helped secure resources for exchange programmes and capacity-building activities; assisted in designing and developing strategies through which members could learn and exchange practice; and acted as the 'custodian of the uTshani Fund' (unpacked below) (Mitlin & Baumann, 2003:34; BRCS, 2002).

At the outset, Bolnick's immediate goal was to strengthen the emerging network and intensify connections between poor communities. After some measure of network development and consolidation, communities assumed responsibility for further network deepening and densification. The role of Dialogue thereafter was primarily to serve the Federation in network development and prise open additional space for contesting societal power and resources. Dialogue employed various methods to support the SAHPF and technically 'kit' or 'outfit' the technologies of change processes, i.e. collective planning, exchange visits, engendered leadership development, collective savings schemes (adapted and expanded from Tweedie, 2003).

To appreciate how the HPA was grown over time, briefly described below is what each of these methods entailed.

### *Community Mobilisation Through Collective Planning*

Community mobilisation commenced with the identification of settlements for training. This encompassed a settlement count and screening of the settlement context to assess the 'viability of the settlement to respond favourably to a Federation process and awareness building among informal settlement residents' (Development Works 2003:8). Thereafter, the local leadership of the settlement is contacted and introduced to the history, aims, culture, and development praxis of the Federation.

After accessing the settlement, the next set of activities 'ignites' the Federation process. The activities comprised the various rituals of the Federation: enumeration and mapping;

surveying; house modelling; and savings schemes establishment.<sup>166</sup> These rituals can be grouped into one major event or dispersed over a longer period.

Through these tactile activities, the HPA assisted communities to holistically assess their needs, set their development priorities and identify the (internal and external) resources and interventions required to fulfil their needs and priorities. In accord with the founding principles of the HPA – people-controlled development – it is only after this that professionals become involved.

### *Exchanges*

Exchanges (local, regional and international) are a powerful multi-dimensional community mobilising technology (and technique) and development tool. They are isolation-busters, confidence-boosters, option-expanders and network-builders, spawning a spectrum of rich, dense and expansive (geographic) associational economies.

Apart from enabling poor communities to communicate with each other, examine their problems, set priorities and explore solutions and to use others as allies, the exchanges facilitate the development of collective vision and create strong, personalised and durable bonds of solidarity. These bonds of solidarity are of central import in combating the isolation and ‘atomization of slums’ (*SDI Bulletin*, 15 December 2004:3), re-inserting poor communities into the immediate urban fabric and the wider national and global urban mosaic (People’s Dialogue, 2000).

Although most community exchanges are local, the international ones transmit signals to local politicians that shackdwellers possess cosmopolitan global linkages, which increases their prestige in local political negotiations. When leaders meet in another’s locality, they can raise difficult questions about social exclusion and inequitable power relations because they are ‘outsiders’. Such questions would not normally be raised by local leaders for fear of political reprisal. Furthermore, activist leaders struggling for recognition and space in their own localities may attract state and media attention in other countries; visiting as members of an international delegation sharpens their image.

Media reports and images relayed back home raise their profiles, exerting additional pressure on decision-makers. But as foreign delegates, they also assist local leaders in their struggles with politicians as the latter may feel less threatened by visitors than by their own activists, and sometimes open up to new ideas because they come from the outside. Lastly, meetings between leaders from slum settlements spanning the globe permits them to make long-term strategic plans for funding and capacity building (Appadurai, 2002).

### *Engendered Leadership Development*

An integral identity shaping aspect of the movement’s praxis is its substantive focus on housing and its material realisation for women – the ‘nexus where money, family, needs,

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<sup>166</sup> Saving schemes are normally established after enumeration and mapping; surveying; and house modelling. Practices differ in the various localities. Savings groups have often been operational for some time before the local federation requests implementation support (Development Works, 2002).

crises and responsibility come together' (Anonymous (c) nd:12). Patricia Motolengwe sheds light on this nexus:

In our guidelines we explain the role of the women. Women are the ones who are responsible for the lives of the family. They are the ones who do voluntary work. They have a strong spirit. They stand for what they want to achieve. For men: I don't want to say that they are position mongers. This does not add any value. They are the people who don't add any value sometimes. For women you know you have some people who add some value. We always put our trust in them...[Women] stand for what they are doing. And they make it a point that they want to achieve something (Interview, 2004).

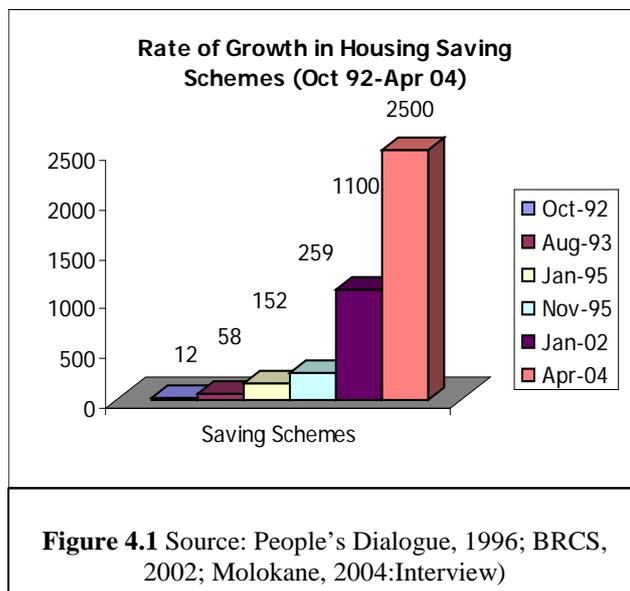
From the inception of People's Dialogue, the gendered thrust was premised on the central role of women in the 'creation, maintenance and well-being of the community' (Anonymous (c) nd:12), which traditional patriarchal authority systems and practices devalue and deny. A core objective since then has been to ensure that all activities initiated by People's Dialogue include women, empowering them to become equal and active participants in development processes and initiatives (Bolnick & Mitlin, 1999). Via saving collectives, for example, poor women are able to accumulate assets, secure societal recognition, and command leadership positions. In this way, women, over time, come to manage all the assets owned and controlled by the community thereby empowering them to renegotiate their relationships with other, more, traditional leaders.

Crucial to the HPA's engendered leadership development then is putting women at the 'forefront in community dealings with outsiders', a role conventionally 'reserved' for men (People's Dialogue, 2000:32). When Federation leadership want to share ideas, the HPA ensures that more women represent the Federation than men. In fact, 'male Federation leaders promote this concept vigorously, and often demand it within settlements' (Ibid). Processes are developed to ensure community meeting times and venues are appropriate to suit women's practical needs and priorities. Very importantly, 'new leadership opportunities are provided to **collectives** rather than **individuals**. In many low-income communities a collective approach appeals more to women than men' (People's Dialogue, 2000:32, original emphasis).

### *Savings and Financing*

The gathering in Broederstroom recognised and underscored the need for community-controlled systems of housing finance based on the belief that formal sector financial systems and instruments are inaccessible and ill-suited to the needs of the poor. In 1992, when the National Housing Forum was consolidating a housing policy based on capital subsidies delivered through a private sector dominated production regime, People's Dialogue began mobilising the homeless poor into Savings and Loan Schemes for Housing. The first housing saving schemes were established in October 1992. Eighteen months later, there were over 50 saving schemes in informal settlements and at the end of 1995 there were than 250 (People's Dialogue, 1996:5) (see Figure 4.1 below).

Savings constitute the material spine of the HPA; the guardian and guarantor of the autonomy and independence of community organisations. Significantly, the guardians and sustainers of the savings schemes are women who daily save small amounts of money (one cent and



**Figure 4.1** Source: People's Dialogue, 1996; BRCS, 2002; Molokane, 2004:Interview)

upwards). The quantum of money saved is 'staggering', estimated by Maisel (2003:3) over a six year period to be in the order of over R100 000 per month. Savings are locally banked and finance small-scale loans for household emergencies, crises and income-generation activities.<sup>167</sup>

Interest rates differ depending on the use of the loan.<sup>168</sup> Application and approval procedures for loans are informal and flexible, determined by need and not rules. All other matters related to financial management are determined locally and undertaken by treasurers, book keepers and collectors drawn from the membership (Bolnick & Mitlin, 1999).

The savings and loan systems designed and managed by the poorest of the poor is testimony to their inventiveness and resourcefulness, effectively dispelling contemporary widespread societal misconceptions about their 'unbankability' or 'unbankableness'. Savings as a group effort enables the forging and affirmation of 'identity' and is a mechanism for collective mobilisation. Together, they constitute the basis for socio-economic inclusion and invaluablely contribute to pro-poor socio-institutional reform.

Secondly, savings furnish the poor with resources to fund the building and operation of their own organisations whose integrity and purpose do not come to be compromised by dependence on donor and state resources. The measure of self-reliance ensured by savings reduces the chances of the manipulation of the poor (and their organisations) by powerful establishment forces who over time may impose 'solutions' by virtue of their control over resources. Cast differently, the self-reliance/ independence nexus mitigates institutional capture thus strengthening the poor's political-organisational capacity to design and champion their own solutions.

<sup>167</sup> The savings are divided into three parts: (i) Daily Savings for consumer, production, and crisis loans. Each group is divided into smaller clusters for daily saving. Collectors visit members and collect whatever is available from one cent upwards. Savings are banked regularly, with individual and collective group savings recorded in separate books; (ii) The Granary is for larger production and enterprise loans. These are regional funds to which all groups make monthly contributions. These funds are managed by the regional federations to support individual and group income-generation activities; and (iii) Housing Savings, which are transferred to uTshani Fund in the form of deposits for uTshani housing loans. These savings are at the disposal of the savings scheme, the regional Federation and the national Federation (Anonymous (b), nd).

<sup>168</sup> Federation policy is that people who borrow money from the fund for emergencies are charged 1% per month on the outstanding balance, and those who borrow for income generation are charged 2% per month.

Thirdly, members through savings have a material stake in decision-making, management and deployment of funds. Participation and regular interaction in the activities of the collectives are generative of strong social bonds that fortify and sustain the savings-based social insurance system.

Fourthly, the skills imparted in the administration and management of savings and loans equip the poor to decode and challenge the disempowering technocratic discourses of development agencies that frequently function to exclude them from accessing and securing public resources.

Lastly, loans for income generation and housing contribute to alleviating and ameliorating income and asset poverty/insecurity.

In sum then, savings have the potential to expand incomes and assets in alignment with and synchronised to the specific livelihood needs, coping strategies and household life cycles. Loans supporting families during emergencies and crises smoothens alignment and synchronisation (Anzorena et al., 1998; Bolnick & Mitlin, 1999; Millstein et al., 2003; Anonymous (b), nd).

The remarkable feature of the saving and loan system relate less to exposing societal prejudices and misconceptions about the ‘non-thriftiness’ and ‘uncreditworthiness’ of the poor. It relates less to the poorest of the poor succeeding in areas where the sophisticated and globally competitive financial sector fails. It relates less to how it copies and modifies corporate strategy for the benefit of the poor, expanding it beyond the market’s narrow individualised, material and commercial emphasis to include community, solidarity and trust. It is most remarkable in linking housing development, community empowerment, poverty alleviation and self-reliance.

The genius of the poor goes further in that while saving and loan schemes share certain common features, ‘each and every locality gives [them] a qualitative and unique expression’ (Anonymous (c) nd:4), calibrated to the local patterns and rhythms of everyday life. This local customisation is the brilliance of the system. The poorest of the poor have succeeded in designing and operationalising a microfinance programme with flexible, locally-responsive, and individualised options for (saving-loan) portfolio diversifications and spreads. The poorest of the poor have hereby, and once again, trumped the brilliant minds and collective intelligence of the prestigious, respected, well-resourced and electronically super-connected banking and insurance sectors of the globe.

As a vehicle to ‘get the politics right’, savings is both the genius and failing of this social movement. Without the ‘organisational foundation’ (Swilling, 2005:17) of community mobilisation through daily savings, the entire change process is ‘little more than old wine in new bottles’ (*SDI Bulletin*, 15 December 2004:3).<sup>169</sup> Slum Dwellers International (see below) and its affiliates, harbour no illusions pertaining to the considerable investment and ongoing effort of socialising and institutionalising the savings ritual (Ibid). This is difficult, hard, pain-staking work.

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<sup>169</sup> The reason being: ‘[W]ithout it, the change process gives a second wind to the replication in slums of the exploitative and uneven social relations that govern society as a whole’ (*SDI Bulletin*, 15 December 2004:3).

In the HPA case, a series of external and internal forces and events actors resulted in a ‘disregard for savings as a primary mobilisation tool’ (Bolnick, 2005:4). In the absence of this concerted and rigorous bottom-up community organising around self-managed savings and loans rituals (as a means to redirect inter- and intra-community financial flows and build social solidarities and trust), the injection of state housing funds exacerbated the weaknesses of the HPA’s ‘voluntarist approach’ (*SDI Bulletin*, 15 December 2004:4) in this sphere (revisited below).

### *Transition into the SAHPF*

From its humble beginnings in 1991, People’s Dialogue with a small staff complement was remarkably effective in building a network of community leaders, representing 200 community groups. In 1993, when the majority of community leaders preferred to remain part of the network under the Dialogue umbrella, a few influential community leaders called for the formation of a separate people’s movement. In 1994, shortly before the first democratic elections, the groups joined to form a national organisation – the South African Homeless People’s Federation. The motivation for the formation of the Federation is brilliantly captured by Rose Molakane:

The South African Homeless People’s Federation calls itself uMfelanda Wonye – ‘we die together’. It’s because if you are poor, no matter how good you talk English, no matter how good you can walk, but at the end of day, you are poor. And then if you are alone at a certain corner, you will be [sic] never come up with the ideas of fighting poverty. But now with the Federation, it is said: “For us to try and challenge this problem of poverty, homelessness and landlessness, it’s for us to come together and form a family and then when we are a family, every problem that comes we will challenge it together. If somebody wants to kill us, he will kill us together”. So it means forming ourselves into a family with a common understanding of what we want to achieve at the end of the day. So this is why we said we should call ourselves uMfelanda Wonye waBantu wesemijondolo – the Federation of the homeless people who are staying in the shacks around our country in South Africa (Interview, Molokane 13.05.04).

By January 2002, the Federation was a nationwide network of about 1 100 savings schemes with approximately 100 000 members (85% of them women),<sup>170</sup> in receipt of monthly incomes of less than R1 000 per month. The Federation’s leadership structure was flat, comprising a Core Group of nine national leaders supported by teams based in regional federation centres fulfilling key learning and administrative roles. The Federation maintained regionally pooled saving funds, financed by contributions from local collectives (BRCS, 2002:12).

The Homeless People’s Federation effectively formalised the network of autonomous CBOs, all of whom are involved in locally managed saving collectivities (the majority of whom are women), and all struggling for land, tenure security and shelter. ‘Federating’ enabled the ‘scaling-up’ of confidence, knowledge and skills to undertake development; enhanced

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<sup>170</sup> Rose Molokane estimated the number of savings groups in April 2004 to be in the region of 2 500 with over 800 000 people having directly and indirectly benefited (Interview, 2004).

collective ability to resist anti-poor programmes and their imposition; and reduced the possibility of co-optation and destabilisation by government and self-interested leaders. The cumulative effect, then, was a massive expansion in the capabilities and capacities of the organised and united poor to negotiate supportive policies with government and international development agencies (Anzorena et al., 1998; Bolnick & Mitlin, 1999; BRCS, 2003:55; Patel & Mitlin, 2002).

According to the mainstream accounts of HPA ideology and practice, what is distinctive about the Federation is that it represented a different organisation model to other civil society organisations, most notably the civics, which imbued it with potentially different capacities to mobilise, exert political influence, and advance the political inclusion of the urban poor (Millstein et al., 2003).

Firstly, whereas civics mobilised around local socio-economic demands to form a front against apartheid, the Federation strived for the realisation of socio-economic rights within the political context of the new post-apartheid democratic dispensation and state.

Secondly, while the civics grew out of domestic experiences of oppression and exploitation under apartheid, the Federation - through exchange programmes - can also draw on local and international development discourses and practices.

Thirdly, the Federation formalised the network but without compromising the unique identities and political autonomy of local groupings. The civics do not operate with this level of autonomy due to the close connection and political affiliations with the ANC through SANCO.

Fourthly, there are distinct differences in organisational form. Every CBO within the Federation has a high degree of autonomy in both its decision-making structures and processes. Each group has its own informal constitution and systems of convocation and election (Anonymous (a) nd:11), with decision-making process based on equal participation of all members. Civics, on the other hand, are hierarchically organised with elected representative committees holding extensive powers to make strategic decisions and drive implementation.

### *International links*

The Federation is an affiliate of Slum Dwellers International, a global network of poor people's organisations from eleven countries of the South. As a 'corporation of the poorest of the poor' collecting 'millions of cents and pennies from around the world' (Anonymous (c) nd:18), SDI has a membership of approximately 650 000 people with affiliates ranging from a few hundred members in Zambia to more than 1.5m in India. The network comprises federations of community organisations linked to NGOs and groupings of professionals supporting federation initiatives.

Differentiating the SDI from other transnational citizen networks is the locus of power – it lies and is kept in communities rather than in intermediary NGOs at national and international levels. This is partly because the SDI and its affiliates are not set up to influence global policy-making or lobby international financial institutions (though these roles are increasing). Rather, their aim is to promote practical solidarity, mutual support and the exchange of information about strategies and concrete alternatives among their members

(Edwards, 2001), and in so doing ‘automatically creating new nodal points of governance’ (Slum Dwellers International, 2002 cited in Robins, forthcoming:12).

It is for these reasons that Swilling (2005) avers that it is inappropriate to call the SDI ‘a global social movement’. Instead, he argues, the SDI and its ‘associated initiatives could probably best be described as a new ‘developmental movement’ (with a small ‘d’) and includes within this ambit an emerging set of increasingly effective urban social movements and an embryonic theory of self-organised community-based development’ (Ibid:4).

As a developmental movement, the SDI’s modus operandi in the arena of capacity building through, (amongst other things) technical co-operation and exchange interventions, is infinitely superior to those of the traditional well-resourced multilateral development agencies. This corporation of the poorest of the poor does not undermine the local capacity of its affiliates; distort their priorities; deploy expensive methods; disregard local priorities and demands; and overly fixate on targets and outputs. In contrast to the hierarchically organised and tightly controlled supply-driven agenda of the multilateral networks, the SDI network is open, participatory and demand-driven, thereby enabling rapid dissemination and transmission of development innovation (precedents and solutions). The SDI appears to have engineered an approach to technical co-operation and capacity-building that is way more effective, efficient and responsive to the needs and priorities of its ‘clients’ than the well-heeled money-guzzling and administratively top-heavy multilaterals.

In the case of the federations, HPA exchanges and transfers around solutions accelerate policy and technology ‘turnover time’ but, with the locus of power remaining and kept in communities, the adoption of the ‘precedent’ or solution is filtered through locally-specific templates and repertoires. Thus, unlike the transnational neoliberal ‘one-size-fits-all’ approach (with inadequate and/or no local customisation, an obvious source of multiple weaknesses) SDI policy or technology or solution transfer, when locally filtered and customised, expands the scope for ‘creative (and self-renewing)’ socio-institutional learning and development innovation. Where the one-size-fits-all, monocropping approach restricts social learning and innovation, customisation, enhanced by the poor teaching other directly and not through NGO staff (or in the neoliberal case, through recruitment of technical experts and advisors) this approach enriches and diversifies the technology and policy ‘gene pool’ (adapted from Peck & Tickell, 2002:398–9).

In sum, co-operative engagements between poor communities have, firstly, succeeded in overcoming the deficiencies of traditional multi-lateral development assistance programmes. Secondly, they have installed dynamic local and globalised pro-poor socio-institutional learning and innovation complexes.

#### *The Financing Arm: the uTshani Fund*

From 1991, members of the Federation demonstrated incredible energy, initiative and skill but lacked sufficient material resources to meaningfully transform their living and shelter conditions. In 1993, it was decided that the Federation, assisted by People’s Dialogue, would establish its own finance scheme. After an ‘unhurried period of capacity-development’,<sup>171</sup>

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<sup>171</sup> Although not sufficient or adequate as alluded to above and discussed below.

including a major conference on housing finance in June 1994 which was also attended by the first post-apartheid Minister of Housing, uTshani began operations in January 1995 (People's Dialogue, 1996:9).

Initially housed as a financial institution within People's Dialogue, the Fund is the asset builder and asset manager of the Federation. It is a 'community-managed revolving loan fund' (Baumann & Bolnick, 2001:105) or 'urban poor development fund' (People's Dialogue, 2002:4) capitalised by foreign donor funds and government grants.

The main reason for its establishment is to obtain, consolidate, and deliver finance on a collective basis to the saving schemes affiliated to the Federation. The Fund is the primary partner of the Federation in their land, infrastructure, housing and economic development activities, and it shares joint responsibility with People's Dialogue to partner the Federation in its savings activities. Its priorities include leveraging resources for development; promoting development for the most marginalised and vulnerable members within the Federation; facilitating integrated development, poverty eradication, innovation and best practice; and achieving results at as large a scale as possible (Development Works, 2002).

The direct transfer of funds to organised communities of the poor represented at the time a significant departure from the mainstream housing delivery system in which subsidies were predominantly channelled to local authorities and the private sector. The Fund was thus a 'corrective' in this respect, but whether the capital subsidy is supportive of a community-driven housing delivery production regime was (and remains) another question. Indeed, the HPA is of the view that the subsidy is 'simply not designed to seek out, identify, and take advantage of functional grassroots channels through which state housing resources can flow to produce adequate shelter for those who don't have it' (Baumann & Bolnick, 2001:108). This problem is revisited below.

In any event, the Fund, in the words of those who conceptualised it, is a 'powerful development mechanism' enabling organisations of the urban poor to 'tap development resources directly' without bureaucratic interferences and conditionalities that dictate the shape and form of development in ways frequently at odds with their needs and priorities, and which undermines their capabilities. This 'alternative' approach (the Fund) 'allows communities to decide and design various development activities by themselves, on a large scale, and later to link together into networks of learning and sharing of knowledge' (People's Dialogue, 2002:13; see Baumann & Bolnick, 2001:105 for a detailed discussion of the priorities and objectives of the Fund).

The significance of the Fund to the achievement of the HPA's goals and objectives was believed to be its contribution to the realisation of broader socio-political aims of effecting sustainable improvement in the lives of the most vulnerable and, in the longer term, redirecting the distribution and flow of public resources to benefit the poorest. At base, it was posited that the Fund (in combination with savings and loans) would power delivery of pro-poor shelter interventions at scale with the overwhelming majority of beneficiaries (supposedly) being women.<sup>172</sup>

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<sup>172</sup> Most housing loans are given to women but whether these have gone to female-headed households is difficult to assess because data is managed at savings schemes level (Bolnick & Mitlin, 1999:245).

The superior performance and quality output, in turn, would spur growth in Federation affiliates and savings collectives. Scaled-up delivery, scaled-up membership, and scaled-up savings would thus feed into scaled up power of poor communities 'able to influence resource flows in towns, cities and provinces' (Baumann & Bolnick, 2001:205). But the HPA may perhaps have been overly optimistic in assuming that the narrative, structure and logic of this 'social transformation' script was accepted by all; that all had rehearsed their parts and were familiar with their lines; and that all would, accordingly, stay true to the character and role allotted them in the shelter production drama.

### *People's Housing Process (PHP)*

The uTshani Fund specialises in revolving housing loans and bridging finance for the housing subsidy system. Federation members leverage a combination of the housing subsidy, a small top-up loan, and their own savings to address their shelter needs (BRCS, 2003). In most localities, this combination renders possible the delivery of a dwelling unit that outperforms developer-built subsidised housing in size, cost (per square metre) and quality. Until recently, the Federation was building cement block houses of between 42m<sup>2</sup> and 48m<sup>2</sup> in size at a cost considerably less than the standard 30m<sup>2</sup> RDP house.<sup>173</sup> This translated into increased housing equity value for the same subsidy input.

House values of 'three to eight times the cost of building materials and skilled labour have been suggested' and 'sometimes offered by potential non-Federation purchasers' (Mitlin & Baumann, 2003:35). The increased value is a function of several factors. Federation members can tap into free unskilled labour for construction and overall management. Alternatively, they enter into negotiations with local artisans to secure skilled labour at reasonable cost or call on skilled family members or friends to assist. Secondly, discounts on building materials are secured through collective procurement. The re-use of materials from previous dwellings (windows and door frames) further reduces building costs. Thirdly, Federation self-builders pay more attention to quality than commercial contractors whose stock response to the declining subsidy value (eroded by inflation) is to cut the costs of production resulting in an extremely poor quality output. The combination of the subsidy, savings and loans into a flexible, locally-controlled financing package; oversight of the construction process by members themselves; and the (rapid transfer and) appropriation of innovative cost-saving building techniques (afforded through exchange programmes) were seen as pathways to delivering a high-quality output (BRCS, 2003; Mitlin & Baumann, 2003).

Attributing the superior performance of the HPA delivery approach to manipulation of the 'factors of production' alone is far too simplistic. Quality outcomes are equally the function of the HPA's production regime pertaining to the maximisation of beneficiary participation, choice and control. In contrast to the mainstream approach, the technology deployed (with its

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<sup>173</sup> Cement block houses of between 42 and 48 square metres are estimated to cost R10 100 (Anonymous, (a) & (b): nd). Another report notes that the 'average Federation house' is 55m<sup>2</sup> with a metre cost of R403.30 (People's Dialogue, 2000:13), a total cost of R22 181. Bauman (1998:27) records the cost of a 55m<sup>2</sup> 'people-built' dwelling in Mossel Bay at R11 000 compared to a 15m<sup>2</sup> 'developer-built' house (also in Mossel Bay) at R13 000. The variations in size and production cost (listed here) may (amongst other factors) be related to the declining purchasing power of the previous non-inflation indexed subsidy; geotechnical conditions; and arguably, the tendency of some in the HPA to exaggerate their performance record and achievements relative to state outputs.

emphasis on cost minimisation and rapid delivery) defines the scope of beneficiary involvement. The HPA approach, in line with their objective to democratise development on terms defined by the poor, have succeeded through empowering templates and repertoires to deliver sustainable developmental outcomes going beyond shelter provision:

Firstly, PHP delivery results in greater beneficiary commitment and ‘ownership’ witnessed in the minimal degree of resale of subsidised housing.<sup>174</sup> Secondly, case studies reveal higher levels of diversity of housing products and richer living environments than the private developer delivery route. Thirdly, there is significant empowerment, both in collective and individual terms. Skills development and employment creation (largely self-employment through dwelling construction) are common. Numerous beneficiaries, especially women, acquire important management skills thereby dramatically raising their status and profile in the community. Generally, social capital in the community (bonds of trust, reciprocity and interdependence) are strengthened. Fourthly, the most innovative examples of PHP delivery (rapid production of biggest houses) involves the ‘stokvel’ construction approach, reliant on mutual self-help in construction. This approach does not always involve beneficiary labour, but is an incremental building process in which collective resources are devoted to the production of a few quality houses at a time. Bonds of solidarity and reciprocity are hereby further reinforced. Finally, in case studies recording high levels of beneficiary self-organisation, the burden of the housing process for the local state is considerably reduced, i.e. municipalities entering into partnerships with communities do not find it necessary to establish new departments or employ outside consultants and contractors. All they need do is provide the land and co-ordinators to oversee the project (BRCS, 2003:7–8).

### *Vicissitudes of Mainstreaming*

The benefits of the PHP were recognised by the government quite early in the implementation of their supply-side, state-facilitated and private sector-driven programme. Exposure of the HPA’s model to government through the hosting of an HPA-convened conference shortly after the 1994 elections; the acknowledgement of its sustainability (in contrast to the official programme) at the Habitat II conference in 1996 by the influential United Nation’s Centre for Human Settlements (UNCHS) and the United Nations Development Programme (UNDP); and the limited impact of the HPA’s lobbying on government policy-making led to the UNCHS, UNDP and the United States Agency for International Development (USAID) lending support to the promotion of a housing approach based on self-help construction through housing support centres. The globally-funded approach was one of providing direct support to the South African government via the formation of a People’s Housing Partnership Trust based in the Department of Housing. The purpose of the Trust was ‘institutional capacitation and empowerment at the provincial and local spheres of government and among NGOs to support the people’s process. In May 1998, the People’s Housing Process (henceforth referred to as the official PHP (OPHP)) was formally introduced by the Ministry of Housing as a means of accessing that portion of the capital subsidy allocated to the top structure with considerable emphasis placed by

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<sup>174</sup> ‘Few Federation members have been interested in selling’ (Mitlin & Baumann, 2003:35) their homes, even turning down offers equivalent to the ‘suggested’ value, i.e. 3–8 times the cost of building materials and skilled labour.

government on community and beneficiary contribution to dwelling construction ('sweat equity'). Combined then, the OPHP approach is mainly about people building their own houses using subsidised materials, with government focussing on infrastructure provision (Huchzermeyer, 2001:322–3).

Government's appropriation of the HPA model (with not inconsiderable adaptation) has over the years become a significant pillar of the official housing programme. The OPHP facilitates incremental housing by scaling up participatory processes and relying on self-help processes, communities' resources, and empowerment. To strengthen community initiatives, the programme liaises with grassroots groupings in the shanties and slums. It sets up housing support centres to stimulate and assist self-help community efforts by passing on information; identifying and channelling subsidies; providing technical advice; and developing co-operative arrangements to purchase construction material (Miraftab, 2003).

The introduction of the policy was trumpeted by the HPA and progressive development practitioners as an 'important victory' (Wilson & Lowery, 2003:54) for those committed to people-centred development. But, and as usual, this victory was neither unqualified nor unambiguous. From the very beginning, serious concerns were registered about the efficacy and viability of the OPHP approach relayed by conservative macroeconomic policy and modernist-technocratic state planning orientations. From the HPA's perspective, the state adopted the PHP in a partial and selective manner. The emphasis of government policy and subsidised housing implementation is on the delivery of products, while the HPA's approach to people-led development is concerned first and foremost with process and building capacity or social capital formation and strengthening.

With production narrowly focussed on outputs and strictly controlled by the state (discussed below), claim-making is straitjacketed into the 'project' format. Externally designed and implemented 'projects', posit the champions of the HPA approach, almost always (try to) fit the poor into 'systems' not designed for their conditions nor appropriate to their needs (d'Cruz & Satterthwaite, 2005), leading to little improvement in their lives, 'let alone creating anything sustainable' (Malik, 2002:35).

Unsurprising then is the equation of OPHP with 'sweat equity', individualism and cost reduction rather than collective beneficiary planning and decision-making, more productive housing delivery (Development Works, 2002; BRCS, 2003) and community empowerment. Indeed, according to almost all the prominent 'stakeholders' active in the People's Housing Process – including the Trust, local government, and the Department of Housing – state adaptation, modifications and revisions have, 'tendered [sic] to blur the true nature of the PHP and have served to bastardise its application' (PHP Working Group, 2005:14–15) (a theme returned to in the synthesis).

The People's Housing Process was in the early 2000s re-emphasised by the Department as a 'way of helping the public housing programme' (Rust, 2002:14) to cope with (amongst other things) the departure of the private sector from the shelter sector. The rediscovery of PHP derives from the realisation of the difficulties, especially for the poorest households, in combining the quantitative objective of mass private sector delivery with the qualitative requirement of a minimum house size of reasonable quality, conforming to national standards, and delivered at a reasonable pace. Cost reduction, better quality, leveraging beneficiary resources, speeding up land transfer and preventing alienation of the housing benefit is the rationale motivating the state's (re-)embrace of the PHP as from 1998. A

question grappled with later is whether the state, riding on the tailcoats of civil society, is trying to enhance the legitimacy of its housing programme without increasing its financial commitment.

In pursuit of these objectives, the local state has over the years increasingly tightened its control over the PHP through dominating all or most aspects of the shelter production process. These relate to choice of the support organisation (SO), house design and building material suppliers, relegating beneficiary contribution and involvement to labour (sweat equity). The OPHP delivery regime is a violation (at worst) and/or clearly at odds with almost every aspect of national PHP policy by eliminating beneficiary choice of the support organisation (guaranteed by the regulations contained in the *Housing Code*) and confining beneficiary input solely to the provision of unpaid labour (sweat equity).<sup>175</sup>

The obstacles to mainstreaming the PHP are formidable, something which even the state recognised as far back as 1997 (prior to the formal adoption of the policy):

Efforts in supporting people's initiatives have achieved considerable levels of success to date. However, the following constraints continue to impair support being successfully introduced: inability of the existing subsidy scheme procedures to disburse subsidies to beneficiaries in a simple and accountable manner; lack of appropriate capacity (understanding, recognition, skills and confidence) at both provincial and local government level;... resistance by vested interest groups to support people's housing processes; insufficient support for skills acquisition and building of organisational capacity within community based groups; a general and widespread absence of trust and confidence by stakeholders in the ability of people to meet their housing needs (DOH, 1997:6).

However, the obstacles are more deep-seated and related to the fundamentally contradictory motivational frameworks of state and beneficiary involvement with the PHP. The state prioritises loss avoidance and control over the highly standardised and inflexible capital subsidy instrument, thus undermining the indigenous and evolutionary processes of home building of poor communities and households (Rust, 2002:14). Secondly, the state perceives subsidised housing as a communal 'capital' asset outliving beneficiaries. Consequently, government tends to prioritise short- and long-term risk minimisation (financial control, norms and standards) over qualitative housing outcomes (larger homes, better construction and design, etc.) and/or the social aspects of PHP (empowerment, social capital and skills formation). Thirdly, the PHP's sustainability and empowerment focus is not easily reconciled with the government's prioritisation of speed and quantity through the project driven-route. The short-term logic of investment, accounting, reporting and assessment of the 'project' or

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<sup>175</sup> In Gauteng, all non-state forms of PHP were effectively forbidden. In Cape Town, only the City of Cape Town could be a PHP developer and recognised support organisation. House designs were standardised; norms and standards decreed; and building materials had to be sourced via SOs (most often private sector companies). Beneficiaries organised in their own SO were excluded from participating in the PHP unless they formally renounced these organisations. The Mpumalanga MEC responsible for housing unilaterally appointed SOs for PHP groups even if these groups were organised and already had competent support organisations, as in the case of the HPA. Limpopo decreed that it would be the SO in all instances and all building materials had to be sourced through the province. KwaZulu-Natal decreed that all PHP delivery must be via competitive tender and that only approved 'implementation agents' would be SOs (BRCS, 2003:51-3).

‘projectised’ approach to development is not conducive to PHP’s ‘slow learning and cumulative change’ approach (Appadurai, 2002:30). Finally, the local state tends to prefer working with individual beneficiaries as opposed to CBOs and/or NGOs.<sup>176</sup> Beneficiaries, on the other hand, intent on securing access to high-quality housing, often prefer working with and through these organisations, given their proven track record in the delivery of large quality dwellings through maximising beneficiary choice and control (see BRCS, 2003).

Influential commentators and PHP practitioners have come to conclude that the potentially progressive developmental outcomes of the PHP are unlikely to be realised as ‘the requisite policy, implementation, and institutional infrastructure remain weak, contradictory, underdeveloped, and systematically biased against it’ (BRCS, 2002:7).<sup>177</sup> More recently, government has come to acknowledge that the OPHP framework is ‘vague’ and ‘gives raise [sic]’ to provincial and local government housing departments ‘interpreting the policy in a variety of ways that contradicts its original intention’ (DOH, 2005a:4). In a document produced by the People’s Housing Process National Forum,<sup>178</sup> both government and civil society agreed that the violation of the original principles and the contradiction of policy intentions derive from a state programme whose ‘emphasis has increasingly been on control and on protection’ with support being ‘too bureaucratic and/or too technocratic to work effectively’ (PHP Working Group, 2005:12). The creation of an enabling environment for ‘successful delivery’, the document states, ‘will require an important balance to be achieved between the empowerment of people involved in PHP and government’s need to protect and control’ (Ibid).

## Section Four

### Tensions, Contradictions and Challenges

The vicissitudes of mainstreaming are not simply confined to the subversion of the people-engineered housing process. More damaging to the ideology, identity and praxis of the HPA

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<sup>176</sup> Not only is the state actively marginalising civil society formations with a proven track record in shelter provision through the PHP delivery route, it has not invested in institutions and capabilities championing the shelter needs of the most vulnerable. This is in stark contrast to the considerable government investment in strengthening institutions of delivery for the not-so-poor (those accessing social housing opportunities, for example) (Napier, 2003).

<sup>177</sup> This may account for the dismal delivery record of the PHP. Probably less than 3% of subsidised houses built since 1994 to 2003 can be called PHP products (BRCS, 2004:2).

<sup>178</sup> Convened under the auspices of People’s Housing Partnership Trust, the Forum brought together representatives of housing departments from all spheres of government, NGOs and PHP practitioners. Deriving its mandate from the Forum, the PHP Working Group – comprising a cross section of the main roleplayers – was tasked in October 2005 to ‘*develop a common, preferred future and way forward for PHP*’ (PHP Working Group, 2005:5, original emphasis). In November 2005, the Working Group generated a strategy document that ‘builds on the views and perceptions of the members of the PHP community’. This document proposes the replacement of the PHPT by a national body ‘representative of all stakeholders in the PHP’ (Ibid:28), i.e. CBOs, NGOs, practitioners and government. In a ‘parallel process’ (Ibid:6), the National Department developed a *Policy Framework and Implementation Guidelines for the People’s Housing Process (PHP) Delivery Mechanism* (DOH, 2005g). The PHP Working Group is to ‘inform the further development and amendment of the current proposed Policy Framework’ (PHP Working Group, 2005:6) guided by its strategy document.

was the state not honouring its commitment in the ‘partnership’ arrangement that had been forged to support the people-driven housing delivery strategy. The resulting tensions, challenges and contradictions generated are products of a complex web of relationships between the strategies of Federation mobilisation, Federation leadership, People’s Dialogue and the uTshani Fund, on the one hand; and the failure of the state to deliver on its housing obligations, on the other. Problematic internal relational dynamics and the state not honouring citizen’s constitutionally-enshrined rights to the housing subsidy precipitated major crises for the HPA, which it attempted to address through a restructuring exercise in 2001/2002.

The HPA’s strategy to access and manage subsidy funds evolved over time. In the 1995–1996 period, the HPA used uTshani Fund loans in select communities to pilot its shelter approach<sup>179</sup> with a view to attracting government support (subsidies) and equity injections. From 1997 to 2000, the HPA used the uTshani Agreement<sup>180</sup> with the national Department of Housing that permitted it to access subsidies directly from government. The Fund could either provide bridging loans before accessing subsidies and then claim the money back from government, or disburse subsidies up-front to members for housing construction.

The HPA’s success in the construction of large, high-quality houses with uTshani loans coupled to the rapidity of loan release - indeed, loans accessed through the people’s process is said to move considerably faster than the delivery of state funds (Baumann & Mitlin, 2002) - encouraged explosive growth in membership. New groups expecting to benefit from the Fund and numerous Federation leaders began to encourage this entitlement (the loan), rather than daily savings, as a way to build the movement (violating core organisational and mobilisation principles – discussed below). The deposit to access the loan (5% or R500) was seen as a way of purchasing the loan, and members who would otherwise save more than this in the savings collectives, quickly accumulated R500 to access the R15 000 loan at a repayment rate of R120 per month (see Figure 4.2).

While the cost of building materials increased due to inflation, the subsidy amount remained static. The loans were therefore insufficient for members to construct dwellings of the previous size and quality. Shifting member’s consciousness from the dream of large homes in line with changing material resource constraints proved difficult. This fuelled a tendency for members to ‘overbuild’ (lay out large foundations for houses) producing ‘unfinished homes’. This placed pressure on the Fund to release further loan finance to protect the HPA’s reputation and uninterrupted access to government subsidies. The extension of additional loans for housing consolidation pushed these already financially over-committed members into further debt and increased overall ‘systemic risk’.<sup>181</sup> Additionally, the promise of large

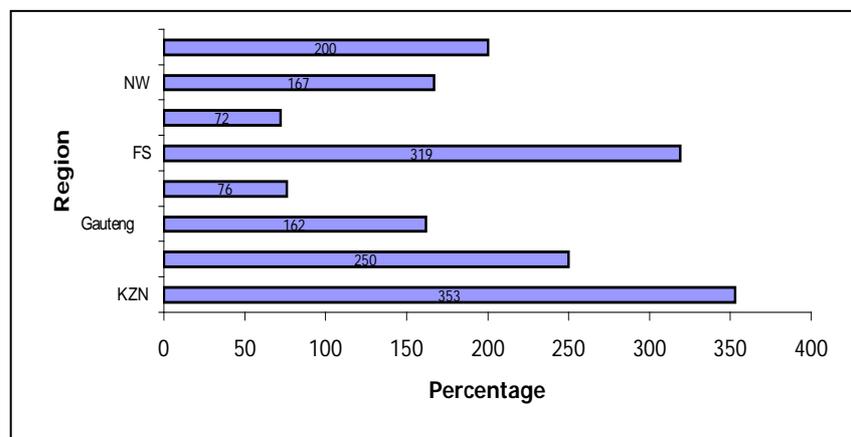
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<sup>179</sup> The uTshani Fund was initially capitalised by northern donors to the tune of R4m (d’Cruz & Satterthwaite, 2005:20). Lending for housing construction through group-based finance commenced in April 1995 and over 700 housing loans were approved (Bolnick & Mitlin, 1999:227)

<sup>180</sup> The uTshani Agreement was approved in 1995. The Agreement recognised the latter as a legitimate conduit for subsidies to Federation members (Anonymous (b) nd).

<sup>181</sup> The number of homes delivered through the PHP route is thus contested. BRCS (2003) reports that 12 000 homes were delivered using the subsidy, members’ savings, bridging loans and other resources. In the interview with Rose Molokane (13.05.04), she estimated that 14 000 homes had been delivered. In a proposal to the City of Cape Town motivating a partnership between the City and the HPA around enumeration, it is stated that

homes contributed to the tendency to recruit better-off members who could top up their Fund loans and subsidies with non-Federation savings.



**Figure 4.2: Growth of loans per region (1998–2001)**

The extension of additional finance to members who over-built and the recruitment of the better-off contradicted core principles of the HPA’s development practice. On the first score, the Federations and their supporting NGOs, writes d’Cruz and Satterthwaithe (2005), distance themselves from conventional agencies’ lending practices that strive to maximise the size and number of loans. In sharp contrast, ‘good practice’ loan programmes aim at supporting people to avoid loans or accessing the ‘smallest loan’ required thus reducing repayment periods and minimising interest charges (Ibid:22). On the second score, federations are distinguished from other civil society formations for experimenting and innovating around ‘supporting the poorer or most vulnerable members’ (Ibid:70). Although the HPA constantly strived to maintain equity considerations at the forefront of the housing finance programme (requiring, for example, that half of all loans be small and affordable to those in receipt of lower incomes) the extension of (larger) loans to the better-off suggests that recipient households may have been in receipt of dual incomes (Bolnick & Mitlin, 1999:245).

The contradiction of core principles can possibly be traced back to the HPA over-estimating their level of organisational strength and/or readiness of the poor as an organised autonomous force to engage the state on their own terms and values. In retrospect, the ‘unhurried’ four-year period of ‘capacity building of the poor’<sup>182</sup> to equip and ready the poor with the strategic and tactical capabilities for (amongst others) state engagement may have been insufficient with a devastating impact on the goals, values and practices of the movement.<sup>183</sup> In a

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between 1995 and 2000, the Federation constructed over 15 000 houses in all nine provinces (People’s Dialogue and Homeless People’s Federation, 2004).

<sup>182</sup> From 1991 to the HPA’s first substantial engagement with the state in 1994 and enshrined in the state-HPA partnership agreement of 1995.

<sup>183</sup> Care must however be exercised to not overgeneralise the cause and impact of, and response to, the crisis related to local contingencies and resource endowments, and the resulting localised calibrations/adaptation of HPA repertoires and templates, i.e. locally-determined financial management frameworks, locally specific need-mediated (versus rule-governed) loan application and approval procedures, age and maturity of saving groups,

nutshell, the introduction of the financial-institutional innovation of uTshani resulted in the rapid (re-)/displacement of the purportedly sufficiently socialised and institutionalised core mobilisation and organisational strategies of the HPA, especially the savings-loan ritual and the ‘tangible’ not being the sole purpose of organisation. Instead, with uTshani’s introduction, attention was increasingly diverted towards accessing and securing housing opportunities and loans. Time spent on daily savings-loan repayment rituals was de-emphasised as a criterion for obtaining housing finance. With the leaders and members over-focused on the ‘golden egg’ of housing without the proper nourishment of the proverbial golden ‘goose’ (core rituals) (BRCS, 2001:54–6), the already weak link between savings and loan repayment was severed.

This meant that, after houses were built, ‘beneficiaries’ were ‘not locked into sufficiently strong daily savings and repayment routines, resulting in declining loan repayment levels’ (Swilling, 2005:18), which in turn blocked further circulation and redirection of financial flows within communities and eroded community solidarity along the fault line of those with the ‘golden egg’ and those still nurturing the ‘goose’. The former secured the ‘prize’ at little expense or savings commitment, and after securing it, abandoned those still saving with no relief in sight. Non-beneficiaries had ‘no incentive to pressurize’ beneficiaries to repay because of there being no direct relationship between loan repayments to a centralised national fund (uTshani) and localised savings and loan activities, i.e. ‘[v]ertical financial flows had broken the horizontal flows of social capital’ (Ibid).

The centralised nature of the Fund’s financial management and decision-making produced another series of dilemmas. Risks associated with uTshani’s bridging loan strategy were transferred to People’s Dialogue and the Federation leadership, with local leaders shielded from having to make difficult decisions around resource allocation. Although some Federation leaders and members were aware of financial sustainability problems, they continued to recruit members with the objective to access more subsidies and capital, further compromising the Fund’s viability.

The sustainability of the Fund was, however, most severely compromised by the slow release of state subsidies. Not all provinces accepted the uTshani arrangement and PHP approach and, even where it had been adopted, there was no guarantee that provincial officials would approve HPA subsidy applications. Even when approved, subsidy release was more often than not delayed. A combination of bureaucratic inertia, differing provincial policies and local government reluctance and/or inability to engage with community development processes translated into non-delivery of subsidies owed to the HPA. For the HPA, the subsidy system – which is supposedly an entitlement under law, based on the Constitution – was as good as ‘not there in practice’ for the majority of Federation members, hurling the Fund into crisis. On a more sinister level, if a household built its own dwelling through a diversity of non-official funding sources rather than waiting for a subsidy, it is classified as ‘housed’, and therefore ineligible for further assistance. In other words, the initiative of the poor effectively disqualifies them from the subsidy (Rust 2002:14). Sandra van Rensburg’s words, then the uTshani Fund Co-ordinator (Gauteng, North West and Mpumalanga), are apposite here:

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nature of the relationship between local chapters of the HPA and the state, and geographical variations in loans-savings combinations.

What is happening is that we are putting in proposals for the loans made and houses completed and people [are] living in these houses for up to eight years. And government is saying: “How can we pay for houses that have been built already?”... We cannot be carrying the Department of Housing anymore.... And what they are walking into are 100 square meter houses, face brick, the minimum is 56 square meters. And people have done a lot of improvements once they moved there. Some of them have even sold their houses already and they are still trying to get the subsidy for it. It is going to be a mammoth task... For instance on the East Rand: we have given 400 loans. And we have put in a new proposal for new consolidation subsidies, and the councillors - because you need the Councillor’s support for the proposals - say: “We can’t give you subsidies because the last houses you built you haven’t completed”. So we did the audit and we said: “Of the 400, 31 are incomplete - which is 7% - and these are the reasons: the supplier ran away with the money, the house is too big, the member overcapitalised on basic things and she cannot put the roof on, small things, so and it is not things that cannot be dealt with”... So we say: “These are not problems we cannot deal with. But the other 93% we would like that subsidy. It is not that you will not get benefit, because you can add it to your numbers as houses built” (Interview, van Rensburg 29.04.04).

Without the housing subsidy, the HPA remarks, it would ‘never have considered uTshani Fund lending on the size and scale it has actually undertaken: sustainable, large, long-term loans to the poorest of the poor for complete housing is wishful thinking and certainly not the business of the HPA’ (BRCS 2001:76). With the subsidy ‘not there’ in practice, the Fund was in an increasingly tenuous situation as the *de facto* creditor to a large group of the poorest South Africans, who could not be expected to repay large housing loans and who did not believe that this was what they had agreed to do. The state on the other hand, not the Federation (notwithstanding declining loan repayments), became the Fund’s largest debtor. As of early 2004, R54m was owed by the government in subsidy money to HPA (Interview, van Rensburg 29.04.04).

It is worth noting that, prior to the crisis, People’s Dialogue attempted on numerous occasions to force on the Federation a restructuring of the Fund. In response to the state’s failure to deliver the subsidy, the declining value of the subsidy and low repayment rates of members, People’s Dialogue proposed to limit Fund loans to R6 000. Federation leaders, under the pressure of members, found this unacceptable and refused to implement the proposal. It was argued by members that limiting access to the R10 000 loan would ‘kill the Federation’ – compelling support for the view that mobilisation around uTshani Fund resources had replaced mobilisation around better allocation of state resources’ (BRCS 2001:56). By late 2000, the overall rate of repayment to the Fund was so low that the HPA leadership was left with little choice but to suspend lending and embark on a process of re-evaluation and restructuring. Thus, from 2001 onwards, the HPA suspended bridging loans and shifted its focus to accessing subsidies up-front.<sup>184</sup> Thereafter, the Fund concentrated on helping the Federation to identify land and acquire development rights; secure subsidies to

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<sup>184</sup> As of 2003, the Fund had a portfolio of approximately R65m, the bulk of which accounted by its loan book that reportedly financed nearly 9 500 houses (see BRCS, 2003:13).

retire bridging loans and/or fund new projects; manage, co-manage and support projects; and provide support to income generation activities (BRCS 2002:22).

The crisis confronting the HPA in the late 1990s was shaped by the long-run tendency to transform the Fund from a communal resource of the Federation into an ‘avatar of the subsidy entitlement itself’ (Baumann & Bolnick 2001:112). The expectation that the Fund would deliver an entitlement is incompatible with a financial system based on a revolving fund model. The reasons for the poor performance of the Fund are in large measure a function of the state renegeing on the Agreement and not fulfilling its obligations. More fundamental, though, is the question of whether the HPA created solid foundations and nurtured empowering conditions for efficient and effective revolution of funds. Even if the state honoured its commitments, rapid and misdirected mobilisation around the ‘golden egg’; the corrosive effect on social capital and solidarity of poorly structured vertical and horizontal financial resource flows; weak savings records; and low repayment levels, cumulatively point to the HPA’s failure in ‘getting the politics right’ for effective circulation, rotation and redirection of financial flows between and within communities.

### *Tensions Beyond uTshani*

The tensions and contradictions were not only limited to the Fund and housing delivery. ‘Getting the politics right’ via the installation of developmental (pro-poor) relational fields of politics had to negotiate a series of internal organisational dynamics. At the risk of misrepresenting a complex and locally differentiated reality, highly centralised decision making structures; populist frameworks of accountability; gate keeping; patronage; alignment to and endorsement of political parties; and subordination of Federation networks to the power-mongering of political parties were not particularly helpful in inducing the appropriate conditions for ‘getting the politics right’. The discussion now turns to these dynamics.

Until 2002, leadership emerged in the Federation through self-selection, based on a degree of active involvement, but with no strict lines of accountability to communities. The ‘constitutionally loose (almost populist) framework of accountability’ (Swilling, 2005:18) and self-selection subverted (further) the core organisational principles and values, and the slowly evolving (and preferred) modes of state engagement.

Firstly, the creation and maintenance of a static national, and particularly regional Federation leadership, rooted in key savings schemes (through and to which significant proportions of HPA resources were channelled) appeared to ‘structurally’ encourage patterns of ‘undesirable behaviour’ (patronage, mobilisation through promises of loans, corruption and bribery), and discouraged more ‘appropriate conduct’ (discipline, implementation of systems, tough resource allocation decisions, clampdown on poor repayment problems) (BRCS, 2001).

Secondly, the national leadership contributed towards highly centralised decision-making structures running contrary to the non-hierarchical and decentralised political structure within and between the Federations. This was particularly evident in the Western Cape, where the leadership resisted relinquishing control over ‘junior’ and maturing federations. This spawned the consolidation of local hierarchies, power cliques and patronage networks, with certain individuals acting as gatekeepers and powerbrokers (Robins, forthcoming).

Thirdly, disregarding key Federation rituals, the Cape Town Federation (again) came to rely on ANC ‘patronage as a means of mobilization’, with alignment to particular factions of the

party, adding further degenerative elements to gate keeping. This ‘impacted negatively’ on the ‘Federation at large’, the ‘urban poor as a social class’, efforts to ‘facilitate change at community level’, and the ‘relationship with the state’ (Bolnick, 2005:3–4). In return for ANC patronage, numerous Federation leaders (ANC Women’s League veterans deeply involved in national, regional and local ANC networks and thus less inclined to criticise the dominant party and its leadership) were prepared to allow Federation networks to be used as ANC political resources (Robins, forthcoming). The deployment of federation networks as party resources violated the principle tenets of the HPA’s mode of engagement with the state, particularly the movement’s non-party politics stance (referred to as ‘politics without parties’ by Appadurai, 2002:28).

With the authority, legitimacy, responsiveness and competency of the leadership in serious question, restructuring commenced with regional, local and neighbourhood organisations electing representatives to attend a national meeting in 2002. The leadership group of the Federation ‘stepped down and an interim national leadership group oversaw the meeting’. The interim national leadership group ‘proposed a representative form of leadership from Federations throughout the country’. Existing regional leaders relinquished their positions and new ones were elected by the regional networks, rather than being appointed by the national core leadership group. The regionally elected leaders would henceforth serve in a voluntary capacity, with no stipend (a previous source of tension), and would be accountable to those who elected them. The elected leaders, ‘in conjunction with People’s Dialogue’, would identify staff needs, and a competitive process would be utilised to select and hire employees under public contracts. The employees included mainly existing Federation leaders because of their experience and accumulated knowledge and skills. Rather than being political leaders, they would become employees ‘fully accountable to the Federation (instead of the People’s Dialogue)’. The delegates at the national meeting ‘overwhelmingly’ approved the restructuring proposals to make elected leaders fully accountable to the membership and to refocus on the core strengths and rituals of the HPA (Wilson & Lowery, 2003:55).

People’s Dialogue was also restructured as attention and activity of the HPA increasingly shifted away from housing delivery (as a principal means of combating poverty and marginalisation) towards land tenure, the provision of basic services and the people-centred management of built environments. This shift required building the capacity of People’s Dialogue to forge deeper political connections for brokering deals; higher levels of professionalisation to improve engagement with the state around policy and institutional arrangements; and clearer divisions of roles, functions and responsibilities. To this end, the Fund became an independent organisation charged with its own financial management. People’s Dialogue retained its core functions of building bridges between the Federation and national government; dealing with community organisation issues within the project preparation cycle of the Fund; and lending support to Federation activities related to lobbying, mobilising and learning through exchanges. The HPA also initiated an agency, under the umbrella of Dialogue, called the Urban Resource Centre (URC), to sharpen its focus on the development of a culture of learning, participation and transparency. The Centre was responsible for scaling up internal processes of research and documentation in the HPA; engaging with external role-players pertaining to matters of landlessness and homelessness; and harnessing resources to build a social movement of the poor. An initiative in social movement building was the establishment and nurturing in 2004 of the Coalition of the

Urban Poor in Johannesburg, Cape Town, Nelson Mandela and Durban. The Coalition brought together several hundred different community-based initiatives of the poor<sup>185</sup> based on the principle of ‘autonomy within federating’. This organising principle is not without its problems – a point returned to later.

## Section Five

### Conceptual Intimations

#### *Staking Out New Terrains of Struggle*

For a developmental social movement - whose main aim is *reclaiming the democratic right and power of the urban poor to choose, champion and implement their own development path* – engaging the state and other social forces through the ballot box and the liberal democratic frame<sup>186</sup> is unlikely to yield the desired outcomes, especially given the latter’s status quo-maintenance orientation. For a movement committed to a politics of deep democracy (a critical component of which is nurturing the capacity to aspire) established institutional mechanisms and channels for negotiating difference (primarily, multi-stakeholder corporatist forums) ‘mask abuses of power and more structural, enduring inequity’ (Edmunds & Wollenberg, 2001:232). Consensual decision-making anchored in spaces of participation initiated by powerful groups ‘restricts the possibility of “thinking outside the box”, reinforcing hegemonic perspectives and status-quo reinforcing solutions’ (Cornwall, 2002:5).

The HPA experience demonstrates that attainment of alternative activist development praxis directed at transforming the political-institutional ecology and tilting the balance of power in favour of the poor demands another form of politics. This type of politics embraces dissensus, disagreement and contestation or viewing democratic politics as an ‘agonistic confrontation’ among adversaries. Here, the illusion that a rational consensus can be achieved between freedom and equality, for example, is eliminated. There is a realisation that pluralist democratic politics consists in pragmatic, precarious and necessarily unstable forms (Mouffe, 2000) that are continuously in search of provisional compromises.

Accordingly, a pluralist democracy, in the mind of HPA, is one that allows the expression of dissent and conflicting interests and values. Because antagonism cannot be eliminated, the task is to ‘domesticate it to a condition of agonism’. By this is meant a ‘relationship which is at the same time reciprocal incitation and struggle; less of a face-to-face confrontation which

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<sup>185</sup> The aims and objectives of this initiative included enabling the emergence of a platform of urban poor groupings in five South African metropolitan areas; facilitating and supporting a hub of professionals and community activists dissatisfied with the current development trajectory and committed to engage civil society, the state and the market in a quest for dynamic and innovative alternatives; creating a professional research, documentation and media component to develop city-wide poverty and development profiles, backed up by case studies, newsletters, posters and videos; and conducting forums for discussion on planning and urbanisation issues in ways that bring together communities, NGOs, academics, officials and politicians (extracted from <http://www.courc.co.za/Coalition1.htm>) (accessed 19 April 2004).

<sup>186</sup> Referring to the rule of law, individual liberty and human rights (as derived from natural law) (Mouffe, 2000).

paralyses both sides than a permanent provocation' (Foucault, 1982 in Gordon, 1991:5). For this approach to work, 'passion is mobilised constructively towards the promotion of democratic decisions which are partly consensual, but which also respectfully accepts unresolvable disagreements' (Hillier, 2002:35).

This perspective should, arguably, be understood by the HPA, recalling here Bolnick's refrain of playing 'judo' with the state. Implied here is the deconstruction of the 'frame of existing politics' – technical practices, forms of knowledge and institutions (Barry, 2002) - which 'domesticat[es] hostility' in the pursuit of the creation of 'unity in a context of conflict and diversity' (Mouffe, 1999). The regulative and performance implications and consequences of these stratagems and technologies are demystified and deconstructed by the HPA, exposing their anti-poor orientation. And it is here where HPA strategies and tactics constitute a direct challenge and (possibly) present an 'alternative' to the 'frame of existing politics' (referred to the introduction of this Chapter as the 'dominant culture').

The HPA realised that particular ways of thinking about society and social change are engraved in the organisation and occupation of participatory spaces, and that every space has etched into it the traces of its 'generative past' (Cornwall, 2002). In this context, the HPA chose not to 'insert' the urban poor into a pre-defined space and assimilate the associated (emerging) mainstream state and civil society discourses about 'appropriate' community development. Instead, the HPA chose to develop alternative capacities to negotiate with the powerful through the enhancement of people's capabilities to claim their entitlements and the right to shape the contours of the shelter production regime (its organisation, functioning and output). This witnessed the HPA initiating and creating new spaces for citizens to act 'without (both outside, and in the absence of [the state]) and on it' (Ibid:20, original emphasis). These chosen spaces constitute 'sites of radical possibility' (Ibid:17), where the excluded find a place and a voice to defend their interests. This is a site constituted by participants themselves, rather than one created for the participation of others.

These spaces normally emerge organically from sets of common concerns or identifications; come into being as a result of popular mobilisation (around identity or issue-based concerns, for example), or may consist of spaces wherein people of similar minds join together in common pursuits (the ideologues of the HPA). The site constructed is a relatively durable institutionalised space from which citizens and communities practise self-provisioning of credit to satisfy needs; participate in networks that go beyond the boundaries of the nation-state; and engage in governance by influencing public policy through advocacy and modelling alternatives. As such, they also constitute and contain sites wherein citizens and their intermediary organisations 'assume some of the functions of government' (Cornwall, 2002:20, 21, 17). Although these sites are relatively autonomous from the state, the HPA's sites were also connected to government (directly and indirectly) in different aspects of shelter provision.

### *Discursive Currents in the Mainstream Development Model*

Despite the considerable strides made by the HPA in optimising the terms of trade between recognition and redistribution, the alternative discourse and practice in combat and co-operation with the existing frame of politics could not escape corrosion, contamination and corruption. Strides and successes aside, there were (and still remain) a series of problem to be coherently and purposively negotiated (and not sidestepped by the HPA). These problems relate in part to the deficiencies of planning praxis; the hegemony of present-day supply-side

citizenship and community development; the narrowing of the development and participatory horizons by shifts in party-society relationships; and the increasing marginalisation of the most vulnerable in the transformation project.

With respect to the first, notwithstanding the commitment of critical planning theory and practice to the more expansive democratic tradition,<sup>187</sup> the ‘operation of power’ within the dominant existing consensus-making processes and multicultural planning paradigms remains problematic and/or not recognised (Watson, 2003:403). This is related to ‘Habermasian’ assumptions regarding the achievement of consensus and the possibility of suppressing power (as commented on in an earlier Chapter). How the contexts of planning are structured by various forms of power, conceptual dominations of/by planning experts, institutionalised economic criteria and organised political interests are not particularly well addressed in contemporary critical planning theory and practices (Mantysalo, 2003:31). It is simply assumed (and is not at variance with our planning frameworks) that properly structured and shepherded dialogic processes will deliver better politics and content (Maxwell, 2005). More importantly though is how ‘community’ comes to be defined and constructed in our planning frameworks which, as mentioned before, hinges on non-conflictual narratives of society and societal change. What is involved in creating ‘proper’ communities through planning praxis (and HPA mobilisation and change processes) is not just a technical and managerial task; it is also a ‘moral and political task’, i.e., a citizen is a person who exercises their rights through established channels in a prescribed and lawful way, and on the basis of a pre-defined political-economic programme (Watson, 2003:397).

Nowhere is this more clearly reflected than in ‘neoliberal’ and ‘Third Way’ ‘supply side citizenship’ (de Beus & Koelble, 2001) approaches.<sup>188</sup> Supply-citizenship denotes and elevates personal autonomy, self-reliance, social initiative on the basis of ability to pay, equality of opportunity, volunteerism, workfarism, no rights without responsibility, procedural justice.<sup>189</sup> Supply-side citizenship further represents a curious admixture of the operating frameworks for community development. It emphasises the market rationale of private initiative and enterprise; the activist rationale of mutuality and trust; the welfare industry rationale of a state safety net for those who ‘cannot help themselves’; and, where necessary, bureaucratic regulations and charity for the ‘deserving poor’.

Those seduced by the Third Way see in supply-side citizenship the possibility for the reinvention of the ‘social’ (declared dead by Thatcherism and the New Right (Rose, 1996; 1999)) as highly stylised versions of community-building, trust, mutuality and collaboration re-emerge in public policy. For this group, the market emphasis on enterprise, self-determination and innovation means that the shackles of passive welfarism and elitist professionalism can be discarded and replaced with the concept of ‘dynamic self-determining communities’ (Kenny, 2002). There are those who invoke the ‘fused discourses’ for strategic purposes, i.e. demonstrating a commitment to innovative projects and thereby winning

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<sup>187</sup> Associated with participation, equality and majority rule (see Mouffe, 1999; 2000).

<sup>188</sup> Shift of emphasis from the state to the individual to take responsibility for his or her life chances and development.

<sup>189</sup> The ANC government has embraced Third Way principles with an emphasis on individual responsibility, self-reliance and personal autonomy (for an elaboration, see de Beus & Koelble, 2001:191–2).

influential friends and accessing pots of gold from donor agencies. Then there are those who perceive the new discourses of community development as ‘Trojan horses’ – to shepherd and discipline society and community organisations to the dictates of the market and socially exclusionary development paths and trajectories (Ibid).

Optimising the terms of trade between recognition and redistribution is further complicated by the struggles within the ruling party as it battles to (re)define its ideological commitment to internal democracy as a political value and cultural practice. The nature of the party list formulation process, an integral component of the proportional representation electoral system, reinforces a hierarchical culture in the organisation alongside an upward-looking accountability orientation (as opposed to the reverse). Suspicion of opposition (‘you are with us or against us’) and the determination of the organisation’s leadership to keep crucial national debates about the economy, political reform and developmental issues outside the political domain (Pieterse, forthcoming b) present added obstacles.

In sum, the democratic-accountability deficit; suspicion of opposition; insulation of debate from the public domain; and, since GEAR, increasing levels of state control over development projects (see Lyons et al, 1999), collectively exercise a negative impact on policy and its implementation – the state’s PHP being a case in point. These dynamics are clearly relevant to the HPA.

The alternative proposed by the HPA was the grounding of community development in an activist frame with its emphasis on solidarity, mutuality, political mobilisation and advocacy, undergirded by a strong commitment to furthering the politics of equality; giving voice to the disadvantaged and vulnerable; and deepening democracy.

But to what extent is the ‘alternative’ sustainable and durable when state engagement intensifies, introducing all manner of pollution and poison? To what extent is it viable as it constantly struggles to juggle the calculus of contestation and compromise when in (both cold and hot) pursuit of public resources? To what extent is it an ‘alternative’ at all versus a novel synthesis of a Poor People’s and neoliberal Third Way? Most fundamentally, to what extent does it constitute the imposition of a frame of politics that reproduces liberal or authoritarian ‘rationalities of rule’; wherein the core rituals regularise the conduct of the social and economic life of the urban poor through the ‘creation of locales, entities and persons able to operate a regulated autonomy’ (Rose & Miller, 1992:173)? To what extent is the HPA’s ‘aesthetic’ or ‘aestheticization of poverty’ a ‘heroic narrative’ of neoliberal freedom (see Roy, 2006 for a full discussion) and/or a counter narrative of radical democracy? Can it be both at the same time?

#### *Implications of the HPA’s Alternative to the Mainstream Model*

The core ‘rituals’ of the HPA (‘echoing’ those of the state) include enumeration and mapping, surveying and house modelling, as well as exchanges for lateral learning. Savings is the main instrument the Federation uses for mobilisation. It is variously described as the ‘cement that binds people together’, the ‘goose that lays the golden egg’, and ‘the means that creates space for the poor to identify, understand and articulate their own priorities’. Savings are fundamental to the Federation’s strategy, as social movement, of mobilising the urban poor through their own resources, experience and capacities in order to transform their relations between their members and state institutions. Jockin Appurtham, the President of the Indian National Slum Dwellers’ Federation, employed savings as a principal tool for

mobilisation in India and central strategy for entry and relationship-building in South Africa, Cambodia and Thailand. He sees daily savings as the bedrock of every other activity of the Federation. When the President and others in the HPA speak of savings, they see it as ‘the breath of life, the pulse, the lifeline’ (Jockin Appurtham), a ‘moral discipline’ (‘gives life to people’, ‘breathing that keeps you alive: inhale savings, exhale credit’), which builds a certain kind of political fortitude and spiritual discipline (cited in Appadurai, 2004:11–2; Anonymous (c) nd:6). In another vein, savings could also be potentially viewed as a criterion for localised (HPA-based) citizenship (‘our family’, in the words of Patrick Magebula, cited in Anonymous (c) nd:6).

The combination of self-enumeration, self-regulation and the notion of savings as ‘spirit’ or ‘moral’ discipline (the foundations of a potentially inclusionary citizenship) could cogently be presented as a form of ‘autogovernmentality’. Whilst those in HPA would prefer to see their rituals as a method to fashion and dictate their own social and political legibility, rather than have one imposed on them by the state; an exercise in counter-governmentality; the combination of rituals is ‘truly insidious in its capillary reach’ (Appadurai, 2002:36).<sup>190</sup> If governmentality is accepted to mean the complex array of techniques, programmes, procedures, strategies and tactics employed by non-state agencies and state institutions to shape the conduct of individuals and populations; if governmentality extends from political government right through to forms of self-regulation, namely ‘technologies of self’;<sup>191</sup> if governmentality (in its present guise) centres around social responsabilisation, a matter of personal provision and self-empowerment (Lemke, 2001), then some serious questions need to be asked about the nature and content of the HPA’s contestation of the ‘existing frame of politics’.

The similarities in the repertoires and templates (the techniques and technologies of governmentality) deployed by the HPA and those of the state and private sector, although not

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<sup>190</sup> This type of inscription – making people write things down and count them – is itself, argues Rose and Miller (1992:187), a kind of government of them, inciting individuals to construe their lives according to such norms. Through these mechanisms, authorities can register and act on those distant from them in the pursuit of various objectives without encroaching on their ‘freedom’ and ‘autonomy’. These mechanisms assume considerable importance in modern modes of government. In the case of enumeration – dubbed the ‘instant messenger connection technology’ – data collected informs of various aspects of slum dwellers’ lives including ‘religion, hobbies, foods’; and exposes ‘selfishness, intolerance, corruption’ (Wahomeh, nd:3). In the case of ‘savings’, an important question is the extent to which it constitutes the foundations of a potentially exclusionary citizenship, especially when touted as ‘building an economic commonality amongst the shack/slum dwellers’ (Anonymous (c) nd:19); ‘collecting money’ being equated to ‘collecting people’ (Anon. (c) nd:6)/ ‘giving us a family’ (Anon. (c) nd:10); and the savings book being referred to as the ‘ID card in the Federation’ (Anon. (c) nd:3).

<sup>191</sup> Within liberal regimes, subjects are constituted as active agents seeking autonomy and assuming responsibility for their life outcomes. Rationalised as agents of power, governmental objectives are to be secured not through direct intervention, but through ‘realignment’ of subjects’ identities and by implicating self-regulation within governmental aims. Processes of liberal government therefore entail the ‘conduct of conduct’, focused on ‘technologies of the self’ as governance attempts to shape subjects’ conduct around a moral discourse of ‘responsible behaviour’. These technologies represent governance at a distance, rather than a reduction in government. While subjects are constituted as active and autonomous agents, this freedom is regulated through implicating subjects in deeper and wider relations of power (see Flint, 2003:612–4). The savings collectives and politics of the HPA can be read as communities that are responsible for their own self-regulation and well-being (a theme revisited below).

comprehensively unpacked in the Chapter, are striking. The harnessing and employment of 'existing frame' techniques and technologies are, purportedly, subversively modified by the HPA to further a pro-poor agenda, i.e. a counter governmentality. On the other hand, this subversion does not completely evacuate the status quo-maintaining techniques and technologies of their disciplinary characteristics and qualities. This is rendered particularly acute in the present context of hyper-marketisation that stresses greater self-provisioning; higher levels of social-individual responsabilisation; and more sophisticated and invasive forms of social surveillance (Hardt & Negri, 1994). Subversive modification of these technologies, without serious consideration of their evolving architectures and geometries - and the 'politics' they 'demand' or 'permit' or 'admit' or 'engender' - can potentially blunt their transformative potential. In other words, the (subversive) frame and techniques of the HPA can (unwittingly) lend legitimacy to a multiplicity of existing social governance regimes, including, or not ruling, out disciplinary neoliberalism.

With reference to the point about (potentially) lending legitimacy to existing social governance regimes, a repeated refrain of the mainstream literature championing the community-driven approaches is the frequent praise-singing of their efficiency and cost-effectiveness. When government supports the solutions of the poor, they are reportedly 'more effective and far more cost-effective than conventional government programmes' with unit costs generally being 'much lower', levels of cost-recovery 'much higher', and 'many more local resources are mobilized' (d'Cruz & Satterthwaite, 2005:10). Joint planning and collaboration, it is argued, is conducive to the design and implementation of flexible service and infrastructure provision interventions in that the instruments are a great deal more suited to fluid settlement dynamics and the fragile livelihood patterns of poor (especially the most vulnerable). Partnering, co-operation and collaboration also furnishes additional dialogical spaces for negotiating better societal distributional outcomes in projects that impact on the poor but who may not be the prime beneficiaries (e.g. new roads, industrial area development, tourist facilities etc. for higher-income groups) (Ibid:70-1). In this sense, the development practice of this movement and the associated state engagement formats, builds and strengthens the capacity of the state '*as an integral part of* [its] localised, grassroots work' (Whaites, 1998:346, original emphasis). Rather than the state being demeaned and vilified as a monstrous 'monolithic 'other'' devoid of any 'positivity' (Stokke & Mohan, 2000:260), successful engagement through this developmental imaginary and practice, in effect, enhances and improves the development performance of the state.

There is certainly no reason for governments throughout the world not to actively court, support and promote a development process that reduces the unit cost of services and infrastructure; benefits more people; increases the capacity of the poorest of the poor; improves the quality of the output; and perhaps most importantly, improves the prospects and capacity for cost recovery. But the question before us is the extent to which the savings of the 'entrepreneurial poor' is perceived by the state as both a resource for investment in built structures and as process vehicle for delivering services in ways that enhances the legitimacy of the state without government having to increase their financial commitment. The poor, in short, are short-changed, ending up using their sweat equity and savings to subsidise the state and enhance its legitimacy (Swilling, 2005a). The entrepreneurialism of the poor is hereby opportunistically seized upon by the 'minimalist state' struggling to fulfil the requirements of its 'minimalist social contract'.

Indeed, in the literature that celebrates and is critical of the motivating factors for government adoption of the PHP, nowhere is it noted that the declining housing budgets from 1994 to 1998 (a trend believed at the time to be showing no signs of abating) led the Department to start considering strategies to downgrade its shelter commitments. In early 1998, the Department began searching for alternative ways of promoting housing delivery no longer dependent on the subsidy. This was confirmed in an interview with the Director-General, Mpumi Nxumalo-Nhlapo, who said: ‘the subsidy scheme will not continue indefinitely ... [T]here are more creative ways to finance housing than dishing out R15 000 to each family’ (*Housing in Southern Africa*, 1998:10).

Explicit in the postulation above about the short-changing of the poor (and here recalling the critique of the mainstream literature plus the radical ambiguity of engagement with a state that is both friend and foe of the poor in a single and multiple moments) is an inequitable cost-benefit weighting and balance. Developmental tipping of the balance through improved capture of benefits by the poor is dependent on building the latter’s ‘institutional and human capacity’ (Swilling, 2005a). The analysis above proposes that the HPA’s over-estimation of the ability and readiness of the poor to engage the state on their terms and the under-investment in the institutionalisation of core mobilisation strategies potentially precluded developmental tipping. Below it is argued that the selective appropriation of the PHP and state capture (or, better put, official bastardisation) of the instruments powering the social economy of the poor enabled the state to shift responsibilities for adequate shelter provision onto poor communities themselves.

Returning to the theme of the ambiguity of subversion, the subversive modification of ‘savings’ to one with ‘profound ideological, even salvational status’ (Appadurai, 2000 cited in Anonymous (c) nd:1) and ‘tool’ for collective social cohesion has to repeatedly negotiate and reconcile the many tensions embedded in the multiple (evolving) objectives of the ‘tool’ itself and the difficulties encountered in inducing a local ‘politics’ demanded by this necessary unstable reconciliation. Distinct from microcredit movements, the contemporary dressing up of ‘microfinance’<sup>192</sup> in the old and new discourses of entrepreneurship, empowerment and poverty relief have been, in multiple mutations, deployed in this hyper-marketised environment as a tool for improving (supply-side) ‘citizenship’; off-set income security; advance the neoliberal project of intertwined local, national and global financial sector liberalisation; counter social unrest and/or defuse any potentially socially organised destabilising threat to the neoliberal political project; and ameliorate the consequences of rampant commodification and marketisation (de-commodification) (see Weber, 2004 for a full discussion of the inter-related nature of microfinance, financial sector liberalisation, social governance regimes and ‘disciplinary neoliberalism’).

In its conventional guise of ‘technique for improving financial citizenship for the urban and rural poor throughout the world’ (Appadurai, 2000 cited in Anonymous (c) nd:1), could not the SDI’s not insignificant subversion of savings lay the foundations of a potentially exclusionary citizenship, thereby creating divisions within the poor (problems arguably

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<sup>192</sup> Referring to the provision of a range of financial services, credit and saving opportunities, microfinance is broader than microcredit (i.e. supply of small loans to individuals normally directed through groups). Microfinance is akin – albeit not precisely – to the SDI notion of ‘savings’, particularly the opportunities and services components.

encountered with its mainstream deployment)? Indeed, it is conceded by authorities and practitioners connected to this movement that there is the ‘possibility of unintentional selection in the recruitment of Federation membership’ (Huchzermeyer, 2001:315), especially related to savings. This is an area that the Federation itself concedes has not been investigated (Ibid). Moreover, two of the main praise-singers of the SDI approach (one of them a respected and engaged practitioner and the other an academic) admit there exists a ‘danger’ of SDI community-driven processes introducing divisive new “‘*clique[s]*” within the urban poor’ (d’Cruz & Satterwaithe, 2005:67, original emphasis). Encountered elsewhere are references to saving collectivities achieving the ‘same kind of meta-identity and cohesion as a secular organisation within the domains of religion, caste, tribe and ethnicity’ (Anonymous (d) nd:4), offering this clan or caste the funds required to ‘manage problems in an [sic] neoliberal context’ (Bolnick, 2004 cited in Anonymous (c) nd:17), ‘alleviate the immediate problems of poverty...pay for shelter, medical care, school fees, whatever is desperately required’ (Bolnick, 2004 cited in Anonymous (c), nd:18).

The intention here is not to be dismissive of the socio-political empowerment of the poor through savings and its systemic transformative potential. It serves merely to underscore that contemporary strategies associated with sustainable modern day progressive and counter-hegemonic politics are infernos powered by subversion and *complicity*. The institutionalisation of ‘grassroots power relations structured around seemingly reformist apolitical methods’ (Swilling, 3 February 2006, personal correspondence)<sup>193</sup> requires paying attention (both by social movement leaders and the research community) to their ambiguity if ‘getting the politics right’ is a priority. Sustaining the right politics through the rapid and effective deployment of the techniques and technologies renders recognition of and engagement with the ambiguity as un-reflexive deployment can compromise and/or destroy the capacity for collective action and redress. This is precisely what happened with the HPA. The power base of the poor was not sufficiently and ‘appropriately’ institutionally and financially consolidated resulting in ritual manipulation and abuse (members saving just enough to cover the deposit for accessing uTshani funding, abandonment of savings schemes and non-repayment of loans), ritual re/(dis)placement (from ‘goose’ to ‘egg’), and the state relegating and reducing beneficiaries to nothing more than the providers of savings and sweat equity.

If it is conceded that the inferno is both destructive and creative, the ‘frame of politics’ demanded by the SDI strategy is sometimes dismissive of existing realities and modalities of livelihood politics (despite HPA’s claim of its politics being moulded and following the ‘contours of poverty’). In one interpretation of this development practice, ‘captur[ing] the institutional territory of the state’ (Anonymous (d) nd:2) is considered central to the ability of affiliate federations to impact positively on legislation and influence the institutional arrangements of governance. Crucial here is to ‘seize the functional role of the state in its formal practices, in short; to become the state in the places where the state cannot reach and operate’ (Ibid:6). In the SDI imaginary, ‘formal practices’ are subversively appropriated, the ‘frame of politics’ is structurally organised around localised economic republics or federations with the savings collectives comprising ‘fundamental cells’ (Ibid:2) affiliated to an international socio-economic republic (SDI).

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<sup>193</sup> E-mail communication of 3 February 2006.

Retaining SDI linkage demands that national aggregated cells adhere to the social process of saving. But in parts of Southern Africa, the process falls apart, with savings degenerating into a 'site of plunder' and loan defaulting, 'possibly reflecting' the 'specific historical-material legacy of the region, which has reified a culture of entitlement and authority, both of which are fundamentally antithetical to the ethos of the SDI' (Anonymous (c) nd:7). With these negative tendencies overwhelming the 'positive aspects of the savings process', the SDI 'confronts the 'deviant strain', 'de-link[ing]' from the 'defaulting Federation groupings thereby 'forc[ing] a 'crisis of allegiance and practice', the 'dialectics' of which supposedly advances processes 'toward the desired point' that bring them 'back into line'. SDI re-linkage is thus conditional on regrouping around the 'social process of saving' (Anonymous (d) nd:7).

The introduction of 'positive' SDI politics must combat and transform the 'deviant' culture with expulsion from the SDI *state* ensuring compliance to its social governance regime. Postponing for a moment considerations about the imposition and regimentalisation of a politics that permits no other engagement and mobilisation formats, the portrayal of parts of Southern Africa's material legacy and accompanying culture may be one of the many reasons why 'Africa works' (borrowing the title of the famous book by Chabal & Daloz, 1999; also see Swilling et al., 1998). The daily livelihood struggles of the poor and the modalities of this 'deviant' politics are orderly and disorderly, organised and disorganised, spontaneous and planned, structured and unstructured. They range (and this is not the entire gamut of the struggle formats) from quiet and hidden encroachments to open protest to purposive trespasses and transgressions to pragmatic engagement in the established social demarcations of inclusion and exclusion, formal and informal, public and private, legal and illegal, social acceptance and rejection. (see for example Bayat, 1997; Scott, 1997). These multiple modalities are both reflective of and responsive to the 'severe lack of bargaining space within African cities' (Simone, 2004:5), evidenced in the poor employing survival and coping mechanisms (risk management) that draws precisely on the so-called 'negative' or 'deviant' cultures or tendencies of entitlement and authority, i.e. trading long-term human capability-building and empowerment strategies for short-term immediate security (Wood, 2003). Loyalty to existing inequitably structured organisations (formal and informal, legal and illegal) and entitlements (guaranteed through patronage, clientelism, corruption.) deliver goods to just survive rather than to long-term savings, which substantial categories of the poor may be unable to sustain. The 'correlative' duties that patronage, clientelism and corruption impose on the poor, translates into them remaining poor. Termed the 'Faustian bargain' – wherein to stay secure means also to stay poor (Ibid) – is the stuff of real life politics: survival, *holding on, getting by*.

Before us then stands an organisation that arguably can be praised for wanting to break the self-reinforcing cycle of poverty and disempowerment of 'Faustian bargain' type politics; to empower people to *get ahead*. In the same breath, simplistic dismissal of the legacy and culture of the 'dark' continent's poor and/or the pejorative labelling of the *other* poor's survival politics as 'deviant'; expulsion from the great SDI republic and its superior legacy and culture; and being yanked 'back into line' towards more advanced and cultured politics; leaves one with the impression that SDI 'positive politics' is the only or optimal type of productive politics to combat poverty and powerlessness, i.e. the 'one and only alternative', 'the only true, real and superior game in town'.

Manifestations of SDI politics as being the ‘only game’ is evidenced, for example, in Joel Bolnick’s dismissal of intellectuals supporting social movements combating evictions in eThekweni, as nothing more than ‘middle class activists’ who with their ‘self righteous indignation’ engage in the ‘usual activities of protest that middle class activists regard so highly: write articles in the newspapers and the usual left wing rags, send e-mails of protest, and boycott dialogue with the Metro’ (personal correspondence, 26/01/2006).<sup>194</sup> Or when he spoke of the problems associated with building coalitions with organisations outside the SDI frame:

We are not asking [the] Poor People’s Movement, SANCO or even LPM [Landless People’s Movement] groups to join the Federation. We are saying: “You retain your autonomy, but you come together under this umbrella [Coalition of the Urban Poor]. And you share experiences under this umbrella. What the Fed offers you is savings, exchange programmes, international links, enumeration, and instruments to engage the state. What do you offer?” Quite frankly, no one else is offering anything (Interview, 07.04.04).

The ‘only game’ outlook and the tactics to induce and nurture SDI ‘positive politics’ (regardless of local contingencies and specificities that undergird the risk management strategies of the poor) transmits dangerous signals to those fearful of frame imposition and punitive regimentalisation of politics. In fact, the central ideological foundation, basic premise, and reason for neoliberalism’s acceptance (by even the victims and casualties) was the idea that ‘no other alternative’ existed to the present status quo. Replicating this, the HPA also say that their Poor People’s Third Way is the *only* alternative.

The extent to which there could possibly be an imposition and regimentalisation of politics (not in and of itself necessarily negative) begs the question of its ‘exclusionism’ and performativity, i.e. its track-record or appropriateness and effectiveness in modern times relative to other formats of resistance politics (mentioned above) and its social basis. Those promoting the SDI’s ‘politics of patience’ as delivering to the poor more enduring, sustainable and empowering results counterpose it to the weakness of radical (erstwhile ‘left’) revolutionary paradigms<sup>195</sup> evinced in easy containment of protest, rebellion and struggle; the limits and limitations of narrow fixation on the ‘seizure of state power’ as ultimate goal; and the problematic performance record of this course of social change.

By contrast, lasting transformation in the locally rooted and globalised ‘patient politics’ frame of accommodation, compromise, negotiation and long term pressure is less-than-heroic; it is about modest adjustments catalysing and snow-balling into immodest (systemic) change. The interconnected dual ‘change processes’ of life and world (recalling Rimbaud and Marx above) is slow and painstaking; and time and resource intensive. It demands of the poor to be ‘patient’; to refrain from action that is confrontational; and to stay the path of small incursions that ‘ultimately’ and ‘in the end’ will deliver. The spiritual, moral and political

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<sup>194</sup> E-mail from Bolnick to author on 26 January 2006.

<sup>195</sup> Premised on the ‘vertical siloisation of power relations’ – state versus masses; capital versus masses; state versus capital (Swilling, personal correspondence, February 2006).

diet dispensed to stay this course in the face of failed partnerships and development deals,<sup>196</sup> is (dis)ingenious with repeated invocations of this ‘community of the organised poor’ constituting an ‘exclusive group’, distinguished from the rabble of the disorganised, disorderly and (militantly unproductive) lumpen poor. Sandra van Rensburg’s words ring loud here:

Sometimes I sit in a meeting and I look at these people, and I think: “They are twice my age and they still have no house and they still come to save”. And I am thinking: “Are you people really relying on me to pull this one off?” When your metro is not interested in meeting, neither with me nor you; and sometimes you find that militant group that wants to march, and I am saying, “Listen guys: I am not going to stop you. If you want to go and march, go and march”. I can’t. Because that is not the Federation’s style to have public demonstrations. Because they are always told that they are an exclusive group, they don’t do such things; they don’t invade land, they don’t toyi-toyi, they don’t evict people. You know they [HPA] got invasion on their land. On their own land! And they don’t want to [evict] the people, because it is not their value. They don’t invade land, they don’t evict, they don’t toyi-toyi. They [rank and file members] are slowly becoming very militant... They are talking to others’ (Interview, 29.04.04).

Drip-fed into this cocktail, one ventures to ask if the ‘politics of patience’ amidst development debris, betrayal and disillusionment works as a ‘status quo-maintenance’ shock absorber, confining opposition to that which is socially ‘acceptable’ within the broader development horizon of existing social governance regimes and their unilateral restructuring by the state. In short, there is perhaps an idealisation of self-help/ABCD by the HPA that allows the state (utilising the very same HPA ideology of self-help and the poor doing it for themselves and then robbing them of the subsidy) to shift responsibilities for adequate shelter provision onto poor communities themselves.

The HPA’s non-confrontational ‘politics of patience’, with its emphasis on exceptionalism and exclusivity, blunts potential resistance by, arguably, discouraging (united) opposition with the lumpen unsophisticated toyi-toying, land-invading masses.<sup>197</sup> Moreover, the technologies of self-governance or remaking of self (associated with ‘patient politics’), potentially serves as the legitimating psycho-social handmaiden. The technologies assist, facilitate, support and enable the state to achieve its (elusive) shelter objectives (at no extra cost) and manipulate the poor’s alternating and fused narratives and repertoires of (neo)liberal freedom and radical democracy in the government’s unilateral downsizing of its shelter programme and its abiding efforts to minimise further the contents and output of the minimum social contract.

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<sup>196</sup> Arising from (amongst other things) frequent, rapid and unpredictable changes in the organisation and management of the state (its resources, structures, programmes and administrative protocols) and the unravelling of formal/informal alliances struck by the HPA with influential (and often opportunistic) state functionaries.

<sup>197</sup> People’s Dialogue is not supportive of land invasions. Instead, a formal 24-point plan was drawn up for organised groups to follow in their quest to secure land (see Isandla Institute, 2001).

This is indeed not such a far-fetched idea, especially given the enthusiastic (re-) embrace of the People's Housing Process in the recent re-jigging of the national shelter programme (Khan, 2004). In the new revamped policy, the PHP is the only housing route that does not require a cash contribution which is (un)wittingly pushing most beneficiaries (and therefore provincial and municipal housing authorities) to opt for the PHP route. In the state's imagination, the PHP is about sweat equity and savings applied to a state-driven housing delivery drive, whose subsidy programme is geared increasingly towards upward redistribution, i.e. for the poor there are to be serviced sites and PHP, while the rest who can pay the R2 479 contribution (the condition to access the housing subsidy) will access better quality housing in possibly less peripheral and more central locations.

On the other hand, the renewed PHP emphasis is partly to arrest the selling and abandonment of RDP homes by beneficiaries insofar that sweat equity and savings supposedly generates a sense of ownership and 'responsible' asset management. With no extra financial commitment by the state, enhanced developmental outcomes are made possible by tapping into the resources of the 'entrepreneurial poor'; their novel 'aesthetic' or 'aestheticisation' of poverty; their heroic narrative of freedom (engraved in their templates and repertoires), and reassurances of their own leadership that they constitute an 'exclusive group' different and apart from unorganised masses and undisciplined lumpen. Arguably, the much-needed systemic reforms in the planning, financial, institutional, construction and land sectors to rectify the deformities and enhance the developmental outcomes of the post-apartheid shelter project are hereby deflected and/or postponed indefinitely.

And it is here that we arrive full circle in the debates about auto-/counter-governmentality (dis)articulations. How is it that the HPA's victory in making their ideology and praxis hegemonic came to be subversively appropriated, bastardised and domesticated to serve state priorities and needs? If developmental tipping was precluded by over-estimating the readiness and capabilities of the poor (and the resulting underinvestment in core mobilisation strategies) the ideologues of this strain of civil society developmentalism failed to 'get the politics right' through not rigorously engaging with the mechanics and modalities of government, governance and governmentality. The very essence of liberal government, governance and governmentality is about drawing on the processes, modes of regulation, values and expectations that are located in civil society. In other words, liberal government models its interventions on the forms of regulation, expectations and values that already operate in civil society.

This state manoeuvre involves a three-layered folding process: the unfolding of the formally political sphere into civil society (linkages, partnerships and networking – the *uTshani Agreement* of 1995 to 1996/7 and *informal appropriation* through pilot projects); an enfolding of the regulations of civil society into the political domain (entrepreneurialism, consumerism – the [selective] *formal appropriation* [1998]/ *creeping bastardisation*, maybe); and a refolding of the real or ideal values and conduct of civil society onto the political (supply-side citizenship, deregulation, workfarism – the *complete bastardisation*, *domestication* and contemporary *re-embrace*, perhaps) (Dean, 2002:45).

It is in this sly and subtle colonisation of civil society that state ambitions were achieved. Without concerted investment in fortifying and protecting the autonomous institutional spaces of the poor, and building their capacity and capabilities to capture benefits, the state will continue to achieve and secure its quiet but effective hegemony.

## Synthesis

Pathways to developmental shelter outcomes, as earlier stated, inhabit a realm situated at intersection of the ‘inventiveness’ of civil society and ‘intervention’ of the state (see Robinson, 2006 for a more detailed discussion). In common with other intersections, the PHP has invigorated and transformed the traditional RDP housing intervention, offering opportunities to revitalise praxis and reinvent governance in ways that could potentially bridge the gap between policy intent and outcomes. In contradistinction to various other incarnations of state-civil society partnerships (Cranko & Khan, 1999; Khan & Cranko, 2002), the HPA approach provides a point of intersection that is constructed and patrolled by the organised poor and their organisations. This construction and patrol is rendered possible through the institutionalisation of autonomous grassroots power; a necessary precondition for the assembly and configuration of a ‘networked governance regime’ (adapted from Benington, 2001).

To the extent that the HPA approach is portrayed by their protagonists as an exercise in counter-governmentality, this Chapter recorded some important similarities and continuities with dominant (neoliberal) rationalities of rule and disciplinary politics, including the regimentalisation of politics, the blunting of potential opposition to processes of socio-economic exclusion through the delegitimisation of other formats of resistance, and exclusion of the *other* poor. Disciplinary politics, it is argued, comes to assist, facilitate and enable the state’s enduring attempts to downsize the post-apartheid government’s shelter commitment and programme. Thus, the politics may come to bolster the legitimacy of government to deliver on their downgraded and ‘downgrading’ shelter obligations without increasing their financial commitments.

The poor then come via the mobilisation of their sweat and savings to deliver their own shelter and, if lucky enough to score a subsidy, compensate for its declining real value by removing profit and most labour costs from the housing construction process and offsetting the corrosive effects of inflation. Witnessed here, then, is the shifting of state responsibilities for adequate shelter provision onto poor communities themselves through the uncompensated and subversive appropriation of the resources of the poor in the official orchestration and execution of (further) social contract minimisation (with due respect here to friends from the neoliberal school of ‘Development as Freedom’ – also see Sandbrook, 2000).

In the same breath, and when set against the backdrop of the limited reach and capability of the state and/or state failure, the HPA, by assuming ‘some of the functions of government’, imposes a ‘frame of politics’ which is not too different from the *existing* frame and/or services the *existing* frame in an admirable manner, i.e. self-responsibilisation, aestheticisation of poverty, and the heroic narrative of the ‘freedom’ of the entrepreneurial poor. Ironically, the counter-governmental frame both delivers on and supersedes the proposed and envisaged outcomes of the *existing* frame. Self-provisioning, self-help and self-uptiftment – the structuring pillars of supply-side citizenship – needs little official manipulation in the delivery of the aims, goals and objectives of the White Paper, and even goes beyond it. The state facilitated, market-driven approach comes nowhere near the delivery of a product that the *existing* (White Paper) frame aims at. The HPA delivers to the White Paper frame the key ingredient missing from the subsidy regime pivotal to achieving its envisaged shelter outcome, i.e. the savings and loan contribution to the subsidy. Self-provisioning by the poor comes to the financial rescue of a government programme with none of the overly generous guarantees and concessions afforded the private sector through

the ROU and/or the inordinate institutional capacity building and heavy subsidisation of the not-so-poor social housing beneficiaries. Secondly, self provisioning and self responsabilisation comes to address a host of problems associated (directly and indirectly) with the state-private sector production route, i.e. abandonment and sale of RDP houses, shoddy construction and downward raiding. Again, White Paper objectives in these areas are admirably served through HPA technologies wherein the poor's own investment and labour contribution promotes and nurtures, in the words of the ex-Housing Minister, a much needed 'culture of responsibility' and 'respect' (cited in *Mail & Guardian*, 25 June–1 July 1999) amongst the poor and impoverished with respect to state entitlements. So much for the ideologue's claims that the solutions dispel myths about the poor as parasitic, unproductive and shouldering no responsibility for uplifting themselves. Finally, the 'politics of patience' admirably serves the government's objective of releasing serviced land for orderly housing delivery precluded by the 'deviant', 'impatient' politics of land invasions.<sup>198</sup>

Democratic developmentalism's ongoing struggle to optimise the terms of trade between recognition and redistribution has to constantly negotiate the fine line between resisting the colonising ambitions of the state (reactionary ensnarement by the monstrous monolithic other) whilst simultaneously building the capacity and strength of the state as an 'integral part of [its] localised, grassroots work'. If the 'narratives' of radical democracy and neoliberal freedom inherent in the SDI politics frame is not recognised, the negotiation of the fine line between reactionary ensnarement of civil society and developmental capture of the state will become increasingly difficult given the 'governmentalisation [<sup>199</sup>] of the state' which has rendered possible, in the words of Benington (2001:206), the 'continual definition and redefinition of what is within the competence of the State', and what is public and private. This, he adds, is 'why and how the techniques of government have become the only political issue, the central arena for political struggle and contestation' (Ibid).

Accordingly, this Chapter addressed itself to the strengths of democratic developmentalism and highlighted its limitations and 'ambiguations' flowing from its conflicting discourses in the contemporary (neo)liberal era. These limitations and 'ambiguations', it is posited, were recognised and 'manipulated' by the state (following Dean, 2004) to facilitate downsizing of its policy, moderate community expectations, postpone systemic reform, and, partially rectify the deformities of the dominant status-quo maintenance delivery route. From a civil society perspective, it is argued that poor institutionalisation of autonomous grassroots power prevented transformative/sustained mining of co-operative partnering with a state that for a period of time appeared to be responsive (uTshani Fund).

In their attempts to developmentally transform polity and economy, both state developmentalists and democratic developmentalists share a common failing. State and civil society as separate, conjoined and networked entities do not seem to be able to 'get the politics right', which as demonstrated earlier is a necessary precondition for pro-poor developmental outcomes.

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<sup>198</sup> Legal access to land, not even to speak of well-located land, is identified as one of the main barriers to the progression of the Federation's house-building programme. Up until 1999, the Western Cape Federation was not able to access any state-owned land for housing (Isandla Institute, 2001)

<sup>199</sup> The 'governmental state' that emerged from the eighteenth century onwards is different from previous state forms privileging control over population/citizens and less so territory (Benington, 2001:206).

The failure of the SA state to re-order the existing distribution of socio-political and economic power (via re-orientating the vertical - political economy - axis of governance) has deepened (asset and income) poverty and inequality. Without this axis re-orientation, institutional transformation will not arrest growing immiseration. On the other hand, the inadequate institutionalisation of autonomous grassroots power that endows the poor with the capabilities to link in virtuous cycles 'structural' social capital (institutions) with social capital (norms and values) (see Malik, 2002:33), coupled to the absence of an enabling (post-apartheid) pro-poor legislative and regulatory environment, robs the poor of the capacity to meaningfully re-organise the horizontal axis of governance (networks and partnerships between public, private, voluntary and community organisations). Without this capacity and empowering environment, coupled to problematic internal relational dynamics, the top-down injection of funds rapidly eroded their unity and stripped them of the ability and power to exercise collective agency to durably reconfigure the horizontal axis of governance.

The lack of alternatives to present development praxis around which to developmentally reconfigure axes of governance is the essential premise around which neoliberal policies are accepted, even by those clearly impoverished or disadvantaged by them. This premise 'constitutes a central ideological foundation of neoliberalism' (Ziai, 2004:1049). But 'we find it unimaginable', remark Comaroff and Comaroff (2000:335), 'that innovative forms of emancipatory practice will not emerge to address the excesses of neoliberal capitalism'. And so it is that the residents of the slums and shantytowns of the world stand proudly amongst the 'newly assertive social movements' who are beginning to 'pursue common cause on a global scale' to forge alternatives (Ibid). The 'alternatives' are not without their problems but they signal a politics of transformation of robust, creative and dynamic associational reconnection of state and society, polity and economy, and the local and the global.

In our age, the productive reconnection of politics and economics or 'getting the politics right' to 'get the prices wrong' is to recognise and acknowledge the reality that state developmentalism and civil society developmentalism are interconnected and interdependent, i.e. they rise and fall together. In this light, the failings of HPA democratic developmentalism may be a tale about the state renegeing on its financial obligations and its reluctance to alter the balance of power at policy and institutional levels through subsidy customisation, revamping norms and standards, revising its overly technocratic and bureaucratic regulatory regime, facilitating land interventions supportive of community-managed and driven shelter programmes, and addressing the democratic deficit in planning frameworks.

If there is emerging a consensus on the imperatives of simultaneous re-orientation along vertical and horizontal axes, and their complementary reconfiguration, there are also divergences in strategies for associational reconnection of local-global and polity-economy but similarities in the state-society realm. Of central import though, is not that divergent strategies appear to produce similar outcomes (i.e. improved economic growth, job creation, poverty amelioration and reductions in inequality) and/or that *the* key protagonist is courted but many a time abused, but the solid consensus pertaining to the art of reconnection.

Amazing here is the convergence of views of Lula da Silva and Chavez, presidents respectively of Brazil and Venezuela. Both were schooled in the grand metanarratives of democratic centralism, vanguardism, revolution, and seizure of the state power, but when in political office both appear to endorse a pragmatic, less-than-heroic politics of small steps, small adjustments and small incursions:

I believe it's better to die in battle, rather than hold aloft a very revolutionary and very pure banner, and do nothing ... That position often strikes me as very convenient, a good excuse ... Try and make your revolution, go into combat, advance a little, even if it's only a millimetre, in the right direction, instead of dreaming about utopias (President Chavez, 2004 cited in Swilling et al., 2005b:1).

What is new here about what we are doing?...The novelty is that we do not want to - and we will not - introduce a Lula Plan. Brazil cannot have another president who invents a new plan, achieves a certain amount of success for the first year and then leaves us paying the bill for 10 years after...What we want is to do things in a sustainable fashion. Each day, even if we advance a centimeter, we are going forward - without any miracles...simply doing what needs to be done (President Lula da Silva, 2004 cited in *New York Times*, 27 June 2004).<sup>200</sup>

Both the 'vilified apostle of class warfare' (President Chavez)<sup>201</sup> and the President of 'tremendous heart' (the praise Lula received from US President Bush)<sup>202</sup> are saying to us that the difference between yesteryear's developmentalism and today's developmentalism is that they are both top-down and bottom-up. Both the vilified and celebrated are saying to us that the driver, guardian and guarantor of systemic transformation is an empowered civil society. Both the vilified and celebrated are saying to us that the future does not arrive all at once.

But the 'poor' – as was argued many times before - have little voice, influence and/or power in development praxis. Under 'Mbeki's presidentialism and the ANC predominance', civil society is 'much smaller and less active than through the 1980s'; 'far more people probably discussed politics then...than now'; the overwhelming majority do not participate in civics; and there is 'much evidence' that 'civil society is no longer an independent critical voice relative to government, but merely is its appendage, perhaps a partner with government in delivery' (Good, 2003:166–7).

The *Ten Year Review* (Presidency, 2003a) recognises that the 'poor lack formal organised power at the local level outside of the formal political processes' (Ibid:14) and, that the many existing formal civil society organisations 'lack mass involvement of especially the poor and marginalised' (Ibid:16). But little is said about how this situation is to be addressed other than restating the 'need to involve communities more in decision-making, especially in poor communities' (Ibid:14) and the deployment of community development workers whose tasks include contributing to 'improved service delivery by taking services directly to the poor' and 'also' to 'assist the poor to develop the capacity to organise themselves and participate in decision-making' (Ibid).

Participation and engagement is further narrowed by the view in government that progressive policies are in place and that the critical challenge is one of implementation. This is despite the finding that 'development policy repeatedly reflects misreading of preferences and social

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<sup>200</sup> Available at <http://www.msu.edu/course/aec/810/Lula-Brazil.htm> (accessed 11 April 2006).

<sup>201</sup> Barry Bearak, staff writer for the *New York Times*, calls Chavez this – Available at <http://www.msu.edu/course/aec/810/Lula-Brazil.htm> (accessed 11 April 2006)

<sup>202</sup> Ibid.

realities among the grassroots poor' (Friedman, 2005:20). Sometimes spontaneous and/or organised by social movements, the protests and organisations are vilified and criminalised by government (including infiltration by state intelligence agencies and apartheid-style 'law and order crackdowns' (arrests, assaults, imprisonment) (McKinley, 2006)) and it has been said that accommodating and responding to people's demands articulated in this way would be a 'perverse incentive' (Joel Netshitenzhe, November, 2005).<sup>203</sup> Little does the state realise that social movements 'representing and organising the disadvantaged and marginalised are more likely to be prone to out-of-system outbursts of mass anger' than those who are more 'privileged' that have the 'luxury of engaging in in-system collaborative interactions' (Ballard et al., 2006:409).<sup>204</sup>

If Second Decade developmentalism is still to properly locate civil society in and its contribution to the construction, architecture and workings of the 'strong and redistributive state' (*Mail & Guardian*, 12 December 2003),<sup>205</sup> the discussion above suggests that government should perhaps begin questioning its 'what it knows works' mantra as it clearly is not working for that constituency with whom close social ties are needed if development is to be possible at all and powerful recalcitrant forces disciplined. Effective engagement and contribution, a seasoned observer straddling the disciplines of policy and institutional reform and (the tactics of) governance notes, would

...entail much more than just extending the provision of sufficient indispensable services and amenities to all. It requires transforming society by deliberate interference with public and private operations (Burger, 2006:np).

Accordingly, in the *Ten Year Review*, the state's role is projected as harnessing the 'totality of social networks' to the 'developmental effort' via 'central co-ordination and leadership' to 'ensure' that 'externalities of many separate activities become complementary to the development project' (Presidency, 2003a:9). Government intends making use and participating 'within the social network but not as an equal partner' (Ibid). Touting the need for a 'framework of encompassing interest', the 'framework' is to 'provide a vision and coherence to the activities of civil society' (Ibid:104). If the activities of the informal networks of civil society (which 'play a significant role in promoting enterprise and ensuring survival of rich and poor communities') are not 'harnessed to the development project of the nation, they could increasingly become sites of contestation between government and civil society' (Ibid:105). Thus the compact containing this 'framework' is intended to assist government to integrate its diverse activities, harnessing the 'efforts of support of civil society to realise the national development objectives' (Ibid:106), 'reinforcing' the present 'high levels of pride, 'ensuring a sense of belonging and hope', 'improving investor confidence', 'encouraging *vuk'uzenzele* (reflected in part in the spirit of self-help, self-respect and initiative', and, promoting 'social values that accord with the spirit of caring and

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<sup>203</sup> Joel Netshitenzhe's comment on the violence related to citizen protests around dismantling of cross-border municipalities (cited in *InfoUpdate*, 36, 2 December 2005).

<sup>204</sup> Interesting here to ask whether the 'politics of patience' are a form of civil society engineered 'in-system' containment politics?

<sup>205</sup> Available at [http://www.mg.co.za/articledirect.aspx?articleid=41937&area=/insight/insight\\_national](http://www.mg.co.za/articledirect.aspx?articleid=41937&area=/insight/insight_national) (accessed 24 April 2006).

responsibility' (Ibid:105–6). In sum, the role of the state seems to be one of providing services and helping create an 'appropriate environment' for development, and as 'leader' to forge 'common cause among the variety of actors' (Ibid:9). Giving leadership to social interactions, it is asserted, stems from the capacity of the state to 'pre-commit', i.e. 'ability to articulate long-term but conditional public development objectives that enables a nation to achieve economies of scale from the co-ordinated effort of many individual actors' (Ibid).

The question is whether this will deliver a pro-poor growth path? Although the ANC points to the limitations of a purely market-friendly policy in meeting the needs of the poor; there is an incredible 'enthusiasm in government for engineering exercises which do not antagonise business' (Friedman, 2005a:16) (a point returned to in the Conclusion). Given this 'frame', the state devalues the labour movement, antagonises the many segments of organised and disorganised civil society, and has failed (failed to try) to develop close ties with the poor. Thus, while government asserts that it is a 'developmental state', it cherry-picks the constituencies to be served in a development equation wherein some are more equal than others.

It is this model of embeddedness – the 'business model' (Ibid:18) alongside government's self-portrayal as *the* agent representing, vocalising and protecting the interest of all constituencies that prevents social compact formation and axes re-ordering and recalibration (a point picked up in the next Chapter). Moreover (and connected to this model), any challenge to its all-encompassing representivity, voice, and 'correctness' of its development path/programme/projects is hastily rejected and harshly attacked (often through naked and brutal suppression) thereby driving further divisions and distances between state and society. Both civil society and state are left worse off in these acrimonious exchanges.

The Latin American examples demonstrate that nurturing, promoting and encouraging pro-poor civil society organisation and mobilisation and democratising decision-making is critical to the success of horizontal axis re-orientation without which any top-down developmentalism is bound to fail. This is because participatory decision-making and participatory political institutions, in particular, are 'meta-institutions' that elicit and aggregate local knowledge and thereby help institutions work better (Rodrik, 1999:19). Thus in Latin American developmentalism, the state extends and deepens civil society or supersedes civil society as a 'supercivil society' (borrowing from Rodrick, 1999:20–1), characterised by a diversity and multiplicity of civil society organisations. These organisations, initiated, supported and empowered by the state, then utilise the formal democratic spaces and opportunities to push for deeper institutional reforms, to which the state responds by further strengthening the mechanisms for power-sharing, decentralisation and democratisation, and so virtuous circles of synergistic relations are catalysed with reforms permeating upwards thereby dramatically altering the relationship between polity and economy.

With the socio-economic and institutional balance of forces tipped in favour of the poor via legislative reform, regulatory rightsizing, and (the accompanying) changes in the distribution of assets and capabilities, these government can more easily instantiate redistributive, poverty-ameliorating, inequality-reducing, employment-generating growth strategies through top-down axes re-orientation. Put differently, the centre-left governments of Latin America backed by an active and vibrant civil society, are empowered to restructure organised social blocs opposing transformation by either suppressing or accommodating interests, and assembling productive coalitions to support the developmental project. Vertical axis re-

orientation facilitates more intensive horizontal axis re-organisation that, in turn, facilitates the attainment of more sophisticated complementarity reconfiguration thereby generating improved developmental outcomes and tilting further the balance of power in the direction of the poor. And so, the virtuous circle kicks in again, initiating, catalysing, and sustaining systemic transformation. Without recognition of this dynamic, South Africa's developmentalism will continue to mis-specify the identity of the initiator, driver, guardian and guarantor of Second Decade developmentalism with debilitating consequences for employment creation, asset and income distribution, democratic consolidation, and the transformation project in general.

If state developmentalism and democratic developmentalism are interconnected and interdependent to effect productive associational reconnection of politics and economics, the question before us is *Breaking New Ground* does indeed break new ground: Does it present an empowering and egalitarian alternative and elaborate 'appropriate' techniques and technologies and stratagems to re-order and re-orient the axes of governance?

This is the subject of Chapter Six wherein we explain how the policy was produced; its main components; its advances over and/or enhancements of present policy; and the problems likely to be confronted in implementation. Foregrounding this Chapter is another whose purpose is to contextualise the evolving housing strategy in the contradictory currents of Second Decade developmental state construction and policy reform. The focus here is more on the corporate and bureaucratic incoherence of the state and its multiple pathologies, to which BNG has to respond and which it must negotiate.

## Chapter Five: Prospects and Prospecting for Pro-Poor Futures in the Contortions, Distortions and Abortions of Pragmatism and Dysfunctional Developmentalism

Now we are living a real reality...For a long time, the two opposites, the ideal world and the real world, are going to form the basis of a very strong articulation on the part of writers. I am in the fortunate position that I understand how the state machinery, the so-called bureaucratic machinery, works. I can see the gulf between that machinery and the perceptions of need and the reality of ordinary people outside all that... Our challenge is to narrow that gap (Solberg – Interview: Mongane Wally Serote cited in Sole, 2001-2:39).

Present day black political leaders appear too hungry for status to be angry, too eager for acceptance to be bold, too self-invested in advancement to be defiant. And when they drop their masks and try to get mad, their bold rhetoric is more performance than personal, more play-acting than heartfelt (Cornel West cited in *Business Day*, 18 September 2006)

The old oppositions between urban and rural, public and private, residential and business, black and white merge in indistinguishable new combinations; boundaries are porous... The normalisation of this spontaneity, in the interests of good governance, is no longer possible – the scale of the intervention required and the management of its consequence lie beyond the scope of the democratic, neo-liberal state (Kozain, 1992 cited in Sole, 2001-2:48).

Like the characters in a classic French play, some of our policymakers seem to care more about whether their policies are fashionable than about whether they work. The play by Moliere, had a group of doctors insisting that it did not matter whether a patient died as long as the “right” cure was administered. Their goal was to pursue professional fads, not to heal the sick (Steven Friedman, *Business Day*, 28 September 2005)

For the moment, then, we completely lack the intellectual tools necessary to envisage in new terms the form in which we might attain what we are looking for...[T]he crisis that we are going through...has given rise to nothing interesting or new...It would seem that a sort of sterilization has taken place there: no significant invention seems to have emerged...If it is true that the present malaise puts in question whatever may be on the side of state institutional authority, it is a fact that the answers will not come from those who administer that authority: answers ought rather to come from those who are trying to counter-balance the prerogative of the state and who constitute counter-powers (Foucault, 1983:166-167).

### Introduction

*Nothing interesting or new* emerging in the sphere of social and economic policy from the first half of the twentieth century! Bereft of intellectual tools! Foucault’s condemnation of social policy in 1983, observes the renowned social anthropologist James Ferguson, ‘remains

true more than twenty years later' (2005:45). And so we are delivered – the mighty, the rich, the victors, the elite, the educated, the intellectuals - 'on the millennium stoop, pants around the ankles [with] shirt pockets bulging' (Sylvester, 1999:711) contradictions, ambiguities and deficits. Knowledge and appreciation of the incontrovertible evidence and fact of the tyranny of present 'alternatives' and that the 'master's tool will never dismantle the master's house' (Lorde, 1984)<sup>206</sup> renders incomprehensible, and daily mocks, our society's enduring confidence and persistent faith in rational comprehensive planning and government entrusted and state-directed transformation programmes and projects – the 'ultimate solution' (BNG description in GCIS, 2004:1).<sup>207</sup> How then to understand our society's development and transformation imaginaries?

If the South African transformation project pedals against the global tide of this contemporary deep-seated pessimism of will and crushing pessimism of intellect, the captain and crew of our makeshift raft are confused and conflicted about both a journey and a destination, which is portrayed as a hybridised flexible social African model of East Asian developmentalism and West European welfarism (Gumede in *Sunday Independent*, 24 July 2005) and/or a mix of (hosed-down) East Asian developmentalism and a Blairite *Third Way* (Gumede, 2002; Koelble, 2004; Harrison, 2006).<sup>208</sup> The crew – an asymmetrical power alliance of the dominant political party, the Congress of South African Trade Unions and Communist Party – bicker incessantly, and now and again, one hears sabres rattling and occasional odd threat of mutiny by the weaker partners. But the farcical alliance ('marriage') continues and 'will continue' (Dale McKinley in *Sunday Independent*, 6 August 2006) on terms and conditions that have no truck with history's lessons. In the meantime, the passengers – the frequently hapless majority – are buffeted by the peaks and troughs of policy (ir)rationality<sup>209</sup> and institutional (un)certainty,<sup>210</sup> substantive (ir)rationality<sup>211</sup> and substantive (un)certainty,<sup>212</sup> (ill)liberal and (un)substantive democracy, and passive and active citizenship.<sup>213</sup>

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<sup>206</sup> A phrase borrowed from the late Audre Lorde, American poet, teacher and activist (1934–1992) – Extracted from [http://en.thinkexist.com/quotation/the\\_master-s\\_tools\\_will\\_never\\_dismantle\\_the/162466.html](http://en.thinkexist.com/quotation/the_master-s_tools_will_never_dismantle_the/162466.html) (accessed 07 August 2006).

<sup>207</sup> <http://www.buanews.gov.za/view.php?ID=040913122451003&coll=buanews04> (accessed 29 May 2006).

<sup>208</sup> For Joel Netshitenzhe, the Third Way is market-led growth and a more distributive government (cited in Landsberg, 2004:26).

<sup>209</sup> Policy rationality is assessed by the criteria of efficiency and effectiveness (Booyesen, 2006:172).

<sup>210</sup> Institutional certainty refers to the 'rules of the game', i.e. formal systems, structures and legislative-regulatory regimes (Habib, 2004:6).

<sup>211</sup> Substantive rationality focuses on the legitimacy and responsiveness of policy and questions of social justice (Booyesen, 2006:172).

<sup>212</sup> Substantive certainty refers to the 'outcomes of the game', i.e. 'perceptions of ruling political elites in a democratic system on whether they will be returned to office' (Schedler, 2001 cited in Habib, 2004:06).

<sup>213</sup> In the former, the state defines and delivers goods and services with varying degrees of societal/community consultation, participation or input. Passive citizenship 'amounts to a permanent system of political demobilisation and dis-empowerment – a process of fundamental de-politicisation of the majority' (Neocosmos, 2006:16). Active citizenship is 'not about subjects bearing rights conferred by the state, but about people who think... becoming agents through their engagement in politics as militants/ activists' (Ibid:12).

‘Doing the *wrong* things’ for the ‘*right*’ reasons would require of our leaders to address ‘illegitimate asymmetries of power and opportunity’ via a ‘double-sided policy process’ directed at ‘alleviating the conditions of the least well-off while restricting the scope and circumstances of the most powerful’ (Held, 1987:295). What, in short, are the prospects for this outcome in the contortions, distortions and abortions of pragmatism; the rationalities and irrationalities of democratic consolidation; and the vicissitudes and vagaries of developmental state construction? Is it possible to secure a better deal for the poor in this our *Age of Hope* (pinched from Hirsch, 2005)? It is this question that the remainder of the Chapter addresses by discussing the forces, factors, faces, fabrications and fantasia shaping and sculpting the identity, ideas and ideals of Second Decade developmentalism. In the absence of a ‘single ‘insider’ account of democratic government...since 1994’, writes Calland (2006:xii–xiii.), ‘very little is really known about how politics, and government in particular, works in practice’

Without such accounts, it is hard for ordinary citizens to understand what is going on. The absence of knowledge in the end represents a shortcoming in the democracy as a whole; in darkness, rumours prosper, and often unflattering accounts of power predominate (Ibid: xiii).

It is in this spirit that a great deal of this Chapter is penned, offering ‘myself’ – to borrow from Calland (2006:ix citing Anthony Sampson) – ‘as an informal guide to a living museum, describing the rooms and the exhibits as I [find] them, giving basic hard facts and frequent quotations from [influential] others, but not hesitating to add my own comments’. I make no apologies for this tone and refrain as my resorting to them is but an indication of my frustrations about the limitations of contemporary scholarship and commentary on the state of the nation and our politics. Irony, indignation and incredulity, crude and raw, are the tools here deployed to hopefully push the boundaries of existing scholarship, exposing the irresolutions, inconsistencies and incompleteness of ideologically pre-packaged agendas as they scour reality to affirm their superior ontologies, epistemologies and axiologies over others. Naturally, victim I will become of the limitations of existing scholarship and stand accused of the very same myopias and mystifications given my use of the scholarship as basis (in the absence of more sophisticated writing and analysis) to understand and comprehend the contemporary state of the nation. With this caveat, this Chapter, serving as backdrop to the next, directs itself to macro-issues of political economy, development strategy, governance, and governmentality to expose the sloth and froth of the illusions and delusions of state craft and policy reform.

## Section One

### **Our Legacy and Our Continuing Legacy – ‘Doing the right things’ for the ‘right people’: Development Policy, Development Strategy and Deracialisation**

South Africa’s dominant political forces, comprising a ‘tightly-knit elite of black businessmen, ex-politicians and public servants, bureaucrats and ANC leaders’ (Freund, 2006a:20), are so bent on ‘doing the *right* things’ for reasons they deem ‘*right*’ that after a decade of democracy, the country does not have a clearly articulated development agenda and programme. This is in contrast to the ‘developmental states of Asia’ (Ibid), which

prioritised ‘economic growth, production, full employment and redistribution, and introduc[tion] [of] wholesale changes to its macroeconomic policies’ (Gqubule, 2006 in *Business Times*, 3 September 2006). Hamstrung by a ‘conception of transformation’ that does not proceed ‘beyond the question of racial identity’ (Freund, 2006a:20), the ‘development project’ contains various forms of ‘cronyism’ including, although not limited to, the ‘outright creation of black capitalists’ (Ibid). This outright state creation of black capitalists via, for example, major BEE deals is not an inconsequential outcome of crisis surrounding the state’s ‘capital reform project’ and its non-integration into ‘macroeconomic policies’ (Gqubule, 2006 in *Business Times*, 3 September 2006).<sup>214</sup> Private sector leadership in both regulated and unregulated economic sectors and the capturing of capital reform rents by white capital (without reciprocal obligations, as in East Asia, to further national development strategies) has slowed down the pace of economic transformation quite dramatically, spawning a ‘parasitic bourgeoisie’ and frustrating broad-based empowerment (Ibid). The characteristics of (East Asian) developmental policies and statecraft rarely feature or make guest appearances in South Africa’s reform arsenal; namely a combination of growth and redistribution strategies, coherent industrial policy, the integration of capital reform into macroeconomic policies, decisive government intervention in ‘strategic sectors of the economy to transform power relations’ (Ibid), the re-organisation of socio-political blocs, and ‘bad’ developmental governance. Instead, with the constitutional enshrinement of the New Public Management strictures of good governance, NPM-inspired post-apartheid public service reform and public management, the ‘firmly pro-business policy framework’ (Beall et al., 2005:689), the partial and incomplete institutionalisation of state-civil society linkages (Ibid:687), and insulated elite-driven policy reform processes, South Africa’s social, political, economic and institutional ecology is accurately described as ‘fragile’ and ‘stable’. More precisely, it is a ‘fragile stability’ encompassing ‘both stabilisation and destabilisation, both regime consolidation and the maintenance and reinforcement of historical social divisions’ (Ibid:697).

Against this backdrop, the identity of the transformation project, policies and statecraft are deeply schizophrenic. So while Joel Netshitenzhe bemoans the decade long management of ‘macroeconomic realities in a manner that seeks to perpetuate rather than to improve what we inherited’ (*Sunday Times*, 25 June 2006), President Mbeki, who with the introduction of GEAR in June 1996 defiantly stated ‘Call me a Thatcherite’ (*Sunday Independent*, 11 June 2006), insists on the correctness of government’s economic programme, and the need to expedite implementation of ASGISA (President Mbeki, 2006c, 2006d; *Business Day*, 28 August 2006), a ‘continuation of GEAR’ (in the words of President’s economic advisor, Haroon Borat cited in the *Mail & Guardian*, 26 May–1 June 2006). This is the very same President who while repeatedly and severely criticises market fundamentalism, the materialistic values generated,<sup>215</sup> and the poor as not presenting themselves as an ‘appropriate object of attention’ in this ‘neo-liberal/conservative political ideology’ (Mbeki, 2003 cited in Fraser-Moleketi (Minister for Public Service and Administration), 2004:10), drives a policy that, according to the *Financial Times*, is ‘labelled the Washington Consensus’ (reproduced

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<sup>214</sup> In a document prepared for COSATU’s 9<sup>th</sup> National Congress, the point made is that the black bourgeoisie is therefore tied to and dependent on white capital and the state (via procurement) for its development and reproduction (see *Sunday Times*, 3 September 2006).

<sup>215</sup> See for example his 29 July 2006 Nelson Mandela Memorial Lecture.

in *Business Day*, 22 February 2005); a strong variant of market fundamentalism so labelled by the (then) ANC's policy chief (Jeff Radebe) (see *Sunday Times*, 22 May 2005) and by the leader of COSATU in the Western Cape.<sup>216</sup> It is this GEAR strategy that President Mbeki, approvingly citing the Governor of the Reserve Bank, claims delivered the healthy economic fundamentals undergirding progress towards the achievement of post-apartheid objectives (cited in *Business Day*, 28 August 2006).

'Achievement of post-apartheid objectives'? What exactly are the 'objectives' and 'achievements', and who defines them is presently the subject of intense debates. Not too long ago, (the then Deputy-) President Mbeki posed this very same question and answered it as follows:

The right and obligation to set the national agenda rests with the democratically elected bodies of our country... It should also bring in the public at large, utilising all representative organisations, including non-political forces, from within which our people as a whole can state their own views on the matter... We are, in other words, calling for the involvement of civil society in... debates of national importance... so that it too becomes part of the process of setting the national agenda (17 March 1995) (Mbeki, 1998:108).

Whether the national agenda was and continues to be defined and set in this manner is fiercely contested. Of particular importance at this point in South Africa's history – the 'second decade of liberation' – focused on the transformation of economic and social relationships with the 'main vehicle...[being] black economic empowerment' (FW de Klerk, 2005 citing various editions of *ANC Today* during 2005)<sup>217</sup> and 'affirmative action' (Thabo Mbeki, *ANC Today*, 7–13 January 2005)<sup>218</sup> – is the (President's fury around and 'denouncement of [these vehicles] as being nothing more than the perpetuation of entrenchment of "crony capitalism"' (Ibid). This is a time when mountainous heaps of research documents the exclusion and marginalisation of civil society (through both civil and political apparatuses) in defining and shaping the transformation agenda. While government and the dominant party claim to ground and derive the existing agenda from the founding documents of South Africa (amongst others, the Freedom Charter, RDP, Constitution) and their democratic authority and mandate conferred by their overwhelming electoral support endorsing various Election Manifestos, the contents of the transformation agenda, its mechanics, outcomes, and, more fundamentally, the ruling party's moral authority is now under fire. The disturbing feature is not so much the issuing of these devastating critiques by the partners of the ruling alliance (the SACP and COSATU) and/or the moral icons of the struggle,<sup>219</sup> and the government's unjustifiably hysterical and harsh counter-responses,<sup>220, 221</sup>

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<sup>216</sup> Tony Ehrenreich – *Cape Argus*, June 2006 (date not available).

<sup>217</sup> De Klerk, FW writing in the *The FW de Klerk Foundation: Newsletter*, 30 January 2005 ([http://www.fwdklerk.org.za/download\\_docs/05\\_01\\_30\\_Setting\\_National\\_Agenda\\_A.doc](http://www.fwdklerk.org.za/download_docs/05_01_30_Setting_National_Agenda_A.doc)) (accessed 18 September 2006).

<sup>218</sup> See (<http://www.anc.org.za/ancdocs/anctoday/2005/text/at01.txt>) (accessed 18 September 2006).

<sup>219</sup> Bishop Tutu's Nelson Mandela Memorial Lecture and ex-President Mandela's critique of South Africa's response to HIV/AIDS come to mind here.

but that senior government officials recognise the weaknesses of the existing transformation path. For example, Netshitenzhe is reported to have said that although black economic empowerment should be accelerated, he cautioned against the creation of a 'bureaucratic bourgeoisie reliant solely on state patronage' (cited in *Business Day*, 28 June 2006).

David Lewis, Chairperson of the Competition Tribunal, contesting the views of those calling for limitations on economic deracialisation because of its pivotal contribution to democratic consolidation, has raised similar concerns. A critical challenge, he reportedly said, resided in the state establishing institutions that 'constrain the power of the private sector' because 'massive concentrations of private economic power overwhelm the authority of the state, the repository of public power' (Lewis, 2006 in *Business Report*, 4 May).<sup>222</sup> The extent to which this concentration undermines consolidation is not the point here. Nor is the point about the how the private sector 'specifically attempts to shore up its position in the new democratic regimes by introducing powerful supporters of the latter into the management and shareholding of powerful private corporations' (Ibid) and/or how business and political linkages<sup>223</sup> subvert transformation objectives. Rather, a concern of quintessential importance is the 'potential' of economic programmes aimed at democratic consolidation – BEE and 'privatisation sales' - 'favour[ing] the regime's new supporters' and 'setting up an unhealthy intimacy between big business and the state' of which, he said, 'there can be little doubt' (Ibid).

Civil society organisations, including the ANC's rank and file, are now increasingly interrogating and scrutinising this 'intimacy' and the various other 'disintricacies' and disentanglements between the state (top ANC leaders) and party. With regard to the latter, speaking at the ANC's General Council meeting in Limpopo, Secretary-General, Kgalema Motlanthe,<sup>224</sup> whose role, subsequent to professionalisation of this position, was reduced to administrator, accused Thabo Mbeki's Cabinet of unilateral decision-making (i.e. no consultation with the party); deviating from agreed positions adopted by Alliance without accounting (this included deviation from ANC policy decisions taken at government level); and not implementing decisions agreed to at party and Alliance level. Conceding that deviation is sometimes not disassociated with the task of governing and that the ANC 'cannot micro manage government' (although 'those in government are accountable to the ANC and

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<sup>220</sup> President Mbeki's response to Tutu's Nelson Mandela lecture where he called this internationally renowned and respected humanitarian a 'charlatan' (*Sunday Independent*, 3 September 2006); a 'liar' (*Business Day*, 18 September 2006), a 'creation of [the] white media' (*Business Day*, 18 September 2006).

<sup>221</sup> In mind is the ex-President Mandela's critique of the government's approach to HIV/AIDS and the venomous attacks that followed.

<sup>222</sup> See <http://www.busrep.co.za/index.php?fSectionId=553&fArticleId=3230221> (accessed 18 September 2006).

<sup>223</sup> With respect to poor control, regulation and oversight of the rent seeking activities of politicians, officials and even prominent members of the judiciary, Cape Judge President John Hlope is a good case in point. Without verifiable (written) permission from the Minister of Justice, Judge Hlope, in clear violation of the terms and conditions regulating service conditions, was from 2002 in receipt of monthly payments from a private company. He is also being investigated by the Judicial Service Commission for receiving financial assistance from a private law firm to pay his son's tuition fees (*Cape Times*, 14 September 2006).

<sup>224</sup> The statements of Kgalema Motlanthe below are extracted from *Sunday Independent*, 1 October 2006; *Sunday Times*, 1 October 2006; and *Cape Times*, 2 October 2006.

they take direction from the ANC’)), without consultation and accountability, service delivery could suffer and lead to a further decline in the already tense and problematic relationship between party and state (dating back to 1994). In this context, deviations and unilateralism, community- and citizen-alienating government protocols (spawning a ‘social gap’), the ‘indirect bribing’ of politicians, and BEE ‘cronyism’ together contributes to and reinforces perceptions of an unresponsive party and pro-rich state. The authority of the agenda writers and the integrity of the contents is but one side of the identity and morality of the transformation project coin. The other side of the coin is how this politician-technocratic-business nexus can be transformed. Is it amenable to transformation?

## Section Two

### **The ‘Economy’, ‘Development’, ‘Poverty’, Unemployment’, ‘Inequality’, and the ‘Achievement of Post-Apartheid Objectives’**

Over and above the difficulties and dilemmas surrounding progressive agenda-setting and imprinting is the state’s interpretation of and response to ‘post apartheid development objectives’ in the critical spheres of economic development and poverty alleviation. In other words, if poverty reduction and sustainable livelihoods in the government’s eye hinges on expanding ‘productive employment opportunities in the economy, providing people with capabilities to engage in the economy’ and ‘at the same time’ combating the ‘worst aspects of poverty and malnutrition’ through the extension of a social safety net (Manuel, 2003:2); the basic question revolves around the state’s conception of the function and contribution of its ‘economic’ intervention (both directly and indirectly)<sup>225</sup> to poverty alleviation, employment targets, and reversing systemic patterns of underdevelopment inhibiting human capability and opportunity expansion. What is meant by President Mbeki, the Governor of the Reserve Bank, and Minister Trevor Manuel when they speak of ‘macro-economic correctness’ and ‘sound economic fundamentals’?

Quite frankly, notwithstanding the improvements in the quality of people’s lives and the strides in service delivery, government has, at best, ‘tended to downplay the failure to improve the economic situation’ of the majority’ (COSATU, 2006:3). At worst, its ‘intolerance’ of criticism and ‘masking of failure’ (Ibid) – including selective and highly-stylised statistical (mis)calculations, (mis)representations and/or (manipulated/mis-) configurations and trivialisation of acute crises is suggestive of a government in the grip of ‘denialism’ (Ibid). So while Minister Manuel speaks of the budget ‘prioritising the needs of the poor’ (Minister of Finance, 2006:2),<sup>226</sup> and his Bohemian-style invocation of Sen and

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<sup>225</sup> Direct reference could be made here to the 2015 Plan and whether government has and remains true to ‘restructur[ing] the economy fundamentally’, which – to cite the Plan – ‘requires that it does more to manage capital’, and ‘define an effective strategy to lock capital into a national agenda, through incentives, regulation and discipline’ (cited in COSATU, 2006:87). Indirectly, reference could be made to Manuel’s 2004 Budget Speech in which he quoted Joseph Schumpeter’s description of a national budget as ‘a powerful index of a society’s values’.

<sup>226</sup> For example, the ‘rise in the share of social and economic services in total non-interest expenditure’ over the years, with social services in the 2006/07 budget accounting for 56.9% of allocated expenditure (Treasury, 2006:104–5).

Schumpeter,<sup>227</sup> this is the same Minister who ‘repeatedly’ questions the ‘sustainability of social grants’ (Friedman in *Business Day*, 28 September 2005; *Cape Times*, 25 August 2006). In classic Third Way parlance (see Meth, 2004a) and citing the President’s well-known critique of social grants cultivating a ‘culture of dehumanising dependency’ (*Weekend Argus*, 21 February 2004), government’s refrain is to ‘increase the number of people in society who depend for their livelihood, not on social grants, but on normal participation in the economy’ (Minister of Finance, 2004:5). From a ‘macroeconomic perspective’, Minister Manuel writes:

...one consideration is whether or not social insurance policies facilitate or impede the adjustment of individuals and communities to new forms of economic activity. The microeconomics of the problem is how and to what extent the precise social insurance policies or instruments incentivise individuals to choose between remuneration and non-remunerative activities (Minister of Finance, 2003a:3).

With research findings by the Economic Policy Research Institute (and other studies)<sup>228</sup> confirming the developmental value of grants and exposing the ‘vacuity’ of the ‘assumptions underlying the grant-dependency myth’,<sup>229</sup> this kind of vilification of social grants spawning dependency and a culture of entitlement flies in the face of the real/actual contribution of grants to poverty alleviation, employment creation and human development. On the other hand, muses Friedman (*Business Day*, 28 September 2005), the dependency-entitlement thesis of government may perhaps be related to something other than the ideological predispositions of the political elite (discussed below). Perhaps, the ‘specialists’ on poverty and slaves to development fads (officials and politicians) projections of poor grant recipients as unsophisticated are not able to see that money over which the poor have total control and discretion better enables them to satisfy their (most) basic needs, and encourages them to ‘take the innovative actions policymakers say they value’ (Ibid).

Then again, what do these specialists know about poverty eradication? The ‘intellectuals of the ruling coalition, particularly those in the Treasury and DTI who, after the adoption of GEAR, found themselves in the economic decision making pound seats,<sup>230</sup> were raised on an ‘intellectual diet’ of industrial policy and macroeconomic modelling with its ‘corollary of poverty reduction and social development through first economy job creation’. No small surprise then why, on the flip side, the Second Economy is a ‘mystery’ to them. Their ‘ignorance of the developmental issues of the second economy’ results in them proposing market ameliorative ‘welfare’ interventions that ‘has shaped and continues to shape policy and practice in crucial areas [of] housing, financial services and microfinance’.<sup>231</sup> The

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<sup>227</sup> Budget as ‘expressing the collective spirit of our people...chart[ing] a way forward in extending the frontiers of freedom, of human fulfilment, of creating a people-centred society’ (Minister of Finance, 2004:19).

<sup>228</sup> See *Sunday Times*, 24 April 2005 and *Cape Times*, 25 August 2006 for reports on this work.

<sup>229</sup> The ‘poor have a choice between employment and social security and they choose social security over employment’ (*Sunday Times*, 24 April 2005).

<sup>230</sup> The nexus of economic decision-making shifted decisively to the finance and trade and industry ministries, particularly after the announcement of GEAR in 1996 (*Independent Online*, 2 July 2000) (Available at [http://www.iol.co.za/index.php?set\\_id=1&click\\_id=13&art\\_id=qw962536156742D236](http://www.iol.co.za/index.php?set_id=1&click_id=13&art_id=qw962536156742D236) (accessed 26 September 2000)).

<sup>231</sup> For those privileged enough to live, work and play in the (First) growing ‘modern industrial economy’ (Alan Hirsch of the Presidency, 2003:4, paraphrased), government interventions are directed at ‘raising the rate of

supply-side programmes of the (Second Economy-confined) developmental state (see Hart, 2006); building bridges between the First and Second Economy; supporting initiatives that would enable the poor and marginal enterprises in the Second Economy to graduate into the ranks of the ‘structurally unchanged first economy’ (above extracted from Baumann, 2004:2,4); and the promotion and nurturing of the ‘heroic entrepreneur’ narrative (see Chapter Four); are the remedies proposed by the elite to cure the beer-guzzling, bribe-prone, work-averse, grant-dependent degenerates. In the meantime, the deepening of the existing very effective poverty ameliorating strategies and the introduction of other instruments (the proposed Basic Income Grant, for example) – championed by respected experts and government-appointed commissions of inquiry, weaned on another ‘diet’- are rejected by ‘intellectuals’ of the ruling coalition as they, according to Manuel’s logic, further affirm and entrench the ‘entitlement’ culture and dependency (see *Sunday Independent*, 24 July 2005) and will bankrupt the country (*Cape Times*, 25 February 2005).

Critics contest these assertions as ‘lack[ing] any foundation’ and is ‘prejudice, masquerading as values [that] should have no place in the decision-making process’ (Meth, 2004:14, 24) of a society wherein 40% live in abject poverty (*Cape Times*, 25 August 2006) and the proven potential of the basic income grant to ‘close about 70% of the poverty gap’ (Meth, 2004a:2). The ‘poverty gap-closing contribution’ finding will no doubt be of informational utility to Minister Manuel who asked for ‘someone... to explain how R100 a person would make a difference to the lives of the poor’ (cited in *Business Report*, 25 August 2003), and to President Mbeki who reportedly said that giving R100 a month ‘will not make a difference’ (cited in *Mail & Guardian*, 1–7 August 2003). While these findings may possibly confirm Bauman’s contentions (summarised above) about the ‘ignorance’ of ruling coalition intellectuals on matters of poverty, the arrogance and prejudice underpinning government’s rejection of BIG is based more on a ‘philosophical approach [that] is different’ (Netshitenzhe cited in *Sunday Times*, 28 July 2002) from its advocates as it ‘lacks the leverage for instilling in its recipients the ‘correct attitudes and aspirations’ (Hart, 2006:26) of the self-styled experts on poverty and growth. These ‘experts’ hold that the role of the state, in the words of the MBA graduate Minister Didiza, is not about doling out ‘hand-outs’ (cited in *Business Day*, 14 August 2004), but ‘enabl[ing] people to help themselves’ (Meth, 2004a:11 citing an ANC discussion document prepared for its 51<sup>st</sup> National Conference).

This ‘consideration goes a long way towards explaining a remark by Alec Erwin (former Minister of Trade and Industry) that ‘the problem with BIG is not the money but the idea’

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investment for job creation through infrastructure development’ (DBSA, 2005a:5) and black economic empowerment. Interventions in the Second Economy – ‘which is probably more separate today than it was under *apartheid* when there was a small measure of interaction’ (Hirsch, 2003:4, original emphasis) – is targeted at those ‘who will never be integrated [into the modern economy] and those who have the potential to contribute’, namely the ‘unemployable’ and unemployed (Ibid). Together they comprise a figure greater than the 40% to 45% of the population that is poor, and to whom the growing industrial economy has delivered little or no material benefit. For them ‘nothing much has changed’ (Hirsh, 2003:4, paraphrased). Although social transfers have provided ‘some relief’, ‘levels of poverty, inequality and unemployment have not improved’; ‘unemployment... goes beyond structural unemployment’ (‘a sinister form’); and ‘many households [‘in spite of social programmes’] escape effective incorporation’ (Ibid) into economy and society. Interventions for those households/ individuals who can and ‘cannot’ engage in economic activity, the latter being especially in ‘need [of] welfare’ (Minister of Finance [Trevor Manuel], 2003:3), ostensibly focus on expanded public works programmes, strengthening the welfare safety net, small enterprise development, land reform, agricultural development and urban renewal (Fraser-Moleketi, 2004:12).

(see Hart, 2006:26). So while the ‘intellectuals’, true to their training, philosophical approach and prejudices effect major tax cuts favouring the wealthy and corporations in the belief that this ‘would trickle down to the poor as promised’, they simultaneously claim that the ‘lack of money in the fiscus’ is the reason ‘why we cannot provide the unemployed with a minimal amount of R100 per month to blunt the edge of poverty, until we can provide them with employment opportunities’ (Tony Ehrenreich in *Cape Times*, 6 July 2005).

And here we come full circle, returning to the function of the ‘economic’ intervention and/or the relationship between ‘sound fundamentals’ and development objectives. So while the technocrats in the highest and least accountable executive branches of state trumpet the correctness of the economic policy adopted, and the strides registered in the ‘achievement of post apartheid objectives’ – not here unrelated to maintaining investor confidence – the economic policy, in the words of a member of the President’s economic advisory team, has to date ‘yield[ed] no change in national poverty levels’ (Bhorat, 2006 in *Mail & Guardian*, 26 May–1 June 2006).

Similarly, reducing unemployment appears not to be an objective because unemployment is, in the reported words of the President, not as deep a crisis as portrayed by some (cited in *Business Report*, 15 May 2005). Indeed, even by the (narrow definition) 26% unemployment rate (2006), President Mbeki, almost a year later, said:

This is such a large number of people that nobody could possibly have missed the millions that would be in the streets and village paths actively looking for work in all likely places of employment (cited in *Business Times*, 12 February 2006).

If they do not exist and/or are not visible, they number too many to have not already overturned and toppled the social order. Reportedly rejecting the 40% expanded definition unemployment figure as too high and ‘just not true’ (cited in *Business Day*, 25 February 2005), Minister Manuel said if it were true, ‘we will have a revolution’ (cited in *Cape Times*, 25 February 2005).

### **Section Three**

#### **Running Double Speed but Remaining on the Same Spot: The ‘Missing Society’**

In the midst of the mayhem, confusions, contradiction and contestations, the consensus in government around the need to ‘redirect’ this development trajectory (most succinctly expressed in government documents like the *Ten Year Review* (Presidency, 2003a) and the *Macrosocial Report* (Presidency, 2006)) underpins a large part of the recent thinking that now accords the state a more direct role in the economy to respond to the needs of the poor, unemployed and unbanked. Referenced in the main to bridging the gap between the first and second economy (without which ‘both sides [rich and poor] face a bleak future’ (Netshitenzhe cited in *Mail & Guardian Online*, 5 February 2004)), and a socially inclusive growth path, policy reform and statecraft re-engineering has come to re-focus on ‘delivery’ through improving on and enhancing existing implementation, management and monitoring frameworks.

There has been a retreat from new policy production. But President Thabo Mbeki's view that 'there should not be new policies or White Papers' (Pillay & Tomlinson, 2006:313) is difficult to square with the growth and distribution patterns of the existing policy regime and Netshitenzhe's comment prior to the July 2006 Cabinet Lekotgla – the discussion of the *Macrosocial Report* being on the agenda – that should 'new insights emerge [from the report and discussions] that warrant policy (shifts) [including the 'macro-economic programme'], government will be amenable to it' (cited in *Weekend Argus*, 24 June 2006).<sup>232</sup> He did, however, make a plea for policy rethinking not to assume an ideological trench warfare format: 'It would be better if we could leave all our 'isms' at home when rethinking policy' (Ibid). The South African Communist Party's riposte to Netshitenzhe was: 'We need to be practical, but being practical does not mean being merely pragmatic, still less anti-intellectualist. Theory does matter, and we do need to constantly re-visit our 'isms'' (Netshitenzhe and SACP cited in *Business Day*, 21 July 2006).

Netshitenzhe's statement on rethinking policy and programme are in direct contrast to the Minister of Finance's assertion on 2 June 2006 (at the World Economic Forum's Africa Summit), where he, like in 1996, reiterated that GEAR remained 'non-negotiable' (cited in *Business Report*, 5 June 2006) as the state of the economy confirmed the 'correctness of our decision to implement Gear as the macro-economic strategy' (Manuel in *Sunday Independent*, 20 August 2006). Additionally, by reiterating policy continuity between GEAR and the RDP<sup>233</sup> via his assertion of it being 'intellectually dishonest to argue that any element of Gear, either on paper or in implementation, contributed to the culture of materialism' given that GEAR 'did not deal with black economic empowerment at all' (Minister Manuel in *Sunday Times*, 13 August 2006),<sup>234</sup> the Minister craftily reconstructed the moral link between growth and development. This enabled a discounting of any need for changes to macroeconomic policy that alternative policy performance indicators may imply, namely social cohesion, social inclusion and social transformation.

If GEAR's mistake was its failure to secure buy-in from everyone (Deputy President cited in *Business Report*, 28 June 2006), then Minister Manuel's statement that we 'stay the non-negotiable course' is deeply problematic. Even by his own logic, in April 2002 the Minister

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<sup>232</sup> Netshitenzhe's statement here is a little at odds with the report's chief recommendation that there will not be any change in policy. The report calls instead for an 'overarching vision for the country' (Steven Friedman in *Business Day*, 12 July 2006).

<sup>233</sup> See Manuel in *Sunday Independent*, 20 August 2006; Manuel in *Sunday Times*, 13 August 2006.

<sup>234</sup> Strangely, although Manuel, with respect to his reference to intellectual dishonesty and the culture of materialism, has in mind COSATU and the SACP, it is noteworthy that Joe Seremane, Chairperson of the Democratic Alliance – the party being an advocate of the free market and defender of GEAR – criticises the findings of the *Macrosocial Report* as 'failing to link government's policy failures to undesirable social outcomes' and the report's 'crude binary caricature of market and state' with the 'former reproduc[ing] inequalities and reforc[ing] the status quo' and the latter portrayed as 'progressive and transformative'; and striving towards 'equitable development' (Seremane in *Sunday Independent*, 2 July 2006). But the state, he writes, has 'hardly cultivat[ed] a compassionate persona' (especially towards the vulnerable, evidenced in 'excessive delays in the processing of social grant applications and refusal to confer back pay on social grants') (Ibid); the many cases of corruption and rent-seeking (e.g. the arms procurement debacle, Travelgate, social grant pilfering by state employees, etc.); and the use of political contacts and connections to secure lucrative state tenders.

(cited in International Development Economics Associate, 2002)<sup>235</sup> lamented the ‘few’ rewards flowing from South Africa’s ‘very substantial macroeconomic reform’ as conventionally recommended by World Bank economists, with South Africa awaiting the payoff. In 2005, he termed the macroeconomic stability achieved since 1994 as ‘not sufficient’ to ensure sustained growth in job creation and service delivery, and pointed to the need for a ‘discourse on how to think through fundamental problems’ such as the ‘immense inequality’ in South Africa (cited in *Business Report*, 25 May 2005). He maintained that the challenge for government was to bring together the strands of market and the developmental state which, in the process, would have to ‘tilt its policies’ in favour of the poor (Ibid).

The strands, as weaved together by Manuel and ‘favoured’ by the national Treasury in its conception of the ‘developmental state’ (see Minister of Finance, 2003; *Sunday Times*, 15 May 2005), is informed by works of Amartya Sen’s *Development as Freedom* who espouses the components of the developmental agenda comprising freedom from tyranny, economic exclusion and social deprivation. Stripped of its eloquent and seductive prose, Sen’s work is however an embrace of ‘pragmatic neoliberalism’, i.e. the humane adjustment of individuals and societies to the exigencies of market competition (see Sandbrook, 2000:1072) and, is underwritten by instrumentalist conceptions of democracy and citizenship, i.e. the poor are interested ‘in bread, not democracy’ (Gumede, 2005:4, paraphrasing Sen). ‘Bread then is adequate compensation for citizen/community loss in the ‘democratic participation stakes’, which also incidentally secures their loyalty (Ibid). The rationale and logic of this outlook is not inconsistent if accelerated service delivery is government’s lodestar, and if it sees its main task as governing (Gumede, 2005 citing the Minister in Presidency, Essop Pahad), both of which could come to be compromised by extensive consultation and participation. The bread-democracy trade-off rationale of government are in line with the findings of some influential purveyors of policy that see citizens place an instrumental value on democracy (Butler, 2004), and the view that extensive consultation can ‘bog down’ rapid policy implementation and service delivery.

It is at this point where the accelerated delivery of ‘bread’, breaking the culture of entitlement, improving the performance of state and market pragmatic neoliberalism merges into a deadly combination. This is evidenced by the ANC government’s repeated and ceaseless attempts over the last two decades to deliver and restore human dignity via the establishment, extension, entrenchment and empowerment of *Third Way*/Anglo-Saxon capitalism (at some distance from its preferred portrayal in the opening paragraphs of this Chapter). It is to an elaboration of this troubled and fraught nexus that this narrative turns to now, exposing a state of schizoid proportions that comes to hijack and sabotage itself. The intention here is to foreground the BNG discussion on development praxis shot through with the indeterminacies and complexities of market-mediated and -mediating developmental state construction.

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<sup>235</sup> See <http://www.networkideas.org/news/apr2002/news29>; and <http://lists.www2.epinet.org/pipermail/gpn-announcements/2002-April> (accessed 10 May 2006)

## Section Four

### **Wrestling with the Market: Service Delivery, Entitlement, Human Rights and Capital in a Single Moment, Movement and Momentum**

From the very dawn of the birth of the new democracy to the present, ‘service delivery’ constituted the central pillar in the establishment of democracy and statecraft. The words of ex-President Nelson Mandela ring loud here:

Democracy will have little content, and indeed, will be short lived if we cannot address our socio-economic problems ... (Nelson Mandela, 1994 – Foreword of RDP Base Document).

My government’s commitment to create a people-centred society of liberty binds us to the pursuit of the goals of freedom from want, freedom from hunger, freedom from deprivation, freedom from ignorance, freedom from suppression and freedom from fear... These freedoms are fundamental to the guarantee of human dignity. They will therefore constitute part of the centrepiece of what this government will seek to achieve, the focal point on which our attention will be continuously focused... The things we have said constitute the true meaning, the justification and the purpose of the Reconstruction and Development Programme, without which it would lose all legitimacy (President Nelson Mandela, 1994).

The new Constitution obliges us to strive to improve the quality of life of the people. In this sense, our national consensus recognises that there is nothing else that can justify the existence of government but to redress the centuries of unspeakable deprivations, by striving to eliminate poverty, illiteracy, homelessness and disease (President Nelson Mandela, 8 May 1996).

Simultaneously competing, and ‘umbilically’ connected to, this seductive pro-poor discourse is one of the state adjusting citizens to market imperatives, which includes breaking the culture of entitlement, dependency and so forth but without imbibing the culture of materialism. Recall Mandela’s statement in the USA, shortly after his release: the ‘ANC will reintroduce the market to South Africa’ (cited in *Sunday Independent*, 30 July 2006). In a joint meeting of the US Congress in October 1994, Mandela said that market economics is the ‘magic elixir’ to dismantle racial hatred and deliver prosperity. Mandela reportedly said that the new South Africa would advance the very principles on which the US was founded, i.e. ‘the elevation of every person, anywhere in the world, to the position of a free actor in the marketplace’ (cited in *Business Day*, 7 October 1994).

Macro-economic adjustment of the conservative type (in the period 1993 to 1998), notes a recent International Monetary Fund publication, focused on ‘building policy credibility’ (Horton, 2005:80), which Netshitenzhe describes as ‘compromises’ specifically intended to reassure the markets and ‘communicated as if they were fundamental policies of the ANC’ (cited in *Sunday Times*, 15 May 2005).

On the issue of entitlement, President Mandela’s Address on the Occasion of the Opening of the Second Session of the Parliament (17 February 1995) bears relevance:

It is also appropriate that on this occasion we draw the attention of the country to the actual reality that the government has extremely limited resources to address the many and urgent needs of our people.

We are very keen that this real situation should be communicated to the people as a whole. All of us, especially the leadership of political organisations and civil society, must rid ourselves of the wrong notion that the government has a big bag full of money. The government does not have such riches.

Because we have started the process of changing spending priorities, we do realise that the process of restructuring the budget, so that it is directed towards addressing the needs of the people, is no easy matter. This is especially so in the light of the contractual obligations that bind the state as well as carry-over expenditure which cannot be avoided.

We must all absorb this reality into our thinking in a cold and dispassionate manner. We must not allow ourselves to be seduced into a world of false hopes leading to unrealistic actions...

It is important that we rid ourselves of the culture of entitlement which leads to the expectation that the government must promptly deliver whatever it is that we demand....(President Nelson Mandela, 1995).

Not surprisingly, post-apartheid development policy in the first and second decade, is characterised by (repeated) attempts to (re-)embed/(re-) introduce the market in a jaundiced *Third Way* format centred around the (re-)creation of citizen and community in the modernist frame (Freund, 2004) with significant fallout and tensions. In the shelter sector, for example, the 1994 White Paper conceived of housing delivery as a 'welfare function' and 'remedial intervention' until such time as the economy produced employment and housing would then be accessed through the market. In 1995, the Director-General of Housing, Billy Corbett, asserted that the major challenge confronting housing was the 'introduction of fierce, vigorous and open competition in the South African housing market' (*New Nation*, 6 October 1995, cited in Pottie, 2003:135) - a point returned to in the Conclusion.

BNG follows a similar line of thought. So an aim of Minister Sisulu's Plan is to allow market forces free rein at the lower end of the market (see *This Day*, 3 September 2004) with government commitment to backing the private sector when low-income people fall to the 'down-side of the market', i.e. default on their housing loans (Sisulu cited in *Sunday Times*, 12 September 2004). In 1994, a housing department spokesperson made a similar statement that people would be thrown out of their houses if they expected to get something for nothing (paraphrased in *Sunday Tribune*, 11 December 1994).

Although ex-Minister of Housing Joe Slovo called the eviction of people from their mortgaged homes 'tragic', providing housing assistance, he said, came with increasing financial responsibility and there will thus 'have to be law enforcement' (cited in *Business Day*, 8 December 1994). For those unable to access housing through the market in the second decade (the hard-core poor), Minister Sisulu issued a warning that the culture of entitlement must end and that government was no longer going to give away houses for free (*Weekend/Saturday Argus*, 19 May 2006).

Appropriating and tapping into the destructive and constructive creativity of the market gives rise to both market 'crowding in' and 'crowding out' state responses, market intervention and regulation, human rights violations and citizen and community redress (through appeals to the judiciary), admonition and praise of the poor, and voluntarism and aided self-help for

direct provision. Thus in 1998, for example, the Department announced the development of a five-year housing plan premised on greater state assertiveness and the reduced involvement of the 'profit-driven private sector' (Director-General, Mpumi Nxumalo-Nhlapo cited in *Business Day*, 18 March 1998). Then there was the introduction of the R2 479 beneficiary contribution (applicable to all households) to access the housing subsidy, which is now applied only to beneficiaries falling in income categories above R1 500 (among other criteria). This will have a crippling impact on the rate and scale of delivery. And now, there is the emphasis on market enablement which wrestles uncomfortably with state provision of subsidised rental accommodation for the poorest (see *Sunday Times*, 12 September 2004). At the same time, the City of Johannesburg's Inner City Regeneration Strategy (which turned a welfare problem into a property one) threatened to affect the lives of thousands of poor individuals living in squalid conditions through summary and often unlawful eviction. The High Court ruled the local government intervention as unconstitutional on the grounds of the municipality failing to give 'adequate priority and resources to people in the inner city who were in a crisis situation or in desperate need of accommodation' (see Fraser, 2006 in *SA Delivery*, May/July 2006:58).

In 2004, when South Africa entered the Second Decade of Democracy, Mbeki highlighted the enormity of the reconstruction project, a challenge which government could not shoulder alone. Facing the 'entirety of our people', this

...is a national task that calls for the mobilisation of the whole nation into united people's action, into a partnership with government for progressive change and a better life for all, for a common effort to build a winning nation... The Government therefore commits itself to work in a close partnership with all our people, inspired by the call – Faranani! – to ensure that we draw on the energy and genius of the nation to give birth to something that will surely be new, good and beautiful (President Mbeki, 2004:10).

Three months later in his Budget Vote Speech (23 June 2004), the President launched a blistering attack on market fundamentalism and endorsed a 'left' project founded on the resuscitation of the public realm and an activist public sector. The focus turned to 'improving the effectiveness of the system of governance', which he said,

...must accordingly and necessarily go together with an intensification of our campaign to draw the masses of our people into the accelerated process of change that will be represented by the effective implementation of our government's programme of action. This makes it imperative that we strengthen all processes intended to intensify the interaction between the government and the people, to activate the people to play a meaningful role in the struggle for a better life for all, and to increase the transparency and accountability of government (President Mbeki, 2004a).

Does not the 23 June 2004 statement lend credence to the observation of consensus-building and social mobilisation around a state plan whose hegemony is supposedly projected as uncontested via its percentage of electoral support? The 2005 *State of the Nation Address* bolsters this claim with its emphasis on implementation of a national programme to 'entrench the ethos of Letsema and Vuk'uzenzele among all our people' (President Mbeki, 2005) thereby ensuring permeation of these values across the board.

Amazing here is also the invocation of the 1950s apartheid housing intervention also dubbed ‘Vuk’uzenzele’, meaning ‘stand up and help yourself’. The Vuk’uzenzele project, which evolved from a self-help site-and-service housing delivery project intervention in which Africans were expected to construct their own homes on sites laid out by the state, ‘provided the foundations for government-commissioned building contractors [to] erect the now famous rows of uniform matchbox houses that characterise the Soweto landscape’ (Parnell & Hart, 1999:378).

The politics and project of pragmatic neoliberalism may to date have served the ‘staying’ and ‘altering’ reform logic splendidly. In the longer term though, the promiscuity and schizophrenia witnessed in policy and implementation spheres – marked by both continuity and discontinuity – has rendered, and continues to render, it extremely difficult for society to read a telos of progressive change and discern a momentum suggestive of forward transformative movement. However, it is sheer folly to believe that policy and institutional reform can be anything other than messy and confused. Working with ‘impure resources’ and disarming millennium knowledge-sets, reform is difficult labour and even the power brokers have to work with unknowns, surprises, little agreement, fluidity and complexity that are aggravated by the compromises of yesteryear which the ANC Eastern Cape leadership says is hampering transformation:

Overall, the state we inherited was the same (as the apartheid government). Those who ran the country before us are still running it, although we are running it on behalf of them. We are participating in an agenda of those who were running it in the past (Gugile Nkwinti – Provincial Executive Committee cited in *Cape Times*, 24 July 2007).

## Section Five

### **A State that Hijacks and Sabotages Itself: Market Discipline and ‘Bad Development’**

In the shelter sector, the 1994 government inherited a backlog comparable to the post-World War II housing crisis (Parnell & Hart, 1999). After almost a decade of delivery, the backlog is worse than in 1994. The housing backlog was conservatively estimated at 1.5m in 1994 and 2.4m in 2005 (*Mail & Guardian*, 21 December 2006–4 January 2007). At the current rate of delivery (200 000 a year),<sup>236</sup> the backlog in ten years, said the Minister, would be the same as it is today (see *Business Day*, 10 July 2006). In the long-range view then, despite the dispensing of 1.9m subsidies (Minister Sisulu cited in *Business Day*, 10 July 2006), the present housing crisis is worse than in the post-Second World War period and will grow worse over the next decade. On the very same day that the newspaper screamed out: *Aid of R37bn fails to meet housing needs* (*Business Day*, 10 July 2006), President Mbeki, in Berlin, signing a Memorandum of Understanding with the European Union pertaining to the World

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<sup>236</sup> This delivery figure is debateable. In 2006, housing delivery was 20% down on the figure three years ago, a decrease that Minister Sisulu ascribes to increased attention being paid to location and ‘factors beyond her control including skills and material shortages’ (paraphrased in *Mail & Guardian*, 21 December 2006–4 January 2007).

Cup, was asked whether it was justified to spend billions on hosting the World Cup when millions needed jobs and houses. His response:

Sure, we absolutely need houses. We need to work very steadily to end informal settlements. That's very crucial. But we can do both and we will do both (*Cape Times*, 10 July 2006).

What is the moral calculus at work here? With a government in power that cannot stem the growth of informal settlements and has, in the words of Minister Zola Skweyiya, 'actually promised to look into the interests of the poorest of the poor' (cited in *Sunday Times*, 10 September 2006), should we rather spend the budgeted R5bn on stadium construction for the World Cup or direct it at the housing crisis which could provide more than enough houses for 340 000 people rather than 340 000 stadium seats (computation derived from *Business Day*, 10 August 2006)?

More penetratingly posed, should the World Cup money be directed rather to save some of the lives of the 10 children under five years who die every hour in South Africa from 'poverty' (*Cape Times*, 22 June 2006), a mortality rate that, says a World Health Organisation report (2005), has been rising since 1995 to levels not seen for a decade (cited in *Cape Times*, 20 June 2006)? These children die from preventable diseases of poverty – diarrhoea and respiratory infections, with malnutrition being the underlying problem in 60% of deaths (Ibid). In a country where 7m people live on less than R5 per day (*Business Day*, 10 August 2006) and with no basic food provision programme in place to alleviate the plight of families in long-term food crises (*Sunday Times*, 23 July 2006), UNICEF [the UN Children's Fund] says the poorest people can be saved by fortification of their staple foods at a cost of about R1.50 per person a year (*Cape Times*, 3 May 2006). For those who may think the scale and extent of the infant mortality rate as morally and ethically repugnant, more numbing is a national deficit (1.5% as set in February 2006) well below the global benchmark (3%) (*Business Report*, 22 September 2006) with steady movement towards a balanced budget. The deficit in December 2006 was less than 1% of the national GDP (*Business Day*, 27 December 2006). This should, arguably, be the context for discussing the developmental state.

Criticism of government from this 'radical' perspective is potentially misguided because it fails to consider what Netshitenzhe termed the practicalities faced by most governments in the world (cited in *Cape Times*, 18 July 2006). Minister Mufumadi, a member of the SACP central committee and one of the founders of COSATU, defended the ANC's contested policy positions and vocalised the ANC senior leadership's discontent about the radical resolutions emerging from the COSATU August 2006 Congress related to nationalisation (amongst others),<sup>237</sup> by blasting delegates for their 'fantastic analysis of the world'. Jeered and heckled, he responded to COSATU's grievances about the ANC neglecting workers in

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<sup>237</sup> For the sociologist Devan Pillay, COSATU's assertiveness on economic policy issues – versus the previous hedging of resolutions so as to appear 'not to be too militant' (Pillay's exact words) – is a consequence of '[f]rustrations with high and growing inequality and poverty levels, as well as nationalisation in Venezuela and Bolivia, had encouraged the union to put nationalisation' on the table. Nationalisation for COSATU, according to Pillay, translated into 'greater worker control and public ownership of production, rather than more state-controlled private entities' (Pillay paraphrased in *Mail & Guardian*, 22 September–28 September 2006).

favour of business as them not understanding the changing (global) economic and political circumstances dictating ANC policy choices:

Our convictions about what we intend to achieve would be constant and the application should be adjusted to specific conditions that exist in the world and in our country... You cannot move from the fantastic analysis of the world – it has to be a scientific analysis (cited in *Cape Times*, 22 September 2006)

What is at play? How to fathom the extension of generous government support to all manner and kind of (mega)projects with highly contestable to no discernable economic development rationale, questionable poverty eradication credentials and dubious political-business linkages?<sup>238</sup> What is at play to explain how government manages to hijack itself by corrupting and subverting programmes and projects that, unlike others, are not as hemmed in by the burden and weight of the past, less constrained by resources, and amenable to be cast in progressive moulds? Why is it that in instances where spaces to manoeuvre and innovate present themselves, government ends up frustrating its own agenda, or worse still, frustrates even the emergence of a progressive agenda? An example from the shelter sector bears testimony to this dynamic of policy and substantive (ir)rationality.

From inside government, and at the highest levels of the executive, is the criticism of the housing programme reproducing apartheid settlement patterns, creating extensive poverty (traps), whose price tag drains state coffers (ongoing transport subsidies), rules out socio-economic integration (with attendant consequences for long term fiscal sustainability of service delivery), and works at cross purposes to maximising returns on public sector infrastructure investment. The negative economy-wide impact of this production regime, remarks ASGISA, results in upward pressure on wages and unit labour costs associated with high transport expenditure (Presidency, 2006). Ending this spatially and socially peripheralising housing intervention along with rapid movement towards greater social and economic integration has 'become a clear call from the presidency downwards' (Napier in *Business Day*, 25 August 2006). The acquisition, assembly and speedy release of 'suitably located land' (Minister of Housing, 2006b:7) for housing is thus receiving attention from the Presidency downwards, who identified the availability of land being a problem with respect to the 'deracial[ising] settlement patterns' (President Mbeki, 2006d:7).

*Breaking New Ground* states that the 'objective of spatial restructuring demands a more decisive intervention in land markets'. Proposed interventions include '[a]ccessing well-located state owned and parastatal land' and '[a]cquisition of well-located private land for housing purposes'. Private land 'will only be acquired' (through 'negotiated purchase' and 'expropriated as a final resort') 'where there is no appropriate state-owned land'. 'Public land and land held by parastatal organisations, where deemed suitable for housing purposes', states BNG, 'is to be transferred to municipalities at no cost' (DOH, 2004a:13–4).

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<sup>238</sup> The involvement of two Cabinet ministers in the consortium building and operating of the Gautrain is a case in point. When COSATU and other civil society groupings expressed alarm and dissatisfaction over this, the President accused them of racism (see *Sunday Times*, 7 January 2007).

In 2005, an intergovernmental agreement was concluded with the South African Local Government Association (SALGA) and municipalities<sup>239</sup> around a moratorium on the sale of municipal land and Cabinet gave ‘its consent to the disposal of land by the State Owned Enterprises under the Department of Public Enterprises’ (Minister of Housing, 2006b:7–8). With respect to the latter, the Minister of Housing said that ‘housing is the major beneficiary of this move’ and envisaged acquiring additional ‘suitable state land in the hands of the Department of Public Works’ (Ibid). With the cost of suitable state land being zero, the funding of land acquisition, more generally, no longer forming part of the housing subsidy (DOH, 2004a:14), the creation of a special purpose vehicle at national level to ‘identify, acquire, hold and transfer well-located land and landed properties on behalf of the Department of Housing, to fast track delivery’ (President Mbeki, 2006d:7) and the introduction of ‘fiscal incentives (and disincentives) to support the development of well-located land’ (DOH, 2004a:14), the stage is now rigged to improve the prospects to achieve the ends of social, economic and spatial integration and affording accommodation for the poor that is potentially better attuned to their livelihood and survival needs and patterns.

Alas, the stage in late 2006 is a mess and the saboteur is none other than government. Firstly, we learned that from the media briefing of the Minister’s budget vote speech in the National Assembly (2006) that the intergovernmental agreement around the moratorium is ‘voluntary’ (Minister of Housing, 2006a:5). She congratulated municipalities that have ‘passed resolutions to freeze the sale of municipal owned land’ and ‘appeal[s] to the remainder of municipalities to act responsibly by delaying the sale of land assets and prioritise housing development that supports our vision of truly integrated human settlements’ (Ibid:8). This ‘appeal’ took place in the context of the increasing reluctance of municipalities to deliver housing to the poor owing to no financial return, and ongoing, crippling maintenance costs. A second bigger and related problem to the financial disincentive, is that cash strapped municipalities, particularly in the Eastern Cape, the Minister said, were selling-off the ‘family silver’ for short term economic benefit to ‘an income group beyond the reach of many South Africans’ (cited in *Sunday Times*, 26 November 2006). Referring here to the sale of prime coastal land to rich South Africans and foreigners – at a time when government is investigating the possibility of slapping a moratorium on the sale of land to foreigners – Minister Sisulu said that once the municipalities ‘have sold the land it would be very difficult for us to recover it [as]... the cost would be prohibitive’.

Hearing the Minister condemn this practice as a major reason ‘behind government shortcomings in reversing racial housing patterns’ (Ibid), how is one to rationalise the motivation for an agreement so pivotal to restructuring the built form being premised on ‘goodwill’ (Ibid) and knowing full well of the (reported) inability of the Department of Housing to monitor renegeing municipalities? Compounding this absurdity, the biggest problem of this state sabotage of itself is the subversion of a potentially pro-poor land-shelter intervention on the altar of black economic empowerment. And so we learned from the Minister of Public Enterprises:

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<sup>239</sup> Close to 200 municipalities signed an agreement that ‘required them to consult the Department first when they sought to sell land to see if it could be used for housing development, especially for the poor’ (*Sunday Times*, 26 November 2006).

[The] disposal of non-core properties, as part of the process of making SOE more focused and streamlined, is an enabler of black economic empowerment and local economic development. The non-core properties have been classified according to various disposal options namely, sale, housing, transfer and development... Properties for sale have been identified based on their relative location, size, market demand, topography and potential. Sales, such as with the Victoria and Alfred Waterfront, will be an open and competitive tender process. Broad Based Black Economic Empowerment (BBBEE) guidelines have been developed to ensure that the disposal process contributes to transforming the property sector. For smaller property holdings the guidelines include stratified preference for people who reside in the area in which the property is located to allow for a more equitable geographic spread of economic ownership... The department will further play a catalytic role in negotiating with relevant departments to fast track the transfer or development of SOE properties, which can contribute to government's broader socio-economic objectives in respect of social, residential and industrial development. Information sharing sessions between DPE [Department of Public Enterprises] and the Department of Housing have already begun. The department is also working closely with affected municipalities to ensure the optimal utilisation of targeted property (Minister of Public Enterprises, 2006a).

For a policy such as BNG in which land, in the words of the Minister of Housing, is one of the 'fundamentals' and 'pivotal to [its] success' to 'help reverse the trend' of housing development on the 'periphery of cities and towns [with]... limited access to services and social facilities' and 'transport costs to employment and retail opportunities the highest' (Minister of Housing, 2005b:2-3), one is indeed hard-pressed to rationalise the actions of the state. If the *Ten Year Review* attributes poor developmental performance to 'weaknesses in areas that are least dependent on direct government action' (Presidency, 2003a:102), some serious rethinking is required here. On what moral authority can a state that is rhetorically committed to the poor admonish and cajole the private sector into setting aside 20% to 30% of the total project value in the housing subsidy category to low-income people (discussed below) but at the same time dispose of societal assets in a manner not dissimilar to the private sector (the biggest return calculus) and at the (likely) expense of the poor? The violation of Cabinet approved BNG land provisions that public and parastatal land deemed suitable for housing be transferred to municipalities at no cost (versus DPE's position of payment at book or market value) is very serious. More perturbing is that the state land being sold to the housing Department is on the periphery, while the best land – that which holds enormous prospects for sustainable asset accumulation and wealth generation by the poor - is reserved for BEE. This translates into the subsidies for the poor being used to pay for their own marginalisation.

If the BNG embraces conceptions of strong and weak versions of sustainable development (referring to state strength and social justice (Westendorff, 2002:9)) these state actions tip the balance towards the weak versions and dilute them even further. Ironically, this point is recognised by government, but 'follow through' is problematic. It is recognised in Minister Sisulu's comment about eradication of the contradictions and impediments to shelter provision (Minister of Housing, 2005e - see below) and her statement at the Financial Sector Transformation Conference (July 2005):

As indignation and open revolt continues to characterize the impatience of those who do not have houses it will no longer be possible to explain the continuation of poverty

and homelessness when the source of these challenges is to be found in the failure of those with power and influence to appropriately co-ordinate and work together (Minister of Housing, 2005c:4).

It is unfair to single out Minister Erwin as the only villain and saboteur. The author of South Africa's fiscal morality, Minister Manuel, has effected no small measure of damage in perpetuating the frauds, betrayals and deceptions. With a housing budget that has historically hovered around an average of 1.8% of total government expenditure from 1995 to 2005 (Pottie, 2003 and own calculations), and 2–3% of total expenditure since the post-2002 developmental state policy shift (2002–2005), it would be plausible, *ceteris paribus*, to attribute some blame to the (re)production of dysfunctional post-apartheid settlements to inadequate money. Yet, Minister Manuel whose department is frequently said to constitute 'a government within government' (Calland, 2006:55) and with a (demonstrated) propensity and willingness to 'impose its authority on all policy making' (Calland, 2006 paraphrased and cited in *Sunday Times*, 24 December 2006) – sees himself as shouldering no blame in the installation of a state housing delivery regime whose limitations and productions are in large part a function of the historically shoe-string shelter budget.<sup>240</sup> Similar to the unemployed who, in his imagination, do not exist, one could perhaps forgive the Minister for having not noticed the decade-long state production of dormitory suburbs, given their distance from his opulent working and living environments. Some event, both cataclysmic and cathartic, led to the discovery of a 'conscience' spurring him to declare in 2005:

We cannot in good conscience build dormitory suburbs characterised by neglect, settlements that have no sports facilities, entertainment, business opportunities, social or policing infrastructure (cited in *Bua News*, 25 February 2005).<sup>241</sup>

Whether the damage caused by cutbacks in spending in the period 1997 to 2001 are reversible is contested by COSATU's Zwelinzima Vavi.<sup>242</sup> Indeed, although capacity constraints, declining financial returns on municipal housing programmes, and corruption account, amongst numerous other factors, for slow and poor quality housing delivery, the subsidy quantum (plus the other incentives offered to the banks), have historically failed to deliver to the private sector the profit margins they deem worthwhile. On the other hand, some now argue that, with adjustments to the subsidy brackets, the spike in the housing budget ('the biggest percentage increase of all the departments',<sup>243</sup>) from R5.2bn in 2005/06 to R6.9bn in 2006/07 (DOH, 2006:14), plus the de-linking of the land costs from the housing

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<sup>240</sup> Indeed, and if only the yardstick of targets/outputs is used, some argue that the RDP's aim of mass housing provision/production (300 000 houses per annum) 'was a non-starter from the moment that stringent budgetary cuts became a key feature of the new government's macroeconomic policy' (Michie & Padayachee, 2001:193). This was the precise moment that the implementation infrastructure started to function (a point underscored in Chapter Six).

<sup>241</sup> Available at [http://www.southafrica.info/ess\\_info/sa\\_glance/social\\_delivery/update/budget2005-housing.htm](http://www.southafrica.info/ess_info/sa_glance/social_delivery/update/budget2005-housing.htm) (accessed 7 October 2006)

<sup>242</sup> GEAR 'set us back many, many years in terms of what we could have been achieved [for the poor]....The damage [resulting from the lack of spending] of that period of 1997 up to 2001 is huge. Some would say it was a necessary compromise, but it was a compromise' (Vavi in *Sunday Independent*, 13 August 2006).

<sup>243</sup> *Bua News* cited by First National Bank. 2006. Budget underlines shift from welfare to responsibility, 16 February (available at <http://www.sagoodnews.co.za/search/tax/901891.htm>) (accessed 7 October 2006).

subsidy, sets the stage for private sector re-engagement. However, there are some doubts as to whether, in the context of a property boom, the private sector will be enticed to shift production from double digit profit margins associated with wealthy commercial and residential development to the single digit margin associated with low-income housing production. However, public sector upgrading and capacity-building interventions and (hesitant) re-entry of the private sector is no guarantee against under-expenditure. It is un-nerving that, when housing appears as the first of six priorities in the 2006/07 budget policy framework (see Treasury, 2005:49) with some of the necessary enticements in place for private sector re-engagement, that the prospects for success seem so gloomy. The damage wrought to the institutional infrastructure by budget-driven rightsizing; the loss of institutional memory by the departure of senior officials in the national Department; inexperienced senior managers (47% of senior managers in the public service have less than two years' experience in their current posts,<sup>244</sup> with the figure being far lower in the Department of Housing<sup>245</sup>); and critical staff shortages in the civil engineering, project management and planning departments of municipalities, government does not have the capability and capacities to regulate a re-engaged private sector and to deliver its part.

In a slight corruption of Minister Manuel's response to recommendations contained in the IMF's Article 4 Consultation report for 2006 (cited in *Business Report*, 10 September 2006)<sup>246</sup> and the 'damage' alluded to by Vavi above, if the (compromise) medicine administered in the past is deemed to have worked, the patient (institutions and the poor) did nevertheless die. There is no certainty that the alleged miraculous qualities of the post-stabilisation medicine will both resurrect the dead (via the intended intervention of reconstructing dysfunctional post-apartheid housing projects) and heal the remaining ill and critically ill patients, especially given the perpetuation of apartheid created spatial inequalities via local government budgeting (Seidman, 2007a); the 'general lack of accountability' of municipalities to the 'voting public' (Atkinson, 2007a:64); participation mechanisms that are 'intrinsically hostile to the effective participation of the poor' (Friedman, 2006a:3); and the billowing of corruption and crony capitalism, especially at local level, under Mbeki's stewardship. Building capacity and increasing subsidies for infrastructure may alleviate poverty by some margin, but under these conditions, they 'seem unlikely...to build sustainable communities [and human settlements] in the longer run' (Seidman, 2007a:162).

## Synthesis

It is in this confused context of fragile stability, substantive and policy irrationality, state capture, state sabotage, betrayal and fraud that *Breaking New Ground* is being attempted. It is a strategy that attempts to negotiate and respond to the inherited and self-induced contortions and distortions that marked developmental policy making in general since 1994. Presently more firmly rooted in reversing and redressing (inherited and) inequitable spatial

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<sup>244</sup> Department of Public Service and Administration survey findings, 2006, cited in *Cape Times*, 13 November 2006.

<sup>245</sup> Personal communication with Department informant, 13 November 2006.

<sup>246</sup> Implementation of specific IMF recommendations, he said, increased the risk of South Africa finding itself in a position wherein 'the medicine has worked but the patient is dead'.

morphologies, BNG is now presented as key strategy for poverty-alleviation, job creation, asset and wealth creation and empowerment, combating crime, promoting social cohesion, dismantling and bridging first and second economy divides, and leveraging growth in the economy.

Prioritised in the budget by way of a drastically increased fiscal allocation (rising from R4.2bn in 2003 to R9.5bn in 2008/09 (Minister of Finance, 2006)), a figure which will increase over the MTEF cycle, shelter provision post-2004 is to be driven by the latest institutional innovations and legislative-regulatory approaches associated with the most recent thinking on the Second Decade developmental state. The tools include inter-ministerial committees, institutional compacts, and inter-governmental development protocols and agreements. Housing delivery that is demand-driven is set to animate initiatives presently referenced to a reconfigured institutional and social ecology (domestically and internationally) akin to the developmental state, including refocused housing public entities, a state construction arm, a dedicated housing bank, a special purpose land acquisition and assembly vehicle, re-organisation of the domestic social realm through charters/compacts with not insignificant performance obligations demanded and extracted from the private sector (financial, property and developer sectors), and contestation and re-definition of the global neoliberal human settlement agenda through intra- and inter-continental government treaties. The housing sector is also now the testing ground for new strategies of institutional restructuring and capacity building (direct national government implementation and local support) and is the pilot for improving planning, alignment, co-ordination and investment prioritisation referenced to the NSDP and a Housing and Settlements Delivery Implementation Protocol.

How will BNG fare and what are the prospects for its success in the *Age of Hope/Despair* (fragile stability)? How will those charged with design, implementation, monitoring, oversight and evaluation negotiate and engage with the inter-related un(certainities) and (ir)rationalities of post-apartheid governmentality and the vagaries, vicissitudes and violence of post-Cold War statecraft? Both produce chameleon-like state forms and shape-shifting policies, or what some academics call 'highly complex non-linear dynamics' (Swilling et al., 2005b:18). In the absence of prescriptions and road maps in the developmental (and) democratic re-engineering of state and policy, negotiation of and engagement with these dynamics does not unsurprisingly appear like 'muddling through' (Ibid) the contradictions and tensions generated by a state that runs a 'dualistic framework' of 'macro-economic stabilisation' alongside 'ameliorative interventions' (Ibid). Whether *Breaking New Ground*, representing an example of a 'rethink' of 'big D',<sup>247</sup> can more effectively deal with the

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<sup>247</sup> For Hart (2001:650), 'big D' development is defined as the 'post second world war project of intervention in the 'third world' that emerged in the context of colonisation and the Cold War, and 'little d' or the development of capitalism as a geographically uneven, profoundly contradictory set of historical processes'. The 'big D' includes state-led, neo-Keynesian Developmentalism, neoliberal structural adjustment, the post-Washington Consensus, basic needs strategies, the various assortments of poverty eradication/reduction/alleviation strategies (supporting livelihoods, asset vulnerability/ coping strategies, for example), safety nets, informal sector development, and emergency funds. The instabilities and pressures spawned by development of capitalism ('little d') calls forth ongoing interventions in the name of 'big D' (e-mail from Hart on 10 August 2006). It is the 'little d' that has forced South Africa's 'rethink' of 'big D' (GEAR, for example) in the form of ASGISA, BNG, land reform, social security (amongst others). The question is whether (new) emerging generation of South Africa's 'big D' 'open up new possibilities' (Ibid) to arrest (rising) poverty, inequality and unemployment in the context of a deeply depoliticising statecraft orientation.

housing backlog and shelter poverty, is debatable in the context of a largely technical conception of the economy (sound fundamentals) (discussed below), and the depoliticised 'bifurcation' of the developmental state (along First and Second Economy markers) (see Hart, 2006). In other words, will the goals, ambitions and objectives of BNG be thwarted by government's continuing failure to alter patterns of inequity and poverty, which constitutes a 'social crisis' that is 'acute but is in large part depoliticised' and 'severed' from the economic question (Freund, 2006a:06), and which marches to the drum beat of a hybridised version of *Third Way*-Anglo-Saxon capitalism?

It is these questions that the following Chapter turns, focusing on the genesis and evolution of BNG and its prospects for success. The Conclusion wrestles further with these questions refracted through the debates of developmental state construction.

## **Chapter Six: Breaking New Ground: Prospects and Prospecting**

### **(Partial) Possibilities and (Pragmatic) Advances**

#### **Introduction**

This Chapter hones in on the genesis, birth and evolution of BNG; its intentions and objectives; its weaknesses and limitations. Parallels between macro-management of the inconsistencies and incoherencies of developmental state construction (discussed in Chapter Five) and those pertaining to BNG are drawn to help surface the infection and infusion of the sectoral by the macro and vice versa (although not as prominent for reasons explained below). Accordingly, and given the present focus of developmental state construction using housing as the fulcrum, the main theme of this Chapter gravitates around the difficulties of activating and realising the progressive agenda and thrust of the revamped 'big D' (BNG) with the complex non-linear dynamics of statecraft. The first section discusses the evolution of BNG, its genesis, rationale, main components, and weaknesses. The second section hones in on two key instruments that have come to support programme implementation (the Financial Sector Charter and Social Compact) and their place in statecraft. The final Section makes some preliminary remarks about the prospects of BNG's success located in the alternative conceptual and praxis frames inherent in the pragmatic radicalism and radical pragmatism orientations of our evolving transformation project.

At the outset, it needs to be said that BNG's scope is broad and the coverage extensive. It is near impossible to present, discuss and dissect its numerous faces and facets in this Chapter as much of it (since its implementation in April 2005) is still under construction and heavily contested both within and outside the state. 'Provisional assessments', remark Pieterse and van Donk (forthcoming), 'suggest that the sustainable human settlement agenda is in deep trouble largely because BNG is undercooked and the institutional readiness of the Department of Housing (at national and provincial levels) is simply not in place to implement a policy that is both under-developed and highly ambitious'. For them, the institutional reform of the multiple departments implicated in the execution of the BNG (its underlying philosophy and approach) have 'not been conceptualised let alone implemented'; political statements around 'slum eradication' and, I might add, its coupling to subsidised social housing provision, muddies the waters by 'confusing policy elements and intentions of BNG'; the necessary 'financial modelling', costing and 'adjustments' to render the 'multi-departmental large-scale programme' workable 'has simply not been done to a sufficient degree of detail'; and the 'requisite land-use management reforms' are still to be coherently elaborated and institutionally wired. State promotion of this 'undercooked' and 'half baked policy', they say, 'has been damaging' to the 'credibility and legitimacy' of government (Ibid), especially if the outcome of the leading pilot (N2 Gateway) is any yardstick.

This is a stinging criticism about institutional, programmatic and financial readiness of state. Conceded though by Pieterse and van Donk is that it may be a tad too soon to condemn the bakers and the recipe too harshly, especially because of the experimentation and experiments it has inspired and provoked in various localities, provinces and those that are nationally initiated, piloted and driven. Further cooking and baking animated by increased state assertiveness at diverse levels/spheres invites optimistic scenarios and futures.

## Section One

### **Parentage, Birth, Birth Pangs, Growth and Evaluation: Past Presents and Past Futures in ‘Old’, ‘Interregnum’ and ‘New’**

At the unveiling of BNG on 2 September 2004, the Minister of Housing (2004b:2) said:

The Plan’s necessity stems from the fact that at its inception the Housing Policy and Strategy (1994) focused on stabilising the environment to transform the extremely fragmented, complex and racially-based financial and institutional framework that was inherited from the previous government, whilst simultaneously establishing new systems to ensure delivery to address the housing backlog. Therefore, whilst government believes that the fundamentals of the policy remain relevant and sound, a new plan was required to redirect and enhance existing mechanisms to move towards a more responsive and effective delivery.

BNG adds to this:

The new human settlements plan reinforces the vision of the Department of Housing, to promote the achievement of a non-racial, integrated society through the development of sustainable human settlements and quality housing (DOH, 2004a:7).

Eleven days later, the Government Communication and Information Services (GCIS) issued a statement (titled: *Housing plan to end SA’s housing woes*) which paraphrased Thabo Mokgola, presumably a DOH spokesperson, ‘who thinks that if the Comprehensive Housing Plan...is anything to go by, the country might have just found the ultimate solution’ (paraphrased in GCIS, 2004:1)<sup>248</sup> presumably responsive to the ‘significant socio-economic, demographic and policy shifts’ (DOH, 2004a:7) over the last decade. The policy shifts include the NSDP, the numerous urban strategies and urban development frameworks, urban renewal and rural development strategies, strategic development initiatives, the Expanded Public Works Programme, provincial development frameworks, and the integrated development planning (IDP) regime. The ‘overwhelming task of ensuring a sustainable human settlement environment, through the provision of shelter’, wrote the Minister, ‘required revisions and adjustments’:

The structural limits of apartheid spatial engineering, which rendered our human settlements dysfunctional at three levels (socially, economically and ecologically) were deep and enduring. It was made more complex by the demands placed on us by the processes of globalisation and the need to retrofit our policies and strategies to the conform to the requirements of the Constitution and the Reconstruction and Development Programme (DOH, 2005:6–7).

Whether adequate retrofitting actually occurred in the incremental adjustments and so-called ‘enhancement[s]’ (numbering twelve from 1994 to 2000 (see DOH, 2000:1)) is debatable considering the numerous Constitutional Court rulings against the Department of Housing;

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<sup>248</sup> <http://www.buanews.gov.za/view.php?ID=040913122451003&coll=buanews04> (accessed 29 May 2006).

the perceived displacement of the RDP by GEAR; selective government appropriation of the First and Second Task Team Reports (DOH, 1995; 1996); and the scuttled 'Second White Paper' initiative (1999–2000),<sup>249</sup> later downgraded to a 'Strategy'. Remarkable though is the similarity in the discourse of BNG (and its broad strategic thrusts<sup>250</sup>) and the *Draft Housing Strategy for the New Millennium* (March 2000).

Wasting no time [referring here to the target of 1m homes in five years], Government set about the task of carrying out its new policy believing its basic tenets to be sound, while acknowledging that policy enhancements would be needed as implementation got underway (06)... For all practical purposes implementation of the 1994-White Paper on Housing has been completed. Although the basic tenets of policy appear sound, there are still various gaps. Policy outcomes have not fully met expectations and the full spectrum of housing needs have not been met in the most economic, efficient and effective manner possible. Various policy instruments are still relatively new and their impact is still to be felt, especially in rural areas, where development has been retarded on account of tenure uncertainty and capacity constraints. The absence of a housing strategy soon after the adoption of the White Paper in 1994, robbed the country of an opportunity to direct and guide development programme more closely... Although the focus shifted from policy making to delivery, housing policy enhancements and refinements continued as an ongoing process that was informed by the dynamics of housing provision and the need to improve performance in the housing sector ... In the year 2000 and beyond, Government will pursue the National Housing Vision with rigour and renewed commitment. It will enhance and expand sustainable housing delivery, broaden and facilitate access to sustainable housing and promote quality of life in a sustainable built environment (DOH, 2000:10–5).

The movement from Second White Paper ('new' policy) to 'Strategy' and now 'Plan' is a story to be returned to shortly. More relevant at this time is the government view that the White Paper's 1994 fundamental tenets were deemed 'sound' in 1995 (by defect), 1996, 2000 and 2004 with various 'enhancements', 'adjustments' and 'refinements' to address, amongst other things, 'constraints' (1995), 'risks' (1996), 'gaps' (2000) and 'shifts' (2004). This is incredible! The fundamentals of a policy developed in the early 1990s (with all the defects and deficiencies registered in previous Chapters) is, more than a decade later, still considered 'sound'. If the first decade policy priority was institutional and regulatory overhaul and 'improving the delivery process so that more and better value is obtained' (Minister of

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<sup>249</sup> The previous Minister announced the Second White Paper initiative as one of the Department's seven five-year priorities. The other priorities were establishment of five housing plans from local to national level; a rental policy and programme; enhancement of the housing subsidy progress payment system; broadening access to housing subsidies; measures to prevent subsidy fraud; and the phasing out of previous subsidies.

<sup>250</sup> Measures proposed included promoting equitable access to housing opportunities for vulnerable groups; planned land release and informal settlement upgrade; expanded tenure options (rental and social housing); monitoring of the economic and social housing trends and analysis of their impact on housing provision ('for instance the HIV/AIDS pandemic and population migration trends'); improving 'market equilibrium through judiciously targeted interventions'; to 'guide the development of appropriate human settlement patterns through housing development'; to 'increase competition subject to a fair and equitable system of affirmative procurement'; to normalise the lending environment and establish fair lending practices; to expand consumer choice; to transform public service delivery; to combat fraud; to promote human settlement renewal (inner city renewal is specifically mentioned); to 'enhance the quality of living environments' (DOH, 2004a:5).

Housing, 1999:4), ‘accelerat[ing] the nation-wide delivery of low-cost houses, while eliminating blockages within the system’ (Director-General, Mpumi Nxumalo-Nhlapo cited in *Business Day*, 12 August 2006), BNG’s goal is ‘rapid delivery of sustainable human settlements’ (Minister of Housing, 2005d:3) embedded in ‘more bolder [sic] interventions’, especially in context of the ‘scale of the housing challenge’.

[I]n the context of seeking ways to break new ground in housing delivery, we have to consciously use as our backdrop the deep rooted history of dispossession in this country as we discuss the housing challenge facing us. We have to be concerned about the eradication of the basis of the contradictions that presently characterise our country which is manifest across all areas. We must, in addition, be concerned about the widespread difficulties in the form of blockages and inefficiencies that continue to plague our housing delivery chain for us to rise to the challenge of breaking new ground in housing delivery.

In declaring itself against everything that the previous government stood for, our new government has put in place policies for the eradication of all impediments standing against access to housing by everyone. Because of the scale of the housing challenge faced by this country we however need more bolder [sic] interventions to bring about rapid delivery of sustainable human settlements (Ibid:2–3).

The state projection of the flexibility and responsiveness of the ‘sound fundamentals’ to sculpturing and re-sculpturing and/or to the changing multiple objectives of the housing ‘strategy’ over the years is astounding. The sound fundamentals are amenable to reshaping according to the dictates of supply-side and demand-led strategies; quantity and quality objectives; market-driven and state-led approaches; poverty alleviation (the central objective in 2000) and (presently) poverty alleviation plus job creation plus asset creation.<sup>251</sup> This against the backdrop of the findings of Department-commissioned research informing BNG policy formulation, but not coherently or adequately factored into BNG (for reasons discussed below), that the ‘administration of the South African housing programme will have to change fundamentally if it is to really make the shift from supply to demand led subsidies’ (*Synthesis Report*) (Development Works, 2004:40). The *Synthesis Report* – summarising existing and state of art praxis of five reports (discussed below) – asserts that the shift required is not a tweaking of subsidies and/or ‘adding on new subsidy programmes’. It is ‘more suggestive of a re-thinking of the housing policy, or aspects of it’ (Ibid:43), considering the multiple interconnected crises, discussed in the five reports, of unemployment, poverty and inequality; declining housing incomes, the HIV/Aids pandemic (amongst others) impacting on and shaping migration patterns and household composition; survival strategies; residential demand, need and supply; the rate and patterns of government aided and unaided shelter consolidation; households’ post-occupation shelter retention and

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<sup>251</sup> Echoing BNG, and included in the *Draft Strategy* (DOH, 2000), are shifts to a demand-side approach (discussed below), ‘qualitative’ (Ibid:11) and ‘sustainable delivery’ (Ibid:15), ‘holistic integrated development’ (Ibid:12), ‘sustainable built environment’ (Ibid:15), ‘elimination and prevention of slums’ (Ibid:13) coupled to higher levels of state intervention for more effective implementation of an (elevated) ‘poverty’ focused agenda thus privileging the poorest of the poor (Ibid:9). The summary of the recommendations of the *Strategy* elaborated in the conclusion of the document reads like a carbon copy of BNG.

maintenance strategies; sustainability of municipal infrastructure and service delivery; and informality (amongst other things). This very same conclusion of the need for shelter 'solutions' to respond to 'issues' (of unemployment, poverty, declining investment in housing and so on) 'compounding' rather than being the starting point of 'solution' formulation (see DOH, 2007:7), was alluded to in the 2000 *Draft Strategy*<sup>252</sup> and spoken to very directly by the Minister in 1999.<sup>253</sup>

The enhancements, amendments and refinements targeted at the 'eradication of the impediments' to accelerated housing delivery/rapid delivery of sustainable settlements<sup>254</sup> is substantially different from 'eradication of the basis of the contradictions that presently characterise our country' (see Minister of Housing, 2005e:2). This much the Minister acknowledged in her address at the Conference of the Slum Dwellers International and the Federation of the Urban Poor in 2006:

The future of our civilisations rests on how we determine our way forward. We shall not be identified as the civilisation of great poverty, that cannot define us, we who are proud inventors of everything that had culminated into our launching into space to seek answers about what lies beyond. Perhaps, this is a justifiable deflection as we remain unable to solve problems that lie at our feet. Intellectually, one of the best periods of recorded history, but morally very wanting. The consciousness of the rich closed to the poverty that surrounds them (Minister of Housing, 2006f).

The state's inability to solve the problems that 'lie at our feet' exposes the limitations and prejudices of a transformation project proposing, on the one hand, the wielding of the 'collective instrument of state', to (amongst others) 'eliminat[ing] the basic causes of the national grievance wherever and in whatever form they manifest themselves' (Netshitenzhe, May 2006:47), but on the other hand, delimits the wielding to reconfigured utilisation of the

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The challenge the government faced in 1994 was to undo the harm caused and to reverse the legacy left by the apartheid regime. Conservatively estimated at 1.5m dwelling units in urban areas at the time of the 1994 Housing White Paper, the housing backlog for the country, as a whole, now appears to be closer to three million dwelling units, despite government having made considerable inroads over the past five years. According to one source the housing backlog may be as high as 3.7m units (DOH, 2000:7).

However, the housing problem is not merely a question of numbers. Solutions must place particular emphasis on the quality of the built living environment. Compounding issues, which are being addressed, include the extraordinary high levels of poverty among the urban and rural masses, rife unemployment, a serious lack of social stability, a highly destabilised housing environment, a lack of access to even basic municipal services in many instances, limited or no access for the poor to housing land or goods and services provided in the market place, a culture of dissaving, declining investment in housing and an extremely fragmented urban structure (extracted from DOH, 2000:7; Minister of Housing, 1999:3).

<sup>253</sup> In a 1999 media briefing dealing with Department priorities over the following five years, the Minister made reference, in the context of poverty alleviation, to '[a]dopting a differentiated approach to meet the specific needs of the poor including tenure requirements, migratory patterns, household size and affordability levels' (Minister of Housing 1999b:2).

<sup>254</sup> Not unquestionable themselves, bearing in mind the similarities between the recommendations of the aborted Second White Paper and BNG.

‘fiscus and state capital’ through a ‘a strategy, a programme and institutions consciously developed and promoted by the advanced members of society’ (Ibid:48) (a theme returned to in the Conclusion with reference to ‘wise men’). Proceeding from this premise, and mindful of the (frequently exaggerated perceived) pressures and constraints of globalisation on policy manoeuvre, the ‘conscious activity to construct new political and economic relations’ (Ibid:48) – ‘swimming against the tide’ (Ibid) – is for the ‘advanced members of society’, the ‘intelligentsia’ – restricted and confined more to ‘impediment’ elimination versus the espoused ‘contradiction’ elimination, reflecting their training and the practicalities and pragmatic imperatives.

Similar to our primary development planning instrument, the IDP,<sup>255</sup> BNG, ‘developed and promoted by the advanced members of society’, continues to travel the straight and narrow, i.e. an ostensibly market ‘incentive’ and ‘enticement’ weighted frame (enablement in partnership and co-operation formats).<sup>256</sup> Rather than mining the full gamut of strategies implicated in the ‘recognition’ by the ‘ANC and state’ of ‘relat[ing] to all of capital in a dynamic of unity and struggle, incentive and coercion, enticement and regulation’ (Netshitenzhe, 2006:47); BNG (with slight modifications) continues underwriting the 1994 housing scheme subsidy premise, i.e. ‘public subsidies matched by private finance’ (Treasury, 2004:128).

Over and above the widespread belief in the state that structural problems can be administratively fixed through improved planning and co-ordination,<sup>257</sup> BNG’s emphasis on normalising the market through the ‘product[ion] of clients [citizens] that financial institutions can trust’ (GCIS, 2004:1)<sup>258</sup>; citizens being educated that ‘paying for their home [is] the right thing to do’ (Minister Sisulu cited in *Cape Times*, 3 September 2004); ‘instill[ing] within black people the fact that a house is an asset’ (Minister Sisulu cited in *Cape Times*, 3 September 2004); ‘plant[ing] into the heart of every disadvantaged South African’ the ‘nobler’ spirit of doing it for themselves (Minister of Housing, 2006f:3); and

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<sup>255</sup> Central to the developmental state architecture in both decades but ‘steering well clear of radical interventions that would be needed to alter deeply entrenched patterns [of social and spatial inequality]’ (Mabin, 2002 paraphrased in Harrison, 2006:203) via addressing the ‘legacy and systems of power that reproduce the apartheid city’ (Pieterse, 2002 cited in Harrison, 2006:203).

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At the national housing summit held in November 2003, the Minister of Housing (2003a) confirmed that government remained committed to the principles of partnership that have underpinned the housing programme from the outset. The 1994 Housing White Paper acknowledges that government cannot undertake the task alone. Housing policy involves a range of enabling measures to encourage greater participation by the private sector in the delivery of housing to low-income households on a sustainable and equitable basis. The 1994 National Housing Accord defined these partnerships with the objective of fostering greater collaboration and building more enduring partnerships between government, the private sector and communities. Key partnerships take place through self-help processes, the construction industry and other private sector initiatives (Treasury, 2004:128).

<sup>257</sup> Related to the internally-oriented corporate-objective benchmarked performance management regime of state developmentalism and executive increasingly moving away from quantitative targets to output at least cost in the accelerated service-delivery ethos of the second decade (*Mail & Guardian*, 12 August–18 August 2006).

<sup>258</sup> Government Communication and Information Services. 2004. Housing plan to end South Africa’s housing woes. *Bua News*, 3 September 2004 (Available at <http://architectafrica.com/bin1/news-bua-housing-southafrica-001.html>) (accessed 29 September 2004).

admonishments of protesting homeless citizens and communities coming to learn and understand that the existing delivery regime 'is as good as it gets' (Minister of Housing cited in *Cape Times*, 3 September 2004), one is left sometimes disarmed when trying to decipher BNG's scale-balancing of social cohesion/social inclusion/citizenship/redistribution/equity (on the one hand) with entrepreneurship/ deracialisation/responsibilisation/asset creation/redress (on the other). Pitched differently, biasing the strategy in favour of the poorest of the poor competes with discourses about ending the culture of entitlement/dependency/non-payment and enabling beneficiaries to house themselves through the inculcation of the spirit of savings and Vuk'uzenzela (amongst other things). In contrast, there is a deafening silence on the 'culture of privilege' (Mayekiso, 1995 cited in Ruiters & Bond, 1996:4)<sup>259</sup> in which the 'better off in society' received 'more accessible' and 'better quality' services than the 'poor and low-income households' (see Khosa, 2002:46–7), the 'abnormal subsidisation'<sup>260</sup> of the racially based policies of the past that 'unjust[ly] discriminated against the Black majority' (DOH, 2000:9, 7) (for which this government is still paying); and the revolutionary finding of a new study that the so-called 'culture of dissaving' (Minister of Housing, 1999a:3) may be because the majority of South Africans 'can't afford to save... because the cash is required for survival' (survey undertaken by Alexander Forbes Financial Services cited in *Sunday Times*, 3 September 2006).

Adding further insult to injury is the exacerbation of 'dysfunctional relationships between citizens and government' by officials 'view[ing] citizens as unwilling and unable to solve their own problems' ('recent' IDASA research paraphrased in Nemeroff, 2006:16); the dis-/re-placement of the 'citizen[ship]' by the 'consumer[ism]' in the wake of conservative macroeconomic-stabilising cuts in grants and subsidies to municipalities and support for privatised delivery (McKinley, 2007); and recourse to the 'kind of self-help development approach that existed during the colonial period' (McKinley in *Sunday Independent*, 2 October 2005) (Vuk'uzenzela, for example). Blaming society for development failure (citizens unwilling to help themselves, immorality and inadequate responsabilisation related to the contraction and spread of HIV/AIDS (see *Cape Times*, 28 August 2006)) and/or government's explanation of the factors sustaining the high levels of social fabric crime;<sup>261</sup> ignorance of society of official resource constraints and the (related) 'practicalities/pragmatics' of government; market-instilled values of greed/consumption/individualism/'get-rich'<sup>262</sup> (paradoxically separated from the preferred state promoted market social

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<sup>259</sup> *South Africa Report*, 11, 3 April 1996 (available at <http://www.africafiles.org/printableversion.asp?id=3892>) (accessed 12 August 2006).

<sup>260</sup> The *Draft Strategy* notes: Previous state 'low-cost housing programmes provided their full capital needs from state resources, whereas subsidy and repayment facilities offered to purchasers and tenants in the public sector were so generous that very little of state's outlay was ever recovered' (DOH, 2000:9).

<sup>261</sup> While there is a recognition of connection between poor social conditions and the incidence of contact crimes, no mention is made of poverty as one of the major drivers of this phenomenon (Presidency, 2006:68), and no attempts to overhaul conventional policing methods through dedicated investment in community-building are mentioned in the *Ten Year Review* (Presidency, 2003a:27). High levels of social fabric crime, it appears, are attributed to citizen mentality, attitudes and morality rather than, for example, high unemployment and poverty; underdeveloped, poorly structured, poorly resourced and poorly maintained public environments; inadequate safety and security infrastructures; and a weak criminal prosecution system (amongst other things).

<sup>262</sup> All features and by-products of market fundamentalism (see Presidency, 2006:91–2) are thought to work at cross-purposes to the humane values of the transformation project, thus preventing the socialisation and

entrepreneurship and Calvinist-Protestant thriftiness); plus passing the development buck to society, is how the state achieves its objectives of faulting the patient for its continued poor health by not seeking out the recommended doctor, rejecting the (substandard/second-best) ‘good as its gets’ medication and its method of administration or delivery, and, then giving the patient a ‘*klap*’ (Ibid) now and then to bring the patient to his or her senses.

The answer to why second decade state developmentalism bears striking similarities and continuity with both apartheid and first decade (Foucaultian-like biosociological) regulatory mechanisms and measures associated with the disciplinary technologies of housing and settlement layout (see Foucault’s 1976 lecture in Bertani & Fontana, 2004) is partly due to the vicissitudes of post Cold War statecraft and (real and discursively constructed) constraints imposed by a globalising economy. Featuring prominently on this canvass are the political economy contours of a reform project that have to balance the political, social and economic transformation imperatives whose interconnected dynamics repeatedly militate against a more progressive articulation between basic *security* (shelter) and *independence* (individual and community autonomy) (terms borrowed from Foucault, 1983) other than through integration and dependency (both traits of passive citizenship).

Imperative reconciliation of disjunctive dynamics at sectoral and system-wide levels, reflect themselves in the various shelter production praxis controversies conditioned, as usual, by the forces of market and bureaucracy, historical legacy and ‘practicalities’ or ‘scientific analysis’ (see Pottie, 2003). Consequently, strategic development imperatives and governance imperatives often tug in opposite directions, both opening and closing the space for comprehensive and incremental policy reform. The transparency of the reform process and the social accountability of the reformers is in great measure influenced by the substance, depth and deviation from established praxis and governance frames, codified in legislation and regulations enshrining power balances between market, bureaucracy and private capital. In this context, assertions of policy continuity and incremental reformism serve multiple purposes including maintaining market confidence and executive control and domination over a fiscally-overdetermined policy trajectory. The presentation of policy shifts in piecemeal dosages – as amendments, refinements and revisions to improve implementation of a socially accepted (housing) plan and therefore requiring little to no public consultation (Boyle in *Sunday Times*, 15 May 2005) – preserves the pillars of state developmentalism, i.e. economic stability, executive dominance and passive citizenship.

Accordingly, the maturation of the strategic development imperatives of shelter production from 1994 to 2004/05 were punctuated by a series of incremental reforms to address the ‘constraints’/‘risks’/‘gaps’/‘shifts’ of the initial 1994 market-driven/state-facilitated quantitative approach. Thus in 1998, the change in the procurement regime signalled movement towards a state-centred/state-driven approach (Charlton & Kihato, 2006).<sup>263</sup> Also in 1998, the Director General reportedly pronounced on the need for a new approach to housing delivery, based on ‘specific strategies emanating from past experiences’ (paraphrased in *Business Day*, 6 January 1998). The ‘housing strategy’, she said, would focus on rental housing provision, greater emphasis on the poor, and increased government

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enforcement of an encompassing framework (see Friedman, 2006b). This is a position seriously taken to task by the main opposition party (see Seramane in footnote 234 above).

<sup>263</sup> Charlton and Kiharto (2006) point here to the preferential procurement regime.

intervention. Government was to play a far greater role in defining the terms of housing delivery, with the state, for example, specifying development designs, determining the price of products, providing guidelines for development costs as well as proposing and guiding the sort of developments that were suitable in particular areas (Ibid). The enduring legacy of the 1998 strategy was the procurement regime (whose heavy burden municipalities are still unable to shoulder) and the OPHP.

Since 1999, in line with the 1999 ANC *Election Manifesto* that ‘placed housing as first item on its five-year programme for change’ (Khan & Ambert, 2003),<sup>264</sup> the Department began ‘shifting housing policy from shelter provision to promoting sustainable human settlements’, with greater emphasis placed on ‘transforming apartheid settlement patterns’ and attracting private investment in areas where subsidies...[were] allocated’ (DOH, 2003c). This ‘policy shift’ (which in a sense affirmed the aims of the *Election Manifesto* and its emphasis on quality and previously articulated in the 1997 Urban Development Framework (DOH, 1997a))<sup>265</sup> was, however, ‘inadequately translated into action’ (Ibid). Thus, ‘[d]espite’ the Framework, settlements continued to grow on the periphery for reasons of high land cost in central locations, historical patterns of investment in land and infrastructure, the ‘practice of “shack farming” and NIMBY’ (DOH, 1999:9). Additionally, drawing on research insights, concerns were registered from senior DOH officials about whether, from an ‘economic point of view’, the compact city form was more ‘cost effective than sprawl’ under all conditions and its practical implementation ‘given the fixed nature of the built environment’ (Ibid). Notable though in the Framework (DOH, 1997a), repeated in BNG and in MERG, is a conception of housing (and infrastructure) investment as ‘critical’ to poverty alleviation (providing basic needs), reversing inequities, ‘ensuring viable communities and sustainable human settlements’, creating ‘economic opportunities’ (job creation), stimulating backward and forward industries, and raising household productivity (Ibid:16). Housing, most importantly, is categorised as a ‘productive asset’ and, lying at the core of the RDP, an ‘engine of the economy’ (Ibid:22). The Framework, like BNG, proposes flexibility in tenure and delivery options – a ‘variable application of subsidies at delivery level’ (Ibid:23) that is supportive of upgrade, rental accommodation and urban densification executed in ways not dissimilar to the N2 Gateway Project.

These shifts reached their apogee in late 1999 when the Department hosted meetings to launch a new Housing White Paper process (Khan & Ambert, 2003) that drew on the ‘lessons from the past five years’ so as to ‘catapult housing delivery to greater heights’ and ‘offer

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<sup>264</sup> The aim is to ‘leverage additional finance’; ‘develop housing on well-located land’; ‘improve and speed up the subsidy programme’; construct more rental stock’; and support the PHP (Khan & Ambert, 2003:v–vi).

<sup>265</sup> This Framework was supposedly guided by the ‘basic tenets’ (DOH 1997a:ii) of the RDP and was intended to elaborate the ‘necessary’ urban initiatives to lend substance to, amongst other programmes, GEAR. Priorities included overcoming the separation between spatial and economic planning and embedding economic development targeting depressed areas; planning-driven spatial reconstruction; and clarifying intergovernmental relations (Ibid:iv). Four programmes were to drive implementation. Firstly, city integration entailing reconstruction and upgrading townships and informal settlements; higher density land-use; and reforming land and planning systems. The second programme focused on improving housing and infrastructure through upgrading and dwelling construction; addressing health hazards; ‘encouraging’ investment and increasing access to finance, social development, safety and security interventions, designing ‘habitable communities’. Promoting urban economic development and creating institutions for delivery constituted the third and fourth programmes.

more options for the poor' (Director General, Mpumi Nxumalo in *Reconstruct*, September 1999). In contrast to the prevailing socially insulated and bureaucratic unilateralism associated with piecemeal and incrementalist reform, the idea of a (new) White Paper, specifically the socially inclusive participation and consultation process normally entailed in problem identification and solution, generated considerable interest and enthusiasm from those who had long been calling for a re-opening of the housing policy debate. However, policy reform powered in a manner akin to the NHF negotiation process was not on the cards. The policy review, agenda- and priority-setting and the policy formulation processes which commenced in 1998 once again excluded civil society from the deliberations, as recorded in a media statement penned by the National Housing Co-ordinator for the Urban Sector Network, Fazila Farouk, in her personal capacity. Farouk pointed to two problems with this Department's policy reform process. Firstly, the socially excluding, state (official)-driven policy process would 'throw up some problems for our community partners and ourselves'. Secondly, 'there is wide acknowledgement that white paper 1 had failed as a policy instrument to provide housing for the very poor in a sustainable manner' associated with the 'market mechanism' (enshrined in the fundamentals of the policy) 'that exploits and marginalises people'.

The formulation of new housing policy provides us with a unique opportunity to reverse debilitating development patterns. Nevertheless, the opportunities for redressing critical policy flaws may be missed through an exclusive and pre-determined policy agenda. In this case, not only is the new policy governed by the fundamentals of white paper 1, it is also informed by an exclusive problem identification process conducted by the department itself.

Thus, a fairly rigid framework is already in place, making it very difficult for any external organisation wishing to substantially influence the outcome of white paper 2 to do so, using normal channels. Policy feedback channels are incredibly narrow and they are diminished even further by ridiculously short time frames (National Housing Co-ordinator for the Urban Sector Network, Fazila Farouk in *Reconstruct*, September 1999).

The Department's Director-General responded quite negatively to the USN's statements, accusing them of being 'armchair critics' who 'want discussion documents to criticise without adding value to the debate of what creative solutions are required'. Assuring 'stakeholders and citizens' that the 'consultation process' around the White Paper would be 'open' to 'comments, proposals and input', the Director-General additionally contended that the Department had the 'capacity to formulate policy' and is 'guided in policy formulation by the constitution, the manifesto of the ANC, the presidential address and the programme of government, as well as the priorities identified by the minister of housing and members of the provincial executive councils responsible for housing'. Non-governmental organisations, amongst others, she asserted, have a right conferred by the Constitution to 'compliment, criticise and comment on government operations' but they should bear in mind that 'government understands and is in touch with its broad constituency and the various representative formations' and those without an 'understanding of, and insight into, basic housing issues'; release 'irresponsible...and incorrect statements in public media without doing some basic research' [into the pro-poor nature and pro-poor outcomes of housing policy]; 'who are not in touch or do not represent any constituency and yet have an agenda will always be questioned' (Director General, Mpumi Nxumalo in *Reconstruct*, nd, 1999).

The Second White Paper, which made its appearance as a 'Strategy' in March 2000, was never made public for 'comments, proposals and input' from 'stakeholders and citizens'. Its circulation was strictly controlled and limited to a few individuals for comment and review. In the case of one reviewer, the author was informed that the 'Strategy' document was delivered and thereafter retrieved with instructions not to make copies.<sup>266</sup> The critique of the Strategy by two reviewers is devastating and, given its similarity to BNG, they apply with equal force then and now (this is revisited below).

The Department's tendency to insulate and control policy form, content and trajectory is not only confined to the exclusion of civil society. Indeed, the executive displays the same contempt for elected structures, to whom they are accountable to and that are supposed to exercise oversight over, in the policy reform process. The historical marginalisation of Parliament in housing policy debates and reform processes; the co-option of the ANC-appointed Chair of the Housing Portfolio Committee into Department determined and controlled reform processes (First [DOH, 1995] and Second [DOH, 1996] Task Teams); and strict party discipline has limited the ability and capacity of politicians to influence debates and processes.<sup>267</sup>

At the risk of a slight, but necessary detour, the Department reproduces and reinforces inherited patterns of subordination and domination between state (executive) and civil society (legislature) within government. In general, the executive's monopoly over law-making [and policy-making] 'has remain unchallenged since 1994' (Habib & Schultz-Herzenberg, 2005:173) attributable, although not exhaustively, to the ANC's current leadership possessing 'no special attachment to representative democracy' (Butler, 2004:110)<sup>268</sup>; an emasculated, weak and 'reactive' Parliament (Butler, 2004:91);<sup>269</sup> and party control of the allocation of seats to members of Parliament, officers of parliamentary caucus and parliamentary

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<sup>266</sup> Personal communication with informant, early July 2005.

<sup>267</sup> These themes are further elaborated in the Conclusion.

<sup>268</sup> 'The liberation movement's democratic tendencies co-exist with democratic centralist and hierarchical conceptions of legitimate authority' (Butler, 2004:110).

<sup>269</sup> As early as 1994, the former Head of the ANC Policy Unit (from 1997 onwards), Tito Mboweni, now governor of the Reserve Bank, wrote: 'Parliament thinks it can make policy on behalf of people. This is not so. [Parliament's] role is to implement ANC policy' (cited in Booysen, 2006:179–80). Take also into account that since 1994, 'in theory', members of Parliament (MPs), whose seats are held by the party and are therefore subject to party discipline, 'have had to sign a code of conduct...in which they would undertake to refrain from any "attempt to make use of parliamentary structures to undermine organisational decisions and policies" as transmitted from Shell House' [the ANC's headquarters] (*Mail & Guardian*, 16 September 1994 cited in Lodge, 1999:21–2). As a matter of interest, in the latter part of 2006, the ANC's Chief Whip in Parliament, Mbulelo Goniwe made a bid to make ruling party MPs sign a pledge of allegiance to President Mbeki who was under heavy criticism from both COSATU and SACP. Goniwe, it is reported, failed in this attempt (*Sunday Times*, 3 September 2006). The power of Shell House has dwindled over the years. As the grip of President Mbeki on the reins of government tightened, so 'ANC capacity dwindles'. ANC officials in party headquarters have been downgraded to 'managers, dealing with organisational matters such as errant branches and building election machinery rather than political issues' (Chothia & Jacobs, 2002:154). This was in line with the way Mbeki's overall grip on the party was firmly consolidated, especially at provincial level, as the national office increasingly imposed its authority (Butler, 2004:123).

committee chairs, Premiers, and mayors<sup>270</sup> (and now appointment of ‘entire management teams<sup>271</sup>). If the ‘normal channels’ for influencing the housing policy debate and reform processes were in 1999 perceived by some NGO leaders as already ‘incredibly narrow’, they have no doubt been further ‘narrowed’ during the Mbeki Presidency compounded (perhaps) by the exile-moulded politics of three housing ministers (Slovo, Sankie Mthembu-Mahaye, Sisulu); the declining power of Ministers in the management and administration of their portfolios;<sup>272</sup> and increased presidential control over the Directors-General.<sup>273</sup>

If the politics of the policy reform process excludes civil society and elected assemblies, the new governance system and the implicated officials limit the policy imaginaries and implementation horizons of the party, politicians and civil society further. Of particular importance here is the over-determination of the implementation possibilities in the new governance format by personnel drawn from the inherited bureaucracy who (unlike their allies in the moderate new guard) are skilled in the writing and promulgation of the regulatory regime underpinning the products of the ‘practical’, ‘scientific’ incremental reform process.

The shelving of the Second White Paper came to reflect once again the imperatives of new governance. Shelved on the grounds of its potential to ‘disrupt the housing development process as well as planning and create a sense of uncertainty in the market’, it was

...decided to rather embark on a progressive policy development and revision process and to implement new and/or revised policy and strategy in a phased programme, maintaining the existing consultation structures and processes (DOH, nd:12).

As part of the revision process, the DOH in 2002 began responding to a series of ‘gaps’ and ‘new challenges’ identified as inadequate participation of the financial sector in housing delivery; ‘withdrawal of the large construction companies...due to low profit margins’; provincial under-expenditure; local government incapacity; limited integrated development; poor budgetary, and programmatic alignment between the three spheres; absence of a secondary market; and beneficiary abandonment of RDP houses (DOH, 2003b:1). The response, which was in line with the shift towards quality, included, and echoed in the *Draft Strategy*, ‘linking medium density housing to transport nodes, appropriate commercial centres and employment opportunities coupled with urban renewal’.

The medium density and linked social housing programme (spearheaded by the Job Summit [rental] pilot projects) aimed at supporting the Government’s Urban Renewal Programme, and the requirement that beneficiaries should contribute to the cost of

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<sup>270</sup> The National Working Committee of the ANC ‘appoints officers of the parliamentary caucus and the parliamentary committee chairs, while insufficiently disciplined regional structures have been dissolved, and provincial premiers have been appointed against the wishes of provincial parties’ (Butler, 2004:123).

<sup>271</sup> *Business Day*, 12 August 2006.

<sup>272</sup> Ministries are now required to ‘refer all new policy documents and draft legislation to officials located in the Presidency, who ‘decide whether proposals fit in with the government’s broader policy framework, and whether the fiscal implications are acceptable’ (Chothia & Jacobs, 2002:153).

<sup>273</sup> Directors-General ‘now sign contracts with the Presidency rather than with their own ministers’ (Chothia & Jacobs, 2002:153), raising important accountability questions, especially in the new governance regime.

their houses [R2479 contribution] towards the goal of **Sustainable Human Settlements** (DOH, 2000, original emphasis).

Along with these initiatives, and the introduction of the National Home Builders Warranty Scheme, the goal of the delivery of Sustainable Human Settlements was portrayed to be in sight (see Sigodi Marah Martin (SMM), 2003:i). But the strategic policy shift towards sustainability required a more complex response entailing a ‘demand-led approach to housing delivery, targeting the creation of housing units as an asset, restoring human dignity and giving particular attention to the quality of the dwelling itself’ (Ibid:vii). During the latter half of 2002, the Housing MINMEC decided to ‘engage with the broad stakeholder community to obtain its views on the way forward for housing’, which entailed ‘reviewing existing policies in terms of its [the Department’s] legal framework, financial components and its technical capabilities’ (Ibid:vii–viii).

During the period November 2002 to February 2003, a series of workshops followed, informed by a national perspective that ‘confirm[ed] the housing principles as contained in the White Paper’; elaborated an international context; spelt out the trends and challenges confronting housing; and the strategic responses of government over the years to the trends and challenges (Ibid:iii). Arising out of these workshops, four problems were identified<sup>274</sup> and the solutions offered centred largely around better instrument utilisation, programmatic and alignment, institutional co-ordination, and information and education dissemination. The solutions were largely couched within a framework of improving the efficiency and effectiveness of the existing policy.

The Deputy-Director of Policy and Research and Chief Director of Research operated from the assumption that a National Housing Summit would be the culmination of the research and workshop consultation process (2002/03), as well as the preliminary findings of the out-of-the-box SMM 2003/04 USAID-funded research initiative, through which a second generation housing programme and policy would be unveiled and the policy and research agenda discussed and refined. Indeed, the stakeholder workshops addressed themselves, in the words of the Minister at the Summit, to ‘strategic policy gaps and proposed policy-related remedial interventions’ (Minister of Housing, 2003a:11), and the Terms of Reference of the tender documents for the USAID-funded research (six reports) recorded the ‘purpose’ of the investigation as one of undertaking studies for the generation of a new housing policy and research agenda’ (early September 2003), as a ‘statement of strategic policy direction’ that the Department would embark over the second decade, to be released for public discussion’ at the Summit. This was confirmed by Minister Mbandla in her maiden May 2003 Budget Speech:

Our commitment to eradicating the backlog we inherited is unquestionable. In order to respond positively to the ever-changing housing environment, we have decided to continuously review our housing programme. We initiated a broad consultation process, which included 15 stakeholder workshops countrywide. All housing and development related stakeholders had an opportunity to table matters of concern regarding housing development and these were debated in an effort to formalise

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<sup>274</sup> Limited integrated development, housing not regarded as an asset, limited participation of the financial sector, underspending (SMM, 2003:v)

possible policy interventions or adjustments... [M]y Department is using the results as a basis to identify a development and research agenda for our medium term policy. This will lead to a housing summit... The results will also inform provincial housing development plans and, ultimately, it will culminate in the finalisation of the national housing multi-year development plan (Minister of Housing, 2003:6).

If the Second White Paper was aborted on account of governance imperatives (to avoid disrupting delivery causing market uncertainty), the ‘downgrading’ of the Summit from one intended to deliver a second-generation policy to a ‘listening process’ (Interview: Mark Napier, Chief Director Research, October 2004 cited in Charlton & Kihato, 2006:261), was reflective of the same imperative. Factors contributing to the decision to postpone the unveiling of a new policy in 2003 related to not wanting to rock the boat shortly before a national election and not to pre-empt the release of the Presidency’s *Ten Year Review*.

More critical though was the depth of the crisis of under-expenditure and the fear in the Department and the nine provinces that unless ways were devised to ‘speed up the delivery of housing’, ‘Treasury [would] institute measures’ to address the problem (SMM, 2003:xiv). From 2000/01, the rollovers per annum started to increase above 10% of the voted amounts; in 2002/2003, the under-expenditure amounted to R1bn (23% rollover); and in 2003/04 provinces had only spent 48% of their allocation by the end of December. The crisis, which both the Treasury and Presidency engaged the Department about, was exacerbated by the rising cumulative number of stalled housing projects. With over 600 000 units in stalled projects<sup>275</sup> and over R5.1bn committed, targeted interventions plus additional finance would be required (to compensate for inflation) to unblock these projects.

This expenditure history undermined any further requests for additional funding in 2004/05 – the year that BNG was unveiled. Although the crisis was partially addressed through the reassurance provided to Treasury and the Presidency of the Department’s ability to turn around the parlous financial predicament and poor delivery rate via the generation of a *Turnaround Strategy* (DOH, 2004), which contained the ‘seeds of a new policy direction’ (Interview paraphrasing Mark Napier, Chief Director Research, October 2004 cited in Charlton & Kihato, 2006:261), it was not implemented. Amendments were however effected to programmes and business plans that assuaged the fears of Treasury.

The appropriateness of the policy fix to the ‘external’ challenges is debateable, a point returned to below. Relevant to minimalist re-orientation is organisational conservatism and the power of internal system maintenance forces whose strength and durability resisted repeated attempts by both the Director-General and Deputy Director-General to effect a developmental bureaucratic coalition between regulators and innovators (inside the state and between the state and the wider praxis community).

Differently worded, progressive rightsizing aligned to a new policy direction was blocked because the Strategy represented to the Department, and more particularly, the Director-General, an indictment of her and her failure to deliver on the housing mandate: ‘The DG was unhappy with the *Turnaround Strategy* because it said she failed’ (Interview paraphrasing ex-

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<sup>275</sup> Of the 2.4m subsidies approved (and the 1.6m housing units listed as completed or under construction), 640 972 units were in projects that had stalled (DOH, 2004:6).

housing official, 18 October 2006). The Director-General's sensitivity to criticism evidenced in her tendency to micro-manage and/or assign critical tasks to those she historically trusted (reformed Chief Directors); her known discomfort (including those of her old guard allies) to entertain and implement new ideas and innovations, and the implied deferral to others (outside the favoured discourse coalition) for expertise and technical input; and her poor confidence in the Department's ability to deliver on a changed or revised mandate precluded by the new governance bureaucratic coalition militated against comprehensive rightsizing (Interview: Ibid).

Incremental rightsizing – a function of administrative conservatism, institutional sedimentation and bureaucratic inertia – is one side of minimalist praxis retooling. Fiscal imperatives further excluded robust retooling and, arguably, strengthened internal system maintenance forces. So just when the Department was on the precipice of a new strategic policy shift in the early years of 2003/04 (discussed below) based on a wide-ranging consultative process, the 'imperial minister of finance' Trevor Manuel intervened in a way not dissimilar to his actions in 1998/99 – also the year in which the Department announced a new approach to housing delivery whose components were very similar to BNG.

Confronted by a massive rollover of R1.76 billion, partly related to the lead time in housing projects hovering between 12 and 24 months (1998 figure in *Business Day*, 20 May 1998), the Department's 1998/1999 budget (R3.6bn) was 23% lower than the 1997/98 (R4.7 bn) allocation (a difference of R1.1bn). The latter year was the one in which housing budget was at its highest level of government expenditure since 1994/95 (pegged at 2.4%), and the delivery rate was the highest it had been since 1994/95, and when the rudiments of the institutional implementation infrastructure were in place and beginning to be institutionalised (see Pottie, 2003:435; DOH, 2005b:18; *Business Day*, 20 May 1998).<sup>276</sup>

The readiness of the implementation infrastructure to increase delivery and its thwarting by the budget cut was confirmed by the Minister in her 1999 address at the Institute for Housing in South Africa Conference, which was the runner-up to the release of the Second White Paper: '[O]nce the process [housing delivery] had really begun to pick up speed funding was unable to match potential progress, the ambitious target of a million houses in five years, that Government had set itself, was not attainable' (Minister of Housing, 2000:4). This budget cut – contrary to the previous commitment 'agreement' of Treasury to boost the budget by R1bn when delivery took off to meet the 1 million house target (Director-General cited *Business Day*, 21 May 1998) – resulted in government abandoning the target, as the Medium-Term Expenditure Framework (MTEF) had allocated an amount equivalent to the 1998/99 budget for the next three years (Director-General, Ibid). The response of Treasury was:

Flip Rademan, deputy director-general of the state expenditure department, put a different spin on the agreement. He said the housing department did not use the funds originally allocated and the allocation was suspended for other priorities. In subsequent annual budgets, the final allocations were approved by cabinet according to national priorities. "The responsibility then vested in accounting officers to adjust

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<sup>276</sup> The cut in the budget also related to stinging criticisms of the ANC in February 1998, for being soft on corruption and financial mismanagement (Picard, 2005:339). This may have been related to a desire to 'stem financial mismanagement in the provinces' (Ibid).

and manage programmes within allocations through reprioritising specific projects to stay within available funds”. He said that the medium-term expenditure framework allocation for the next three years reflected government’s commitment to housing programmes (Ibid).

The decision to cut the budget raised a host of complex issues related to the priority accorded to housing, the impact on the capacity of the Department to fulfil its mandate, and governance more generally. With respect to priority, the budget cut prompted housing and industry analysts to argue that it appeared as if housing had fallen off the national agenda. Government, they reportedly said, had to decide whether it wished to limit the programme just as it was beginning to succeed (*Business Day*, 20 May 1998).

Indeed, with deep real cuts in provincial budgets (Gauteng for example needed R1.3bn in 1998/09 but only received R725m), provincial boards halted/put a freeze on new subsidy applications and projects (*Business Day*, 21 May 1998) as approval for new projects in 1998/99 could only be funded out of the 1999/2000 budget (Director General cited in *Business Day*, 20 May 1998). Moreover, the honouring of (then) existing annual housing obligations was rendered problematic through provinces having to re-prioritise projects, compounded by inflationary pressures contained in each sequence of the traditional housing (and infrastructure) project management delivery cycle of Planning-Servicing-Building-Occupation (see Berner, 2002) and their potential to generate stalled projects which require additional finance to unblock.

With respect to capacity, in their submission to the Portfolio Committee hearings on the budget vote, the then Banking Council’s Mary Tomlinson said that ‘insufficient expenditure’ was going towards building the administrative capacity ‘necessary for expanding and smoothly implementing the housing policy’, including knowledge of how to spend money. With the delivery of 10 000 housing options per month during that period, it would ‘take over 30 years to address the 3-million backlog - not including new household formation’ (cited in *Business Day*, 7 May 1998).<sup>277</sup>

The Department’s ability to maintain the existing delivery figure was already being tested to the hilt and the budget cut was another spoke in the wheel. In fact, already in 1997, the Department confronted a staffing crisis with the reported loss of the Director-General and approximately four highly skilled Chief Directors (three of whom had taken a voluntary severance package), and 55 of the 221 posts vacant, prompting leading analysts to conclude that the departure of so many top managers (reportedly 18) was ‘likely to affect significantly the management of the low-cost housing programme’ (*Business Day*, 14 October 1997).<sup>278</sup>

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<sup>277</sup> The point was reinforced by the Director-General three years later during the Portfolio Committee hearings on the housing budget when she stated that the 2001/02 budgetary increase of 8%, in the context of new household formation through migration, made it impossible to eliminate the problem of informal settlements (*Business Day*, 1 March 2001).

<sup>278</sup> In 1996, the number of posts were increased to 246 from 226 the previous year. Due to the restructuring process in the public service during 1997 and 1998, and the implementation of voluntary severance packages, the Department abolished 25 posts. A further eight posts were abolished during 1999 as a result of officials taking voluntary severance, leaving the Department with 231 posts on 1 April 1999 (DOH, nd:2). This is discussed in more detail below.

From 1998 to 1999, ‘vacancies fluctuated between 30-32%; by August 2000 it was 37%; in April 2001, 34%; in April 2002, 27%; and *currently* 28% (DOH, nd:92, original emphasis).

With respect to governance, the cut in the 1998/99 budget demonstrated the dominance of the Ministry of Finance over sectoral budgeting and development priority definition (in particular), and the legislature (more generally). With reference to the legislature, the Chairman of the Housing Portfolio Committee, Titus Mafolo, declared the 1998/99 budget ‘inadequate... There is no way it can meet the housing needs of this country’. The request by the Committee to have the budget increased – intended to be a, reportedly, ‘strong signal’ by the legislature to the executive – was supposed to be tabled in Parliament shortly afterwards with the Committee also expressing a determination to take the matter further by calling for a review of the MTEF baseline figures for housing. Although Committee members, it is reported, said that ‘throwing money at a problem’ was not the answer, it asserted that government was, ‘obligated to provide resources for its policy positions’ (paraphrased in *Business Day*, 7 May 1998). Nothing was heard afterwards. Strangely, if the Department showed little respect for the legislature in policy reform and programme execution, Treasury dismissed both.

Lastly, while more research is required here, it can be conjectured that the budget cut had consequences on the construction sector when ‘fears’ were expressed about the effect of diminished spending whittling away capacity built up in the construction and associated professions over the past few years to sustain ‘recent high levels of delivery’ (*Business Day*, 20 May 1998). Given the departure of some 40% to 50% of small and medium-sized enterprises from this sector between 1988 and 1994, and those remaining, through downsizing, cutting their capacity by more than 50% (25% of firms) while a further (40%) reduced capacity by between 20% to 50%, industrial concentration (standing at 20–30% of home building, general construction and civil engineering accounting for 80% of output in 1994) could, with the budget cut, have potentially contributed to further entrench their grip of the big players on low-income housing production (*Business Times*, 2 October 1994), considering that 54% of total new housing stock produced between 1996 to 2001 was government shelter (DOH, 2004:3).

Over the period, 1994 to 1999, there was a decline of 36% of employment in the construction industry (a loss of 130 000 jobs), increased informalisation and casualisation (in 1997, 72% of self-employed workers in the construction industry were informal), and by 2000, 14% of firms were responsible for 75% of total production in the construction industry (figures extracted from, Hassen, 2003:125, 128, 129). The more damaging effect of the capacity shortfalls and resulting concentration, it was argued in 1994, would be dramatic increases in material prices, which even before the adoption of the White Paper, was perceived as a serious constraint on affordable housing delivery. The University of Stellenbosch’s Bureau for Economic Research predicted building costs would soar over the following years (cited in *Business Times*, 2 October 1994, and see *Financial Mail*, 21 October 1994). ‘Without drastic restructuring of the construction industry as a whole’ and ‘supply-side interventions’ - wrote Andrew Merriefield of the University of Natal’s Construction and Economics (*Financial Mail*, 21 October 1994) - ‘the industry will in the short-term only be able to return to mid-1980s levels in the low-income sector’ (Merriefield in *Business Times*, 2 October 1994).

While the elimination of the backlog (of 1.8 million plus 200 000 new households formed every year) over ten years would require, according to Land Investment Chairman, Selwyn MacFarlane, the construction of ‘a house every two minutes’ (cited in *Business Day*, 26

October 1994), the building sector in 1994 was geared to build a maximum of 70 000 houses a year (*Business Day*, 21 October 1994). The production of homes in the low-income bracket would be further reduced with the up tick in the property market from 1994 (see *Business Day*, 4 January 1995) worsening the emerging ‘serious imbalances between the supply of housing and effective demand...[pricing] housing...out of the reach of the majority of white buyers and...other population groups’.<sup>279</sup>

Since 1998 to 2005, the housing budget as percentage of total expenditure remained below the 1997/98 figure with negative impacts filtering through directly and indirectly into capacity building, executive-legislature dynamics, the property market and construction sector, and asset generation and accumulation by the poor. The cumulative impact of these forces in the policy reform initiative of the second decade, when the state, partly in response to under-expenditure, was on the precipice of a robust policy shift to address programme deficiencies and aligning its institutions and resources accordingly, Treasury cut the budget again. And this time round, the budget had to contend with a market more fierce than in the 1990s. This was evidenced in astronomical rises in building costs (85% between 2000–2006)<sup>280</sup>; and construction sector cartelisation, which, *The Economist* remarked, ‘has made entry into the industry difficult for newcomers, especially black companies, resulting in a plethora of fly-by-night outfits’;<sup>281</sup> and a housing boom which since 2000 saw house prices rise 182%, outperforming Britain, Australia, Canada and the United States (Hale, 2006:28). South Africa’s ‘leader[ship]’ in the ‘world housing boom’ (*in2perspective*, 15 December 2004)<sup>282</sup> which in 2003/04 witnessed house prices jump 35%, outperforming even Hong Kong (31%) (Ibid), may be related to the stability brought to the market by the RDP housing intervention, but these gains have been captured and monopolised by an affluent 30% of the market (DOH, 2004a:4). Moreover, ‘rising house prices have helped to produce a current account deficit’ (Hale, 2006:30), with implications for monetary policy and savings rates (declining to 0.3% from 1.5% a few years ago and 4.5% during the mid-1990s (Hale, 2006:30)) – and escalations in construction costs and land prices<sup>283</sup> are now coming to

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<sup>279</sup> According to *Financial Mail* (5 May 1995), only 15% of total households could afford houses in the R65 000 to R100 000 bracket.

<sup>280</sup> Building costs in the period 2000 to 2006 – including building materials, labour, fuel and contractor profit margins – rose by 85%, way above the overall pace of inflation (as measured by the producer price index and the consumer price index). This rise in tender prices, which according to the University of Stellenbosch’s Bureau for Economic Research rose more rapidly than input costs, was driven by the rising momentum in activity in the building and construction industry as contractors found themselves in a better position to widen their profit margins (‘[i]nversely, during a recessionary phase in the industry, tender prices rise less rapidly than input costs’). Increases in individual materials prices averaged around 60%. Examples of price increases which exceeded the average included stock bricks, which increased by 99%; face bricks, 87%; cement, 99%; structural steel products, 75%; and cement building blocks, 108% (*Property 24*, 23 March 2006 – Available at [http://www.property24.com/Property24/hub/ConstructionIndustry\\_Full.asp?articleid=3070](http://www.property24.com/Property24/hub/ConstructionIndustry_Full.asp?articleid=3070)) (accessed 19 October 2006).

<sup>281</sup> Economist Intelligence Unit – see [http://store.eiu.com/index.asp?layout=show\\_sample&product\\_id=30000203&country\\_id=ZA](http://store.eiu.com/index.asp?layout=show_sample&product_id=30000203&country_id=ZA) (accessed 14 October 2006).

<sup>282</sup> See <http://www.in2perspective.com/nr/2004/12/south-africa-leads-world-housing-boom.jsp> (accessed 14 October 2006).

<sup>283</sup> According to Absa Bank, a stand that cost R46 000 in 2003 cost R93 000 in June 2006 (*Sunday Independent*, 10 September 2006).

frustrate Financial Sector (FSC) commitments to deliver housing opportunities to those in the R1 500–R7 500 income bracket (discussed below).

The negative consequences of the adoption of the Anglo-Saxon economic model (speculation and hyper asset inflation) arguably undercut BNG's objective to promote and deepen the housing market. On the eve of a major housing rethink and policy shift in 2004/05, and confronted by similar but intensified market forces and under-expenditure by the Department, the post-2002 developmental state behaved in very much the same way as it did in 1998/99, potentially compromising BNG. Asset creation (as component of the anti-poverty strategy (Cross, 2006)) in the context of South Africa 'ignoring its asset inflation because of central bank's new obsession with restraining the exchange rate' (Hale, 2006:29), the declining savings rate, and affordability constraints expose the limits of a housing programme that to date has been budget-driven and which historically eschews comprehensive reform (see Worker's World, 2005). The 'medicine' Manuel administered in the late 1990s and in early 2000s may have been correct in his mind, 'but the patient' was paralysed in both instances. This is another instance of the idiot looking at the finger when it points to the moon. Or less sarcastically, a case of a government department hijacking and derailing the transformation project of developmental state's high priority programme.

Manuel's intervention not only resulted in the late-1990s new programme and policy shift in housing being aborted. He contributed in large measure to the further weakening of the capacity of state, especially at regional level, which Picard (2005:333) notes were 'in serious administrative disarray and vulnerable to corruption'. The failure of the provinces, a 'major problem during the Government of National Unity' (Ibid) occurred against the backdrop of a 'stagnant economy' and a public sector characterised by 'increasing competition over salaries, an evolving and expanding patronage system and increasingly widespread corruption' (Ibid:19). The rapid promotion of 'black people' into the bureaucracy who began to adopt the 'core values, systems and policies of the "old" public service' (Ibid:334) and the 'increasingly centralised control and top down management with a 'civil service ethos and a disempowering work ethic'' (Ibid:340) could potentially have continuously contributed to both (bureaucratic) 'system maintenance and conservatism' (Ibid:8). An organisational culture fixated on the expansion of the 'state system' (Ibid:12) and bureaucrat(ic) reproduction is naturally 'risk adverse' (sic) (Ibid:16) and is likely to resist 'systematic efforts by new regimes to uproot prior forms' (Ibid:14) of institutional sedimentation. In other words, with a 'continuity of policy with regard to the structures and processes of government' that 'reflects ANC conservatism at a policy level' (Ibid:368), this bureaucracy, which does not see itself as part of the institutional system (this includes state-social relations), 'once installed, is difficult to change' (Ibid:361).

The 'formidable capacity for its own reproduction across time and in the face of systematic efforts by new regimes to uproot prior forms and new blueprints' (Ibid:361) inevitably pushes towards a 'crisis management mode' (Ibid:360) of governance. The failure to invest in 'institutional strengthening' (Ibid:368) and/or institutional hobbling through budget cuts which fuels the limited post-apartheid new governance agenda, scuttling progressive initiatives and exacerbating rent-seeking is arguably one more symptom of our iatrogenic development praxis crises, i.e. the physician injecting the patient with the disease.

### *Birth and Evolution of BNG*

In his address to the first joint sitting of the third democratic Parliament, President Mbeki spoke of the intensification of the housing programme through the generation of a comprehensive programme within three months (President Mbeki, 2004c). The backdrop to this included:

- A growing housing backlog (the result of population growth and a decline in household size);
- Increased levels of urbanisation and associated poverty; high levels of contact/social fabric crimes; 'stubborn growth of informal settlements';
- Poor quality of human settlements that continued to exacerbate urban inefficiencies;
- The misalignment of national and provincial programme objectives with local objectives;
- Slow down in delivery rates and subsidy approval and under-expenditure;
- Land availability, assembly and delivery problems;
- The withdrawal of the private sector from housing construction and credit extension;
- Limited financial services offered to low income households;
- Mismatch between subsidy allocation and physical delivery (units on the ground); and
- Inflexibility of the subsidy to respond to diverse locational and tenure preferences; and ineffectiveness of housing institutions to fulfil their mandate (DOH, 2004; 2004a).

In addition to these internal and external challenges, identified by Treasury (2003a) were a series of intractable problems related to weakness of the urban governance regime to effect integration through consensus and co-operation; contradictions between 'government's long term visionary approach to sustainable urban development and its demand for visible short-term delivery' (Ibid:4); cost barriers (especially high land prices) inhibiting socio-spatial integration; political economy of urban construction; the spatially marginalising outcomes of private investment; the inability of social housing to reconcile needs (of the poorest) and affordability; and the 'subsidy quantum which is too small to attract private lenders' (Ibid:6).

The President's injunction to produce a comprehensive human settlement plan was met by the newly appointed Housing Minister, in two months (July); approved by Cabinet in September 2004; and implementation set to commence in April 2005. In her first budget speech to the National Council of Provinces, the Minister provided some insight into the 'central tenets' that would determine the 'new direction to break new ground in housing'.

Resting on five pillars, these comprised a shift from quantity to quality housing; accelerated delivery; addressing corruption and maladministration; supporting black economic empowerment companies; development of medium-density housing including rental stock; and, most controversially, 'eradication of informal settlements' (Minister of Housing, 2004a). The comprehensive programme, unveiled in September 2004, represents a 'holistic approach'

(DOH, 2005:9) to housing development comprising the following components: access to homes in ‘well-designed, serviced and located human settlements’ with delivery driven by need and demand entailing greater flexibility and responsiveness to area-specific needs; collapsing of the subsidy system and the inclusion of a R3 500–R7 000 income bracket; broadening of tenure choice to include rental accommodation; a revamped social housing programme together with the social housing policy; support to informal settlements in a phased approach; deeper and more sophisticated engagement with the financial sector via the Charter Process; measures to stimulate and enhance the secondary market; inner city regeneration and densification; revision of the legislation and codes to bring them into line with objectives of the Plan; and institutional and programmatic integration, realignment and co-ordination with municipal development plans and local government playing a crucial role in the delivery of both housing and the Plan (above extracted from DOH, 2004; DOH, 2005; Minister of Housing, 2004b).

### *Birth Pains/Complications and Deformities*

Reserving commentary on the contents of the Plan for a later stage, and its many similarities with the approaches and recommendations of the DOH’s *Sustainable Human Settlements Framework* (March 2003) (DOH, 2003), what is significant about Framework and Plan is the attempt of both to ‘marry’ and integrate sustainable human settlement with the activities of Department. Stated as an explicit aim in the Framework (DOH, 2003:7), Charlton and Kihato (2006:259) argue that despite the envisaged research and consultation-driven Comprehensive Plan formulation process, the BNG document ‘originates out of an amalgamation of 19 different business plans from various sectoral programmes within the national department’. These plans were handed by an embattled, ‘intellectually bankrupt’ Director-General<sup>284</sup> ‘too scared...to apply any new ideas or concepts’ (‘risk averse’) – to old style bureaucrats (mainly Chief Directors) with the instruction to assemble it into a Plan.

The imperative for this instruction was the Director-General’s intention to reinstate her control and that of her guardians and protectors (the old guard) over the marginalising BNG policy reform process. With the breakdown of the relationship between the Deputy Director-General and the DG, and via association with the Chief Director of Research, she ‘shut out’ the new age officials from following through on the Presidential injunction.<sup>285</sup> An old guard chief director tasked with the production of the Plan failed to deliver to the satisfaction of MINMEC, resulting in the DG then employing a ‘consultant with links to the World Bank to consolidate into a more rational document’, with the consultant then ‘letting [new age officials] in again via the back door’.<sup>286</sup> The extent to which the substantive integrity of BNG Plan may have been compromised by these internal organisational dynamics is a tale that remains to be narrated. The existence of the Turnaround Strategy and the involvement of the new age officials in the drafting of the Plan were fortuitous in ensuring some level of alignment between in- and out-of-the box thinking.

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<sup>284</sup> Personal correspondence: ex-Department of Housing official, 16 October 2006.

<sup>285</sup> Personal correspondence: ex-Department of Housing official, 16 October 2006.

<sup>286</sup> Personal correspondence: ex-Department of Housing official, 16 October 2006.

As to whether this alignment was adequate and/or the Comprehensive Plan charts a new direction is the subject of heated controversy (a discussion returned to below) as the forensic laboratory is still to disseminate its findings on the DNA and fingerprints lifted from the pages of the BNG and its associated business plans. The names of the parents registered in BNG's birth certificate will be controversial, and a few are busy already writing obituaries. Cross (2005),<sup>287</sup> for example, writes about 'unemployment-induced poverty' 'undermining' the housing delivery strategy resulting in abandonment of homes by families unable to meet basic service expenses and their movement from formal dwellings to informal settlements with the 'worst case scenario' being the 'permanent entrenchment of shack areas'. Her proposed solutions are for all sectors to work together to create sustainable jobs (Ibid), and more recently, enhancing the affordability of state rental and home ownership options (which to date have not been reduced or offset by product innovation, social welfare grants and indigency policies). Further recommended is rapid delivery of '*dirt cheap accommodation at point of need*' (Cross, 2006:12, original emphasis) underpinned by flexible decentralised community controlled allocation procedures catering for diverse livelihood circumstances; 'institutional clean-up' (21) or bricolage;<sup>288</sup> (fast-tracking) the provision of good settlement locations and extension of tenure security; and more careful balancing of the asset-accumulation thrust (as component of the anti-poverty strategy) with commoditisation, its embedding and the mechanics thereof.

Decommodification and commodification, formalisation and informalisation, regulation and deregulation, sustainability and speed are the substance of the controversies surrounding BNG as sectoral project and pillar of the developmental state. Not unsurprisingly, it mirrors the contradictions in the larger reconstruction agenda of staying or altering the course, pragmatic radicalism and radical pragmatism. It is these dynamics and its grounding in the fundamentals of White Paper that has led some to argue that the BNG lacks a 'unifying conceptual foundation which offers policy direction into the future' (Charlton & Kihato, 2006:259). There is some merit in this finding, given the littering of the BNG document with references to details being contained in various Department Business Plans that were, prior to the generation of BNG, tweaked along the lines of the in-the-box log framing exercise of Department's November 2002 to February 2003 policy reform initiative. In a sense, BNG was retrofitted or made to gel with already existing but modified programmes of the first decade policy. A case of the programme directors in possession of solutions to gaps/weaknesses/problems awaiting problem definition; or as some Department officials' selective appropriation of bits, pieces and fragments of the BNG into existing programmes to accord with BNG's 'form' but not its content and thrust.

Efforts to re-define existing programmes and effect regulatory reform, consistent with the content and thrust of BNG, confronted high-ranking reformers with formidable challenges, the obvious being 'bureaucratic fatigue and incapability' (DOH, 2006a:7). More challenging though was the underfunding of the strategic centre of power occasioned by Treasury's 2003

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<sup>287</sup> Cited in Le Roux, M. 2005. Housing delivery strategy an expensive gamble (Available at [http://www.mg.co.za/articlePage.aspx?area=/breaking\\_news\\_national/&articleid=255383](http://www.mg.co.za/articlePage.aspx?area=/breaking_news_national/&articleid=255383)) (accessed 1 November 2005).

<sup>288</sup> The expansion of 'governance' beyond conventional decentralisation, improved accountability and transparency to include its mediation and conditioning by community and familial arrangements/norms/practices/relationships.

decision to deny funding for further capacitation of policy and programme branches and the DG's office. With capacity stretched at the apex of the organisation (a consequence of which was inadequate attention being devoted to leading and directing substantive policy and regulatory reform) Treasury's 2003 decision to reprioritise funds 'within the baseline' (Treasury, 2003b)<sup>289</sup> - to effect both housing programme amendments and internal restructuring - further reinforced the prevailing 'doing more with less' financial mantra and its associated system maintenance tendencies.

Keeping an even keel in chartered waters, versus exploring uncharted and potentially choppy waters, witnessed programme directors sailing close to the shoreline. The captain of the barge (Acting-Director-General Ahmedi Vawda) could do little to change the course of the ship because that power was vested by state edict and regulation in the hands of programme directors whose iron-fisted grip over finances determined the direction, destination and speed of the journey. In other words, unchallengeable financial dominance of (chief) directors secured domination over the content and trajectory of policy in an organisation whose culture is predominantly self-serving and internally focused. The authoring of policy codification in legislation and regulation by those whose skills, knowledge and expertise derives from decades of service to the authoritarian apartheid state is close to unchallengeable and incontestable. By fault of history, their monopoly of expertise in codification and enforcement strips praxis (in its form and content) of any progressive hue and colour. When history, culture and organisation in resource-constrained work and task environments is mixed with abnormally configured reporting and accounting lines – for example, chief directors encouraged and supported by the DG to bypass their immediate superiors and/or the DG assigning work to chief directors without the knowledge of the Deputy Director-General policy programme head (see DOH, 2007:49), who shoulders enormous responsibility but has little money to disburse or authority - the power and empire of programme directors is both boosted and bolstered by fiscal austerity and organisational *realpolitik*.

Bureaucratic mistrust, stonewalling and warfare present progressive reformers with a veritable minefield of obstacles that slows down and hampers timely and responsive introduction and adaptation of policy, legislation and regulation. Indeed, at a recent meeting of the Department, provinces and cities to discuss the implementation of BNG, a common refrain was about the 'huge policy and instruments gap at national level', which coupled to Department's 'little communication and consultation' with municipalities and provincial administration produces 'discrepanc[ies] in the messages coming out [from the Department] which create...inconsistency' (DOH, 2006a:4). Thus, if *realpolitik*, resource scarcity and the in-the-box and out-of-the-box prohibit robust retooling, historically unresolved institutional alignment, integration and co-operation dilemmas are presently being papered over by '[a]greements and MOUs [memoranda of understanding]' that are 'now driving development, instead of policies from national department' (Ibid:4–5). Almost twelve years into implementation of the housing programme, provinces, the recipients and allocators of the housing subsidy are still 'not always clear about [their] legislative roles' in housing production with concerns presently being expressed about 'them acting as super developers'

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<sup>289</sup> This is despite strong countervailing arguments related to the economic and social multiplier effects of housing as pointed out by the Minister, the Director-General and the Chief Financial Officer of Housing (DOH, 2003d).

(Ibid:5). Local government, on the other hand, still ‘questions’ whether ‘housing is also their core function’ and/or ‘do not see housing as their primary role’ (Ibid).

### *Instruments, Institutions and Impurity*

#### Instrument Impurity

Historical and present compromises in the inter-related, yet disarticulated, rhythms, sequencing and patterning of political transition, democratic consolidation and post-stabilisation constitutes the primary reason for confused and contradictory institutional (shelter delivery) mandates. The ‘practicalities’ of rapid shelter delivery in the early phases of political liberalisation, the ‘pragmatic’ orientation of the pre-election NHF negotiation process and the conservative (predominantly Urban Foundation) discourse coalition that powered the form and content of ‘solutions’ witnessed the adoption of a housing policy that Huchzermeyer (2003:604) asserts ‘coincided with the ANC’s interpretation of democracy’, i.e. a centralised state as ‘essential to the amelioration of apartheid-induced inequalities’. By extension, ‘considered appropriate’ was a ‘strongly centralized housing policy orchestrating efficient delivery’. Secondly, a once-off IDT-styled capital subsidy (plus rudimentary shelter) was not incompatible with a rights-based post-apartheid development project fashioned though in the apartheid ‘image of a township house’ that the existing state and bureaucracy was experienced in delivering. Lastly, rapidity and ease of implementation of a repressive ‘orderly urbanisation’ instrument by a centralised state served well the target of delivering one million houses in five years. The material patterning, packaging and delivery of the housing intervention and its instruments, coupled to the imparted and demonstrated centralised generation of norms and standards spans transition, consolidation and post-stabilisation phases, and thereby bedeviling attempts to effect an institutional re-division of labour.

#### Institutional Impurity, [Mis]Alignment, [Dis]Integration

In the period between 1994 and the early 2000s, the Department embarked on a ‘process of fundamental restructuring’ of the delivery apparatus with a view to installing a ‘coherent institutional structure to execute policy’. With ‘very little of the old [institutional] dispensation’<sup>290</sup> deemed ‘worthy of being salvaged’ (legislatively undergirded as it was by an ‘inequitable’, ‘poorly targeted and unevenly resourced’ distribution and range of benefits) ‘fundamental restructuring’, in the shadow of GEAR, was indeed a mammoth task.

The delivery of the one million houses<sup>291</sup> had not only to contend with the pressures and strains of ‘fundamental restructuring’ and an inadequate budget, but also with the ‘withering of state capacity in the fields as diverse as construction, building materials management,

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<sup>290</sup> Comprising ‘no fewer than nineteen policy and executive institutions, each with its own agencies, at the national and provincial levels of government, under the former “Homelands and Own Affairs” dispensations’ (DOH, nd:4).

<sup>291</sup> Which the Department claims would ‘have been achieved in the 1998/99 financial year’ if ‘sufficient funds had been available’.

public works delivery, retail financing, and management' (Bond, 2006:11). In the shadow of GEAR, the 'ability' of both provinces and municipalities to discharge the 'additional responsibilities' conferred on them by the 1996 Ministerial Task Team were 'severely limited' (Ibid).

Fundamental restructuring also had to contend with the [1993] Interim Constitution's structuring of the housing function as a 'concurrent competence' (S126 of the Constitution of South Africa Amendment Act No. 2 of 1994). In the words of the ex-Deputy Director General of the Department of Housing, this was a 'surprise' as the 'initial expectation was that housing would be structured as a national competence' (Narsoo, 2000:3). Twelve years later, the 'management of the concurrency of the housing function', the Minister remarks, is '[o]ur biggest challenge' (Minister of Housing, 2006a).

Yet, with provinces 'not always clear about their legislative roles' (see above), 'overlooking' policies to accelerate service delivery (see below), and, their 'weak capacity...to implement integrated programmes' (with respect to 'leadership at management level, community involvement and poor vertical integration'(President Mbeki, 2005a)), it is indeed most puzzling how the June 2005 Housing MINMEC resolved to assign provinces a 'greater role' in direct delivery and municipal support:

Provincial governments, will in future play a greater role in the planning, co-ordination, prioritization, facilitation and supporting and monitoring of municipalities to ensure that they succeed in the execution of their housing functions. We are working on a phased approach to accreditation of municipalities. For the meantime, MINMEC has resolved that until that process is done and municipalities have the necessary capacity, they would like to remain fully in charge of the provision of housing, assisted by municipalities (DOH, 2005c:3).

The 'inherent contradictions', remarks Napier and Vawda (2006:2), 'in attempting to devolve housing responsibilities to the local level while mandates remain in place to strengthen [and currently reinforce] provincial and national government driven delivery' are unlikely to be resolved. Indeed, if statements by the Minister are anything to go by, both the 'feet of delivery' (local government) (Minister of Housing, 2005a), and provincial government<sup>292</sup> could possibly see their existing autonomy being whittled away by a centralising national department.

Returning to the theme about the problems plaguing restructuring and the institutional division of labour, it will be recalled that local government under apartheid was 'totally discredited and had lost the ability to play to fulfil a meaningful role in housing delivery' (DOH, nd:4). The Interim Constitution and the Local Government Transition Act came to define local government as an 'autonomous tier of government' but this was one of 'operational independence', i.e. 'synonymous with management autonomy with regard to the mechanics of decision-making, organisational structure and ...mode of implementation' (Chipkin, 2002:65). Little attention was paid to local government in this Constitution to

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<sup>292</sup> In the context of managing the 'biggest challenge' of 'concurrency', 'development planning, project management, and alignments of funding sources' (Minister of Housing, 2006a).

housing ‘but this omission’ was ‘later corrected in the final [1996] constitution’ (Narsoo, 2000:4).

While the final Constitution awarded more powers and autonomy to local government (Chipkin, 2002), the introduction of GEAR in 1996 (‘further’) reduced the powers of all tiers of government (Chipkin 1997 cited in Huchzermeyer, 2001:321), which played itself out in the White Paper on Local Government, with some warning of the ‘demobilisation of labour and communities’ arising from the citizens having to invest in largely ‘technocratic processes’ of delivery (Bond & Mayekiso, 1998 cited in Huchzermeyer, 2001:321).

Chipkin (1997) identifies in the South African definition of local government the assumption that ‘delivery is in fact uncontroversial, that it was simply an administrative/managerial experience and that there is no contestation in the mode, level, coverage and/or financing of such services’ (cited in Huchzermeyer, 2001:321). With this assumption, the ‘schizophrenia of early policy documents prepared within the NHF and government’ (Narsoo, 2000:7) related to the total compatibility between meeting targets and integrated settlement; failure to acknowledge the ‘fiscal and institutional constraints’ to follow either of the (‘compatible’) approaches (Ibid); the historical exclusion of local government to ‘input’ in ‘national [housing] policy formulation’ (DOH, 2004c:164); ‘the absence of effective planning frameworks’ (Narsoo, 2000:7) to guide and direct spatial interventions<sup>293</sup> or, as the Department puts it, ‘no clear stance on spatial intervention’ (DOH, 2004c:164); and the dominance of the private sector in housing delivery (through the project-linked delivery route), housing projects in the period 1994–1996 were mired in ‘confusions and misunderstandings’ of the role of local government in shelter delivery, procedures and processes to access subsidies, and ‘municipalities were often found to allocate numbers of beneficiaries that exceeded the allocation figures for houses and subsidies’ (DOH, 2004c:159).

Although greater clarity on the autonomy, duties and competencies of local government was delivered via the 1996 Constitution, the Local Government White Paper and the 1997 Housing Act (and subsequent amendments), the dramatic expansion of the overall developmental responsibilities (not powers) of local government in the late 1990s in both scale and scope but with only marginal increases in revenue,<sup>294</sup> the (continued) non-resolution of problems related to the issues of the subsidy shortfall to deliver on nationally determined norms and standards, and the operational expenditure to support their housing function, has prevented more ex-/intensive municipal engagement with the housing programme. On balance then, the above-mentioned constraints, ‘institutional upheaval’ (DOH, 2004c:162) wrought by a lengthy and messy local government restructuring process, and chasing targets, have not presented conducive circumstances for local government involvement in the 1990s. The Department comments as follows:

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<sup>293</sup> E.g. the Development Facilitation Act (67 of 1995), the Local Government Transition Act (209 of 1993) and the Local Government Transition Act Second Amendment Act (97 of 1996).

<sup>294</sup> Local government at the end of the 1990s was providing services to five times more people than was the case in the past – notably in the formerly disadvantaged areas – with only marginal increases in revenue (Financial and Fiscal Commission cited in *Mail & Guardian*, 5 March 1999).

... [m]ost of the projects in the 1990s gave little opportunity for the involvement of local authorities in co-ordinating and directing an overall programme of housing delivery in which development occurred in agreed locations, in a sequence that allowed for integration with related service providers, in a manner that responded to the most urgent needs and priorities... The resultant programme implementation was piecemeal and uncoordinated (DOH, 2004c:164).

Notwithstanding the fundamental restructuring process; the improved role definition and responsibilities of the various spheres of government elaborated in the 1997 Housing Act and revisions, the Housing MINMEC<sup>295</sup>, the joint forum of the heads of the provincial and national department that support MINMEC, and the housing institutions, vertical and horizontal co-ordination and integration dilemmas still loom large as recorded in the SMM Report, the Turnaround Strategy and BNG. In a study by the Department of Public Service and Administration on the capacity of government to implement integrated development programmes, BNG being one of them, the report notes that the complicated and 'difficult to implement' policies result in provincial and local government 'overlook[ing]' them in 'order to accelerate' delivery (Moss, 2006:46).

Some policy prescripts, says local government officials - the 'eradication of informal settlements' being a case in point - are simply 'not achievable' flowing from a disjuncture between the 'needs of communities of the communities and what government can "realistically" afford to provide' (Ibid). Moreover, with no funding provided to local government to finance the devolved housing function (Ibid:46), many of them have 'sought to finance the shortfall by borrowing from other sources, including the private banking sector... [which] has reportedly plunged some municipalities into a debt cycle' (Ibid). A case in point mentioned by the mouthpiece of the senior management of the public service, the *Service Delivery Review*, is the N2 Gateway Project, which is estimated to cost 'approximately R2 billion per annum'. Against the backdrop of an 'annual national housing budget of R4.5 billion, and medium trends, it clear that the national department allocates insufficient funds for this project', which may force the City of Cape Town to 'source additional funding, most probably through loans' (Ibid).

High-level, political and administrative intergovernmental structures comprising top politicians and officials may facilitate some degree of co-ordination, integration and alignment but most of the intergovernmental structures at sectoral and cross-sectoral levels have 'ineffective structures' at 'operational levels' (Ibid). It is perhaps too early to pronounce on the effectiveness of the Interministerial Committee to align and integrate policies and programmes of the various sectors to deliver on sustainable (integrated) human settlement development, important to bear in mind is that the 'bulk of the policy [for housing] was completed by the time of the first elections' (Narsoo, 2000:7). Hence, housing policy had a 'two to three year policy lead time over other sectors' (Ibid).

Negotiations in the various sectors over the division of labour between the spheres of government and their subsequent finalisation and/or refinement after the adoption of the Constitution, excluded the housing department. It comes as no surprise then that there was

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<sup>295</sup> Comprising the Minister of Housing, the nine members of the provincial executive councils responsible for housing and the Chairperson of SALGA. This non-statutory forum meets at least quarterly.

and still is ‘no coherent system of planning for housing across all spheres of government’ (DOH, 2004c:164). The delivery of sustainable human settlement is further compromised, notes the Department of Public Service and Administration study, by ‘conflicting mandates between various government programmes’ (e.g. eradication of informal settlements by 2014 requires the use of a delivery machinery that may not accord with the strictures of the Expanded Public Works Programme) and the ‘absence of alignment between budgets of the departments’ and spheres of government that ‘participate in the delivery of integrated programmes’ (Moss, 2006:48). The charge of Pieterse and von Donk (forthcoming) related to the institutional, programmatic and financial un-readiness of the state and Department to execute a programme implicating multiple departments (BNG) is a historical problem, hardwired into successive episodes of policy reformulation and instrument redesign.

In the post-stabilisation period, public administration reform is ‘now strongly focused on building local government capacity, training and organisational reforms’ (Treasury, 2006:104). In the housing sector, the ‘enhancement of institutional capacity at local government level’ is perceived as central to respond to the ‘rapid pace of urbanisation’ (Ibid:109) and the linked programmes of social housing, informal settlement upgrade and emergency housing. Minister Sisulu, in support of BNG’s effective implementation, reportedly tabled draft legislation before Cabinet in 2005 that confers on municipalities a ‘substantial role in the delivery of well-constructed houses; as well as engineering the integration of communities through mixed-income residential areas’; and the ‘planning and construction of housing’ (paraphrased cited in SACN, 3 November 2005).<sup>296</sup>

The South African Local Government Association has come to endorse the pivotal role of local government in BNG subject to ‘appropriate levels of capacity’ being developed in municipalities; the ‘adoption of negotiated accelerated intervention mechanisms to resolve backlogs and challenges’ confronting municipalities; ‘securing a stable funding protocol’ for the provision of amenities and facilities; ‘introduction of a framework for the provision of temporary basic services in informal settlements’; introduction of a ‘housing peer support knowledge sharing programme’; and the conclusion of a ‘compact to ensure appropriate prioritisation of publicly owned land in favour of housing’ (SALGA Chairperson, Amos Masondo, 31 October 2006).<sup>297</sup> Whether the Department will meet these conditions through delivery of their envisaged ‘comprehensive capacity building programme’ aimed at ‘progressive accreditation’ of municipalities (DOH, *Statement of the June 2005 MINMEC*:3) is unsure. The statements of the Finance Ministry provides little source of hope stating blandly that

... [m]unicipalities need to be adequately capacitated, equipped and funded to take over the administration of national housing programmes; they need to comply with national housing and financial management legislation; and they need to drive delivery from integrated development planning through to the management of rental housing stock (Treasury, 2006:78).

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<sup>296</sup> See [http://www.sacities.net/2005/nov4\\_housing.stm](http://www.sacities.net/2005/nov4_housing.stm) (accessed 24 October 2006).

<sup>297</sup> See [http://www.housing.gov.za/Content/Municipal%20Housing%20I/31%20October%202005\(SALGA\).htm](http://www.housing.gov.za/Content/Municipal%20Housing%20I/31%20October%202005(SALGA).htm) (National Housing Indaba – 31 October 2005) (accessed 29 November 2005).

The Medium Term Budget Policy Statement (Treasury, 2005:6) speaks only of '[t]argeted support for municipalities under stress, and for critical infrastructure development capacity in identified provincial departments and local authorities' and Treasury's 2006 *Local Government Budgets and Expenditure Review: 2001/02–2007/08* mentions an increase in the transfers to local government (equitable share) (expected to 'rise 7 per cent over the medium term' (Treasury, 2006a:4)), but says nothing explicit about capacity-building and/or the matters alluded to above. In the interim, there are conflicting statements emanating from the Department on local government's role in the BNG. Rhetorical flourishes about the indispensable role of local government in BNG's successful execution (the 'feet of delivery', in the words of the Minister) and the spirited support for accreditation, in the context of 'increasing anger about from beneficiaries about the pace of delivery' (SACN, 3 November 2005)<sup>298</sup> and the centrality of service delivery to freedom (President Mbeki paraphrased, 27 April 2006)<sup>299</sup> induces confused responses from the Minister on local government and housing. In response to the service delivery and housing protests in June 2005, the Department issued a statement that the 'protests are aimed at the local government spheres apparent lack of delivery' over which the 'National Department has no jurisdiction' (DOH, 2005f). 'Absolving itself [Department] of blame over community protests against the slow pace of delivery' (*Cape Times*, 2 June 2005), despite the constitutional injunction of national and provincial government being obliged to strengthen the capacity of municipalities to manage their own affairs (S154(1)) and the charge of Chairman of SALGA Chairperson that municipalities are being blamed unfairly for the lack of/poor delivery of housing when this responsibility belonged to national and provincial government (cited in *Business Day*, 3 November 2005), the Minister conceded that 'municipalities have not been given a clear mandate for housing delivery'. She further said:

The simple reality that faces all of us is that – rightly so – our communities are interested in the ultimate delivery of housing to them. They are less interested in knowing which sphere of government is responsible for delivering housing; nor are they interested in hearing about the convoluted processes within government that seem to fail in realizing housing opportunities for all.

The recent protests across the municipalities have highlighted these realities. Situations arose where because of failures to perform in respect of housing delivery communities then decide to simply march to the municipality and knock on the Mayor's door demanding speedy delivery. Invariably the Mayors were then placed in some very awkward positions where they were required to account for responsibilities that did not belong to their spheres of governance. In other cases, the delivery failures of municipalities were blamed on both the national and provincial governments. And worse still, frustrations boiled over on account of some lengthy processes that needed to be followed in all three spheres of governments to address certain complaints and grievances (Minister of Housing, 2005d).

Recognising that municipalities had 'not been given a clear mandate for housing' and that insufficient capacity exists/ed in local government to 'carry housing delivery' owing to the capacity not specifically being built nor funded, accreditation, she said, would proceed on the

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<sup>298</sup> See [http://www.sacities.net/2005/nov4\\_housing.stm](http://www.sacities.net/2005/nov4_housing.stm) (accessed 24 October 2006).

<sup>299</sup> See [http://www.sacities.net/2006/apr27\\_freedom.stm](http://www.sacities.net/2006/apr27_freedom.stm) (accessed 12 May 2006).

basis of 'sound funding arrangements and accountability, appropriate governance arrangements, as well as systematic capacity development of the provinces and municipalities' (Ibid). Underscoring the indispensability of effective inter-governmental relations for the delivery of sustainable human settlements, thick in her speech was the need for government to move towards being a 'seamless entity whose local face and presence within communities comes through municipalities' (Ibid). On the back of this, the Minister pitched for the establishment of an institutional 'compact' to 'guarantee', amongst others, 'a three-tier intervention... whenever necessary' allowing 'us to govern co-operatively across spheres of government, recognising that in effect we are a single government, albeit, being constituted as... spheres, which are distinctive, interdependent and interrelated' (Ibid).

Clearly, these statements are in sharp contrast to the previous ones absolving the national Department of any blame over community protests and demonstrations. With the 'feet of delivery' as the 'local face and presence' of state, one would imagine a local government set to be empowered in ways that elevates its historically junior status in the 'housing delivery value chain' (Minister of Housing, 2006a:2), i.e. locating and focusing capacity in accord with DOH's commitment to the principle of subsidiarity. Sadly, the extent to which this may potentially be developmentally-driven (given BNG's demand-driven, supply-negotiated thrust which is predicated to a considerable degree on placing 'local government at the centre of action' (Pieterse & van Donk, 2006:4) in localised assemblies of market, hierarchy and network is debatable as it bumps up against a 'politicised technocratic' approach adopted by the Department in a project showcasing BNG. In mind here is the N2 Gateway Project.

### *N2 Pilot/Gateway Project*

Predating the announcement of SA as host to the 2010 World Cup, the N2 Gateway was championed and driven by an ANC Housing Minister, MEC and Mayor. The project – the first endorsed by MINMEC under the new strategy and mentioned in BNG (DOH, 2004a:12) and approved by Cabinet – was premised inter-alia on targeted alleviation of the housing crisis in one of the City's deepest pockets of poverty;<sup>300</sup> strategic deployment and investment of public resources to build the social and public economy;<sup>301</sup> and most importantly, robust re-engineering of co-operative governance relationships around a new housing strategy through a project/area-based approach that could potentially yield valuable insights into how to improve resource and programmatic realignments. A critical consideration motivating the intervention resided in a recognition that the capabilities and capacities of the metropolitan

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<sup>300</sup> Through this intervention, the three spheres of government will collectively contribute to dramatically reducing the shelter poverty of over 10 000 households, 97% of whom reside in shacks. The dent that the project makes in addressing the housing needs of the inadequately housed families in the Western Cape is in the order of 7%.

<sup>301</sup> It is envisaged that the largest percentage of the dwellings will be social housing with tenure types ranging from rental to group ownership to co-operative. This is in line with the new strategy of diversifying tenure options and citizen choice. More importantly, though, with respect to efficient and effective deployment of public resources as this relates to building the social economy, the medium density housing component of the new strategy, according to the Minister, witnesses a return to state-owned rental accommodation – a key part of the new approach. Government will build walk-up apartment blocks of five storeys at a cost of R60 000 per unit and will rent these at fixed subsidised rates. In the words of the Minister: 'We will have to anticipate the rate of urbanisation and the maturation of society. That is why we are going full steam ahead into rental housing. We hope that will absorb a great number of the people we would like to accommodate' (cited in Khan, 2004b).

authority to cope with the housing challenge was seriously impaired owing to local government, in the words of the Minister, being a 'poorly defined actor in the shelter sector'. A further complication, the Minister remarked, was the 'under-developed' nature of the co-operative governance regime in 'specific policy/programmatic areas' compared to its 'well-developed' nature in the 'political and financial' realm (Minister of Housing, 2006e). Against this backdrop, a Memorandum of Understanding/Operational Agreement enshrined the division of labour as one wherein local government would be the main implementation agency, with provincial and national Departments of Housing providing support via (inter alia) facilitating access to land; unlocking and mobilising funding; streamlining regulations and fast tracking applications; and fostering an enabling and empowering implementation environment.

The achievements and failures of the project aside. At very grave risk of over-simplification of a complex tale, provincial government, partly in response to extremely poor project management and alleged corruption in tender processes and, conscious of the ANC's impending defeat in the March local government elections, transferred, in February 2006, responsibility for the project from the City to the provincial housing department. The City however was the entity that signed project management and construction contracts and was thus financially liable. Shortly after the defeat of the ANC in the municipal elections, the Democratic Alliance Mayor refused to carry the (over-run) costs of the N2 Gateway on the grounds of the project being 'an unfunded mandate', generated at the 'directive' of the national housing department, not in accordance with 'existing [housing] policies'/'without a proper policy [and funding] framework', and thus bereft of project 'protocols' (Helen Zille, cited in *Cape Times*, 6 June 2006). Detailing these concerns in a letter directed at the other 'partners' in this project, and poised to launching a forensic audit into the project,<sup>302</sup> the Minister reportedly 'booted the City of Cape Town out of the N2 Gateway housing project' (*Cape Argus*, 13 June 2006). The many acrimonious and bitter exchanges preceding this 'booting out' and the Mayor's concerns recorded in the letter are of some importance. More significant though is the leaking of the letter to the press prior to the Minister reading it. The Minister's response: 'It's so unprofessional, so unethical' (original words) (Ibid). She reportedly added that government 'refused to accept this break with protocol' (paraphrased) and '[w]e now want to cut our losses, cut our relationship with the city. We will do this one alone' (original words). Welcoming the audit, she proceeded to commit all spheres to payment of outstanding costs.

It would perhaps be not too wayward to question the Minister's assertion on the stellar performance of the 'well-developed' political and financial relationships of the co-operative governance regime. It would perhaps be a tad wayward to suggest that money and politics are not strange bedfellows as all spheres now have to carry the financial can. If this is the case, then most unsettling are the following words of the Minister, lifted directly from the newspaper article, which speaks not only to a (politicised)/technocratic interpretation of co-operative governance, especially given the nature and orientation of the N2 Gateway Project (massive and rapid delivery of state-defined 'good as it get' solutions), and/or centralising project, but also the importance of local government from the guardian of the Plan:

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<sup>302</sup> Reportedly on the grounds of non-compliance to basic procedures of contracts, financial sloth and project mismanagement (*Cape Argus*, 13 June 2006).

Describing her move as a “constitutional dispute”, Sisulu said that the city was “recused of all responsibilities to the project”.

Housing was a national and provincial competence, and they alone would be responsible for the project.

The City’s role would from on, be “nothing”, other than the provision of infrastructure and services...(Ibid).

Trite the claim is that constitutionally grounded developmental state construction is insulated from the fortunes and vagaries of money and politics. Indeed, the whittling away of provincial autonomy, for example, by the Minister of Finance, attests to the selective appropriation of those clauses of the Constitution that enhance Treasury’s control. Provincial fiscal autonomy and general regional policy autonomy (a potential outcome of implementation of all constitutional provisions) ‘plays second fiddle to macroeconomic policy’. Fiscal decentralisation, contends Van Zyl, is ‘limited and, essentially reduced to an administrative tool’ (2003:35–6). In housing, one observes an increasing shift to mega-projects, or the supposedly ‘collectively prioritise[d] key development projects that can be determined, funded and driven by the Minister, within the spirit of Co-operative Governance, so as to achieve maximum effectiveness in dealing with some of the monumental challenges’ (Minister of Housing, 2006:6). Then there is the talk of an institutional ‘compact’ entrenching the seamless and single government. And the political guardians of the compact are the Mayors, Premiers and MECs, hand chosen by the party bosses and beholden unto them. Then there is the ‘nothing’ status of local government and its questioning as a ‘viable’ delivery ‘conduit’ (Ndumo, 2006:4), who awaiting accreditation and capacitation, are to assist provincial government (the super developers, whose bosses are handpicked by the party) to ‘remain fully in charge of the provision of housing’ (DOH, 2005c).

Further, there is the re-mandating and re-orientation of the housing institutions, which part of the initial fundamental restructuring initiative of the early 1990s were designed to fill capacity gaps with respect to the implementation of specific programmes/projects/initiatives (1994–2003). With the view to improving their performance and functional re-alignment - these include NHFC, NURCHA, NHBRC and others - BNG’s intention to enhance oversight of their activities is indicative of trends in the wider systemic re-orientation of public entities. On top of all this, is the subordinate referencing of the human settlement development to ASGISA and NSDP imperatives (see Ndumo, 2006 for this line of thinking) to which the BNG also adds the Urban Development Strategy;<sup>303</sup> the rightsizing of the IDPs (the foundational stones of BNG) to NSDP methodologies and imperatives; and the introduction of urban restructuring and neighbourhood development projects, devised and driven by Treasury (Treasury, 2006:110). Observed here is an unmistakable top-down and centralist project.

Although not disassociated from neoliberal governmentalities of rule, centralisation is not necessarily inimical to the developmental objectives and outcomes that BNG strives towards. In the context of the global slaughtering of the many holy cows extolling the virtues of decentralisation (as a ‘composite policy answer’ (Ben-Alia, 1996:6) to state failure, deformed

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<sup>303</sup> See DOH, 2004a:12–6.

development, illiberal democracy, and fiscal austerity),<sup>304</sup> Tandler (1997) has demonstrated the pivotal role of central government, which took away power from local government, but ‘ultimately contributed to strengthening the capacity of local government’ (147). The activist central state engaged in unconventional actions that democratised relations at local level/public sphere thereby facilitating more equitable planning outcomes, i.e. central state intervention and active citizenship are not antithetical.

Evans (2005:30) argues that the ‘effectiveness of public institutions depends on ‘hybridity’’, ‘an integrated balance among three different (sometimes contradictory) modes of guiding administrative action’, i.e. bureaucratic capacity, market signals and democratic engagement. Harnessing the power of the state requires a rebalancing of the ‘tripod’ which in the contemporary period is inordinately weighted towards the market. Positing the need for the reconstruction of the bureaucracy along lines not dissimilar to Weberian models (not least for its demonstrated superior performance in the administrative and poverty amelioration spheres) and the reading of ‘market signals’ in ways that build ‘institutional structures’ connecting the ‘delivery of collective goods with the preferences of citizens and users’ and the ‘relative scarcity’ of resources (citing here the private sector operated public transport systems in Curitiba and Porto Alegre), Evans asserts that without ‘effective bottom-up control’, neither responsive state reform nor market restructuring will deliver on citizen needs and priorities. While there are no easy ways/short-cuts to strengthen the ‘democratic leg of this tripod’, it is the ‘*sine qua non*’ (original emphasis:27) to effective state performance citing the examples of Kerala and Porto Alegre. On the other hand, where local conditions may not be conducive to official insemination of deliberative democracy, Tandler (1997) offers some clues into ways and means to break local resistance to progressive reform. Manor (2004) also identifies a range of ‘carrots’ (incentives) and ‘sticks’ (disincentives) that can be wielded by senior politicians and officials in combating resistance and securing local level compliance.

Steadily, government is beginning to utilise the techniques and strategies alluded to above. For instance, in the arena of land reform, those social movements calling for the speeding up

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<sup>304</sup> Democratisation of local institutions – usually in the decentralisation guise – is largely undertaken as ‘an act of faith’ (Smith, 1998:86); something which is considered to be a prerequisite of national democracy. It is commonly argued (McCarney, 1996) that it leads to improved service delivery; restrains the excesses of national governments and the anti-democratic tendencies of centralised power; and provides a better quality of participation than does national and regional government. Across the globe, the establishment of strong local government is perceived to be a necessary condition for successful democratisation; market-oriented economic policy frameworks; local economic development; effective management of urbanisation; and the establishment of environmentally sustainable planning and development systems (Swilling & Monteiro, 1994; World Bank, 1997, 2000). Projected (incorrectly) as a ‘composite policy answer’ (Ben-Alia, 1996:6) to the decreasing effectiveness of central interventions, economic and fiscal constraints, and the growing claims for local democracy and citizen’s rights, decentralisation, in the context of unequal power structures and circuits, leads to bureaucratic dominance, deep-seated patronage networks, a weak civil society, etc. (Haque, 1997), and does not necessarily translate into facilitating planning from local areas upwards; developmental mobilisation of local level resources; or enhancing the performance of government institutions in alleviating poverty and assisting vulnerable groups (see amongst others, Manor, 1995, 1999). In fact, decentralisation in many developing countries has worsened the organisational crisis of the public sector as local and state governments are burdened with tasks that they are unable to properly execute (Gazaryan, & Kersytle, 1997). In numerous instances, decentralisation has sharpened inequality between localities, undermined economic stability, and institutions have been prone to capture by powerful local groups leading to the misuse of resources (World Bank, 1997).

of land reform, a re-evaluation of the 'willing-seller, willing-buyer' model and a Land Summit (as far back as 2003), namely the Landless People's Movement (LPM), often confronted a hostile state that in early 2004 resorted to jailing protesters, intimidation, and the detention and torture of LPM members (see Greenberg, 2006:150). Rumours of the involvement of ex-Deputy Minister of Intelligence, now the Housing Minister, in the detention and torture of LPM members were thick in the air.

With the spectre of Zimbabwe type land invasions in the horizon, intransigent sellers and a small budget, government eventually conceded to a Land Summit. The Summit's resolution to re-evaluate the 'willing-seller, willing-buyer' model armed government with the necessary support base and mandate to announce shortly afterwards the scrapping of the model and resorting, in quite an emboldened and determined manner, to expropriation within a constitutional framework. In the case of farmworkers, their low levels of organisation and unionisation and the historical slave-master type employment relationships and patterns (lubricated by the devastatingly destructive dop system) precluded productive negotiation with a powerful white commercial agriculture sector around better wages. The state then stepped in on behalf of the farmworkers and legislated a minimum wage. Moreover, to improve their housing conditions, a farm worker housing policy is in the making and the subsidy scheme and the land restitution programme have recently been aligned (DOH, 2005b).

In the housing sector, a constant refrain of the Minister, in engagements with both other spheres of government and those outside the state, with reference to the causes of service delivery protests is 'failure' (Minister of Housing, 2005c) and the inability of those with power, influence and resources to 'appropriately' (Ibid) co-ordinate and integrate their work. Suspending commentary on the validity of this assertion, and standing accused of a superficial reading of Tandler (1997) and Manor (2004), partial confirmation of better programmatic performance deriving from political involvement and co-ordinated action is verified by the President's comment in his media briefing on the July 2005 Cabinet Lekgotla:

A study specifically on capacity in the area of housing, at national and provincial levels, has identified concrete challenges with regard to skills, staff turnover, discrepancies in conditions of service among spheres of government and public entities inhibiting staff mobility, an excessive vacancy rate and so on. The study also points to high rates of success in instances where political leaders play a visible role, and where communication with communities is optimal. The same applies to instances where officials across the three spheres agree on feasibility of targets, correctly interpret policies and translate executive decisions into concrete projects for implementation. Confirming the central importance of building partnerships across society, the study also found that [amongst others]...community involvement [is] critical to the success of projects (President Mbeki, 2005a).

Intergovernmental political and operational co-operation in (lead and pilot) projects, driven and directed by central government, to address capacity constraints and/or break the back of resistance and/or facilitate innovation offers some promising opportunities/hope for improved performance and outcomes. From this vantage point, the supplemented mandate of the Department, i.e. policy generation, oversight and monitoring *plus* direct involvement in delivery, may be beneficial to unblocking stalled projects and constitutionalising a maximally enabling implementation regime via codification of flexible division of labour (between

market, state and community) at local (and other) level/s around chosen instruments. Moreover, the prospect exists of tilting the institutional balance in ways that better suit/meet the needs of communities via, for example, negotiated and rapid instrument adaptation and ensuring compliance to objectives and targets through enhanced improved reporting, accountability and monitoring technologies/techniques. The intended comprehensive review of housing legislation (Minister of Housing, 2006c), the revision of National Housing Code - depending on who the authors and drivers are - and the commitment by the Department to forge a social contract, with amongst others, non-governmental organisations (who could prove to be valuable allies in combating resistance to change from community level upwards)),<sup>305</sup> present opportunities for a national government to drive a developmental rightsizing of institutions, policies and programmes.

*BNG Evaluation: Fundamental Departure, Improvement, No Change*

The transformative potential of the existing inequitable development landscapes and ecologies through these variants of a (somewhat diluted-resembling) Latin American version of vertical and horizontal axes re-orientation is uncertain. Additional uncertainty derives from the complexity of the continuity in discontinuity and discontinuity in continuity reminiscent of the ‘staying/altering course’ policy reform dynamic. In this vein, BNG’s parents are an old and young couple – a marriage of the White Paper’s seven key thrusts (the ‘sound fundamentals’) and contemporary thinking in governance, tenure security and ‘hybridity’. After all, it is a mixture of the state-facilitated, market-driven approach of the White Paper and the demand-led, supply negotiated BNG orientation. The differences between the old and young coupling both unite and divide, exemplified, for example, in the movement from the ‘exceptional patience [of the underclass] for its share of the promised better life for all’ (Allister Sparks, 2004 cited by Minister of Housing, 2004:2) to the ‘indignation and open revolt’ characterising the ‘impatience of those who do not have houses’ (Minister of Housing, 2005c). Not to impute any correlation between strategy and patience/impatience, the mixture leaves analysts confused and perplexed about whether it constitutes a fundamental departure/change from praxis of the first decade or a continuation with some modification/revision.

For M Tomlinson (forthcoming:1), the projection of BNG as ‘enhancement’ of existing policy is problematic. A ‘thorough reading’ of BNG, she states, ‘reveals’ introduction of ‘some fundamental changes’/‘comes close to fundamentally changing policy’, including the movement from a supply- to demand-driven orientation; from quantity to quality; and the state shouldering ‘some of the risk’ entailed in the private sector’s involvement in low-income housing delivery (Ibid). Undergirded by supposedly more recent thinking on enablement, the role of state and government investment is one that is strategically calibrated, ‘contributing to economic growth and poverty alleviation by creating jobs and generating ‘assets’, i.e. wealth. Thus increases in the size of the subsidy effected through inflation rightsizing and the provision of a separate land subsidy; affording all households in the

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A savvy national state and an empowered civil society might enlarge democratic spaces and improve the quality of government. In terms of both democratic and functional outcomes, concurrent state and civil society activity is required (Lane, 2003:369).

income band up to R3 500 the ‘full subsidy amount’; the extension of financial support to those in the R3 500–R7 000 income bracket to purchase a dwelling in the primary or secondary market; and variations in subsidy amounts to reflect the cost of the diverse housing products both mass and work with the grain of the market while simultaneously strengthening the platform for capital accumulation/wealth creation.

On the other hand, varying subsidy amounts and support to the entire residential property market through the introduction of another rung in the housing ladder (support to those in the R3 500–R7 000 income bracket) is suggestive of the abandonment of the principle of equity and privileging (which the original policy was premised on) the needs of the ‘poorest of the poor’.<sup>306</sup>

The movement to a demand-responsive regime whose components include a shift away from product uniformity, varying subsidy amounts, and diverse tenure choices coheres around the three linked programmes of emergency housing, informal settlement upgrade and social housing. This does however place an onerous burden on the state which to date has struggled to cope with its existing duties/responsibilities. It is not unreasonable though to imagine better performance in the future if capacity at local level to drive a more interventionist approach is supplemented via the intended establishment of housing departments at municipal level, provincial administrations working with and through municipalities, centralised decentralisation, and Thubelisha delivering on its mandate.

Lastly, the relationship between the financial sector and the government is steadily beginning to mature with the signing of a Memorandum of Understanding in May 2005 (DOH, 2005d) that commits the banking sector to provide R42bn over the next three and a half years to finance households in the income categories R1 500–R7 500. In sum, the policy changes, shifts and re-orientations proposed are deemed ‘fundamental’. The capabilities, competencies and capacities to deliver on this mandate is, however, a different story.

In the spectrum of the prevailing commentary on BNG’s ‘staying’/ altering’ the course credentials, the middle ground is one that characterises it as introducing ‘substantial improvements to housing policy’ (Dewar, 2005b:2); ‘positive steps to achieving a more sustainable urban outcome’ (Dewar, 2005a:2); and ‘step in the right direction’ (Dewar, 2005b:15). Congratulating government for expanding choice, Dewar expresses considerable ‘unease’ (Dewar, 2005a:2) over BNG’s continuity and discontinuity, drawing on and benchmarked to, amongst others, original versions of the enablement paradigm, traditional conceptions of citizenship and aided self-help. Positing the need for ‘substantial paradigm shifts’ (Dewar, 2005b:1), BNG is criticised for being ‘profoundly schizophrenic’ (Ibid:2), i.e. having a ‘rhetorical commitment’ to historically relayed best praxis versus real ‘practice’/‘action’. In this binary, the ‘rhetoric associated with the policy’ commits the state to be a ‘facilitator’ (his preferred option) but in practice ‘assumes the responsibility of provider’ (Dewar, 2005b:2). The consequences flowing from this is the fostering of a ‘culture of entitlement’ and ‘passive citizenship’; politicisation of shelter provision; and reinforcement of the ‘quantitative’ (targets) underwritten by a ‘short term mentality to capital investment’ (Dewar, 2005b:2-4).

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<sup>306</sup> A claim denied by the Minister when she launched the N2 Gateway project on 18 July 2006 (Minister of Housing, 2006e).

Secondly, '[d]espite the rhetorical commitment' ('considerable lip-service' (Dewar, 2005a:3) in policy to urban restructuring, 'in practice it is not happening'. This is due to the absence of an urban development model that promotes densification via, for example 'high density [housing] infill projects on strategically located land' (Dewar, 2005b:5). Although BNG's provisions relating to land are deemed 'excellent' (Dewar, 2005a:4) - 'allow[ing] urban housing forms' (Dewar, 2005b:5) (which the 'single storey structure' production subsidy systems renders 'almost impossible to achieve' (Dewar, 2005a:4) - 'creating viable transportation systems', a precondition being the intensification of housing 'along and abutting public transportation channels and interchanges', means re-directing the subsidy's focus to 'housing form' (Dewar, 2005b:5); and settlement development that promote higher mixes of land-uses and activities. The institutional infrastructure required to power urban restructuring of this sort translates into more attention and thought being devoted to the shape, wiring and skin of the 'single planning authority and/or instrument' proposed by BNG to 'support the development of sustainable human settlements' (DOH, 2004a:13).

Thirdly, the measure to which housing policy, situated in wider urban processes, furthers social and economic objectives is another area that is ensnared in the rhetoric/practice binary. Support to various forms of private rental, beneficial to wealth generation and accumulation and asset creation and consolidation, through, for example, access to land and loans, is not an area of policy that BNG pays sufficient attention to. In the employment generation sphere, the haste to ratchet up the speed and scale of delivery through megaprojects, utilising large construction firms, is in tension with BNG's rhetorical commitment to labour-intensive construction and empowerment of emerging contractors.

Fourthly, the 'primary objective' of housing policy whose 'rhetoric' about the 'eradication of informal settlements' (Dewar, 2005b:6) is out of kilter with 'realities' pertaining to informal settlements representing for the poor their 'only option in terms of entering the housing market' (Ibid:6); is often the 'preferred option' (Ibid:7); and in many instances, informal settlements afford people 'qualitatively much better living conditions than are found in many of the more formal townships' (Ibid).

Lastly, and cross-referenced to the urban development model, urban processes and wider socio-economic objectives, the 'rhetorically widely accepted' thrust or 'focus on the quality of the total living environment' demonstrates, if one 'examines the outcomes of housing projects', 'absolutely no understanding of what this means' (Ibid:9). The dominant 'rational, comprehensive, highly-controlled' (Ibid:10) programmatic approach to planning and design, he asserts, produces sterile environments premised as it is on a faulty forecast/'prediction' orientation of intervention in demographic dynamics and 'parts'-driven settlement assembly. In the context of limited financial resources, this resource-intensive approach results in levels of housing assistance being 'continually cut back'; 'a continually smaller proportion of households gain[ing]'; and 'cuts in social services' (due to inadequate funds to deliver and maintain infrastructure) (Ibid:11) generates differential and inequitable access to amenities and facilities, urban fragmentation and 'dangerous, environmentally negative liabilities' (Ibid:12). Deepening transactive urbanism, maximising choices related to urban living, and breaking with top-down parts-driven planning, all components of non-programmatic approach to design and planning, is recommended by Dewar (2005a; 2005b), in order to close the gap between rhetoric, intention and practice.

At the other end of the BNG evaluation spectrum is Charlton and Kihato (2006) who assert that ‘fundamental elements of the plan [do] not seem to have essentially departed from the original housing policy’.

In addition, the plan appears not to fully address key weaknesses with the existing policy...It certainly does not offer clear direction with respect to the difficult political issues of land ownership, the land market and rights around property values... Although the programme strives for broader outcomes, key indicators of success appear to remain largely qualitative, focussed around numbers of houses produced and budgets spent. In addition, some of the weaknesses of the policy identified to date remain outside the power of the Department of Housing to remedy on its own... Seemingly, therefore there is no clear alignment between the current focus in government on the contribution of housing to poverty alleviation, and the ability of the policy to deliver on these objectives (Charlton & Kihato, 2006:259).

Noting the objectives of BNG as directed towards housing delivery catalysing achievement of ‘broader socio-economic goals’ (poverty alleviation, economic growth, asset creation, improving the quality of life, and ‘ultimately sustainable human settlement development’ (Ibid:257)), they cannot in the Plan discern a ‘unifying conceptual foundation’ (Ibid:259), which may, in part, account for them remaining, at best, sceptical of assumptions in the Plan related to ‘direct link between the delivery of infrastructure and services’ and ‘poverty alleviation’ (Ibid:257); and the Plan’s ‘ambiguous discourse on informal settlements’ which appears to embrace both ‘integration’ (into the urban fabric) and ‘relocation’ but devoid of a ‘clear understanding of the complexities of these highly visible manifestations of poverty, mobility and survival strategies’(Ibid:258). But then again, the White Paper (RSA, 1994), was not rooted in and/or framed by issues of poverty alleviation and coping strategies, and policy adjustments over the last decade ‘has not matched the rhetoric around addressing the negative impact of the programme on marginalised beneficiaries’ (Ibid:263).

The spectrum of opinions on BNG from ‘fundamental change’ to ‘improvement’ to ‘essentially no departure from the original policy’ is dependent on the main/key objective/s the commentators attach to housing praxis and the extent to which these objectives are achievable in the context of a statecraft and policy reform process that is contradictory, conflictual and ambiguous.

At the base of these criticisms, however, is a set of intractable problems associated with a housing intervention founded on late apartheid/pre-democratic precepts; tension between ‘government’s long term visionary approach to sustainable urban development and its demand for visible short-term delivery’ (Treasury, 2003a:4); a state that strives to increase the rate of delivery whilst simultaneously seeking to enhance the product and settlement pattern (Richards, 2001); and government acknowledgement of the need for a bottom-up development processes (implying the devolution of power and authority to communities) but at the same time seeking to determine the nature of the process usually configured around an already defined output (Ibid). Greater responsiveness to household’s need and priorities is advocated but the subsidy instrument is still deemed inflexible and the necessary socio-institutional capability required to render it flexible is sorely lacking. Integrated human settlements are sought not through ‘structural intervention’ (Ibid:4) and deep democracy, but

reliance on urban governance regimes<sup>307</sup> that are unable to address the socially and spatially marginalising outcomes of land markets, escalating construction costs, and the political economy of urban construction (more generally). Lastly, market-embedding/market restoring/ market-construction interventions of state (social housing, for example) exclude the poor from housing in areas they deem most suitable (inner-city). This list could go on but the bottom line is not only a ‘reconsideration of the imperatives of housing delivery and how this structurally links with land availability, infrastructure, transport, economic opportunity, health care, social facilities, etc.’ (Ibid: 10). More importantly, is interrogating the nature and substance of the ‘structural power relationship between the homeless poor, public authorities and the private sector’ (BRCS, 2001:8). The reconfiguration of this relationship that to date has come to rest on administrative, technocratic and social compact fixes are now reaching their ceiling.

## Section Two

### Charters, Accords, Memorandums of Understanding and Compacts

And it is here that one records a most curious anomaly in developmental state construction and the inter-linked installation and consolidation of a developmental housing regime and praxis. Much has been said about the structural relationship between the (homeless) poor and the state including inappropriateness of government processes and outputs to match or meet the needs and priorities of citizens and communities;<sup>308</sup> the unwillingness, hesitancy and neglect of government to strengthen the ‘political clout of the poor in civil society’ (versus focussing less on fixing the state)<sup>309</sup> to (at the very least) enhance developmental performance and outcomes (Grindle, 2002:14). Also singled out was the underfunding, institutional under-capacitation and marginalisation of those programmes of direct and immediate benefit to the poor; the vilification, criminalisation and persecution of the poor on the grounds of them both not wanting to help themselves (entitlement and passive citizenship) and celebrating or praising them when they exercise agency in formats considered appropriate by the authorities (e.g. the People’s Housing Process).

Much has also been said about the relationship between the state and the private sector and the reluctance of the former to countenance any change in the historically transcended and compromise-laden post apartheid relationship with the latter. Indeed surprising is that to date, there ‘appears to be no social consensus on the role capital ought to play in both the restructuring of the economy and the realisation of socio-economic rights’ (February, 2005:57). The continuing lack of access of the majority to the economy and viable livelihood opportunities is commonly attributed, remarks Gelb (2003), to the ‘lack of political will and skill’ (cited in February, 2005:57). The need to transform the structural features of society,

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<sup>307</sup> Which are based on consensus and co-operation and the more recent top-down rightsizing of local development plans.

<sup>308</sup> Big ‘D’ and small ‘d’ development and paternalistic (depoliticised) relegation of a weak developmental state to the second economy.

<sup>309</sup> A point returned to in the Conclusion with reference to the ‘good enough governance’ track of Grindle (2000; 2002a).

which the various industry-related charters aim are, at best, ‘sideshows’ if government fails to undertake radical reform, are under-emphasised (Gqubule in *Sunday Times*, 3 September 2006).

The tragedy of the present situation, then, is that after a decade of reconstruction, the stratagems and tactics employed by the state to restructure economy and polity are precisely those which it employed in the early years of the transition, i.e. accords/compacts/records of understanding. The tragedy is that if they thus far have failed to induce and/or cultivate a developmental geometry or assembly or architecture of state-economy social forces, why are the same strategies being employed today against the backdrop of a more assertive and confident state? In Polanyian ‘double movement’ (1944) speak, if the disembedding of the market from the stifling socio-political milieu of apartheid and its re-embedding in the (imperfect post-apartheid) rights-based socio-institutional milieu/ecology through the Botshabelo Accord (DOH, 1994a) and ROU (DOH, 1994b) failed to deliver any meaningful re-orientation in relations of power and financial systems; why is it that a now more sophisticated and interventionist state continues to deploy ineffective strategies, i.e. FSC and the Social Contract for Rapid Housing Delivery?

If the weaknesses and failure, both here and globally, of state programmes and projects directed at the most vulnerable and the satisfaction of their immediate needs reside in them being relegated to ‘special programmes’ that ‘tend to be chronically underfunded, administered with considerable variation in quality and managed by special implementation vehicles’ (Grindle, 2002a:7), the key problem with BNG, and housing praxis, more generally, is the relegation of the resolution of the most intractable, and profoundly political, problems<sup>310</sup> to consensus and co-operation, discussion and negotiation versus coercion, compliance and regulation. And extremely problematic in this regard is the inter-relatedness of these problems. So, for example, the Minister, drawing parallels between herself and the ‘young’, ‘dumb’ and ‘blonde’ woman who both stupid but wanting wealth, ‘open[ed] a joint account with someone with lots of money’ (Minister of Housing, 2005a:5) is a case in point.

Not renowned for its stability and open to constant challenge from younger blondes and family members, the banking sector’s pledge to release R42bn into the ‘affordable housing market’ (Ibid) (R1 500–R7 500 income bracket) by 2008, is running into serious trouble due to non-resolution of precisely the very same political problems that are likely to sink BNG, i.e. the ‘lack of access to well located and reasonably priced land’; ‘ever increasing cost inputs in terms of land, material and unit labour costs’; and ‘limitations in [the] supply’ of housing in the (under) R200 000 price range (*Access Housing*, August 2006:3). So crippling are the cumulative impacts of these constraints that, with the number of homes produced in this price range averaging 18 000 per annum, it will take 45 years to meet the 850 000 backlog (Melzer, 2006:47), which presumably does not deal with new household formation in this target market. To match the private sector finance available, and utilising Banking Association figures of a shortage of 661 000 houses in the R2 500 to R7 500 income bracket, the reduction of the shortage by 60% in five years (factoring additional demand generated by population growth) requires an annual delivery of 132 000 housing, compared to the current

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<sup>310</sup> These include land ownership, land and financial markets, ‘rights around property values’ (Charlton & Kihato, 2006:59), building material cost escalation.

yearly delivery of houses (in the R200 000 price range) of about 19 000 houses (*Access Housing*, August 2006:03).

A remarkable feature of the present situation is the similarities with circumstances prevailing in mid 1990s. House prices started to ‘heat up’ in 1994 with property analysts warning of a 20% hike in the 1995 (*Business Day*, 4 January 1995). Small houses were already showing an annualised percentage increase over two quarters of 10% (Ibid). High interest rates, rising building costs<sup>311</sup> – and, arguably, land price manipulation by private developers, who in ‘expectation of a huge upsurge in delivery to the poor’ bought and banked peripheral urban land (Tomlinson, forthcoming:6) - made homes (or home-ownership) unaffordable. A study by the National Economic Forum on the economy (1995) demonstrated that the cost of a standardised house in South Africa was almost double that of other countries.

Commenting on the implications of the finding, Scott McRae, of First National Realty, remarked that if home cost construction increases continued to compound, doubling every four to five years, the ‘[a]ffordability of home ownership’ would increasingly become the prerogative of the rich and the subsidised poor, with the mid-priced home market becoming steadily smaller in its share of the overall property market’ (cited in *Sunday Property*, 7 May 1995). In a context of shortages in physical stock, a ‘dramatic increase in the availability of housing finance in the absence of a concomitant increase in other underlying housing inputs may lead [and, potentially may have led] to an increase in the price of houses creating a binding affordability constraint for low income households’ (Melzer, 2006:49). And the solution proposed in the mid 1990s was construction of lower-cost homes, mostly flats (*Financial Mail*, 5 May 1995), presumably for rental and/or purchase. The solution proposed now is ‘the delivery of a range of affordable rental and ownership housing options, with some percentage being subsidised (*Access Housing*, August 2006:3).

With respect to building materials and construction costs, a 1995 report surveying black and white contractors conducted by the BMI Building Research Strategy Consulting Unit concluded: ‘there is a serious imbalance between the supply of housing and effective demand and that housing has been priced out of the reach of the majority’ with 75% of the total market, and 95% of the black market, in need of homes valued at R65 000 and less (cited in *Financial Mail*, 5 May 1995). According to the economist Hank Langehoven, attached to the South African Federation of Civil Engineering Contractors, if ‘left to the market without supply-side intervention, it is unlikely SA could provide more houses than it has produced in the past’ (cited in *Financial Mail*, 21 October 1994). With concerns about surging prices destabilising the housing programme, the then Director-General of Housing, Billy Corbett, called for a ‘voluntary price compact between building materials and construction companies’ resulting in major companies committing themselves to keep price inflation below inflation for a number of years (*Sunday Times*, 2 October 1994).

The prices though continued to surge in spite of establishment of a Building Materials Suppliers’ Consortium to implement the compact. More than a decade later, the Minister at a

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<sup>311</sup> These were described as ‘correcting themselves faster than existing home prices, leading to a widening gap between the cost of retail homes and their replacements’ (*Business Day*, 19 October 1994).

conference noted the challenge of rising building materials and costs<sup>312</sup> and the dangers presented to the housing programme (singling out social housing), proceeding thereafter to say that ‘I fully trust that the suppliers would be able to take the necessary steps to ensure an increase in supply and ensure that prices are accordingly moderated...in accordance with the Social Contract’ (Minister of Housing, 2006g). The contract, which calls on the construction industry and materials suppliers to ‘[s]trive to manage cost escalations in line with inflationary pressures’ and ‘ensure price fixing for a period...tied to agreed volumes and time frames for the delivery of projects’ (DOH, 2005e:8), is not legally binding, trading instead on ‘goodwill’ (Ibid:2).

With the construction industry straining to meet demand manifested in, amongst other things, the depletion of engineering expertise (and possible importation of additional capacity as major projects come on line) and inadequate project management capacity, Treasury (2006:111) predicts ‘upward pressure on prices’ that the social contract will most likely be unable to moderate.

Interesting also is the fact that while the financial sector fell way short of its pledged assistance<sup>313</sup> and tended to target the upper end of the income bracket of R1 500 to R3 500 market in the 1990s, so too today R11bn of the R17bn disbursed in the target market (until March 2006) was concentrated in the R4 000 income bracket and upwards (Melzer, 2006:53) comprising less than 30% of the target market. Although the Home Loan and Mortgage Disclosure Act was passed in 2000 to, amongst other things, identify discriminatory lending practices, the Department in 2004 was still finalising regulations (DOH, nd:106), and office space for this function was only secured in early 2006. With redlining of inner city areas and traditional black townships continuing (DOH, 2004a:4), banks today remain ‘unwilling to disclose data on the percentage of applications that are rejected and the associated reasons for rejection’ and have not ‘disclosed their policies with regard to areas which are deemed to be unsuitable for mortgage finance’ (Melzer, 2006:5).

The ‘reluctance on the part of banks to share such data’, which renders the ‘clear need for disclosure legislation to be implemented as soon as possible’ (highly unlikely with the recent deployment of the head of the unit to oversee the N2 Gateway Project) not only ‘serves to confirm suspicions that such lending remains limited’ (Ibid:50), non-disclosure simultaneously makes it unreasonable for banks to demand from government further guarantees and insurance schemes considering that the historical investment inhibiting factors such as ‘crime, politically motivated or housing quality related non payment’ are at this stage ‘less significant’ (Melzer, 2006:47). If enforcement of the previous contract between the banks and state enshrined *Code of Conduct* ran into serious problems of affordability<sup>314</sup> and deficiencies of self-regulation, perhaps the MOU whose implementation is to be overseen by the Director-General of Housing and the Managing Director of the Banking Association, and

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<sup>312</sup> The doubling of the price of cement in the last seven years and the acceleration of building costs by 17.5% in 2005 and 6.2% in the first half of 2006, which were likely to be aggravated by the FIFA World Cup and ASGISA lead projects.

<sup>313</sup> As mentioned above, in 1994, the banks undertook to deliver 50 000 loans in a year but, ten years later, they had delivered a total of only 49 116.

<sup>314</sup> Related to ‘historical problems [which were] primarily the result of the economic hardship of borrowers’ (see *Termination of the Record of Understanding* (DOH, 1998:1).

the envisaged drafting of a National Home Loan Code of Practice, with ‘appropriate sanction mechanisms’ (Minister of Housing, 2005b:4), will hopefully deliver different outcomes.

On the question of spatial and socio-economic integration and planning/governance regimes, in the developmental states of China and Malaysia, for example, socio-spatial residential integration is regulated and enforced by legislation. In China, for instance, a ‘homeownership-oriented public policy aimed at the development of affordable housing’ is directed at the lower-middle and middle-income urban residents. Government subsidises private sector provision of ‘affordable housing’ via the free allocation of state-owned land, reductions in development costs, and capping of developer profits. The units produced are smaller than the normal commercial apartments so as to bring them into the affordability range.

In Malaysia, affordable housing is delivered within the broader social development framework. The state furnishes land for affordable housing development and provides assistance to developers in the technical and administrative realm. The market delivers and finances the unit. An inclusionary housing quota of 30% and a defined ceiling price is imposed on all private developers when a certain threshold size of development is reached. The 30% quota is imposed to further government’s objectives of promoting ethnic integration, eradicating poverty and deracialising the economic structure. Those seeking such housing are provided with special purchasing discounts that are borne by developers through project cross-subsidisation. The federal government, working through state and local government encourages developers to exceed the 30% quota via various incentives including rapid plan approval; lower land premiums; infrastructure cost subsidisation; relaxation in planning and housing standards; and concessions from financial contributions to utility authorities (extracted from Smit & Purchase, 2006:8-9).

By contrast, one of the focuses of the Department over the next five years is on ‘improving the institutional and administrative environment in the housing sector through’, amongst others, ‘promoting urban efficiency and renewal, and racial integration, through sound spatial planning, support for medium-density residential development and increasing rental opportunities for the poor’ (Treasury, 2004:131). Accordingly, the Social Contract calls on the property sector to ‘promote integrated development of residential areas, including those of the inner city social and rental housing development what will contribute to the removal/improvement of informal settlements’ (DOH, 2005e:11). Notably, at the time of the negotiation of the Social Contract, the property sector balked at the following proposal:

Ensure that commercially-driven housing developments above R $x$  (an amount to be determined), will spend y% (a percentage to be determined) of the total project value in the housing subsidy category, details of which will be further explored with the sectors concerned, taking cognizance of international best practices (Ibid).

When government tried to force their hand on the amount and percentage, the South African Property Owner’s Association threatened a walkout of the negotiations. As of May 2006, these  $x/y$  quantum have not been resolved but a pilot programme in KwaZulu-Natal is intended to ‘show...the limits and possibilities’ (Minister of Housing, 2006b:3).

If regulation and legislation to compel the private sector to share with the rest of society the benefits accruing from the boom in the property market is not on the housing programme’s radar screen; if the mild version of the Community Reinvestment Act was shelved on the

grounds of raising the risk profile of South African banks and undermining public confidence in financial sector stability (Christo Wiese, Registrar of Banks cited in *Business Day*, 4 September 2003); if our spatial planning and land-use management regimes has thus far not succeeded to curb land speculation, desegregate urban space, address the NIMBY syndrome', and re-direct private sector investment patterns; and if the existing social housing intervention fails to reach income categories below R2 500 and/or the highly subsidised government directed ones (like the N2 Gateway) effecting upward redistribution to the R3 000 income category and/or the public-private social housing initiatives ruled unconstitutional and/or a violation of human rights; what is one to make of the Social Contract's call for the private sector to 'promote integrated development of residential areas'?

With no sanctions, regulation and directives in place, what is to compel the private sector to alter its investment patterns and behaviour? What is meant by a Department focus that looks to defective, at best, and missing, at worst, instruments, programmes and projects (spatial planning, medium-density residential development, rental opportunities for the poor) to 'improve the institutional and administrative environment in the housing sector'?

The question as to why the state is reluctant and/or 'has not been...comfortable engaging the market' (Napier & Ntombela, 2006) bears repeating. 'Comfortable' it is with 'direct, and sizeable, physical infrastructure investment' that have 'not succeeded' in restructuring the city 'along equitable lines', and 'if anything has exacerbated urban sprawl and dislocation' (Ibid:5-6). This particular outcome was repeatedly attributed to (amongst others) the 'impurity' of intervention instruments; the dynamics of policy reform; 'pragmatism'; the (mis)/perceptions and ideological orientations of the elite; democratic deficits; and the vicissitudes of statecraft.

The failure of this socio-political and institutional ecology to induce the appropriate enabling conditions for the multiple programmes and interventions of state to achieve intended outcomes is not disconnected to its unwillingness or hesitancy to incubate and promote 'thick democracy' and 'institutional thickening',<sup>315</sup> relying instead on moral suasion within political economy parameters considered immutable, at worst, or slightly 'tinkerable', at best. In common with advanced economies in which 'permanent safety nets and social insurance systems are part of a fiscally and politically sustainable social contract', the development of social contracts and welfare systems in developing countries, 'no matter how limited', feature 'as a means to address the challenge posed by widespread insecurity and extensive inequality' (Graham, 2002:1). With 'sustained and broad-based public support for markets and democracy' (Ibid:3) contingent on ameliorating and 'protecting' the population from the consequences and impacts of crisis and adjustment, public policy needs to pay particular attention to addressing the 'negative perceptions' and insecurities of the 'near poor or middle strata' of 'globalisation and market policies', which research suggests is more acute and tenuous in this stratum than among the poor (Ibid).

Redistributive programmes of the 1980s and 1990s, in Latin America for instance, that focused primarily on the poor were not very effective in reversing these perceptions as they were 'often accompanied by a reduction in the quantity and quality of services available'

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<sup>315</sup> Returned to and elaborated further in the Conclusion

(Ibid:5) of the politically vocal middle strata (numbering among them the ‘frustrated achievers’ - ‘those with upward mobility but negative perceptions’ (Ibid:4) of the market). By the late 1990s, market restructuring, without the benefit of safety nets, resulted in a dramatic fall in the living standards of the significant numbers of the middle strata, near or below poverty levels. In other words, firmly connected to the First Economy, the middle strata, in the absence of social insurance systems and safety nets akin to those directed at the poor, are frequently worse affected by market downturns and liberalisation than those languishing in the Second Economy.

Periodic market crises and/or external shocks render the socially un-insured and safety netless ‘First Economy’ politically vocal and influential not-so-poor sector more susceptible and vulnerable than the ‘Second Economy’ socially insured, safety netted and politically voiceless and emasculated poor to fall right through the livelihood floor. It is for this reason that social compacts and associated welfare and redistributive programmes have now come to include the middle strata and the poor, which in common with developed economies are the ‘critical underpinnings of both markets and democracies’ (Ibid:3). Accordingly, the political feasibility of protective and redistributive programmes, codified in social contracts, pivots on assuaging the negative perceptions of the middle strata via the extension of real material benefits that reduces their vulnerability to economic shocks. In the longer run, both the feasibility and sustainability of the programmes is determined by the degree of ‘affinity’/ ‘proximity’/ ‘similarity’ (Ibid:12) between the poor and (lower-)/ middle-income categories (Ibid), i.e. the ‘congruence of interests between the poor and the middle’ (Ibid:24) .

Within existing political economy parameters, housing policy’s prioritisation of the needs of the poorest of the poor was not unaccompanied by, at best, a reduction in the accessibility, quantity and quality of those in the not-so-poor category (the ‘market enablement zone’<sup>316</sup> (see Melzer, 2006)) or, at worst, no access to housing opportunities. Against this backdrop, and given the White Paper’s conceptualisation of government’s housing programme as a temporary intervention until such time as the market normalises and incomes increase, a great deal of the market-embedding, market extension and market expansion praxis of the Department hinges on inducing financial and institutional conditions to support the not-so-poor and frustrated achievers through, for example, enticing banks to extend credit to the bankable, formally employed, relatively better enumerated working poor; pension-fund backed lending via the NHFC; social housing; and, more recently, the FSC and inclusionary housing initiative; the collapsing of the subsidy bands; and the addition of new subsidy bands in the income categories exceeding R3 500.

As commented before, the effort and time dedicated to expanding the housing opportunities of the not-so-poor overshadows that devoted to those in the ‘market redistribution zone’, with many criticising the government for relegating the needs of the poorest to a subordinate concern and tipping the financial and instructional scales away from the equity thrust of stated policy. For some, the efforts over the last several years of government and a host of other organisations to secure mortgage finance, despite the evidence of this type of funding

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<sup>316</sup> Those who lie within the reach of the market or, more loosely, those in the FSC income target zone. The ‘market redistribution zone’ is that segment of the population who lie beyond the reach of the market, i.e. they ‘require non-market interventions such as subsidies to enable them to meet their household needs’ (Melzer, 2006:3).

not being wanted by the poor for reasons of its perceived riskiness – ‘inability to pay means sudden homelessness’ (Friedman, 2004a:42) – is symptomatic of government’s limited understanding of the ‘prevailing circumstances of the poor’ and the ‘needs at grassroots level’ (Ibid:40–2).

There is no doubt some validity in this assertion, accounting for government’s consistent failure to ‘successfully implement anti-poverty policies’ (Ibid). On the other hand, and in spite of the questionable utility of mortgage finance and the accessing and leveraging of this funding through compacts, they are, within existing political economy parameters, arguably fundamental to continual maintenance of the feasibility and sustainability of the overall housing programme. This is because of its potential to ‘universalise’ the benefits of the programme to include the poor and near poor (which the state will increasingly be unable to fund out of the existing finances), whilst simultaneously meeting the needs of the poorest and the challenges posed by declining household size, ‘stubborn growth’ of informal settlements and their eradication, migration and population growth.

If, however, further engagement with the financial sector precludes re-engineering of this ‘complex duopoly’ (Treasury & South African Reserve Bank, 2004) (discussed below), critical becomes refinement of the MOU to ‘incorporate more specific targets, based on subsegment size, to ensure that the poorest households in the target market get their share of allocated capital’ (Melzer, 2006:29); the introduction of FSC ‘initiated home loan products’ (similar to the not unproblematic Mzansi account); and the inclusion of those within the FSC income band in receipt of informal and irregular incomes. Without this, upward redistribution through the exclusionary subsidised social housing intervention and/or state-private sector inner city partnered projects, targeting the top-end of the FSC market, will probably spark new and fuel existing protest and unrest (illustrated by the Latin American cases around issues of the social wage).

Interventions in the supply side of the societal shelter production process and regime – the property-developer-banking complex - can no longer be postponed because without them, increases in demand via subsidies and improved access to finance will push up prices of existing and new stock (Hoek-Smit, 2006) thereby styming movement towards equitable and redistributive housing delivery at sustainable and feasible pace, scope and scale in both market and state production/delivery incarnation(s). Accords, being of a voluntary nature, will not meet with great success in arresting the socio-exclusionary forces of bloated property prices, soaring construction costs, and unabated redlining in its multiple guises and forms. Difficulties in marrying and linking the objectives and outputs of different Charters present more obstacles; e.g. the Construction Sector Charter, for example, makes no mention of low income housing production. Moreover, although microfinance is variously touted as a more suitable instrument for financing the housing needs of the poor, this ‘alternative’, remarks the World Development Report (WDR) (World Bank, 2005:14) is ‘no substitute for the overall broadening of access’ to SA’s captured, concentrated, narrow and (globally exceptional) super-profit making financial sector. ‘Gradual deepening and broadening’ of the formal financial markets, the WDR states (Ibid), should be ‘combined with stronger horizontal accountability (in regulatory structures) [and] greater openness to societal accountability’.

## **Synthesis: Present Pasts and Present Futures – Prospects and Prospecting**

Pragmatism and the ‘immutable rule of economics’ has thus far shored up the treacherous limitations of ‘tinkering’. More deceiving though has been its societal intelligence disarmament project that conceals the successful, not internationally unacceptable, competently executed political economy interventions of past, e.g. land expropriation, prescribed asset ratios, systemic affirmative action programmes. Mining the present pasts in the more recent memories of democratic transition and consolidation awakens our senses to how a weak new state disciplined capital when it threatened intervention in extractive cum regulatory modes. The effectiveness of the ‘threat of intervention’ and the pro-poor orientation and efficacy of the subsequent settlements/agreements/deals struck with the powerful is not here germane. At issue here is pragmatism’s manipulated portrayal of context and power as beyond the realm of state-orchestrated change/reform when the evidence points to alternatives that even a weak un-assertive early post-apartheid state was able to mount. So for example, before the ANC assumed power, it threatened nationalisation. In response, local business leaders quickly started programmes ‘aimed at redressing the imbalances of the past’ (Gumede, 2002:216). The insurance industry, for instance, began mooted an idea of an investment development unit to finance the creation of employment and infrastructure amongst lower-income groups.

In 1994, it was reported that the ANC was drafting USA Community Reinvestment legislation to discourage banks from discriminating on the basis of race and locality (*Business Day*, 14 June 2004). With growing government frustration over the poor performance of the banks in delivering on their commitments through the ROU, the standoff with the recalcitrant and unreasonably excessive guarantee-demanding and insurance-addicted banking sector was ended when the state threatened implementing Community Reinvestment Act-type legislation. The threat of compelling lending to low income households, amongst other factors, then led banks in 2003 to propose a Financial Sector Charter through which they would ‘unlock’ (albeit ‘voluntarily’) lending in the low-income market (Tomlinson, forthcoming:9–10).

Again, with the spectre of inflation and hyper-inflation in the building sector imperilling the housing programme, major companies in late 1994 ‘reacted favourably and committed themselves to keeping price increases below inflation for a number of years’, only after government threatened intervention via ‘price controls or other measures’ (*Sunday Times*, 2 October 1994). And once again, when in early 1995, with assurances demanded by state and the banks (as precondition to (re)-entering the market) from the building industry around standards and quality of housing construction not forthcoming, the deadlock around the replacement of the builder’s warranty scheme with a new interim scheme was only broken when state threatened to ‘force the construction industry, through legislation, to adhere to the [new] mechanism’ (*Business Day*, 3 March 1995).

There are many other examples within and beyond the housing sector. Suffice to say that context and power are not always or universally beyond the sphere and reach of influence. The sad reality though of all the initiatives above and those wherein the ANC could have pressed for greater advantage when the business community found itself on the back foot, were scuppered and/or voluntarily bargained away and alienated. This weakness and treachery could perhaps be forgivable on account of the uncertainty amongst the ANC NHF negotiators about the role of state in the early and mid-1990s (Charlton & Kihato, 2006:272), but unforgivable from 1996 onwards what with the findings and recommendations of Second

Task Team, the 1997 Urban Development Framework, the 2000 *Draft Strategy*, and the 2003 *Sustainable Human Settlements Framework*. Indeed, with the pressure to up the ante on all fronts, structurally altering body politic surgery (versus MOUs, compacts and agreements) is necessitated to break with the existing shelter delivery and production mode of running to simply stand still (growing backlog and informal settlement growth).

Crafting productive synergies between the agenda and thrust of the revamped 'big D' (BNG) with the complex non-linear dynamics of statecraft necessarily (and squarely) implicates instrument and imperative recalibration attuned to livelihood strategies and interventions in the spheres of both demand and supply side with a view to structurally linking shelter production and delivery with land availability, infrastructure, transport, economic opportunity, health care, and social facilities. Imperative and instrument (re)-invention and innovation that interfaces/links intervention and innovation in both progressive present past and developmental present future formats strikes at the heart of unresolved historical dilemmas of state formation and statecraft (i.e. societal exclusion of the poor majority) and the subsequent difficulties in contemporary tripod balancing.

## Conclusion: Mendacity, Mumbo-Jumbo and the Masses

### Introduction

From the mid-1990s to date, a distinguishing and abiding feature of the ideals, principles and ideas framing reconstruction was the belief in the remaking of South African society via the *state* and *planning*. This was in spite of the global disillusionment with and dismissal record of the countless past, present and proposed schemes to change the world, society, economy and polity, particularly to the benefit of the poor. We swam against this grim tide of will and intellect because, unlike many emerging democracies, our country was endowed with impressive resources to design and implement an alternative development path. How then and why did we come to settle on a liberal market consensus state that historically and with few exceptions, here and elsewhere, ‘fatally damages the possibility’ (M Khan, 2004:188) of changing our inherited growth path towards more egalitarian, equitable and empowering futures, ends and outcomes?

The disjuncture between intent and outcome is at base a function of history, habitus and doxa, and unintended consequences. The choice of words above is deliberate, weaving together a storyline about our past, the ‘objectification of social structure at individual subjective level’ (of the powerful decision makers), elite imposition of their ‘self-evident universals’,<sup>317</sup> the resulting social meltdown and decay, and remedial and ameliorative interventions. This is the rough and rugged terrain of ‘mediocrity’ (Lecourt, 2001), ‘rhetoric of reaction’ and its progressive counter (a la Hirschman in Mulgan, 2007),<sup>318</sup> ‘mumbo-jumbo’ (Wheen, 2004), and ‘mendacity’ (Leys, 2005) that this study has navigated and charted. And it is on this terrain that we attempt in the closing pages of this thesis to rethink and (more ambitiously) resuscitate South African developmentalism grounded in a mixture of experimentation, empirics and experience. This re-thinking is about intellectual, philosophical and practical re-arming, which must of necessity be mindful of history, habitus and doxa, and unintended consequences. Without these considerations, we risk, once again, a map-less exodus that could potentially render us vulnerable to newfangled but profoundly disempowering redemptions.

This Conclusion is structured in four parts. The first part comprises an elaboration of the storyline. The next part focuses on some core thematic conclusions in order to classify and locate our state, employing the two approaches/schools of developmental state literature and scholarship. These classifications assist in surfacing the key problems with which a re-energised developmental state reconstruction agenda will have to grapple with. Attuned to South African specificities and rooted in new conceptions and (emerging) practices of the transformative statecraft, this section introduces the core attributes of our new(ish) shelter governance agenda and regime. It spotlights the limitations of the agenda and regime associated with its structural de-linkages from the productive circuit of the economy and the inter-related exclusionary functioning of the land, financial and property markets. The last

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<sup>317</sup> Definition of ‘habitus’ and ‘doxa’ from Wikipedia [http://en.wikipedia.org/wiki/Habitus\\_\(sociology\)](http://en.wikipedia.org/wiki/Habitus_(sociology)) (accessed 15 December 2007).

<sup>318</sup> In *New Statesman*, 11 October 2007 (available at <http://www.newstatesman.com/print/200710110015>) (accessed 12 December 2007).

section offers a few ‘notes’ to string together a developmental state reconstruction melody in an attempt to make hope and history rhyme.

## Section One

### Summary of Argument: The Storyline

The storyline distributed unevenly across the six Chapters, addresses in various ways and speaks at different levels to the problem statement. The opening Chapter focuses on the dynamics of the negotiation process that informed and shaped the post-apartheid housing policy. This ‘agential’ analysis spotlighted how the discourse and processes permitted the existing ‘distribution of privilege to be modified rather than overthrown’ (Lester et al., 2000:135–6). Chapter Two drilled deeper, exposing the structural, institutional and social dynamics powering the incoming government’s embrace of a housing policy that conformed to World Bank strictures and paradigms. This discussion was largely about the *Realpolitik* of state construction and housing policy (as component and expression of these dynamics). After a truncated discussion of the debilitating impacts and consequences of the technocratic market developmentalist shelter production regime on citizens, communities, institutions and long-run sustainability, the study turned to an analysis of the rise and fall of the alternative to the technocratic market developmentalism route. Drawing from the experience and informed by contemporary experimentation in developmentalism and transformative statecraft, it was argued, that without dynamic reconnection of economics and politics, and state and society, our society will continue to be trapped in a socio-political ecology characterised by praxis schizophrenia. Freeing ourselves from this low-equilibrium growth and development trap is contingent on structurally rewiring inherited and contemporary contacts and circuits of power, influence and money in order to tilt resources and institutional balances in favour of the poor. This rewiring is the guts of the ensuing discussion on experimentation, empirics and experience.

Framed by contextual constructivism, journeying from critical realism and powered by critical theory and historical record, the remainder of this Chapter directs itself to re-dreaming, re-thinking, and resuscitating developmental statehood and statecraft. Commencing with a series of broad questions in the realm of political economy, we reflect further on the main findings of this study, combining developmental state theory and empirics. We interrogate transformative state construction in South Africa using the two dominant, ‘non-overlapping’ (see Fine, 2006b:106), schools of developmental state scholarship.<sup>319</sup> The ‘economic school’ (drawing from the economics discipline) focuses on identifying the appropriate ‘*economic* policies that should be adopted in order to promote development’ (Fine, 2006b:102, original emphasis), ‘without examining the politics of whether they will or can be’ (Fine, 2007a:2) implemented. This leads to the categorisation of

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Each [school] has progressed within the confines of its own territory: the political school by refinement with an expanding range of case studies and evidence; the economic school by widening the scope of what constitutes market imperfections, and how they have or have not been appropriately handled (Fine, 2006b:106).

the South African state as being a weak or soft developmental state. The analysis then turns to a 'political school' analysis of South Africa's developmental state construction. The political school (drawing from the disciplines of sociology and politics) focuses on the 'political or other conditions that enable appropriate policies to be adopted, whatever they might be' (Fine, 2006b:102, original emphasis). This school is 'almost entirely concerned' with matters of state autonomy to execute policies when confronted by establishment forces ('vested interests') intent on capturing or derailing the state and its policies (Fine, 2007a:2). Worded differently, the 'political school' pays '[l]ittle to no attention to what the right policies' are versus the 'political conditions under which they might, in principle, be identified and adopted' (Ibid). When deploying this approach to South Africa's state construction and statecraft, the state emerges as 'intermediate', i.e. located midway between developmentalism and predation.

This categorisation helps to comprehend 'where we are' and foregrounds discussions pertaining to international experience of developmental state construction, South African political and social specificities and the limits of manoeuvre and adaptation referenced to matters of the bureaucratic and social coherence of the South African state. The lean discussion is largely about prospecting for developmental state futures. The narrative then turns to the state construction-housing nexus, with a focus on the progressive and conservative impulses of BNG. Through highlighting BNG's main weaknesses, the discussion provides some clues towards rethinking shelter governance regimes and developmental state construction. The concluding pages furnish a few notes around which we could possibly string a new developmental state tune and melody.

## **Section Two**

### **Thematic Conclusions**

#### *Economic School: Dependence and the Soft Developmental State*

Why has the state, mindful of the weaknesses and betrayals of the existing development path, not mobilised and deployed its various capacities and capabilities to direct and drive the economy and capital towards a more inclusive or shared path? Why does the ANC appear to be reluctant to craft and implement an aggressive asset and income redistribution strategy that is supported and underpinned by a pro-growth (versus a strictly pro-market) and pro-poor development path? For Fine (2007a), this would require the simultaneous construction of modalities and mechanics of state intervention and societal engagement that challenges and mobilises the underlying economic and political interests (that to date have precluded the adoption of an economically empowering and socially inclusive development strategy). For Bodibe (2007), the core components of the patterns and patterning of this type of state construction and intervention would include changing the structure of the economy, directing and deploying capital in its control and under the control of the private sector, and mobilising the social forces to support and sustain these deep interventions. 'Such ideas', write Habib and Padayachee (2000:261), 'were proposed by ANC-supporting think tanks such as MERG, ISP [Industrial Strategy Project] (to some extent) and was supported in large measure in the RDP'.

Why then does the state hesitate to travel this path, especially given the many articles, books and research reports (co-)funded, actively supported and endorsed by the party and government prior to and subsequent to its assuming the reins of power?<sup>320</sup> Is it because the South African developmental state model is ‘a *superficial* one’ wherein the ‘deep social interventions typical of the Taiwans and the South Koreans but also the Israels and the Turkeys, [are] so far missing’ (Freund, 2006:5, original emphasis)? Is it because the ‘ANC does [not] really know how to meet [its] promises’ related to its vision and thinking on the developmental state ‘remaining far too narrowly based and its implications have barely begun to be thought out by our governors’ (Ibid:7)?<sup>321</sup> Is it because the state weakened by the resistance pressures of the late 1980s (among others), lacks the ‘transformative capacity’ to co-ordinate structural economic change in response to external pressures’ (Weiss, 2006 cited in Gelb, 2006a:04)? Is it perhaps for this reason that in the context of the rampant and very advanced internationalisation of domestic capital (still to be recognised), that a developmental state is ‘only likely to emerge out of a sustained broad-based growth process’ (Ibid) hinging on the ‘construction of a co-operative relationship between the state and business’, i.e. a case of ‘if you can’t beat them [capital], you have to join them’ (Ibid:8)? Is it because the establishment of a developmental state – as per revisionist readings of this model<sup>322</sup> and supported by the ANC is perceived as a ‘*process* which accompanies growth, rather than a pre-condition for growth’ (Ibid, original emphasis), which further reduces its transformative capacity by increasing its survival and dependence on a capitalist class more interested in protecting and deepening the inherited and unreformed super-exploitative growth path (Malikane, 2007), i.e. minerals-energy-financial complex and offshore speculation? Is it because the state, rendered vulnerable and disempowered by its ‘dependence on the very capital it mistrusts’ (Malikane cited in *The Times*, 10 July 2007),<sup>323</sup> the ‘unpatriotic bourgeoisie’ (Davies, 2005), is incapable of structurally altering the economy from its financial sector<sup>324</sup> to a real economy orientation?

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<sup>320</sup> See, for example: the ANC’s 1990 Harare Document; Gelb, 1990 1991; Alec Erwin in *Southern Africa Report*, 5 June 1992; Kaplinsky, 1993, 1994; MERG, 1993; ANC, 1994; Chang, 1996; Edwards, 1998; Adelzadeh et al., 1998; May, 1998; Davies, 2003, 2005, 2007; Sachs, 2006; Turok, 2006; Evans, 2007; Ben Turok in *Business Day*, 10 July 2007; and ANC, 2007e.

<sup>321</sup> In personal correspondence with the author, Bill Freund makes the following point:

I just don’t see the ANC wanting to do, let alone actually doing, the kind of things that would make deep intervention at a social level possible... Look at the nonsense said and money spent on this stupid football tournament by a country that has never even shown any ability at the sport! We will ever be in debt and for absolutely nothing useful in 2010! Look at the basic disinterest in our abominable education system and look at the failure to register AIDS as a disease or intervene forcefully around it (E-mail 30 July 2007).

<sup>322</sup> See Wade, 1996; Fine, 2003; Chang & Grabel, 2004–5,

<sup>323</sup> Available at <http://www.sundaytimes.co.za/Business/Article.aspx?id=510779> (accessed 10 July 2007).

<sup>324</sup> The Economic Transformation document tabled at the ANC’s 2007 Conference ‘excludes the financial sector’ (Malikane, 2007:72) as one that should be restructured. Policy making in this sector for almost a decade has been ‘neither transparent, accountable, nor participatory’ (COSATU, 2001:7). Recall here, for example, the exclusion of civil society in the bank and government negotiation of end-user finance for housing in 1994. This is indeed extremely worrying given that financial institutions have ‘encouraged the capital outflow by facilitating the export of personal savings; and generally have avoided lending to innovative, relatively labour intensive activities such as agriculture, housing, infrastructure construction, and small and micro enterprise in general’ (Ibid:3). Moreover, this sector is ‘oligopolistic’ and its regulatory system is insufficiently transparent

The answer to these questions seems to lie less in the lack of a harnessing will and/or 'lack of ideas' (Freund, 2007:8) but more in the constraints to manoeuvre that are arguably spawned by the intertwining of state-orchestrated 'outside in' and state-facilitated conglomerate 'inside out' globalisation (see Carmody, 2002). The former refers to the 'hyper-liberal' state-driven economic globalisation strategy coalescing around tight fiscal and monetary policy and accelerated trade liberalisation, i.e. 'industrialisation by invitation' as opposed to internal resource mobilisation and redistribution (Ibid:258, 260). This 'outside in' globalisation, predated GEAR (see Gelb, 2006b) - but thereafter accelerated - created the space and opportunity for the restructuring and internationalisation of South African conglomerates 'substantially beyond the MEC' (Carmody, 2002:267). The result is that these conglomerates are now 'absorbed into a broader transnational capitalist class project where global financial capital, given its greater fungibility and mobility, and hence structural power, sets the agenda' (Ibid:266). A progressive compromise between this two-fold interlinked global integration strategy and an inclusive socio-development programme and project is frustrated by a host of factors associated in the main with the Treasury's and Reserve Bank's self-styled 'doctrinaire abstractions'<sup>325</sup> of 'economic pragmatism', 'sound fundamentals', 'investor confidence', 'macroeconomic balance', and 'good governance'. This gives rise to a state that can be characterised as 'embedded or institutionalised dependence [sic] on global forces'.

This dependence is manifested in 'negative autonomy' from domestic social forces. Negative autonomy is where the state appears autonomous from domestic social forces, but that autonomy is the obverse of dependence on global forces, and therefore reflective of their priorities. Thus, the state liberalises the economy to maintain the 'confidence' of international investors and uses the global market forces to discipline productive capital and labour rather than being able to discipline them on its own to achieve developmental goals... In this way, the state uses its power to constrain its power... As the state globalises, the success of government's development strategy depends on private sector actions and investment (Carmody, 2002:263).

If the failure of 'industrialisation by invitation' of this 'class compromised non-developmental democratic state' (Leftwich, 2000:176) is now acknowledged by government,<sup>326</sup> the success of the present drive to harness and mobilise internal resources and social forces depends to a great deal on the construction of a 'well-organised state work[ing] closely with producing classes' (Kohli, 2004:21). Under these circumstances, the 'coercive,

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and accountable' (Ibid:7). A 2004 study commissioned by the Treasury and the Reserve Bank titled *Competition in South African Banking* points to the existence of a 'complex monopoly' (versus duopoly) in the banking sector wherein 25% of the market is 'supplied by members of a group of persons (which are not interconnected companies), who either voluntarily or not, and with or without agreement between them, so conduct their business that prevents, restricts, or distorts competition' (Treasury & South African Reserve Bank, 2004:11).

<sup>325</sup> A phrase borrowed from Easterly (*Foreign Policy*, July–August 2007:2) (available at <http://economistsview.typepad.com/economistsview/2007/07/william-easterl.html>) (accessed 2 August 2007).

<sup>326</sup> See amongst others, Seidman & van Meelis, 2006; Rob Davies in *Business Day*, 3 August 2007; Floyd Shivambu in *Mail & Guardian*, 15 July 2007; (ex-) Deputy Director (Lionel October) and Chief Director (Nimrod Zalk) of the Department of Trade and Industry in *Afrikaner Handelsinstituut* (nd) (available at <http://www.ahi.co.za/current/nipfupdate.html>) (accessed 31 July 2007); and Simon Roberts, Chief Economist of the Competition Commission in *Amandla*, 2007 (available at [http://www.amandla.org.za/Site/developmental\\_state\\_debate.htm](http://www.amandla.org.za/Site/developmental_state_debate.htm)) (accessed 22 October 2007).

organisational, and economic powers of a society are aggregated... to propel economic change' (Ibid) which in turn hinges on a) the existence of a 'social class with an interest in state building as well as sufficient political power to undertake it', and b) the nurturing of 'domestic alliance sufficiently strong to build an effective state' (Ibid).

The intertwining of 'inside out' and 'outside in' globalisation undermines both of Kohli's (2004) conditions, which frustrates developmental state formation and transformative state intervention. On the one side, the 'very sections of society' (working class, informal economy, rural poor, etc.) that the ANC needs to align themselves to for the purposes of building an assertive state have very little or nothing to gain from GEAR (and subsequent modifications). On the other side, there is 'no reason for them [the privileged] to support efforts seeking the establishment of [a stronger] state' (Eriksen, 2005:407). Even if government was/is able to 'overcome the great obstacles' (Ibid) confronted by resistance from privileged groups, messy subaltern politics, the 1990s (neoconservative) 'disqualification of developmental state model' (Sindzingre, 2002:19), and deformed post-apartheid governance rationalities, it has 'undercut[s] the social foundations of a project of [developmental] state building by making it impossible to...pursue policies that could create a political alliance composed of actors with an interest in it' (Eriksen, 2005:407).

The historical record demonstrates that changing the social distribution of power between social classes, disciplining and regulating capital and the establishment and sustaining of a developmental state are inter-related. In Mustapha's (2006) magisterial survey of the contemporary intellectual thought related to rewiring the nexus between state-market and civil society, he writes:

[H]istorically, success in service delivery has depended on the state's success in pushing through rapid social transformation... The social distribution of power between social classes is one key to achieving a transformation state. Within this transformative state context, civil society and community should be actively involved in coalitions and 'action networks'... based on consensus seeking and the building of trust. This is the way to scale-up local civil society initiatives whilst protecting them from capture by more powerful local and international interests (Mustapha, 2006:8).

Grabowski (1994), making a similar point, draws a distinction between a 'hard' and 'soft' developmental state. The former is an interventionist and autonomous state that is 'able to discipline firms', i.e. state-led economic development that of necessity engineers and effects 'massive social dislocation' that 'destroys the small interest groups, thus allowing the state to pursue broad developmental goals' (415, 420).

The success of East Asia is often attributed to the existence of such hard states. Alternatively, the failure of state-led economic development in much of the rest of the developing world is the result of the existence of soft states... [i.e. 'subordinate (weak) state', wherein 'government follows the private sector'] (Grabowski, 1994:415).

The dominance of the transnational capitalist 'business model' of state embeddedness (alluded to earlier), the intertwining of 'inside out' and 'outside in' globalisation, the devaluation and alienation of the labour movement and the segments of organised and unorganised civil society that could potentially lend assistance and support to developmental state construction, and a state that 'uses its own power to constrain its power' (Carmody,

2002:263), explains in large part why there is still not in place a development strategy that is sensitive and responsive to domestic needs and priorities, rather than those of the financial sector. It also explains why South African business is quite pleased with post-apartheid style 'developmental state' interventions that focuses largely on creating a more friendly and supportive business environment, i.e. 'a pragmatic, market-oriented developmental state' (Esterhuyse, 2007:3–4), 'whose principal mission is to remove market constraints, [and] lower the cost of doing business' (Cronin in *Mail & Guardian Online*, 3 June 2007).

Any 'noise' from within the governing party that might suggest a departure from this regime of developmental statecraft is quickly muffled by senior party members. Indeed, when delegates at the recent ANC conference called for a more interventionist state to direct the economy, party leaders, it is reported, 'went out of their way not to makes noises that would upset the markets' (*Business Day*, 29 June 2007). Closely watched by international rating agencies, who warned that any 'shift to the left could undermine SA's attractiveness as an investment destination', Joel Netshitenzhe assured the agencies that they had 'nothing' to worry about (Ibid). President Mbeki in a television interview provided more assurance, remarking that the 'building of a developmental state is not about developing new policy, but looking at how well the country has succeeded in building that developmental state' (paraphrased). Pictured against the backdrop of the World Economic Forum logo, the President in this interview spoke of the focus of the developmental state as one that 'should be on the functioning, re-sourcing and positioning of the finance institutions of the country'.

All of it is intended to ensure that we have the capacity to speed up implementation of policies that have got to do with the reduction of poverty, underdevelopment... But as I say, it's an attempt to make sure that we do indeed build such a developmental state to address these challenges. So the poor can only benefit from the stronger developmental state which is able to answer them (President Thabo Mbeki, 2007).<sup>327</sup>

In sum, the transnational capitalist 'business model' embeddedness and the intertwining of globalisations potentially rules out any drastic interference in property rights, financial markets and the socio-political distribution of power. This is a view endorsed by the ANC's key ideologue when he was quizzed about the role of developmental state and its relationship to capital:

A developmental state is about using state capacity to mitigate unregulated capitalism... In other words, the challenge in my view is not so much – as an ideological standpoint – to 'challenge the power and interests of capital'... but to develop a social compact in which all social partners play a role in bringing about economic growth and social inclusion, including job creation. It is about a developmental state with the strategic capacity to lead all of society in pursuing these objectives (Netshitenzhe, 2007).<sup>328</sup>

The task of the state, Netshitenzhe said, was to 'use its various capacities – the budget, state-owned enterprises, regulation and so on – to develop the economy in a particular direction'

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<sup>327</sup> Available at [http://www.sabcnews.com/politics/the\\_parties /0,2172,151802,00.html](http://www.sabcnews.com/politics/the_parties /0,2172,151802,00.html) (accessed 10 July 2007).

<sup>328</sup> Available at <http://www.amandla.org.za/Site/Netshitenzhe/htm> (accessed 23 July 2007).

(Ibid). The adoption and acceptance by the ANC of this weak developmental state model arguably safeguards the integrity and longevity of the status quo. But it also frustrates the forging of a 'social compact', not least because the 'model' does not register any problems with the existing economic development trajectory. In short, social compact formation and assembly, as pointed out earlier, is 'only possible when government acknowledges there is an economic crisis' (Friedman, 2005a:18).

If the one leg of the explanation for poor development performance in the spheres of economic growth and robust transformation is located in the class compromised nature of the state, business model embeddedness and resultant failure to reconfigure the state-capital relationship, the other leg relates to the bureaucratic and corporate coherence of the state. And it is at this point that we record serious problems with the modalities and mechanics of state intervention in governance and service delivery regimes. It is here where the political school of developmental state scholarship provides deeper insights into (horizontal) axis (state-society) recalibration.

#### *Political School: State, Society and Politics - The Intermediate State*

The historical legacy and outcome bequeathed by 'fragile stability', 'negative autonomy' and the zigzagging between innovation and continuity has, for some, produced an 'intermediate state'. This is a state displaying features of 'predation and development[alism]' (Pillay, 2007:182), dysfunctionality and partial functionality (see Table 7.1 below).

**Table 7.1: Typology of Predatory and Developmental States**

	Predatory	Developmental (state-capitalist)
	South Africa – Intermediate (Displays features of Predation and Developmentalism)	
State Bureaucracy	Dysfunctional, based on patron-client relations (corruption)	Functional Serves general interest, meritocratic recruitment, rules-driven, efficient Close synergy with political leadership: Shared development vision
State-society relations	State captured by particular sets of urban elites	Embedded autonomy: state acts autonomously, but embedded in dense networks with rising industrial capitalist class (state centric)
Development vision	None	High economic growth, diversified economy, redistribution subordinate to growth
System of government	Personalised dictatorship	Authoritarian (military rule or multi-party)
Key agents of development	None	Dominant leaders
Examples	Zaire	South Korea, Taiwan

(Source: Adapted from Pillay, 2007:185).

With the SA state being both soft and intermediate, additional insights are furnished into why the state has thus far failed to ‘build a consensus on a national development strategy’ (Hassen in *Mail & Guardian Online*, 18 November 2007). On the one hand, its ‘institutionalised dependence’ (Carmody, 2002:266) on the ‘very capital it mistrusts’ (Malikane cited in *The Times*, 10 July 2007) and on whose largesse it depends for its survival precludes honest engagement and mobilisation around a redistributive and socially inclusive growth path, i.e. a shared vision with advanced and emerging fractions of capital. On the other hand, citizens and poor communities encounter a state that is ‘rather divorced from [their] daily struggles concerning itself with the technical management of capitalist economy and ensuring the

steady flow of investment capital for the benefit of national and international capital' (Simutyani, 2006:5).

This encounter is aggravated by 'authoritarian management styles inherited from the past' (Pillay, 2007:186) and those related to fiscal conservatism. With respect to the 'styles', the mechanistic distinction between policy making and implementation broaches no questioning of the 'correctness' of this service and infrastructure delivery approach. There is thus a continuation of the top down, anti-democratic, 'technocratic ideology' (Ocampo, 2007:19), 'Fordist factory model' (McLennan, 2007:6) of depoliticised service delivery that privileges distribution rather than (co-)production and redress. With the 'economy and social organisation...not part of the agenda' (Ocampo, 2007:19), the social distance, as remarked earlier, between the poor and state widens daily.

The dominant model for understanding delivery is the Fordist factory model, which assumes that given a number of inputs (resources, decisions, plans and capacity), a specific output can be expected... If this output is not achieved, the problem lies with the quality or the quantity of the input or with the process of production, according to this model. Implicit to this approach is an understanding of power and social relationships premised on a politics of distribution: haves and have-nots, the powerful and marginalised. Focusing on distribution alone leads to strategies and interventions that entail a shifting of resources, tinkering with dualisms, but not necessarily to any significant shift in the control of social resources or improved delivery (McLennan, 2007:6).

Present state reform stratagems reinforce this, focusing on maintaining internal/corporate coherence rather than effectiveness and outcomes. These are executed through the 'good governance' and 'good institutional design' tracks and regimes as opposed to 'bad'/'good enough governance' (Grindle, 2002, 2002a)<sup>329</sup> and 'bad institutional design' (Evans et al., 2005:31).<sup>330</sup> The depoliticisation of the 'economy', the non-recognition/acknowledgment of a 'social crisis' (discursively severed from the economy), and the confinement of the developmental state to modest and ineffective second economy interventions<sup>331</sup> and first

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<sup>329</sup> The 'good enough governance' tract, and here also being mindful of Evans (1995), redirects the conventional institutional-reform mindset away from 'state failure', and proposals on how to fix the state, to one that concentrates on identifying state success – the little pockets or islands of excellence (few though they may be) within the state, what makes them work, what drives these officials, and so forth (see Grindle 2002; 2002a). Key also in this tract is strengthening the 'political clout of the poor in civil society to keep the state on its toes' (Grindle, 2002:14). Lastly, this tract alerts us to the uncertainties or there being no neat correlations/correspondence between growth and inequality, redistribution and growth (Freund, 1992); democracy and growth (Bardhan, 1993), regime type and growth (Przeworski & Limogni, 1993), governance and poverty alleviation (Grindle, 2002), decentralisation and poverty eradication.

<sup>330</sup> Lowndes and Wilson (2001) note that 'good' institutional design does not always go alongside high levels of social capital' (cited in Evans et al., 2005:31). Bad institutional design can potentially positively impact on social capital via, for example, the mobilisation of marginalised groups around a specific issue

<sup>331</sup> The ASGISA Review of 2006 notes that the 'targets for second economy interventions remain too modest', they do not reach the marginalised youth ('the majority of the unemployed') in an efficient and effective manner, and that more work was required in linking the second economy to a comprehensive anti-poverty strategy (Coverage of the Review is contained in *Engineering News*, 22 March 2007) (see [http://www.engineeringnews.co.za/article.php?a\\_id=106198](http://www.engineeringnews.co.za/article.php?a_id=106198), accessed 10 September 2007).

economy-costs of doing business reduction (Seidman & Meelis, forthcoming, np)<sup>332</sup> further diminishes the probabilities of dynamic transformation via the installation of the ‘right politics’, particularly at the coalface of delivery.

At municipal level, the subordination of the ‘content-agenda’ of developmental local government to the ‘institutional reform’ one, often introduces, in the short to medium term, intractable tensions between ‘top-down directives and bottom-up initiatives’; ‘technical and political accountability’; ‘prescription and experimentalism’; ‘horizontal and vertical integration of development plans and institutional priorities’ (see Pieterse & van Donk, forthcoming). With the second agenda presented as the ‘precondition of the former’ or, more generously, both agendas being ‘pursued in tandem’ (Ibid), and these tensions exacerbated by the ‘general lack of accountability’ of municipalities to the voting public (related to an electoral system that strengthens upward accountability to party bosses (Atkinson, 2007:64), the substance of Second Decade, and particularly second economy, developmentalism is opined by some as constituting an infrastructure-service delivery regime resembling the ‘Poor Laws in early 19<sup>th</sup> century England’.<sup>333</sup>

The new poor laws hinge crucially on sorting out the ‘can’t pays’ from the ‘won’t pays’ so as to limit the consumption of the former and force the latter to pay up – or have their water and electricity cut to the minimum. Accordingly, there is a powerful inbuilt logic to maintain the Free Basic Services as low as possible precisely to use them as a threat to enforce payment for the services by the ‘won’t pays’ (Hart, 2007a:5).

Two conditions are crucial for the new poor laws to work as intended: municipal officials must be able to enforce restrictions on water and electricity, and the smallest possible number of the ‘deserving poor’ must be carefully identified and labelled. While municipalities have some discretion in defining the qualifications for indigence, they are required by the Department of Provincial and Local Government to maintain an accurate Indigent Register.

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<sup>332</sup> The words of Jeremy Cronin are most apposite here:

We run the risk of building a two-faced developmental state. On the one hand, a “first world” state, with relatively well-resourced departments and state-owned enterprises... On the other hand, a “caring” but woefully under-resourced and overwhelmed “third world” state, focused on delivery to the poor... This way we end up with an aspirant first-world developmental state that frees the market, while a third-world “caring” state does its best to ameliorate the very underdevelopment that the market constantly reproduces (see Cronin in Mail & Guardian Online, 3 June 2007).

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What Second Economy policies like FBS [free basic services] do, in effect, is to construct a category of second-class citizens who are seemingly more amenable to being transformed into ‘responsible’ members of society – or, at least, are more subject to neo-liberal discipline. Yet it is possible that policies designed to contain popular discontent might actually be feeding into it... While... moves [increasing minimum allocations calibrated to household size] might go part of the way towards calming popular discontent, the structural contradictions of the new ‘poor laws’ remain. Free Basic Services are tightly connected to credit control and to growing surveillance by central government over municipal finances. The majority of municipalities have massive debts, and are under heavy pressure from Trevor Manuel to get people to pay up. The Municipal Financial Management Act... provides for much tighter central monitoring of municipal finances. At the same time many municipal officials and mayors have been placed on performance contracts (Hart, 2007a:5).

Ward councillors, elected by their constituents and supposed to represent them, are turned into shock troops in the campaign to identify and cordon off the deserving poor, and ensure that the rest of the population is exposed to the whip of market discipline (Hart, 2007a:5), often unmindful of the human consequences and at the expense of democratic societal penetration.

The strongest blow dealt against developmental/transformational state societal penetration, though, resides in the exclusion from our programmes and policies of the core concerns of the poor majority, i.e. their grinding, alienating and dehumanising poverty. Grand statements about the developmental state, human solidarity and people-centred transformation aside; the critical issues of affordability, unemployment, migration, demographic changes (at household and intra/inter-settlement levels), HIV/AIDS, urbanisation of poverty are variously projected in our policies and programmes as ‘challenges’/‘problems’/‘constraints’/‘limitations’ rather than as starting points and key informants of the policy problem. So the authoritative DBSA report remarks:

Ridding the country of services backlogs by 2014 requires many interventions. A host of social limitations remains. These include a) the rapid increase in the number of households requiring infrastructure services, b) the increase in the number of low-income households that qualify for housing and service subsidies, c) the rate of increase of low-income households in specific areas, d) the consequences of HIV and AIDS, and e) the relationships between consumers, levels of service and affordability (DBSA, 2006:185).

It is precisely these ‘limitations’ (realities) that destabilise the model and modelling of the ‘wise men’ of the policy elite (discussed further below) witnessed, for example, in the Human Rights Commission’s recent report on progress towards the progressive realisation of socio-economic rights. The report mentions the shortcomings of the state’s shelter programme as not having ‘proper regard’ to the high unemployment rate, the housing affordability ratio, rapid urbanisation processes, and capacity constraints (SAHRC, 2006:27). What to think of transformation and the developmental state when our policies are not rooted in these realities but in ‘theories’, ‘technical solutions’ and ‘baseless policies and frameworks that barely reflect the[se] factual and observable situations’ (Franks in Editorial, 2004:99)? The net effect of this exogenisation is that the poorest and most vulnerable members of society, that is, the indigents, the add-ons, the special cases, as mentioned before, are ‘treated as a special case in service delivery initiatives’ (Grindle, 2002:11). Surely this policy gaze is highly problematic when ‘indigents’, for example, constitute over half of South Africa’s 46 million people (and are therefore eligible for free basic services) (cited in *Cape Times*, 22 June 2005). The relegation of majority to a special category, whose basic needs are to be met via a miniscule central grant transfer (equitable share) - not infrequently used to fund recurrent expenditure and ‘often insufficient to cover all the hidden administration costs of the indigent policy’ (Atkinson, 2007:72) - casts a long shadow over the existing service and infrastructure delivery models and developmental state construction.

Having now interrogated the problems and pitfalls of South African developmental state construction and statecraft from the state-economy and state-society angles, how do we move from the soft and intermediate, but bearing in mind South African specificities? The next part, prefacing a discussion of the Second Decade’s shelter-governance agenda and regime, furnishes some pointers in this direction. This is in line with the ethos of the document,

wherein housing is framed as expression and component of a society's wider development strategy and transformative statecraft.

### Section Three

#### **Moving Beyond the Soft and Intermediate State - Lessons from the East Asian and Latin American Examples and SA Specificity**

It would be futile to 'look at developmental states in Asia, for example, pull out their key characteristics and use them to assess whether the South African state is developmental' (Saloojee in *Business Day*, 20 August 2007). This is because the developmental state in South Africa 'does not and cannot seek to emulate developmental states in other parts of the world' due to their 'specificity and degrees of autonomy'.

Developmental states in any one socioeconomic, historical or political context are not easily transportable to other contexts. In a free SA, the developmental state is characterised by its democratic content, the role of the state in socioeconomic transformation and its role in dealing with conflict over the use and distribution of valued goods and resources in society. The principal challenges facing SA include dealing with poverty and inequality, unemployment and underdevelopment. And the vision of the developmental state is the creation of a nonracial [sic], nonsexist [sic], democratic and prosperous country (Ibid).

Only the foolhardy then would disagree with the Public Service Commission (PSC, 2007a:9) when it says that '[w]hat gives rise to and shapes the nature of the developmental state depends on the context and the history of a country'; or in the words of Zola Skweyiya, Minister of Social Development, 'the specific historical conjuncture being considered...and the particular ideological perspective adopted' (Skweyiya, 2004:19). Hence, among the factors considered important in contemporary South Africa, but not seen as 'critical factors in East Asia', include 'addressing problems of unbalanced regional development and harnessing local development activities for the benefit of national priorities'; attending to 'problems of social inequality and the need for redistribution' whilst simultaneously 'avoiding negative impacts on overall economic growth'; and 'balancing the needs of local democracy against the need for long term central planning' (Thompson, 2007:2-3).

Relevant here are the differences in the contribution of political parties to the project of a 'democratic developmental state' (past and present). Political parties have 'frequently, though by no means necessarily, played a major role in establishing or sustaining developmental states' (Randall, 2007:635). They employed nationalism to integrate their societies and 'maintain legitimacy'; supplied vision and leadership by 'allowing a technocratic elite - either bureaucratic or one straddling the party-state divide' (Ibid); and supplied degrees of autonomy via furnishing them with 'an institutional framework for political and organisational co-ordination, and/or by increasing state legitimacy and maintaining political stability' (Ibid). A common feature of such parties though has 'been their dominant position within the prevailing party system, either as hegemonic parties within a nominally competitive system, as in Mexico or Botswana, or as ruling parties within single-party systems' (Ibid). In the present context of 'third-wave democratisation and neo-liberal ascendancy', their contribution 'in terms of shaping and elaborating the guiding policy

discourse, political recruitment, ensuring accountability, monitoring implementation or providing legitimacy' is 'likely to be extremely limited' (Op cit, 2007:649).<sup>334</sup> Partial exceptions do, however, prevail 'but in both cases these imply some limitation on the prevailing norms of liberal democracy' (Ibid).

And here we arrive at the nub of the matter. The 'developmental orientation of a state', write Fritz and Menocal (2007:534), 'is not a permanent condition but rather a dynamic feature with a limited time horizon' conditioned by historical conjuncture, social structures, ideology, societal norms and practices. It is for this reason that developmental states are not associated 'with specific policies; at different times and in different places, very different policies have ushered in social and economic transformations' (Ibid). It is accordingly appropriate to 'caution against any attempts to suggest that there is a prototype of a developmental state that can be constructed on the basis of what worked in other countries' (PSC, 2007a:9). On the other hand, the 'meaning' and materiality of a developmental state is derived from the 'primary social forces and imperatives shaping public policy' (Skweyiya, 2004:19). Broadening the question posed by Minister for Public Service and Administration, Geraldine Fraser-Moleketi, to public servants, how then

...do we adjust our repertoires of collective action now that we have a full democracy, compared to the militancy we could show when we fought an illegitimate system that did not protect the rights of our people? We need to engage with one another on exactly what it means to orient our public administration in the direction of development... This discourse obviously has to take place against the backdrop of our concept of the **developmental state**. Amongst other things this requires the mediation of class conflict in such a way that the gains of the National Democratic Revolution are safe, secure and advanced. We need to protect our initial democratic gains from counter-revolutionary forces through domination by former economic elites nationally and globally. Continuing to build a transformed, people-centred public service that is responsive, agile and participatory is central to protecting the interest of the vast majority of the oppressed people... From the citizen's perspective, the **State** is constitutionally bound to ensure that services are in fact delivered to them and, that these services are of a high quality and delivered to their convenience. This challenges the **State** to find the most effective methods and channels to deliver these services within the system of government, but also in creative associations with the private sector, the NPO [non-profit organisation] sector and the community (Minister for Public Service and Administration, 2007:3-8, original emphasis).

Notwithstanding the finding of '*democratic* developmental states' historically being 'a relatively rare sub-species of a wider set of successful developmental states' (Fritz & Menocal, 2007:549, original emphasis), those that are now emerging (see Table 7.2 below), elevate the 'authentic empowerment of the poor', revolving around the state nurturing and fostering 'dense networks of people working together across institutional boundaries unconstrained by accepted norms' (Swilling, 2007:np). Fundamental here is a society-centric state-civil society relational field perspective, wherein the state is 'embedded in dense networks with mobilised and organised subordinate classes' (Pillay, 2007:185), i.e.

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<sup>334</sup> This is a consequence of their 'weak institutionalisation', fashioned as it is by the context and evolution of party formation and the dynamics of democratic consolidation in the globalising economy.

‘partnering’, conjectures Swilling (2007:np), ‘more with networks of civil society formations than the business elites’. The developmental orientation of this state is one that subordinates economic growth to human development via deep interventions in the political economy rooted in deep democracy, and buttressed by unconventional socio-institutional ensembles.

**Table 7.2: Features/Attributes of the Emerging ‘Developmental’ State**

	Developmental (substantive-democratic)
State bureaucracy	Functional, serves general interest, meritocratic recruitment, rules-driven, efficient; Close synergy with political leadership: shared development vision
State-society relations	Embedded autonomy: state acts autonomously, but embedded in dense networks with mobilised and organised subordinate classes (society-centric)
Development vision	Balanced, sustainable development, economic growth subordinate to human development, protection of natural environment
System of government	Participatory multi-party democracy
Key agents of development	Working class party and a mobilised civil society
Examples	Kerala (India), Porto Alegre (Brazil), Venezuela?

(Source: Pillay, 2007:185).

The tragedy of South Africa’s transformation project resides both in the illiberal elements of state developmentalism and the consequently weak(er) (re-) institutionalisation of state-civil society relations, especially at municipal level (as discussed above). When referenced to intentions to construct a developmental state that draws on and combines the ‘best traditions of democracy’ and the developmental state (‘as in East Asian countries’) (*Financial Mail*, 23 February 2007),<sup>335</sup> our development project/policies fail(s) both to enhance democracy (in

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<sup>335</sup> Electronic version (see <http://free.financialmail.co.za/budget2007/overview/bud3.htm>) (accessed 10 July 2007).

substantive and participatory senses) and improve the developmental orientation of the state.<sup>336</sup>

### *BNG, Markets and Social Cohesion*

Alternative scenarios suggest that the triggering of virtuous cycles between economic and human development and the sustainability of the cycle is associated with (amongst others) guaranteeing the ‘proper functioning of markets and the consistency between the latter and social cohesion’ (Ocampo, 2007:11). This implies a re-conceptualisation of ‘public policy’, which is now ‘understood as all forms of collective action in pursuit of the common interest rather than as action exclusively by the state’. The ‘public domain’ in this instance ‘must be conceived as the meeting point of collective interests’, not ‘synonymous with state activities’; ‘*belong[ing] to society, and not the state*’ (Ibid, original emphasis). Although ‘natural leadership falls on the state’, in the context of state and market failure this approach

...underscores the importance of creating a strong institutional framework – a high **institutional density** – with active participation of multiple social actors and adequate accountability to the citizenry – i.e. a high **democratic density**. It creates room both for state institutions and civil society, and, in each case, for local as well as national, international and supranational institutions, as a result of the profound restructuring of the domain of “the public” that has taken place in recent decades. It means, in other words, that all sectors of society must participate more actively in democratic public institutions, while at the same time developing multiple institutions of their own, which may strengthen the relation of solidarity and social responsibility, thus consolidating a culture of mutual understanding and collective development (Ibid:11–2, original emphasis).

A comparison of the theoretical roots and governance regime of the first decade shelter programme and second decade BNG (see Table 7.3), attests to the latter’s attempt to engage purposefully with the contemporary restructuring of the public domain. BNG’s demand-driven supply negotiated delivery shelter regime<sup>337</sup> is to be embedded in localised democratically deliberative contestation and negotiation of the social wage animated via market regulation (in the inter-linked land, financial and property markets) and greater demand-side factor calibration (attuned to coping strategies and life chances). The effectiveness and sustainability of the intervention underpinning the BNG delivery regime (measured, for example, by the extent to which it enhances asset accumulation, wealth creation and activates socio-economic citizenship) rests squarely on re-orientation of horizontal (and vertical) governance axis/(es) that change(s) the process and output. In other words, the BNG delivery regime demands ‘mobilised civil society participation plus extensive redistribution’ (Pillay, 2007:181), with the latter, either of the ‘current income or

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<sup>336</sup> This is contrary to the view of Fritz and Menocal (2006:12) when they state that South Africa ‘has truly achieved an encompassing and sustained developmental orientation’.

<sup>337</sup> In which the state must engage communities to establish ‘individual housing needs and then engage with the private sector to partner with it to provide a variety of housing options and amenities to meet the revealed need’ (Tomlinson & Narsoo in *Business Day*, 28 August 2007).

the growth increment', proven to be 'more effective in reducing poverty for a majority of countries than growth alone' (Dagdeviran et al., 2001:3).

**Table 7.3: Key Elements of the First and Second Decade Shelter-Governance Agenda and Regime**

Elements	Theoretical roots	Nature of state	Focus and emphasis	Product and citizenship	Relationship to external non-public partners	Governance mechanism	Value base
First Decade	New Public Management	Disaggregated, managerialist and technocratic  Housing powers and functions, duties and obligations of the spheres of government are defined by the Constitution, legislation and regulation. Working within untransformed land, financial and property markets is the delivery of a state-packaged and government-defined output to subjects (no active participation by beneficiaries)	Intra- and inter-organisational management  State as key driver of development with an emphasis on service inputs and outputs (efficiency and targets) focussed on income graded width	Standardised, passive citizenship	Independent contractors within a competitive marketplace  State-facilitated, market- driven housing programme. Delivery by the private sector	The market and commercial contracting	Efficacy of competition and the market place
Second Decade	Organisational sociology, network theory, human capability development	Plural and pluralist state, organisational flexibility with greater collaboration within and between spheres  National and provincial government not only overseeing and monitoring development, but also involved in implementation via partnerships (MOUs, Intergovernmental Relations Framework Act). Delivery of locally (collaboratively) defined and customised products within transformed land, property and financial markets wherein people are no longer <i>objects</i> (active participation of beneficiaries and their integration into restructured land, financial and property markets)	Inter-organisational/multi-agency governance focussed on width (as entry point) and depth  Development driven in partnership but community-centred frameworks with an added emphasis on service processes and outcomes	Differentiated responses to need, active citizenship (community empowerment)	Preferred suppliers, and often inter-dependent organisations with ongoing relationships (does not preclude direct delivery by the state)	Trust and relational contracting with state as guarantor of developmental distribution outcomes	Neo-corporatist

(Source: Adapted and supplemented from Osborne, 2006:383).

Notable by their absence in BNG's shelter-governance and agenda regime are the modalities and mechanics related to the thickening of institutions and democracy; the most crucial being the authentic empowerment of the poor. This empowerment is arguably most optimally effected through the decentralisation of power, authority and resources to communities and households, and democratically and locally defined notions of progressive realisation of socio-economic rights, i.e. community/ household versus technocratically finance-derived 'reasonableness'.

Regrettably, beneath the authoritarian trends of government, undergirded by the technocratic Fordist delivery model and its class project 'lies a deeply pessimistic vision of democracy' as one of competition for rents, patronage and spoils. Intrinsic to insulation of institutions from messy politics is an 'oligarchic tendency'; 'government by the wise' (Ocampo, 2007:19), which inevitably pits 'public sector generalists against community activists' (Tomlinson & Narsoo in *Business Day*, 28 August 2007) and the poor (more generally). With the exclusion of the economy and social organisation from this model; its shallow conception of citizen participation,<sup>338</sup> the emphasis on 'ty[ing] government more closely to policies formulated by the party [in state]' (Deputy Finance Minister cited *Sunday Times*, 9 September 2007) and, 'implementing ANC policy [in state] with more energy and speed' (Ibid), there is little place and space for community participation. Indeed, the Department of Housing in its strategic and performance plan records the 'complexity' of community participation and dynamics as 'challenges' hampering expedited implementation ('slows down delivery') and complicating 'housing development issues' (DOH, 2007:16).

If on the other hand, communities have money ('savings'), like the Federation of the Urban Poor (FEDUP), the engagement, arguably, seems to be less fraught or complicated. One ponders whether the relationship with FEDUP as opposed to interactions with other organisations of the poor or those representing them is less problematic because the former (as intimated in Chapter Four) behave in ways encouraged by state, namely modernist and workfarist recreation of citizens and communities.

[W]e have not developed a broader view of the kind of relationship we would like to have with civil society... whilst the emphasis by FEDUP on community savings has facilitated our relationship with that organisation (Minister of Housing, 2007b).

The complications and complexities alluded to here cut to the heart of the political economy of housing processes, programmes and policies not unrelated to what the 'wise' see, value,

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<sup>338</sup> Relevant here, for example, are the South African Human Rights Commission (SAHRC) 'recommendations' pertaining to 'mechanisms that will optimise the use of existing resources, and ensure maximum benefits' thereby contributing 'immensely towards' the realisation of the housing right:

Public participation is aimed primarily at informing the public about the activities of government. It should be aimed at ensuring that the public adds value to activities of the government. The guiding principle should be that the public knows better – community members may be poor or uneducated, but they are not stupid.

However, there should be a balance between giving in to the demands of the public and the strategic considerations needed to ensure the maximum realisation of socio-economic rights with limited resources. Therefore public participation should entail the detailed provision of different options and their implications. This will ensure that the public makes informed decisions without jeopardising the necessity of strategic thinking (SAHRC, 2006:28).

prioritise in the reconstruction of our human settlements and the ('free', effective) remedies that all enjoy should their 'rights' be 'threatened or violated'.

Reflect for a moment on the recent Human Rights Commission reports, which over the past few years have criticised the housing programme and policy on the grounds that it does not pass 'constitutional muster' (see SAHRC, 2003:62) and 'needs refining' (SAHRC, 2004:57). While on the whole endorsing the policy and programmatic amendments as 'reasonable' with respect to the progressive realisation of housing rights, it is forthright in its criticism of the 'measures' not extending protection to evicted farm workers (numbering 950 000 since 1994); the 'poor residents within the city centre of Johannesburg' (estimated at 25 000); and 'bond defaulters (due to social problems such as retrenchments)' (SAHRC, 2006:26).

Suspending discussion about exogenisation, how is one to square this view of the Human Rights Commission report on inner-city evictions when the head of the Commission, Jody Kollapen, raises questions about the 'methods used in the evictions', which, he reportedly argues, should be executed within 'humane parameters'. But the Inner City Regeneration Strategy makes 'no provision for people living in the Johannesburg inner city who are unable to access housing through the market' (Wilson, 2006:8), i.e. a strategy - as pointed out earlier - that has turned a welfare and poverty problem into a property one. Indeed, the City's programmes to house the inner city poor 'have been limited to arms-length support for a few homeless and [low cost] transitional shelters' (Ibid). The great majority 'unable to afford market rentals are not accommodated at all' (Ibid) in the city's grander vision to 'increase property values, raise private-sector investment[,] transform Johannesburg into a world-class African city', and project a worthy tourist-friendly image of itself ahead of the 2010 FIFA World Cup (*Mail & Guardian*, 31 July 2005). Exacerbating matters is the more recent Inner City Regeneration Strategy - from which city residents were excluded from contributing - that restricts provision for housing subsidies to developers rather than residents themselves (*Business Day*, 9 May 2007). It is this context of the exclusion of the poor from the inner city via the market and development programmes (contra the spirit, if not letter, of the *Grootboom* ruling) that Jody Kollapen's comments restricted to 'methods' of eviction are so short-sighted and insensitive.

In light of state subsidisation of developer-driven housing solutions (versus provision of housing for those in desperate need and their subsequent eviction using apartheid-era legislation (the National Building Regulations and Building Standards Act (1977)), Kollapen's even more insensitive assertion is that state provision of alternative accommodation for evicted households,<sup>339</sup> would send a presumably wrong 'message for those who have waited a long time for housing' (cited in *Mail & Guardian*, 31 July 2005).

The prejudices, conservatism and status-quo preservation orientation of the SAHRC is an abiding theme of its short existence. In 2001, this very same institution advised the Ekurhuleni Metropolitan Council in the Bredell matter to pay 'urgent attention' to those who had been on the 'waiting list for an unreasonably long time' against the 'illegal occupants' who, among others, can have 'no justification... for the violation of rights of others to property guaranteed by our Constitution'. In the same *Statement on Eviction in Bredell*, Barney Pitso, then Chairperson of the Commission, wrote:

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<sup>339</sup> Who arguably may not be illegally occupying the premises and are in desperate need.

The Commission holds the view that the rights of all the people of South Africa must be respected. We consider homelessness and the poverty that are prevalent in our society, as a negation of the values of human dignity and social justice enshrined in our Constitution... [W]e wish to point out that all South Africans... are aware that there are options which they all enjoy whenever the enjoyment of their rights are threatened or violated. At no cost they can approach, for example, the South African Human Rights Commission and the Public Protector. In the final instance they can petition the courts to adjudicate on their rights. The courts in South Africa have been very sympathetic to the plight of the poor and needy... We appeal to political parties and other agents of civil society in general, to have regard to our constitutional values when they confront the challenges we face in our society. Among these are respect for the law, reverence for the Constitution, and the observance of human rights.<sup>340</sup>

State and academic portrayal of the ‘counter-redistributive activities’ (Huchzermeyer, 2001a:97) and developmentally destabilising thrust of illegal occupations and land invasions (dubbed ‘queue-jumping’) is reportedly attributed to a ‘culture of entitlement’ (Ibid:98) rather than acknowledging the exclusion of the poor from housing opportunities<sup>341</sup> and/or imposition of official ‘deterministic interventions’ (Ibid). This overlooks the institutional context (costly, ineffective and unresponsive courts and commissions that have not, contra Pityana<sup>342</sup>, ‘been very sympathetic to the plight of the poor and needy’), the instrumentalist avenues and channels of public participation and state civil society engagement (‘aimed primarily at informing the public about the activities of government’ (SAHRC, 2006:28)), and the ‘position of many inner city dwellers’.

South Africa’s legacy of massive landlessness created by colonialist dispossession and racist Group Areas legislation sets the context for the position of many inner city dwellers. Allowing private property rights to be transferred on a free market, without any semblance of an attempt to redress the unjust distribution of property bequeathed by our history simply perpetuates this legacy. The state’s policies, up until now, have been largely restricted to the provision of land in rural areas or housing in the urban periphery. No serious attempt has been made by the state, especially the local state, to integrate those most disadvantaged by apartheid back into South Africa’s cities, even though that is where many of them currently live (Wilson, 2006:08).

The present-day architects of the developmental state are at pains to remind us of South Africa eschewing ‘market fundamentalism’ and its dedication to serving the most vulnerable. But in addition to violating the Constitution and various Constitutional Court rulings, excluding the most disadvantaged is ‘unreasonable’ if the ‘hierarchy of disadvantage suffered under apartheid’ is intended to ‘naturally inform the magnitude of the impact of the programmes of change and the attention paid particularly to those who occupied the lowest

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<sup>340</sup> Pityana, B. 2001. SAHRC Statement on the evictions in Bredell, 13 July (available at [http://www.sahrc.org.za/sahrc\\_cms/publish/article\\_110.shtml](http://www.sahrc.org.za/sahrc_cms/publish/article_110.shtml)) (accessed 22 June 2007).

<sup>341</sup> Johannesburg’s Inner City Regeneration Strategy could lead to the forced eviction of a minimum of 25 000 people, or as many as 70 000 people (cited in COHRE, 2006, np).

<sup>342</sup> Pityana, B. 2001. SAHRC Statement on the evictions in Bredell, 13 July (available at [http://www.sahrc.org.za/sahrc\\_cms/publish/article\\_110.shtml](http://www.sahrc.org.za/sahrc_cms/publish/article_110.shtml)) (accessed 22 June 2007).

rungs on the apartheid social order' (ANC, 2007b:4). If the supposedly entitlement-addicted queue-jumpers, many of whom constitute the most disadvantaged, are deemed to be undeserving of state largesse on the grounds of destabilising state programmes, it is difficult to justify the undoubtedly deserving most vulnerable sectors, i.e. infants and children.<sup>343</sup>

It is also difficult to justify, in the words of the United Nation's Special Rapporteur for Adequate Housing, Miloon Kothari, after visiting poor peripheral communities and residents of the derelict inner city, the state spending enormous sums of money on the 2010 World Cup and tourism when the 'most poor people', whose conditions of living constitute an 'emergency', 'should be the first priority' (cited in *Mail & Guardian*, 19 April 2007). He slated government for spending huge sums of money on staging the 2010 World Cup when it was struggling to provide adequate housing, and when the municipality was in possession of funds for providing for the poor (*Mail & Guardian*, 19 April 2007). 'It is very odd that countries with high levels of poverty allocate huge sums of money to sporting events' (paraphrased and direct words, *News24.com*, 25 April 2007).<sup>344</sup>

With recent Ministerial acknowledgement of the government not 'giv[ing] the development of rental stock the priority it should have' (Minister of Housing (paraphrased), 2007:1-2)<sup>345</sup> coupled to the fact that the large majority of people residing in the inner city of Johannesburg - 82 000 residents 'living in overcrowded and unsafe conditions that are [close/]closer to their places of work' (*Urban LandMark*, 2007:02)<sup>346</sup> - not earning enough to qualify for social housing, the Department of Housing, via the instruments of the revamped Social Housing and Inclusionary Housing policies (although not limited to these), is intent on 'counter[ing] segregation or exclusionary outcomes of our built environment processes' (Minister of Housing, 2007a:04). It comes as no surprise that despite the decade-long recognition of the failure of the government's rental programme to house the poorest,<sup>347</sup> government continues countering 'counter-redistribution' with eviction and upward redistribution, with the present Minister speaking in glowing terms of Cape Town and Johannesburg developers converting and refurbishing existing buildings for those in income brackets who can afford social housing (see comments of Minister of Housing, 2007:1-2).<sup>348</sup> Why, asks the Special Rapporteur, in the case of Johannesburg, is the 'municipality not upgrading the buildings and making them safe? Why [after renovation] do the buildings not go to those living there for so long?' (cited in *Mail & Guardian*, 19 April 2007).

In other instances, when the state is not subsidising private developers to construct rental accommodation, settled communities and households earning less than R1 000 per month, are

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<sup>343</sup> Utilising a poverty line of R430 a month, 74% of children between 0–17 years are poor (Coetzee & Streek, 2004 cited in Desai, 2005:6). This amounts to more than 13 million children. If the poverty line of R215 per month is used, '54.24% of children in the same category are ultra-poor; translating into 9.7 million children' (Ibid).

<sup>344</sup> Available at [http://www.news24.com/News24/South\\_Africa/Politics/0,,2-7-12\\_2104048,00.html](http://www.news24.com/News24/South_Africa/Politics/0,,2-7-12_2104048,00.html) (accessed 8 May 2007).

<sup>345</sup> Paraphrased in *The Southern African Housing Foundation News*, 3, 9, 2007

<sup>346</sup> *Housing Market Bulletin*, 2007 cited in *Urban LandMark*, 2, 2, April (02)

<sup>347</sup> See Mpumi Nxumalo-Nhlapo's comments - the ex-Director-General – in *Business Day*, 1 June 1998

<sup>348</sup> Paraphrased in *The Southern African Housing Foundation News*, 3, 9, 2007

being moved to temporary residence areas with the Department undertaking to re-house them in the new rental units in the same location. Escalating construction costs, poor project management, and delays in construction resulted in the ballooning of the rents for the N2 Gateway dwellings. The income threshold for these rental units shifted from R0-1 000 to R3 000 per month. The response of the Minister at the launch of the N2 Gateway on 18 July 2006 was:

...some of the beneficiaries might not be able to afford the minimal rental required for the units. In this regard, I need to affirm our commitment once again that our poorest of the poor are our priority, they are to benefit as part of phase two (Minister of Housing, 2006e).

In reality, 'very few people', writes Legassick (2007) of the original residents, 'could be found who were economically eligible. Instead, advertisements were placed in police stations to attract new applicants' (in *Sunday Argus*, 16 September 2007).

A further problem is that the new residents were struggling to pay rents which they were initially told would be R650 but ended up being R1 100 (*News24.com*, 16 April 2007).<sup>349</sup> More recently, residents of Joe Slovo, who previously were promised priority in the allocation of Phase I housing,<sup>350</sup> refused to move to temporary locations to make way for the construction of new housing units. Reportedly numbering 'thousands' (*Cape Times*, 13 September 2007), the residents blockaded the N2 national road 'demanding the construction of one-size-fits-all RDP homes' (DOH, 2007a) rather than dwellings to be 'sold to those who could afford to pay the R150 000 to R250 000 for the house' (*Cape Times*, 13 September 2007).

The Minister is now reportedly looking to 'legal solutions to clearing the land' (DOH, 2007b) and 'investigating legal avenues to compel residents of informal settlements to make way for housing developments' (Minister of Housing cited in *Cape Times*, 13 September 2007). Not unrelated to the allocation of units to other 'not-so-poor' people, the major grievance of 6 000 residents who are to be moved to Delft is not only the removal (which some in the media have termed 'forced removal')<sup>351</sup> - much to the consternation of the Minister who 'abhors' its 'apartheid connotations' (cited in *Cape Times*, 13 September 2007) - but that the removal will not be temporary. This is not unfounded considering that many of the victims of the 2005 fires and those who were relocated to make way for Phase One previously resided in Joe Slovo. Their relocation to Delft has not been temporary and has impacted extremely negatively on their livelihood networks and coping strategies.<sup>352</sup> In a statement released by the civil society Joe Slovo Task Team (whose leader was arrested shortly after securing

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<sup>349</sup> Available at [http://www.news24.com/News24/South\\_Africa/News/0,2-7-1442\\_2099356,00.html](http://www.news24.com/News24/South_Africa/News/0,2-7-1442_2099356,00.html) (accessed 8 May 2007).

<sup>350</sup> This housing was promised after the devastating fire of January 2005, which destroyed 3 000 shacks and left 12 000 people homeless (Legassick in *Sunday Argus*, 16 September 2007).

<sup>351</sup> *Cape Times*, 12 September 2007.

<sup>352</sup> The state, via Thubelisha, is trying to reduce the impacts through the 'provision of transport for children to and from school, pay points for pensioners and transport for the elderly and ill people to clinics' (Minister of Housing, 2007 cited in *Cape Argus*, 14 September 2007). The effectiveness and duration of this ameliorative and compensatory support/assistance is unclear.

permission from the police for residents to meet to discuss the way forward), the following is recorded:

The minister of housing keeps saying that this move will be temporary. This is a bald-faced lie. Joe Slovo residents are going to be left in Delft for the rest of their lives. Only 1 000 people maximum can be accommodated in the new Joe Slovo houses,<sup>[353]</sup> which leaves 5 000 unaccounted for (cited in *Cape Times*, 13 September 2007).

The Minister's directive to 'remove people from the housing waiting lists if they undermine government delivery efforts' (Minister of Housing cited in *Cape Times*, 13 September 2007), versus their demand for *in situ* upgrade, and encouraging the police and the National Prosecuting Authority to maintain law and order by bringing charges against perpetrators (DOH, 2007a) of violence - who, in the words of the Department, refuse to 'move voluntarily to temporary accommodation in Delft' despite the Department having 'done everything necessary to communicate [their] policies and plans to residents' (DOH, 2007a) - is suggestive of a state-orchestrated dispossession process of a historically disadvantaged community who are not 'entitlement' addicted. Confronting this community is a state and official development programme that is bent on imposing an exclusionary shelter 'solution' that by no stretch of the imagination can be justified as 'reasonable' or developmental; marginalising those who surely comprise the most vulnerable, i.e. 'moving out the poor to make way for the better off' (Legassick in *Sunday Argus*, 16 September 2007).

In short, this Phase Two of the N2 Gateway Project that, in the words of the Minister was supposedly to have benefited the 'poorest of the poor' (those excluded from Phase One and those now confronting relocation/'removal') is, in its recent format - GAP housing for those earning between R3 500 and R7 500 (Ibid) - a developmental state-orchestrated, a developmental state-managed and a developmental state-administered 'downward raiding' project, whose outcomes are celebrated by both government<sup>354</sup> and the private sector.<sup>355</sup> There are also concerns expressed by Thubelisha staff that the present high level of consumer indebtedness and the stringent application of the new National Credit Act may well push the affordability beyond the target threshold of the GAP market and the not-so-poor.<sup>356</sup> Over and above the technical specifications, only catering for 1 000 out of the 6 600 affected community members, it is most likely that only a miniscule number of the relocated original

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<sup>353</sup> On account of the plot sizes and related product.

<sup>354</sup> 'A gift to the poor of the Western Cape' said Minister Sisulu (cited in *Cape Argus*, 14 September 2007).

<sup>355</sup> Regarded as a 'deviati[on] from previous government policies designed to provide low-cost housing to the poor', the private sector's attraction to the project is not unrelated to enhanced profit margins, given that the 'current product is costing the national housing department almost double the sum allocated to the traditional RDP units'.

The concept makes economic sense for medium-sized construction companies... The gap mass-housing concept is now manifestly recognised by all relevant role players as the route to solving the plight of the homeless (Kruger, CEO of Sea Kay Holdings, SA's largest affordable-housing construction group, soon to be listed on the JSE's main board, in *Business Day*, 14 September 2007).

<sup>356</sup> This view is supported by none other than Leon Louw of the Free Market Foundation: 'With the new credit legislation millions of people who were creditworthy before will be barred from the credit markets. The policy's achievement will be 180 degrees off its intention' (cited in *Business Day*, 23 July 2007).

beneficiaries will be in a position to afford the new houses, and the majority will accordingly be displaced and dispossessed.

The de-linking of the distribution of housing opportunities from waiting lists and the power of the Minister to change the position of people on the waiting lists (both legally and as punishment against those protesting; its constitutionality aside) is cold comfort for these 6 600 households. The intended top-slicing of provincial budgets for future lead projects of this nature, coupled to greater national and provincial government activism in housing programmes and an aggressive private sector looking to re-enter the low-income housing market (ostensibly through GAP housing), does not paint a rosy picture for those who earn R2 500 a month and who are searching for housing opportunities on well-situated state land. The recasting by the private sector of the N2 Gateway Project as 'national government gap mass-housing flagship project' (see Kruger in *Business Day*, 14 September 2007) (contra the original project intentions and plans), the not unobvious ministerial endorsement and baptism of this recasting ('a gift to the poor'), points to the further entrenchment and consolidation of market-embedding and market expansion formats envisaged by Billy Corbett in the early 1990s.

At the base of these many exclusions, discriminations and inequities is a shelter strategy wherein housing, unlike in many developmental states, is not viewed as a productive investment and/or part of the social wage (e.g. Malaysia,<sup>357</sup> Hong Kong and Singapore).<sup>358</sup> Worded differently, the new 'big D' (BNG), derives from macroeconomic outlooks that continue to treat 'housing as one of many consumption goods, or neglects it all together' (Leung, 2004:2). Encountered is a subsidy regime whose basic premise is founded on formal employment, rising incomes and graduation into the market: a dualistic housing production regime that reduces the public sector housing intervention to a welfare function/instrument. This is evidenced by its structural de-linkage from the wider inter-linked (exclusionary) workings of the land, financial and property markets.

This regime effectively residualises shelter provision for the poor and unemployed *majority*. A residualised shelter production regime for the *majority* can only be described as a contradiction in terms. The best public sector efforts to reconcile a residualised housing

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<sup>357</sup> According to Mat Noor, Director of the Distribution Sector at the Malaysian government's Economic Planning Unit, the country was almost able to wipe out poverty between 1971 and 2004 through 'a sustained commitment by the government, manifested in providing pro-poor services and infrastructure, such as schools, hospitals, and the like – and in affirmative action to avoid racial strife'. Malaysia, he added, 'was able to reach high economic growth rates during this period and at the same time reduce poverty and provide for social security'.

To reduce poverty, the Malaysian government implemented programmes that included the provision of improved services in agricultural areas, the absorption of poor households into modern agriculture and other sectors through accelerated creation of employment opportunities – and the provision of social services and amenities such as housing, water and electricity. 'With these programmes and a well co-ordinated delivery mechanism, the poor were able to increase their productivity and income through a fuller utilisation of their productive assets and skills' (See Inter Press Service Agency, Helsinki Process: Consensus Against Neoliberal Washington Consensus, 3 December 2007) (Available at <http://www.ipsnews.net/print.asp?idnews=40257>) (accessed 3 December 2007).

<sup>358</sup> It is regrettable that education, health and housing percentage of total spending has decreased between 1997 and 2007. For housing, it decreased from 2.8% in 1997/98 to 2.3% in 2007/08. During this period, health witnessed a 1.4% decline and education a significant 5.9% decrease (Hassen, 2007:6).

intervention for the majority with poverty alleviation, equity and redistribution is bound to fail, especially when, firstly, that which is delivered is unaffordable (albeit not universally), and, secondly, still remains oblivious to the livelihood and coping strategies of approximately 70% of the inadequately housed. On the other hand, and here read through a political economy lens and the intentions of the architects of the housing policy (from Slovo to Sisulu), the market embedding of the public sector housing function, working with the grain of the market, was never about making markets work for the very poor and poorest of the poor; rather, its was and still is about making it work for the not-so-poor with crumbs for the rest.

### **In Lieu of a Conclusion: Hope and History**

Armed we are with the most progressive Constitution in the world, policies informed by cutting edge international experience and expertise, a commitment to developmentalism and developmental state construction. Yet from ‘national democratic revolution’ to ‘national democratic society’, from developmental to dysfunctional state, from potholes to sinkholes, and from keyholes to peepholes; deferred are our dreams, distracted are our prophets, and distressed is our society. But ‘the conjuncture’, remarks the public intellectual Ashwin Desai (2007), is ‘fluid’ and so he cautions against our inherited and present ‘lazy, self-gratifying and frankly rank stupid’ analysis of our politics, politicians, projects, policies and programmes. We ‘need to be on the look-out’, he writes, and ‘scan the map of possibilities, to be able to take our chances’ but grounded in a ‘concrete analysis of a concrete situation’.

Hark Lenin: “We do not and cannot know which spark...will rekindle conflagration...; we must therefore...set to work up all and sundry, even the oldest, mustiest and seemingly hopeless spheres, for otherwise we shall not be able to cope with our tasks, shall not be comprehensively prepared, shall not be in possession of all our weapons” (Lenin, 1960) (cited in Desai 2007:8–9).

Limitations there are these days to search for our weapons in philosophy because, as we all know from Hegel, the owl of Minerva spreads its wings only with the falling of the dusk. Limitations there are these days to search for weapons by combing the revolutionary texts because we all know that revolutionaries ‘learned history and not action’, and consequently acquired the skill to play whatever part was assigned them by the great drama of history, even if it meant the ‘devouring of the children of the revolution’ (Farhi, 2003:34). The best we can do these days to arm ourselves is to listen carefully to Benjamin’s angel of history; be wary of any courtship between the angel of history and the gate keepers of action; to root action in a ‘concrete analysis of the concrete situations’ and, in a slight subversion of Brynard (2007:66), to rewrite the score and the music in the ‘act of playing it’.

In the spirit of debunking the impossibility thesis and rethinking developmentalism, there are three notes that present themselves to string a new melody.

*The first note:* South Africa squandered the opportunity to restructure its political economy in democratic and developmental formats. Indeed, ‘if there was any country that could have bucked the Washington Consensus it was South Africa’ (Fine, 2007b:4).

In the early period South Africa had the political clout, the moral standing and the economic power to define a different path. It could have been very symbolic at a

global level and for countries of the South as the developmental state in the 1980s was very strong and was used to critique the Washington Consensus (Ibid).

Fast forward, and a decade later those looking for evidence to corroborate or negate this claim of squandering the opportunity, are clueless when trying to fathom the nature and identity of South African developmentalism. It ranges from a ‘class compromised non-developmental democratic state’ (Leftwich, 2000:176); a “proto” developmental state’ (Leftwich, 2002:57); a potentially ‘cohesive-capitalist state’ (Kohli, 2004:383);<sup>359</sup> a ‘developmental state’ (Swilling & Breda, 2005c:88);<sup>360</sup> an ‘elusive’ developmental state (Swilling et al., 2005:6); an Mbeki ‘self-styled “developmental” state that might be characterised as “technocratic vanguardist”’ (SACP, 2006b:23); an ‘intermediate state’ (predatory and developmental) (Pillay, 2007:182); an ‘aspiring developmental state’ (Pieterse & van Donk, forthcoming); and an ‘aspirant first-world developmental state’/‘caring [second economy/] third world state’ (Cronin in *Mail & Guardian Online*, 10 July 2007).

These diverse characterisations of the SA developmental state alert to the dangers of models, model imposition and replication. They often tend to overlook that development is a ‘process of self-discovery involving learning by trial and error, and by selective borrowing to fit the context and specificities of particular country situations’ (Mkandawire, 2006:8). Applying these insights to developmental state construction, a distinguished scholar on the developmental state remarks:

[T]he definition of the ‘developmental state’ runs the risk of being tautological, since evidence that the state is developmental is often drawn deductively from the performance of the economy. This produces a definition of a state as developmental if the economy is developing, and equates economic success to state strength, while measuring the latter by the presumed outcome of its policies. It has led to myopic concentration of analysis around success to the neglect of the ‘trial and error’ nature of policy-making even in the most successful cases. If a developmental state is not to be deified into some kind of omnipotent and omniscient leviathan that always gets what it wants, then the definition must include situations in which exogenous structural dynamic [sic] and unforeseen factors can torpedo genuine developmental

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<sup>359</sup> A cohesive capitalist state – regarded as the ‘conceptual cousin’ of the developmental state (Kohli, 2004:383) – is an ‘economistic’ state that ‘concentrate[s] power at the apex and uses state power to discipline their societies’.

Generally, right-wing authoritarian states, they prioritise rapid industrialisation as a national goal, are staffed competently, work closely with industrialists, systematically discipline and repress labor, penetrate and control the rural society, and use economic nationalism as a tool for political mobilisation. The rulers of these states are able to generate purposive power that can be used to accomplish narrowly defined state purposes. State power in such instances has been used to undertake industrialization directly under public auspices and to channel private initiative into prioritized sectors, especially rapid industrial growth (Op cit.:381).

<sup>360</sup> Swilling, van Breda et al. (2005b) categorise the SA state as a ‘developmental state’ (their inverted commas) that was seen to be in operation in the first post-apartheid decade witnessed in the proliferation of ‘innovative institutional experiments aimed at capturing and directing funds into development and anti-poverty programmes’. The most important lesson of these experiments, they write, resides in ‘institutional learning about what it takes to build institutions that can make a lasting developmental impact’ at ground level (Op cit.:88).

commitments and efforts by the state, as happened recently in some of the most successful Asian developmental states. This allows room for poor performance due to exogenous factors, miscalculation or plain bad luck...Recognition of episodes and possibilities of failure leads us to a definition of a developmental state as one whose ideological underpinnings are developmental and one that seriously **attempts** to deploy its administrative and political resources to the task of economic development...It is essential to stress these ideological underpinnings of state policies for it is these that provide the rationale for some of the 'policies' and give legitimacy to otherwise unpalatable 'sacrifices', not only because they serve as the 'opium of the masses', but also because they knit together the ruling class (Mkandawire, 2001:290–1, original emphasis).

Nit-picking aside, the ideological underpinnings of our state policies are in the main broadly developmental from 1994 (ANC, 1994) to 2007 (ANC, 2007a). Secondly, notwithstanding the many perils of substantive certainty (namely, the 'Alliance will live forever' (Mbeki, 2007) or the ANC 'will rule until Jesus comes back' (Jacob Zuma cited in *Weekend Argus*, 7 October 2006)) and the limitations of the Polokwane resolutions, the '[n]ew-look ANC', opines the influential *Business Day*, 'gives "developmental state" a boost' (20 December 2007).

Firstly, there is, in the words of Jeremy Cronin, a 'deepening and consolidation' (cited in *Business Day*, 20 December 2007) of the shift, initiated three years ago, 'towards greater state intervention, active industrial policy, SOE [state-owned enterprise] activism, and so forth' (Ibid; see ANC, 2005 for its political entrenchment). Secondly, compared to the past when macroeconomic policies and 'issues' were 'cast in stone',<sup>361</sup> and economic policy portrayed as 'constraint on social development',<sup>362</sup> there is a 'reclaiming of the democratic debate' (Cronin),<sup>363</sup> and 'now the social issues have come to the fore'.<sup>364</sup> Thirdly, and here different from the past, albeit measured and problematic, is that the deepening and consolidation resides less in the technical and technocratic manoeuvres (of the Mbeki administration). It pivots now to a greater extent on a 'fundamental change in politics',<sup>365</sup> rooted in 'openness and respect' (Vavi in *Business Day*, 20 December 2007) and 'shar[ing] perspectives' (Cronin in *Business Day*, 20 December 2007).

In a slight modification of Ben Fine (2007b – in italics) and peppered with the statements above: We could 'give one cheer for the developmental state' for the 'deepening and consolidation' of shifts in policy; 'another cheer' that it could potentially lead to 'more progressive and interventionist policies' ('greater state intervention'/'active industrial policy'/'SOE activism'/recasting linkages and redrawing lines of casualty between economic development and human development); 'and the third and loudest cheer if it appropriately identifies, challenges and mobilises the underlying economic and political interests that have precluded such policies in the past' ('fundamental change in politics'/less reliance on

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<sup>361</sup> Cited in *Business Day*, 20 December 2007.

<sup>362</sup> Unnamed party official quoted in *Business Day*, 20 December 2007.

<sup>363</sup> Cited in *Business Day*, 20 December 2007.

<sup>364</sup> Unnamed party official quoted in *Business Day*, 20 December 2007.

<sup>365</sup> Unnamed party official quoted in *Business Day*, 20 December 2007.

technical and technocratic manoeuvres/openness, respect and sharing perspectives). We could be accused of clutching at straws on the third matter/cheer, but let us here not forget ‘trial and error’ and the future not arriving all at once (Chavez’s millimetre and Lula’s centimetre).

*The second note:* While some argue that we are shoe-laced by the power and strength of capital that renders it well-nigh impossible to cajole, discipline and direct them - particularly in formats reminiscent of yesteryear’s authoritarian developmentalism,<sup>366</sup> others caution against this ‘wrong’ and self-defeating’ position. The ‘national bourgeoisie’, Alec Erwin, the Minister of Public Enterprises, in his personal capacity writes,

...is particularly weak at present. It is politically inchoate, indecisive and its new black entrants too weak to play a decisive role. Indeed, it would be unwise in the extreme to leave the strategic choices for our future in the political hands of the national bourgeoisie... [I]t would be no wiser to place sole political power in the hands of a weak and organisationally fragmented working class. The strength of the union movement has not grown as one would have expected in the period of democracy and socialist principles are far from hegemonic. A weak working class power base in an economy of the size of South Africa is very vulnerable to isolation by global capital and the effects of this are plain to see in the world. It is a salutary thought that where powerful communist parties are firmly in power they are not seeking to isolate themselves from global forces but to rather manage them to their advantage... The conclusion that we have to come to in South Africa is that there remains only one politically effective mobilising strategy... the Alliance... Residing in the policies and, more important, the history of the Alliance, we find the only basis for mobilising a multi-class political force capable of designing a strong state that can harness the positives in globalisation and develop defences against its dangers... A united political movement with its roots firmly in mass participation and involvement is the only basis for the decisive, determined and yet patient transformation of our society and economy into a prosperous, stable and tolerant democracy (Erwin, 2007:9).

The central dilemma, spotlighted in 1992 by Erwin and still relevant today, is to engineer a growth path that does not ‘antagonise the... numerically smaller but economically powerful interests’ while at the same time not ‘losing the support of its [the ANC’s] numerically larger worker and rural constituency’ (Erwin cited in *Southern African Report*, 5 June 1992). This would entail a combination of ‘redistribution and restructuring’ (Ibid) so as ‘to unlock and mobilise resources in the hands of private capital to support increased investment of a developmental nature’ benefitting the widest cross-section of our society versus that which is ‘driven by narrow considerations of profit maximisation alone’ (Davies, 2003:39), i.e. a pro-growth versus pro-market development orientation. In concrete terms, this would mean

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<sup>366</sup> Jeremy Cronin speaks of a South African capitalist class that is more powerful than was the case in the Asian Tiger model (paraphrased in *Mail & Guardian*, 29 June 2007). Bill Freund makes the following point on this score:

...[W]e have a very capacious, determined and intelligent capitalist class which does not need the state to make a buck or to discipline the workers; it is in a far stronger position than India 1948 or Korea 1950s and will not shift easily from what it knows. And it is backed by a financial sector that probably really controls the economy for the most part (E-mail, 30 July 2007).

addressing very directly the conditions that presently undercut the social foundations of developmental state building. Ensuring that society supports and is part of the growth 'ride' requires the ANC to break with its 'existing conception of society as comprising business and sections of the ANC' (see Friedman in *Business Day*, 6 July 2005).

Centrally implicated in this project is institutional building and institutional re-orientation related in the main to their configuration determining and disbursing 'differential returns' to different segments and portions of society (see Evans, 2002:101–2). Research demonstrates the importance of the 'quality of institutions' for dynamic economic growth – it 'trumps everything else' (see Rodrik et al., 2004) and there is evidence that causation proceeds primarily from institutions to growth, rather than the other way round (see Acemolgu et al., 2001; Kaufmann & Kraay, 2002; Kaufmann et al.; 2005). The conclusion, then, is that what is required in our context is quite invasive socio-institutional surgery, or, recalling Mafege, a renowned scholar in the area of poverty eradication and developmental state building, 'radical change and not cosmetic reformism' (Mafege, 2001:18). To delay any further 'getting out from under [the] bad institutions' (Evans, 2002:101–2) that are ostensibly geared to the doing the *right* things for the *right people* will continue to 'undercut the social foundations of a project of [developmental] state building by making it impossible to...pursue policies that could create a political alliance composed of actors with an interest in it' (Eriksen, 2005:407).

Even if a 'state that uses its power to constrain its own power' (Carmody, 2002:36) can, by some quirk of history, harness and mobilise internal resources to articulate and champion mildly 'growth-enhancing institutional transformations', they are 'likely to be rejected' (Evans, 2002:101–2) and implementation frustrated by the 'tightly-knit elite of black businessmen, ex-politicians and public servants, bureaucrats and ANC leaders' (Freund, 2006a:20). Without 'massive social dislocation' that 'destroys the small interest groups, thus allowing the state to pursue broad developmental goals' (Grabowski, 1994:414, 420), our society will remain locked in a development path, which in the medium to long term will deliver further body blows to the rapidly disintegrating structural integrity of our social and political fabric. In short, the installation of a redistributive and dynamic inclusive growth path delivered by what history repeatedly demonstrates are the institutional interventions of state that in 'some senses corresponds to [the] model of a developmental state' (Leftwich, 2000:169), demands restructuring of the existing socio-political bloc.

*The third note:* '[W]hile the dominant rhetoric [in South Africa] continues to be one of questioning the state's role in these areas',<sup>367</sup> the reality is that effective interventions are being implemented in many countries (Roberts, 2007:14) from Botswana to China and Chile, from Hong Kong to India and Ireland, from Latin America to Singapore and from Taiwan to Vietnam.

This 'reality' reminds us daily that it may be premature to relegate the state, or more appropriately, its transformative capacity, in its contemporary variegated and multiple mutations, to the margins of our imaginaries and 'devscapes'. The fabrications and fantasia of our policy and academic eyes (the mumbo-jumbo and mendacity) that daily pervert and

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<sup>367</sup> This is at some distance from the early 1990s economic policy debates when the issue was not about the 'centrality of state intervention' but its 'particularities' (Gelb, 1990:37).

subvert our sensibilities and visions of an alternative future, cannot elide and eclipse a reality that is way more productive than our outdated theories and philosophies. Thus, in spite of the many obituaries penned about the demise of the developmental state and/or its decline in contemporary times, it has ‘refused to die’ (Fine, 2007b:113). Cases in point include the rise of the Celtic Tiger in the mid- to late 1990s (supposedly engineered by the ‘flexible developmental state’ (O’Rian, 2000);<sup>368</sup> the Southern consensus (a combination of East Asian developmentalism and Latin American neostructuralism, presently being modified) (Gore, 2000; Bresser-Pereira, 2003, 2006, 2006a, 2006b)); the strange cases of Chinese, Vietnamese and Indian capitalism (‘three important countries which have violated virtually all the rules in the neoliberal guidebook even while moving in a more market-oriented direction’ (Rodrik, 2002a:01; also see Mukand & Rodrik, 2005; Broad & Cavanagh, 2006; Harvey 2007)); the developmentalism of the neoliberal poster child (Chile); and the recent UNCTAD report (2007), which contests the impossibility thesis and advances a powerful rationale and justification for the installation and construction of a developmental state in African countries.<sup>369</sup>

Moreover, the conventional wisdom about the financial crisis having destroyed the developmental state model is not entirely true. The words of the senior fellow at the S Rajaratnam School of International Studies (Nanyang Technological University), Tang Shiping, are here most apposite:

And contrary to conventional wisdom, the 1997 crisis has not destroyed the Asian economic development model, the core of which is not crony capitalism, but state-guided economic development with [sic] a market economy. While today’s Asian economies believe in strong governance and transparency, they remain committed to the core principle of a developmental state... One can even argue that post-crisis, Asian states became more convinced of the necessity of a strong state in managing the road towards economic success (in *Straits Times*, 2 July 2007).<sup>370</sup>

These *notes* excite and exasperate. Fuelled by different asymmetries and geometries of power and influence, they point to a world and future laced with anxiety, hope, promise and despair. It behoves us to mine the possibilities and opportunities of the present future (the reconnection of politics, economics and society; good enough governance; bad institutional design; etc.) and the present past (apartheid state developmentalism; getting the prices wrong;

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<sup>368</sup> The flexible developmental state ‘nurtures Post-Fordist networks and global technology and business networks’ (O’Rian, 2000:1). This is rendered possible via the ‘multiple embeddedness of state agencies in professional-led networks of innovation and in international capital and by the state’s flexible organizational structure’ (Ibid.).

<sup>369</sup> The report states that ‘increased domestic resources complemented by augmented aid flows are unlikely to provide an escape route from Africa’s underdevelopment without a fundamental shift in policy orientation away from the neoliberal stalemate’ (UNCTAD, 2007:57). The recommended policy orientation is that of the East Asian developmental state: ‘the report highlights the need for more policy space for African countries to design and implement policies that make [sic] optimal use of available resources in a way that leads to a virtuous circle of accumulation, investment, growth and poverty reduction drawing on the model of developmental States’ (Ibid:4–5). It further argues that the ‘necessary ingredients are in place for African countries to tackle their development challenges within the framework of a “developmental state”’ (Ibid:57).

<sup>370</sup> Available at [http://app.mfa.gov.sg/pr/read\\_content.asp?View,7614](http://app.mfa.gov.sg/pr/read_content.asp?View,7614), (accessed 10 July 2007).

rent seeking; etc.) to recharge and re-invigorate our failed and failing statecraft. Hence the three notes are resources that could, invoking Lenin, ‘spark’ and ‘rekindle conflagration’.

Firstly, developmental state precedents are fresh in our memories and there is our long abiding commitment to a developmental ideology, which arguably is daily deepening and consolidating, and now undergirded by mature and sober narratives and praxis of social transformation. Secondly, it is both ‘wrong’ and ‘self-defeating’ to portray ‘capital’ as omnipotent, i.e. beyond cajoling, disciplining and directing. The power of the national bourgeoisie is not unrelated to the structure and workings of our institutions, which are less subject to external diktat (endogenous) and hence not immutable. Thirdly, the ‘reality’ of effective developmental state interventions around the world alert us, in the words of UNCTAD (2007), not only to ‘fatalism’ being ‘unwarranted’ (Ibid:88), but, more importantly, that the ‘necessary ingredients are in place for African countries’ (and bearing here in mind that South Africa is relatively advanced compared to others) ‘to tackle their development challenges with the framework of a “developmental state”’ (Ibid:57).

Stringing these three *notes* into a melody that makes hope and history rhyme, a tempo concordant with the life, aspirations and dreams of the majority, is the quintessential challenge of today and tomorrow. Refurbished rhetoric, mendacity, mass deception, and mumbo-jumbo obfuscation can no longer be the score if we are committed to deliver on the dreams and hopes of the socially, politically, economically and spatially excluded of yesterday, today and tomorrow.

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