

# **What contributions can housing co-operatives make to managing the South African housing crisis?**

by

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## **Abstract**

This thesis sets out to explore housing co-operatives as an alternative housing delivery mechanism in South Africa. This is done by critically examining the housing policy post 1994, as well as the various mechanisms government implemented in an attempt to manage the service delivery within the housing sector. The thesis also explores the role that co-operatives played in South Africa's history and draws some historical comparisons in relation to the establishment of housing co-operatives internationally and locally. In exploring the various types of housing co-operatives, insights emerge about their structure, potential and limitations. The thesis examines the themes of public service delivery and explores possible alternatives to the failing traditional model of public service delivery. The thesis focuses on the experiences and perceptions that South Africans have with regards to local government process in housing service delivery. The thesis concludes that local government should play an active role in creating more collaborative partnerships; one that focuses on training and facilitating the efforts of civil society to establish entities such as housing co-operatives. This requires a fundamental shift in the manner in which local government approaches service delivery in the housing sector.

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## Opsomming

Hierdie tesis het ten doel behuisings kooperatiewe te verken as 'n alternatiewe behuisingsmeganisme in Suid-Afrika. Dit is gedoen deur n kritiese ondersoek van die behuisingsbeleid na 1994, sowel as die verskeie meganismes wat die regering probeer implementeer het in 'n poging om die dienslewering binne die behuisingssektor te beheer. Die tesis ondersoek die rol wat kooperatiewe gespeel het in Suid-Afrika se geskiedenis en het 'n historiese vergelyking gemaak met betrekking tot die stigting van behuisingskoöperatiewe op internasionale sowel as op plaaslike vlak. In die tesis van die verskillende tyepe behuisings koöperasies het sekere idees na vore gekom ten opsigte van hul struktuur, potensiaal en beperkinge. Die tesis ondersoek die temas van publieke dienslewering en het ook na die alternatiewe gekyk ten opsigte van publieke dienslewering. Die tesis fokus op die ervarings en persepsies van Suid-Afrikaners met betrekking tot die plaaslike regering se proses van behuisings dienslewering. Die tesis word afgesluit met voorstelle waarin plaaslike regering 'n aktiewe rol speel in die skepping van meer samewerkende vennootskappe, een wat fokus op die opleiding en die fasilitering waarin pogings van die burgerlike samelewing entiteite tot stand bring soos byvoorbeeld behuisings koöperasies. Dit vereis 'n fundamentele verandering in die wyse waarop plaaslike regering dienslewering benader in die behuisingssektor.

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## Acronyms and Abbreviations

ABC	Agricultural Business Chamber
ANC	African National Congress
BEE	Black Economic Empowerment
BNG	Breaking New Ground
CDI	Co-operative Development Initiative
COGTA	Department of Cooperative Governance and Traditional Affairs, South Africa
DGRV	Co-operative Federation for German Co-operatives [Deutsche Genossenschafts- und Raiffeisenverband e.V.]
DTI	Department of Trade and Industry, South Africa
EU	European Union
FINASOL	Financial Aid Fund, South African Sugar Association
ICA	International Co-operative Alliance
IDP	Integrated Development Plan
LED	Local Economic Development
NACHU	National Co-operative Housing Union, Kenya
NASASA	The National Stokvels Association of South Africa
NGO	Non-governmental Organisation
OPHP	Official People's Housing Process
PHP	People's Housing Process
RDP	Reconstruction and Development Programme
RSA	Republic of South Africa
SMME	Small, Medium and Microenterprise
UN-HABITAT	United Nations Human Settlements Programme, formerly the United Nations Centre for Human Settlements (UNCHS)
USN	Urban Sector Network

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# Chapter 1

## Introduction

“The urban crisis in the developing world is strongly connected to urban poverty and poor housing conditions. Massive urban growth is indeed a big challenge for mankind. The ‘urban environment’ is advantageous and attractive for millions worldwide. However, such urban growth goes together with the formation of slums, which causes many constraints concerning inferior housing qualities and poor quality of the living environment. In this respect, the challenge for politicians, urban planners, and other professionals is huge. Solving the housing problems in the ‘growing cities of the future’ is of equal importance to solving problems in existing slums” (Bredenoord et al., 2010:274).

Many governments, especially in the developing world, face significant challenges in meeting the needs of the poor in respect of vast quantitative and qualitative housing deficits. Increasing urbanisation brings with it a new urgency to provide land and improve conditions in shack settlements.

The housing challenge of post-apartheid South Africa played an important role in the election campaign of the African National Congress (ANC) in the run-up to the country’s first democratic election in 1994. Housing was strongly emphasised in the Reconstruction Development Programme (RDP) (ANC, 1994) which, according to Wilkinson (1998), was the ANC’s election manifesto. By May 2000 it was clear that the housing policy had failed to produce the promised one million houses, as was publicly acknowledged by the Minister of Housing at the time, Ms Sankie Mthembu-Nkondo.

The importance of housing was further highlighted when it was entrenched in the country’s supreme law – the Constitution of the Republic of South Africa, 1996 (RSA, 1996). Section 26 states that:

- Everyone has the right to have access to adequate housing.
- The State must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of this right.
- No one may be evicted from their home, or have their home demolished, without an order of court made after considering the relevant circumstances, and no legislation may permit arbitrary evictions.

Housing is seen as one of the basic needs for all South Africans, yet the rural and urban poor are unable to afford quality housing. What South Africa is experiencing is a housing crisis, in which government is unable to deliver on its promise due to a multiplicity of challenges (Chikwanha, 2005; Tonkin, 2008). South Africa has developed and implemented various policies to overcome this housing challenge.

However, the housing crisis is not only limited to the South African public service delivery landscape. Much international literature states that most African countries suffer from a lack of political will and an effective decentralisation of power and resources at a local level (UN-HABITAT, 2008:7–16). South Africa is undergoing rapid urbanisation, resulting in an

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increased number of poor households in most cities. Most African cities struggle to respond to the rapid urban expansion, whilst ensuring that they remain inclusive and are able to maintain social and economic growth. This rapid population growth creates increased urbanisation, which burdens urban infrastructure and services and often contributes to increased poverty levels. The need for an improved participatory spatial decision-making process could pave the way to a more sustainable urban development, planning and management. Williams (2006), refers to community participation as the direct involvement of citizens in planning, governance and overall development of programmes at a local level. The process would include how and why members of a community were brought into these affairs (Davidson et al., 2006). Davidson et al. (2006) argues three main factors highlight the importance of community participation. Firstly, through community participation, the cost can be reduced through the utilisation of local labour and expertise (Davidson et al., 2006). Secondly, the collective decision-making through local involvement increases the potential in implementing appropriate responses (Davidson et al., 2006). Lastly, through local participation, the members are able to identify those who would require immediate need and direct much needed scarce resources (Davidson et al., 2006). Thus community participation can be perceived as an undertaking that results in the empowerment of the local population.

Rakodi (2002) argues that in urban areas there is a higher rate of inequality. Rakodi goes further to argue that the average living conditions in cities are better than in rural areas. At the same time, most poor urban dwellers all over the world face worse conditions with regard to such factors as pollution and violence than their rural counterparts. It is within these urban informal settlements that physical and social disadvantages are manifested most starkly. South Africa's democracy and its recent emergence from apartheid pose unique challenges that require innovative solutions.

On the African continent, one of the successful stories concerning the housing crisis is the example of the National Co-operative Housing Union (NACHU) in Kenya. NACHU was established as an umbrella organisation for all housing co-operatives in the country. It registered as a housing union in 1979 and its operations began in 1987. It currently boasts a membership of 250 affiliate primary housing members, and an estimated 200 000 members (Mathenge, 2009).

According to Mary Mathenge, CEO of NACHU, the strength of the co-operative movement creates opportunities in which a change in behaviour can occur through peer education. She argues that co-operative societies have the ability to mobilise resources to establish facilities such as recreational centres and educational centres. It is through these infrastructure developments that they are able to have a continued, vibrant housing co-operative sector (Mathenge, 2009).

One significant contribution in the South African context as an attempted answer to the housing challenge was the introduction of the People's Housing Process (PHP), implemented in 1998. The PHP was effectively driven through Housing Support Centres, in which the PHP was seen to be conceptually similar to a housing co-operative. The process was marked with many challenges. According to Marais et al. (2008:7), 'the initial policy on PHP is vague, without a clear definition of the term "People's Housing Process", and that PHP implementation is open to many interpretations'.

There has been a renewed interest concerning the role co-operatives can play within the economy. This was evident when special measures to support co-operatives were included as part of the strategies for job creation in the Presidential Growth and Development Summit in July 2003. The introduction of the Co-operatives Bill was a departure from the past where the

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legislation had focused only on agricultural co-operatives. The passing of the Co-operatives Act in 2005 (RSA, 2005a) provided a new framework within which diverse forms of co-operatives could be accommodated.

This thesis will examine certain principles that could inform the establishment of well-functioning housing co-operatives. In essence, the author departs from the traditional Utopian plan, in which a model with specific characteristics is placed into a different context, as if it will work just as well. Instead of a 'cookie cutter' approach, there is a need to investigate what makes co-operatives succeed or fail. Isolating sound principles for success can help inform the successful development of an appropriate enabling framework.

## **1.1 Hypothesis**

Experience with housing co-operatives has indicated that they might be one alternative way of approaching and addressing the housing crisis. At the same time, it is true to say that, although housing co-operatives have demonstrated their success in many instances, there are also many potential pitfalls and perils when it comes to establishing or maintaining such co-operatives.

The literature is showing a renewed interest in this way of doing things, based on historical experience, suggesting that ownership, governance and community engagement are key elements of success. This hypothesis is tested within the specific context of the challenges facing the people of Bela-Bela in establishing their housing co-operative.

## **1.2 Bela-Bela background**

### **1.2.1 Location**

Bela-Bela serves a thriving tourism and agricultural region. The Bela-Bela Local Municipality is situated in the Waterberg District Municipality within Limpopo Province, which comprises a total area of 4,000km<sup>2</sup>. Bela-Bela Local Municipality borders on Gauteng, Mpumalanga and North West provinces. It has an estimated population of close to 100 000, with the tourism industry being the main driver of the local economy. The town is situated 144km from the provincial capital of Polokwane, 100km from Pretoria and 170km from Johannesburg.

### **1.2.2 Bela-Bela IDP 2009/2010 – housing development component**

Bela-Bela's Integrated Development Plan (IDP) 2009/10 has provided the following information about housing development's needs, provision and delivery (RSA, 2009a).

There is an estimated housing backlog of 2500 housing units in Bela-Bela. The current housing project targets the group earning up to a maximum of R3,500 per month in Bela-Bela Township Extension 8, which consists of 900 units (i.e. 750 RDP housing units + 150 bonded units). The rest of the projects (still at the proposal stage) include the following:

- Bela-Bela Township Extension 9 – 900 Units (800 RDP + 100 bonded).
- Airstrip Area (Town) – social housing.
- Spa Park (Portion 4 of Roodepoort 467 KR) – 200 RDP units.
- Spa Park North (Town) – 300 bonded units (middle-income).

- 
- North of Alma Road (Town) – (middle/ upper income).
  - Radium/ Masakhane – 150 units.
  - Lebogang Rural Village (Farm Tweefontein 452 – KR) – 50 units.

The 2008/09 IDP acknowledges the need to provide housing to the middle-income group, i.e. those who fall within the income category R3,501–R7,000 per month. The municipality gives cognisance to the fact that assistance is required for this category, since most private housing developers mainly focus on the upper income earners.

The municipality intends to address the housing backlog for both low-income and middle-income earners. The total number of units proposed is 3,050, which would fully eradicate the housing backlog. Seven of these projects are proposed on municipal land, with the exception of Spa Park (North of Alma Road) and Lebogang Rural Village. Bela-Bela's IDP 2009/10 only focuses on state housing subsidies and does not refer to any budgetary allocation for assisted housing schemes.

The author chose Bela-Bela because it reflects many of the current issues and challenges faced within the local government housing sector more generally. This site presented an opportunity to investigate local government's role as a housing service delivery agent, the potential for community participation to improve the way things are done, and the potential for enhanced service delivery through partnership between alternate housing delivery mechanisms and local government.

Bela-Bela appeared to have an inaccurate idea of the number of housing units required, something which the author hypothesised was a result of the lack of community consultation and participation in the scoping process. A co-operative in Bela-Bela was recently established as an alternative mechanism to deal with the perceived inability of the municipality to deliver houses.

### **1.3 Research questions**

The co-operative movement has a long history in various countries and a particular resonance in South Africa. Many issues in various sectors have been tackled in a joint effort between communities and government, or between the private sector or communities and non-governmental organisations (NGOs). However, co-operative schemes seem to be less effective in the housing sector. This research aimed to critically examine the limitations of housing co-operatives as well as their potential to improve the performance of local government housing delivery.

Accordingly, the core questions that the research grapples with are:

- How do we bridge the gap between demand and supply of affordable housing for those who fall within the low-income bracket?
- If local government is to collaborate with communities to jointly manage resource allocation (co-production), what implication would this have for local government in its role as public service provider?

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## **1.4 Research objectives**

This study aims to:

- Identify the roles that ownership models play in relation to the community engagement process.
- Highlight alternative mechanisms for housing provision within a housing co-operative framework.
- Elaborate how housing co-operative schemes function (governance and structure).
- Formulate recommendations for developing housing co-operatives.

## **1.5 Literature review**

The literature review provides a brief historical overview of various types of co-operatives in South Africa. It highlights the reason for the establishment of certain co-operatives and the impact of co-operatives on their respective industries or communities. The literature also examines the relationship between local government and community partnerships, in order to amplify the importance of collaboration and the centrality of partnerships in enabling sustainable housing co-operatives.

The literature review further explores the development of the housing crisis within the South African context. This is accompanied by a critical analysis of the various policies and programmes, such as the People's Housing Process, which was implemented through the housing centres. Focusing on the PHP, the review highlights the struggle between an emphasis on the value of community participation on the one hand and government's tendency to approach public service delivery as if it is the only role player.

The review of the historical development of co-operatives in South Africa explores the important role that co-operatives played toward economic and social development, and examines certain pitfalls to be avoided. Although the South African context is seen as a fertile ground for the establishment of co-operatives, there appears to be no significant success story. The three main co-operative types examined are workers' co-operatives, financial co-operatives and a brief introduction to housing co-operatives.

The literature review discusses the different components (governance and structure models) necessary for the proper functioning of housing co-operatives. For this governance process to succeed, two requirements are: 1) a strong commitment from the people who have a personal interest in the outcome; and 2) a supportive local government. The two types of housing co-operatives that are examined are: 1) the continuous housing co-operative, which requires strong institutional arrangements; and 2) housing co-operatives whose efforts are geared towards individual ownership of dwellings.

The continuous housing co-operative is unique in that the housing management company establishes and registers the co-operative, with a temporary board that focuses on the development of the co-operative property.

Members who occupy units then pay a fixed monthly amount. This covers basic expenses, including long term loan repayments, maintenance, insurance, utilities, management fees and administration (Satgar, 2007a:3).

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The housing co-operative that leads to individual ownership requires that the organisation to apply for subsidies and access them once they are approved. Subsidies are generally administered by a local government agency, while the co-operative generally takes on the responsibility of managing and developing the housing programme. Once the co-operative members, beneficiary and local authorities are satisfied with the quality of the house, individual ownership is transferred to a member of the co-operative.

In the past, housing co-operatives within the South African context have provided a

...range of collective ownership of housing stock, and form part of a wider set of social housing initiatives that include self-build schemes, based on collective or co-operative approaches to home building (Philip, 2003:17).

South Africa's housing co-operative history is characterised by the introduction of the People's Housing Process which was implemented through the establishment of Housing Centres in 1998, in which the PHP was seen as a type of co-operative (Marais et al., 2008:1). The literature review will explore the creation of the PHP, as well as the limitations and challenges this process has faced.

There are many limitations concerning housing co-operatives and the literature review highlights some of the lessons learnt from these experiences. Communal ownership may take a variety of forms, but a central characteristic is the concept of joint property ownership. Members or shareholders are able to do the following: they have the right to occupy specific units based on their membership, and they may be able to sell their rights. However, there may be restrictions related to whom the rights may be sold. There are certain challenges and risks that communal ownership faces, such as non-payment by other members or bad management.

The Co-operatives Act states the legislative provisions for the establishment of a co-operative (RSA, 2005a:34). Certain literature suggests that co-operative housing can be effective as it provides collective resources to lower individual housing costs. In so doing, it nurtures collective action and self-help amongst its members, increases the credit-worthiness of low-income households, and limits or prevents speculation. Housing co-operatives aim to provide an affordable form of ownership of housing for its members.

Considering the section on housing co-operatives in the Co-operatives Act and what it aims to achieve, and briefly examining the way government used the PHP process, the author notes a tension between the two. Whilst government provides mechanisms for state control in its housing programme, the Co-operatives Act provides for autonomous entities with certain legislated rights. The Co-operatives Act highlights the importance of government's role as a support agent in the development and establishment of co-operatives, which certainly indicates that the state understands the role co-operatives, can potentially play in economic and social development.

## **1.6 Research design and method**

The literature overview presents a broad study on the components of the co-operative movement and its application in the housing sector. The study identifies the historical development of housing co-operatives, their importance, their potential contribution to South African society, and the general requirements for their healthy and sustainable development.



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The main issues derived from the literature are used to frame and interrogate the case study and vice versa. Following this will be the question of its interaction with local government as an agent of public service delivery.

### **1.6.1 *Selecting the research method***

The research uses both quantitative and qualitative research methods. The largely qualitative method draws mainly upon interviews with people who belong to the Vinn Housing co-operative; residents from Sparks and Zuma Park; as well as residents from Alexandra Township, Johannesburg. The research will focus on their experiences of and attitudes towards local government, their housing conditions and the way in which co-operatives could play a role where applicable.

### **1.6.2 *Fieldwork***

The fieldwork was performed in Alexandra and Bela-Bela, and consisted of on-site one-on-one interviews, telephonic interviews and questionnaires.

## **1.7 *Data gathering and analysis***

The study explores the potential of housing co-operatives in Bela-Bela through:

- interviews with Bela-Bela Co-operative members (only 7 members)
- interviews with individuals in Alexandra;
- surveys and sample collections on socio-economic data and land use;
- Photographs of Bela-Bela Housing Co-operative, Zuma and Sparks Park, as well as Alexandra;
- Case studies of the Bela-Bela IDP, and the Housing Development and Skills Development Programme.

Once relevant and vital issues had been identified, the study proceeded to determine the basic elements of establishing a sustainable housing co-operative in Bela-Bela against the background of the present housing scenario in that location.

### **1.7.1 *Preparation of interview questionnaires***

The questionnaires for the interviews were prepared, guided by the key principles identified from the literature review. All interviews were conducted by the author.

### **1.7.2 *Criteria for selecting candidates for field research***

The following criteria were used for selecting candidates for field research:

- Individual interviewees had to be members of the Bela-Bela community hailing from Zuma or Sparks informal settlements and be members of the Bela-Bela Housing Co-operative.  
OR
- Individuals had to be a member of the Alexandra Township

### **1.7.3 *Developing the research instrument***

Two main research instruments were used during this work. An initial survey questionnaire was given to residents. The final questionnaire evolved after interviewing two residents who

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were not part of the sample. This experience provided some common-sense conclusions on the best way of designing and administering the questionnaire. The questionnaire was designed to be easy for residents to complete, with several questions involving a choice of tick boxes, with a minimum amount of written response required. The questionnaire was also translated to Sepedi, which is the mother tongue of the majority of people in Bela-Bela.

Another method used was conducting interviews with some of the residents who had completed the questionnaires. A major advantage of the interview instrument was its flexibility; each interview was semi-structured. Although the interview was based on the same questionnaire, it differed according to the responses of the residents involved and their experiences in their urban contexts.

#### **1.7.4 Collecting the data**

Questionnaires were distributed to and collected from residents. The questionnaire was confidential, and the respondents (25 in total) remained anonymous. Some of the data was subsequently analysed in a quantitative way, taking into account the socio-economic background, migration and housing experience. Other data dealt with public perceptions of service delivery by local government.

### **1.8 Structure of the research paper**

Given the constitutional right to housing and the post-apartheid government's struggle to deliver on this right, Chapter 2 examines the reasons for the housing crisis, giving special attention to certain policies and programmes the state introduced as an answer to the crisis. It highlights the pitfalls of these programmes and policies and the implications of their failure. This chapter essentially explores the housing crisis via a brief historical overview after 1994.

Chapter 3 is a brief history of the emergence of various types of co-operatives such as worker co-operatives and financial co-operatives, with special reference to housing co-operatives in South Africa. The chapter further examines the pitfalls experienced with regards to housing co-operatives, not only locally but also drawing from some international experiences. The chapter concludes by highlighting the challenges experienced by housing co-operatives in their founding and continued functioning.

Chapter 4 explores the fundamental governance structures for establishing housing co-operatives. It examines the various housing co-operative ownership models emerging in the South African housing sector. The chapter explores how housing co-operatives interact with their members and with the state on a local level.

Chapter 5 examines the notion of public service and the state of local government in South Africa. It draws upon a recent government report that assessed the challenges and attempts to highlight the reasons for the lack of public service delivery. Central to this chapter is the understanding of the way in which local government is able to use communities as part of their service delivery efforts. The understanding of co-production as a third sector in public service delivery aims to provide an examination of public participation, what impact it has in relation to decentralised local authority, as well as how it interfaces with partnerships (between civil society and the state). The case study of the Shack Dwellers Federation of Namibia aims to highlight some of the positive role co-production can play in the area of policymaking and authentic community participation. The chapter also explores some of the challenges faced within the process of co-production.

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The current study shows that the development of housing co-operatives is not an immediate solution, rather it requires certain basic elements of structure and support to be in place and these can act as a foundation for the co-operative to function properly. Based on the theoretical framework and the case studies of Alexandra and Bela-Bela, the paper will draw upon certain assumptions. These assumptions will be carefully examined in conjunction with the literature review, to propose recommendations.

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## Chapter 2

### Historical overview of the South African housing crisis after 1994

Housing is a constitutional right and, given the post-apartheid government's struggle to deliver on this right, this chapter examines the underlying challenges faced in the housing sector. This chapter explores policies and programmes the state introduced in an attempt to deal with the crisis, and contains a brief exploration of the history of the housing sector post 1994.

#### 2.1 *The National Housing Policy*

In 1994, the new democratic government released the Housing White Paper (RSA, 1994). South Africa's post-1994 housing delivery can be characterised by three methods, namely, private sector housing, state housing and self-help housing. The latter part will be the focus of discussion in this chapter.

The housing crisis faced by the 1994 post-apartheid government is rooted in South Africa's apartheid history, a time in which it was estimated that more than 80 percent of South Africans were denied land and housing rights (Tonkin, 2008). The result was a large sector of society living in informal settlements, backyard shacks and hostels. This was further compounded by the increasing poverty and unemployment.

The 1994 Housing White Paper had three key strategic thrusts and essentially sought to respond to these intentions. One of these key strategic thrusts was the National Housing Subsidy Scheme, whose function was to provide a subsidised housing unit to eligible households (persons who are South African residents earning less than R3500 per month, and who had never before owned a home). The policy also contained a specific strategy to "stabilise the housing environment" – with the aim of encouraging greater lending. The National Housing policy also aimed at "mobilising housing finance," this was to be achieved by "establishing wholesale financier which would support the emergence of a cadre of housing-focused, nonbank lenders to offer housing loans to low income earners" (Rust, 2003:7).

Post 1994, the ANC-led government had to reassure the international community that South Africa was a safe investment destination, whilst the housing discourse was led by the World Bank (Wilson & Lowery, 2003:48). The state had to balance the 'struggle promise' with economic development. Informed by market forces, this resulted in a deregulated housing market as well as access to land, in which economic development took priority,

...the effects of this neo-liberalism—read as the liberalization of the financial and trade markets, the deregulation of the economy, and the privatization of state assets—have been negative in many respects (Habib, 2005:681).

In adopting the neo-liberal economic approach, basic services for squatter camps had to be delivered by private contractors, and state land had to be released for squatter camps to gain legitimisation (People's Dialogue, 2001).

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The importance of housing for the newly elected democratic government was further cemented when it was highlighted within the Reconstruction and Development Programme. The aims were to be able to provide basic services to all South Africans, develop and build human resources and the economy, and promote a democratic state and society (Chikwanha, 2005). To achieve these aims, the state had to provide an estimated 1 million houses over a period of five years to overcome the backlog. The key elements of the post-1994 housing policy were the establishment of the Mortgage Indemnity Scheme, the Builder's Warranty and Capital Subsidy Scheme. The Mortgage Indemnity Scheme would allow government to compensate banks (up to 80 percent of bond value) which could recover unpaid loans to new homebuyers.

The Builder's Warranty would ensure homebuyers of the quality of the workmanship by the construction industry. The Capital Subsidy Scheme allowed individuals or groups to apply for grants of up to ZAR15,000 to build a new house (RSA, 1997). The Capital Subsidy Scheme was funded by the Department of National Housing and administered by the provinces. The scheme was designed so that developers could bear the responsibility of project management of the physical construction.

According to Bond (2000:149), these schemes were too closely aligned to neo-liberalism ideology in which banks would provide the profit to the developers. As most of the ZAR15,000 was used for obtaining land, municipal fees and infrastructure development, this meant that only a small proportion of the funds would be allocated to the top structure. According to Jenkins (1999:440),

This has also led to the relative lack of interest within the private sector (particularly in some provinces) in developing projects, especially as there are other areas for construction activity (including the middle and higher income residential sector) which are growing and more lucrative.

This was contradictory to the underlying reason for the housing schemes, which were established to provide funding for houses for the lower-income sector.

The admission of the Minister of Housing that the promise of the provision of a million houses in 2002 had failed, indicated that mobilising private sector funding for mass housing was the wrong approach. Only an estimated 92,000 houses were constructed between 1994 and 1997. Although the five million house target was missed, by 2003, 1.48 million houses had been built, an average of 470 per day over eight years (Rust, 2003).

The ANC had assumed wrongly that the country's highly developed capitalist system, with its world class banking system, construction companies and abundant private sector finances, could meet the housing needs of largely unemployed and poor people (People's Dialogue, 2001:3).

This assumption was flawed, as many subsidies were only accessible to big contractors. This worsened the housing condition of the poor, who could not access the subsidies, and it seemed indicative of distrust of the poor by the state and business. Housing subsidies included different requirements and often needed an intermediary to act on the poor's behalf. This patronising tendency of the bureaucracy was interpreted as the state's view that poor black communities were incapable of organising access themselves.

The introduction of the People's Housing Process from 1998 onwards was mainly seen as a type of state-driven co-operative in response to the housing crisis. A major concern raised with regards to the PHP was the fact that it was established as a means of state control rather than a mechanism in which dweller control could be fostered (Marais et al., 2008). What the

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PHP highlighted was the inexperience of its policy makers, in that the policy had no civil participation but was rather formulated by government technocrats and private sector representatives, which restricted real public participation. The outcome was the fitting of the People's Housing Process into an institutional framework driven by market-related and bureaucratic forces (People's Dialogue, 2001).

One of the main criticisms was the lack of understanding among the housing authorities when administering the subsidy scheme (Moss, 2001). Firstly, subsidies were only released upon completion of development. During the construction phase, no funds were made available. Given the economic situation within South Africa, the poor could not obtain mortgages, yet very little attention was given to this. Secondly, subsidy applications remained complex and inaccessible to the poor. The national housing policy was clearly concerned with quantity and profit (Chikwanha, 2005). According to Bond (2000), the housing policy was created with a capitalist undertone in which the benefits of private businesses were ensured.

Another criticism put forth by Smit (2003:7) is that

The funding available for housing has also been uneven from year to year. The Provincial Housing Development Boards (PHDBs) have often run out of money and frozen approval of new projects, sometimes for years at a time. The delivery rate has therefore been very uneven...

In 1994, with the newly elected ANC government saw a renegotiation of the housing policy at the National Housing Forum. The work of the forum culminated in the release of a Housing White Paper in 1994. This was followed by the Comprehensive Plan for the Development of Sustainable Human Settlements (RSA, 2004a), which brought about a change within the direction of the housing policy (commonly known as 'Breaking New Ground'). The introduction of the Comprehensive Plan for the Development of Sustainable Human Settlements was introduced in "an attempt to address the inherently contradictory principles of the People's Housing Process" (Marais et al., 2008:6). According to Huchzermeyer (2001), the original White Paper was not explicit in respect to its support for community-driven self-help. The concept of self-help is described by Parnell and Hart (1999) in that the state subsidy of ZAR15,000 could only pay for a serviced site and a core plot; any other top liveable structure had to be provided by the owners themselves.

As dweller-control entrenched in self-help became lost in the political economic debate it was further criticised for being aligned with neo-liberal economic principles (Jones & Datta, 2000) motivated by profit, and resulted in a housing product that was too small (Tomlinson, 1996). The reason for the small houses was ascribed to macro-economic motivations, rather than with housing satisfaction. Many implementers at provincial government level were pressurised to set a minimum standard of house size that was not included in the White Paper (Charlton & Kihato, 2006). The state introduced interventions to increase the house size by allocating other resources to infrastructure development. The Department of Housing's BNG Comprehensive Plan attempted to emphasise house size, a 'dignified size' that supports the 'morality of family and society' (RSA, 2004a:16).

If economic development nodes and the real-estate sector are only informed by market forces, government and private sector are heading for a collision. Already many cities are grappling with lack of affordable, well-located land in the rapid expansion of urban areas (Napier, 2007). Brown-Luthango and Smit (2007) indicate that land prices have increased by 17.3 percent, roughly translated into ZAR280,200 (on average) during the second quarter of 2006 in comparison to 22.9 percent in the first quarter. The increase has given rise to a competition

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for land, making it virtually impossible for low-income households to access land that is best suited to their needs. What we see is the illegal invasion of land by people in the low-income sector. It also puts pressure on government to acquire this land on behalf of poor communities.

The implementation of many low-income housing developments have been criticised on the grounds that these developments are mostly located on the periphery of urban areas. The lower income households are characterised by extreme poverty, which would imply a bigger challenge in respect of maintenance and management.

This meant that most municipal councils had to allocate additional funding to increase the housing subsidy, which made it virtually impossible, as many of the poor in South Africa did not have the funds available to qualify for the subsidy. This resulted in many households not qualifying for housing subsidies, especially on land in a good location. What is crucial and central to housing for low-income families was the adequate provision of land for housing programmes as part of local governmental housing schemes.

South Africans were forced to opt for the unaided self-help options in which

...low cost renting in older inner city buildings or backyard shacks (formally or informally), or building a shack in an informal settlement and hoping for in-situ upgrading or relocation to a formal RDP house as part of the government's programme to upgrade all informal settlements by 2014 (Landman & Napier, 2010:6).

Bredenoord et al. (2010:276) argue that, in order to avoid private parties from 'withholding the required land for speculation purposes, an improvement of the legislation concerning public expropriation of future urban land, is needed in many countries'. Access to institutional housing finance has largely failed to improve habitat for low-income groups since neo-liberalism has spread around the globe (Ferguson & Smets, 2010).

Central to the critique of housing policy programmes were misconceptions based on the assumption that the relationship between the private sector, communities, and government would by default be one of co-operation, partnership, and complementarity. In the absence of the conditions necessary for a synergistic relationship to emerge between communities and private sector, a situation has emerged in which the private sector dominates the process and communities are marginalised.

## **2.2 People's Housing Process (PHP): Self-help housing**

The introduction of the People's Housing Process in 1998 was seen as a latecomer when compared to the international and national background to the housing sector (Napier, 2003). The People's Housing Process was referred to as the Official PHP (OPHP) and was introduced by the Ministry of Housing. The PHP was used as a tool in which opportunities were created for communities to combine their resources and contribute through labour to build houses (Landman & Napier, 2010). It was established as a manner of accessing that portion of the capital subsidy allocated to the top structure, with emphasis placed on the community or beneficiary contribution to the process of house construction ('sweat equity'). This combination allowed the OPHP approach to reflect the philosophy of people building their own houses by utilising subsidised materials, with government extending the necessary infrastructure.

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The contextual nature of PHP meant that owner-built participation differed from region to region. In some instances, the owners themselves built their houses, with assistance from their local municipalities and provinces. In other cases, local contractors were trained from within communities under the auspices of the PHP, and were then hired by the owner to build the house (Cross, 2008). At the same time, some attempts were made to formalise self-help as part of the South African policy, but very little research was done on self-help-related work.

The OPHP was implemented through Housing Support Centres, which were seen in a similar light to housing co-operatives. The process had two channels for implementation: one was through NGOs that were already busy within the housing sector, and the other was through state initiatives. The absence of NGOs in certain areas called for community-based organisations to be established with the assistance from government to form new Housing Support Centres (RSA, 2000). The aim of the Housing Support Centres stressed the ‘obligation of these organisations to comply with technical requirements, and their need to satisfy the relevant authorities in terms of capacity’ (Marais et al., 2008:9). In theory, this meant that some Housing Support Centres were community-driven and others run by the state, which in turn allowed the state to assert control over aspects of the process, for example, the type of house.

The over-emphasis on the technical requirements became a crucial factor in the establishment of a support organisation (RSA, 2000). This in fact became so crucial that it focused purely on a technically sound house determined by government, and not as determined (or controlled) by dwellers (Marais et al., 2008). This, despite the fact the PHP process was not obliged to register with the Home Builders Registration Council, although it had to comply with other norms and standards. In some provinces where standardised housing sizes were prescribed and enforced, the scheme did not allow for the deviation in which smaller houses could be built with a higher quality of internal finishes. The pre-determined set standards allowed local state agencies to estimate what percentage of the available funds could be allocated for specific aspects of development. Municipal control was further extended in the use of planning guidelines rather than a process, which assists in self-help (Huchzermeyer, 2006).

Parnell and Hart argue that the assessment of self-help housing practice

...suggests that owner construction is a prevailing method of social engineering, whose acceptance or rejection reflects perceived political and economic advantages for the state and the private sector, and is not a simple response to a shortage of affordable shelter among the poor (Parnell & Hart, 1999:367).

In stating this, one could argue that self-help housing can be used as a tool for state engineering and control. Although within the South African context social justice motivates the government, there is an underlying political motivation.

Using various case studies, Khan and Pieterse highlight the qualitative outcomes of the PHP delivery approach in which successes can be achieved. According to the writers, the case studies

...clearly show, firstly, it maximised beneficiary participation, choice and control, resulting in larger and better quality houses than state facilitated, private sector driven projects (Khan & Pieterse, 2004:18).



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Although a significant contribution, it is important to note that PHP delivery focuses on the process by which housing is provided – the underlying *raison d'être*. An example of the lack of understanding within the South African context is the expectation created by the Housing Code of 2000, which suggests that beneficiaries are able to spend less money on building houses that are of better quality (RSA, 2000).

What this highlights is the interpretation that the PHP's main aim is self-construction, or the expectation of a larger or cheaper (more cost-effective) house as opposed to the product-received contractor-driven approach. Therefore, to a large degree, the emphasis is on the final product (size, quality) and not on the process. Huchzermeyer (2006) refers to this approach as 'paternalistic' and 'delivery orientated'. What this implies is the inability of government to accept dweller-control as a basic principle of this process. Thus, the Housing Support Centres became mechanisms in which the state exerted control rather facilitating the fostering of dweller-control.

A significant contribution of the PHP delivery involved a 'stokvels' (a stokvels is a type of traditional mutual savings scheme) construction approach, reliant on mutual self-help in construction. This approach entailed an incremental building process by which collective resources were devoted to the production of a few houses at a time, which ultimately produced the best results. The beneficiary savings – usually collective – complemented by outside financial support, contributed to substantially improved housing outcomes. The higher degree of beneficiary self-organisation lessened the burden on local government to provide and manage these projects. Cross (2008) states that though there is an increase in the number of self-help houses, customised PHP projects only contributed for 1 percent of the housing stock in the Department of Science and Technology survey.

### **2.3 A critical reflection on the OPHP**

International and national pressure led to the creation of the People's Housing Partnership Trust in 1997 (Baumann, 2003) and resulted in the National Policy for the Supporting of the PHP in 1998 (Huchzermeyer, 2001). A critique concerning policy-making was the fact that the Housing Code of 2000, whilst containing some guidelines to implementing OPHP programmes, did not contain details for implementation strategies. Manie (2004) argues the initial policy on OPHP was vague, and did not define the term 'People's Housing Process', thus leaving PHP implementation open to many interpretations.

The OPHP process was initially characterised as slow and limited. The re-focusing on the PHP process began when serious concerns about the existing contractor-driven approach became apparent in 2003. In an attempt to rectify the inherent contradictions of the PHP, the Department of Housing introduced some interventions in its BNG Comprehensive Plan. The interventions were mainly introduced to improve the administrative capacity of the housing departments in all the spheres of government.

Integrated development forms an important part of the BNG, in which viable societies need to be nurtured rather than just build houses. In establishing these communities, development needs to take place in accordance to service accessibility, and not constructed on the periphery. The National Housing Programme for Housing Sections of Integrated Development Plans of 2006 states:

This programme aims to provide a clear framework for incorporating housing planning in Municipal integrated development planning processes and aligning

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housing planning between Provincial Housing Departments and Municipalities  
(RSA, 2008b:4).

According to Baumann (2003), refocusing and 'rediscovery' of the PHP seems to have been driven by past failures rather than a belief that the PHP could be used as a mechanism to deliver good housing at a large scale. The banking sector's failure to distribute funding into the housing sector for lower-income households was replaced by the private investment sector. A renewed interest in the PHP was motivated by an attempt to resolve the contractor-approach challenge. It had no or little faith in the acceptance, in principle, of the self-help notion.

The focus on the People's Housing Process in 2002 was seen as a 'way of helping the public housing programme' (Rust, 2002:14) and also to manage the exiting of private sector from the low-income housing sector. The rediscovery of the PHP recognises the constraints in combining the quantitative aims of mass, private-sector delivery (which includes the requirement of a reasonable minimum house size) and quality. Instead of a focus on self-help, the rationale was to focus on increasing output, lowering costs and preventing the alienation of the housing benefit.

Khan and Pieterse argues,

As one component of the national housing programme, the OPHP facilitates incremental housing by calling up participatory processes and relying on self-help processes, communities' resources, and empowerment. To strengthen community initiatives, the programme liaises with grassroots groupings located in the shanties and slums (2004:19).

Serious questions have been raised with regards to the OPHP's approach in relation to its effectiveness and capability, "within a broader policy framework that remains stubbornly wedded to neoliberal macro-economic precepts, modernist planning orientations and the technocratic projections of the state" (Rust, 2002 cited in Khan and Pieterse, 2004:19).

In their pursuit of achieving these aims local government exerted control over the PHP concerning the decision-making about roles and choices, house design and building-material suppliers. This left most South African beneficiaries with sweat equity being the only thing the state seemed to value. The use of the notion of the sweat equity principle has been criticised when applied to state-driven housing projects. The renewed emphasis by the state on the PHP was also motivated to combat the reselling of RDP homes by beneficiaries. The insistence of investing in sweat equity is an attempt to generate a sense of ownership and 'responsible' asset management.

The OPHP delivery regimes contradicts the national PHP policy by eliminating beneficiary choice of support organisation (guaranteed by the regulations contained in the Housing Code) and confining beneficiary choice to unpaid labour (sweat equity) (Khan & Pieterse, 2004). It resulted in a negative impact on beneficiaries – which revolved around what citizens want from the housing programme and state priorities. The state's priorities, on the other hand, is embedded in its control

...over the highly standardised and inflexible capital subsidy instrument, which to date has undermined indigenous and evolutionary processes of home building as pursued by communities and households (Rust, 2002:14).

In essence, the state is motivated to minimise the short- and long-term risk (financial control, norms and standards) rather than the qualitative housing outcomes (larger homes) and the

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social aspects of the PHP (empowerment, social capital and skills formation). The application of subsidy resource by the local state prioritised speed and quantity over the focus on sustainability and quality. The local state also preferred to work with individual beneficiaries versus community-based organisations and non-governmental organisations. It was in contradiction with beneficiaries who prioritised choice and flexibility in subsidy deployment. The beneficiary priority would allow for the production of better homes as with immediate utilisation (Khan & Pieterse, 2004).

Another critique with regard to the PHP raised by many NGOs was the bureaucratic regulatory framework, which left limited space for innovation, and for community response (Thurman, 1999). Official statistics seem to solidify governments' strong commitment towards implementing PHP projects. By March 2006, the Department of Housing reported that 22.28 percent of all subsidies approved were allocated to PHP projects (RSA, 2007:64). However, Khan and Pieterse (2004) contest this view. They argue that less than 3 percent of all projects in South Africa can be regarded as true self-help projects.

Government's insistence on its own PHP rules is viewed as unreceptive to the kind of development that is driven by grassroots communities. The new PHP rules led to the reduction of beneficiary choice. Khan and Pieterse (2004:19) support this view by stating that a government in pursuit of delivery objectives tends to violate PHP principles, thus limiting beneficiary choice to unpaid labour (sweat equity).

An example of this is in Gauteng, whereby the Provincial Department of Housing has effectively become the sole implementer of housing projects. The reason, they argue is that the current backlog of social and economic amenities, and the upgrading in more established residential areas, and the application of this upgrading the exclusively new informal settlements may lead to political conflict. Thus the Gauteng Housing Department has effectively managed to prohibited the establishment of any non-government forms of PHP. There are many more examples in which either the city, municipality or provincial structures exert control over the forms and activities of the PHP (see BRCS 2003:51-53).

The highly bureaucratic and strict regulatory framework embedded in the PHP, supports the idea of the state as an active deliverer of services and houses, and community members as passive recipients. This would mean that the decision whether to allow people the opportunity to build their own houses lies with the state. This is re-iterated by Baumann who asserts

relationships have not changed: the state defines and retains control over the process, and the interface between it and beneficiaries continues to be a layer of state-approved, formal institutions (Baumann, 2003:10).

It seems safe to assume that the housing policy would create a diverse housing architecture, since dweller control would result in people building in a variety of ways. This was not the case, as many newly established NGOs constructed houses closely aligned to the state's design, thus limiting choice in respect of design and layout. The Housing Support Centres followed a locally based, contractor-driven approach to housing delivery. Despite the apparent successes, the housing process left communities disempowered and disillusioned with regards to a participatory government. This led communities to view local government with a high sense of mistrust.

Landman and Napier (2010:303) argue that the previous ANC administration's focus was on state enablement of subsidised housing to qualifying households. In recent times, this has been overshadowed by government's 'big-state' approach, with greater state involvement in direct provision of houses. This has led to a housing landscape littered with RDP housing in

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the emerging affordable and low-income housing sector. Landman and Napier describe the result as ‘exerting an outward pressure on other delivery models to both sides, including bank mortgaged and credit-link housing on the one side, and PHP on the other hand’ (Landman & Napier, 2010:303). Many South Africans now expect or prefer a completed house that is fully subsidised rather than the self-build option.

The PHP process does require a concerted effort of participation (time and labour), as well as administrative requirements from government. Landman and Napier (2010) state that this efficiency in service delivery from government has created a stranglehold over aided self-help housing. Besides the housing product, and the housing opportunity for members, the PHP process also allows for the empowerment of communities and promotes a level of democratic participation and other social and economic benefits. The distinctive ownership model further allows for co-operative membership occupation. In so doing, it combats the problem by which housing units were obtained and rented out, as was the case with the RDP ownership units. The collective allocation of resources allowed for housing co-operatives to become less dependent on government assistance over time.

Community participation played an important role in establishing the PHP process project. It is within this community realm that the process of partnership was initiated, though one has to note that it was through substantial pressure from community-based groups that the government has adopted this participatory programme. The lack of institutional support from local government for the communities created an uneven participatory platform with the private sector having the upper hand in the housing sector (Miraftab, 2003).

The South African housing policy failed to effectively align itself in using the invaluable social potential which was created among the poor during resistance to the apartheid authorities – namely, highly mobilised communities. Instead of tapping into this social force, the government remained guided by the traditional means of private-sector financing and delivery for housing. This choice was unable to deal with the large-scale delivery challenges.

The current housing crisis in South Africa has many contributing factors. One underlying issue is the absence of the relationship between factors that are essential to the notion of self-help and dweller control. The notion of self-help within the provision of housing is dominated by state control, rather than dweller control.

#### ***2.4 Social Housing Policy and Housing Co-operatives***

Aimed at the lower income sector housing market, the term “social housing” was used within the South African housing context, as a descriptor for a broad range of housing delivery and management mechanisms (Herbst, 2010). In using the institutional subsidy available from the National Housing Scheme, these mechanisms enabled subsidies to the low income housing (Moss, 2003). The Breaking New Ground document, recommends social housing as one of an array of housing instruments and institutional arrangements to facilitate the necessary shift needed in the South African urban development.

The South African government defines social housing as, “A housing option for low-to-medium income persons that is provided by housing institutions and that excludes immediate individual ownership” (RSA, 2003:4). It is clear that the definition of social housing was adjusted to take on various forms and that social housing typologies are broadly conceptualised to include the lower income group. Social housing can be thus viewed as a mechanism to provide accommodation for low-income households in specific localities,

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thereby contributing to broader goals of social, economic and racial restructuring. The objective of the 2005 Social Housing policy contributed to the Department of Housing's objectives noted above, but also included other objectives such as:

- “• Utilizing housing as an instrument for the development of sustainable human settlements, in support of spatial restructuring
- Combating crime, promoting social cohesion and improving quality of life for the poor
- Leveraging growth in the economy
- Utilising the provision of housing as a major job creation strategy” (RSA, 2005c:4)

In addressing the spatial dysfunctionalities of South African cities, social housing is perceived as an important contributor to the housing options available to the poor, this especially in light of the critical shortage of affordable, formal rental housing options.

Three primary areas of importance was the alignment of social housing policy with government priorities, alignment with the principles of vertical and horizontal equity, and alignment with the broader housing market to avoid distortions (RSA, 2004c: 16-17).

Through facilitating the access of quality accommodation in well located areas for low income earners, social housing would promote vertical equity. These lower income earners are generally excluded from such housing in the market place. Horizontal equity is achieved in two ways: through the retention of the stock produced with the aim of long term advantage to the poor and not transferring the benefit of ownership to individual occupants, and secondly, through specifically using these projects for the larger goal of urban restructuring. With regard to alignment with the housing market, the Social Housing Policy acknowledges that social housing will have an impact on the market in some areas (RSA, 2004a).

According to the 2005 Social Housing Policy document, social housing must adhere to the general principles set out in the Housing Act, as well as legislation such as the Rental Act (Act 60 of 1999). The policy must be read in conjunction with the White Paper on Housing (1994), the Urban Development Framework (1997) and the National Housing Code, as well as BNG (2004). Housing co-operatives form part of the governments' social housing movement (responsibility). Satgar (2007b) states that there has been significant policy development in that highlights government's commitment to co-operatives. The Broad Based Economic Empowerment Act (BBEEE) (Act No. 53 of 2003), the Co-operative Development Policy for South Africa and the Co-operative Act (Act No. 14 of 2005) are policy pillars for the development of the co-operative sector in South Africa (Van der Walt, 2005).

The Social Housing Act of 2008 (Act No. 16) makes provision for co-operative housing, in defining

...social housing” as a rental or co-operative housing option that forms part of approved projects in designated restructuring zones. The provision of rental or co-operative housing option for lower income persons was done through accredited social housing institutions or in accredited social housing projects in designated restructuring zones. A Social Housing Institution is defined as an “institution accredited or provisionally accredited which carries or intends to carry on the business of providing rental or co-operative housing options for low to medium income households (excluding individual ownership and a contract as defined under the Alienation of Land Act (Act No. 68 of 1981), on an affordable basis, ensuring quality

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and maximum benefits for residents and managing its housing stock over the long term” (RSA, 2008a:8).

Primary and secondary housing co-operatives need to firstly be awarded accreditation as a social housing institution once they fulfil the criteria set forth by the Social Housing Policy. Through the social housing programme they will be able to access funding. The manner in which housing co-operatives and the co-operative tenure are formed and setup allows for the encouragement of members to invest in the projects, as equity contributions would reduce the overall debt funding required for the project. This would allow housing cooperatives the option to be structured in such a way to exclude any individual member to gain from the grant funding provided to the project. Social housing must take the form of multi-unit complexes of a defined density (RSA, 2005c).

Birchall (2003) explains that the co-operative structures give members ownership and the ability to control their own housing affordable housing, thus empowering low- and moderate income families. The general principles of social housing with reference to housing co-operatives, aims to ensure a secure rental basis tenure for the resident in Social Housing Institutions (between landlords and tenants), as also between primary housing co-operatives and its members. The Rental Housing Act (Act No. 50 of 1999) protects both residents and landlords, whilst the Co-operative Act (Act No. 14 of 2005) protects the co-operative and its members.

A critique raised in context of the South African Social Housing Policy is that the term ‘social’ housing is ‘social’ in as far as it utilizes government subsidies for households earning between R2 400 and R7 500 per month, but not ‘social’ in the sense that it is housing intended for the poor (households earning below R2 400 per month) (Crofton, 2006). The situation is compounded by the fact that the income band has not been adjusted over the years to the price and/or income index. This has resulted in a static social housing sector, in which buying power has dramatically reduced creating a situation in which

...households today with incomes below about R2 500 are unable to access state-supported rental housing via the institutional subsidy, and are serviced by the private and informal market. In addition, households whose income has increased will find themselves over the specified income limit (RSA, 2004c:30).

Although social housing has the potential to improve quality of life for poor people, research by Urban Sector Network shows that there are a number of shortcomings to be dealt with by social housing before constructing more structures (SAHRC, 2004:10). The negative outcomes of current social housing regarding South African conditions include poorly considered water and electric meters, large amounts of decay in the fabric of the buildings, huge arrears, and poor participation of the beneficiaries in planning. So far social housing has been reported to cater for people who earn more than R 1,500.

Social Housing Institutions, in which housing co-operatives form a part of, could assist in readdressing the limitations or inadequate access to accommodation, as social housing projects are generally situated within defined localities in areas that provide opportunities for the poor income sector. In many cases within South African cities, the poor which are mainly black are situated far from the vibrant economic growth. This would require that Social Housing Institutions if provided,

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...sufficient scale and if linked effectively to the policy instruments aimed at boosting the delivery of medium density housing, will contribute to increasing the equity and efficiency of South African cities. On the one hand this will be achieved by ensuring that the poor are not pushed further and further to distant and marginal locations. On the other hand a spatially more compact growth form will improve the efficiency of service delivery and reduce the costs of urban governance (RSA, 2004c: 25).

Social housing is an important tool for pursuing the restructuring of South African society and particularly for dealing with spatial dysfunctionalities of South African cities. The nature of housing co-operatives and the manner in which they operate, allows for poorer communities to directly participate in the decision- making process with regards to land and spatial development.

The new Co-operative Act of 2005 meant that the development of housing co-operatives no longer fell under the social housing sector and in 2008 there was a decline in the establishment of housing co-operatives. Even though the development of social housing co-operative moved to the Department of Trade and Industry, social housing was still required to accommodate a range of housing product designs (e.g. multi-level apartments, hostels and room accommodation) and tenure options (e.g. rental, cooperative housing and rent to buy) to meet spatial and affordability requirements. Based on Forster's (2004) findings and the South African Governments definition of social housing, one has to conclude that co-operative ownership should not be part of the social housing movement. Social housing primarily uses a rental tenure option and excludes immediate or long term individual ownership.

The placement of the development of housing co-operatives under the Department of Trade and Industry and other responsibilities for example within the Housing Department means that there is a broad approach in the understanding of housing intervention. This would require that the Housing Department would participate within areas that may not fall directly in their ambit of control, yet it would be seen as beneficial to the housing process. Housing policy should think strategically beyond its currently narrow role of housing provision to accommodate the variety of facilitative interventions that might support wider delivery efforts by a diversity of players.

While rapid delivery is desirable and politically necessary, it is argued that the result may be less appropriate housing in relation to demand, affordability and efficient urban development; as well as lost opportunities for community development, with the tendency to rely increasingly on the state as the private sector does not see a strong profit motive - particularly for the estimated 70 percent of South Africans who are in the lowest subsidy category (RSA, 1994).

## **2.5 Conclusion**

South Africa's housing policy has an almost schizophrenic approach. On the one hand, it is embedded with neo-liberal economic ideology, and on the other hand, the implementation consists of elements of state-welfarism. This has resulted in an unfocused targeting and affordability of the on-going costs of subsidised housing. The goals of democratically elected government and developers do not overlap: the one aiming for justice and redistribution, and the other motivated by short-term gain.

The PHP framework is an 'institutional' model of housing delivery in which households are 'beneficiaries' of an externally designed and controlled process (Baumann, 2003:13). The state focuses on housing itself instead of the process of delivering, and makes the assumption of collective action without specifying the manner in which it will occur. Government should

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have a greater commitment to provide resources to poor communities for upgrading and capacity building.

The priority of the national government, in relation to its approach to housing, has had a narrow quantitative emphasis. Subsidies are often seen as underfunded, while housing quality is undervalued. The diversity of housing demand is totally neglected in context of broader processes of community development. Even though the South African government has achieved some successes in the current expenditure programmes, the outcome has not yielded the planned improvement in living standards.

The development and implementation of the post-1994 housing policy is fraught with problems. Insufficient and uneven flow of funds and a poorly co-ordinated and uneven subsidisation has resulted in a devaluing of the subsidy. Also included is a complicated and highly bureaucratic subsidy approval and pay-out process. The reality is that housing officials need to re-direct and rethink the housing crisis, which is unlikely, unless there is a clear and unequivocal instruction from the top echelons of government.

South African housing policy has frequently been criticised for reinforcing the spatial tendencies of apartheid in allocating land to the poor on the periphery fostering urban sprawl (Huchzermeyer, 2003). Another critique is the issue concerning the problematic lack of informal upgrading, and the inappropriate nature of ownership in respect to the poor. Khan argues:

[A] key challenge for SA housing policy is the development of appropriate tenure arrangements/instruments for informal settlement upgrade, especially because informal land and housing delivery systems will for many decades remain the only alternative for the homeless poor (Khan, 2003:24).

The way the housing policies that were intended to contribute towards reducing poverty have been implemented has actually resulted in increased inequalities in the distribution of wealth and resources. Informal housing delivery systems remain the only realistic alternative for meeting the needs of low-income households. The success of the housing programme depends on greater community participation and improved mechanisms for collaboration between beneficiaries and local government. Housing development as a tool to eradicate poverty is a process that must be defined by the poor themselves, rather than an externally, state-driven task.



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## Chapter 3

### The role that co-operatives play in South Africa

South Africa is often seen as a fertile ground for establishing co-operatives to deal with socio-economic challenges. There has been an emergence of various types of co-operatives such as worker co-operatives and financial co-operatives, with special emphasis on housing co-operatives. However, South Africa lacks a significant co-operative success story. This chapter explores the history of the three types of co-operative and examines the Co-operatives Act of 2005. The chapter concludes by examining the pitfalls experienced concerning housing co-operatives, by drawing from international and local experiences.

#### 3.1 *A brief history of co-operatives*

Co-operatives, according to the International Co-operative Alliance (ICA), have roots in five distinct traditions. The emergence of the consumer co-operative was associated with the Rochdale pioneers. Whilst worker co-operatives had their foundations in France, credit co-operatives largely began in Germany. Agricultural co-operatives had their early roots in Denmark and Germany. As the century came to an end, service co-operatives, such as housing and health co-operatives, began to emerge in much of industrial Europe (MacPherson, 1996).

Even though co-operatives do not necessarily have a political ideology, they are often seen as the beginnings of socialism within the capitalist system. It is important to note that most communist countries are unsympathetic toward co-operatives as these are seen as the last vestige of private ownership. This would be in opposition to the socialist or state form of ownership of enterprises in such a society.

Despite the varied political interpretations, the co-operative model has continued to endure, inspire and thrive across the world. The European Union Statistical Report on Co-operatives of 1994 estimates that there were over 53.7 million co-op members in the European Union, with 34.7 million concentrated in banking, credit and insurance co-ops (as member/ account holders) and 9.5 million in consumer and retail co-operatives.

Co-operatives were based on self-help, self-responsibility, democracy, equality, equity and solidarity. These principles allow co-operatives a distinctive character and set them apart from other commercial enterprises. Philip (2003:8) argues that the principles were not recorded to distinguish between the different forms of co-operatives, but instead they aim 'to find a balance between the competing pressures on co-operatives as forms of organisation'.

Co-operatives are essentially established to provide services to their members by promoting the interests of their members through economic and later social upliftment (RSA, 2005a). The co-operative, therefore, focuses on securing the interests of its members.

Co-operatives often have the ability to supply members with service that otherwise would not be provided by other agencies. A common, and perhaps the most significant, benefit is that co-operatives offer their members is collective bargaining power, a factor which enables them to obtain services and products at better prices. Von Ravensburg argues that 'the bargaining power obtained [does] not only contribute to the goals of individuals, but the

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forming of co-operatives can also contribute to the alleviation of poverty, especially amongst the less privileged communities' (1999:6).

The co-operative is the ideal type of organisation to channel as well as contribute to the upliftment of the socio-economic needs of its members (Bhuyan & Olson, 1998:7). In rural communities where social and economic development is often slow and challenging, the co-operative can play an important role as the economic engine for creating employment and reducing poverty. In many co-operatives, any surpluses generated by members' activities are available to individual members (Von Ravensburg, 1999:6).

### **3.2 Co-operatives in South Africa: An historical overview**

Co-operatives played an important role in South Africa's economic development during apartheid. At that time, co-operatives reflected the racial and exploitative practices which dominated the country. They were crucial institutions in the financial, service and agricultural sectors of the apartheid economy.

In his 1999 State of the Nation Address, then-President Mbeki catapulted the co-operative policy agenda onto the centre stage, suggesting it as an intervention required to address the needs of the so-called 'second economy'. His stance toward co-operatives was made clear in the 1999 mid-term parliamentary address as follows

The Government will also place more emphasis on the development of a co-operative movement to combine the financial, labour and other resources among the masses of the people, rebuild our communities and engage the people in their own development through sustainable economic activity.

In recent years, significant policy development had taken place alluding to government's commitment to co-operatives. Crucial policy pillars for the development of a vibrant co-operative sector are the Broad Based Black Economic Empowerment Act 53 of 2003, the Co-operative Development Policy for South Africa (2003) and the Co-operatives Act 14 of 2005.

#### **3.2.1 Worker co-ops**

During the 1980s and 1990s, various co-operative initiatives were started. The inspiration for this was the emergence of co-op movements in newly liberated Mozambique and Zimbabwe.

There was a Co-op Forum operating in the Western Cape; there were church-based programmes; the Grahamstown 'Bus-Station' initiative; NGOs like COPE, SHADE, the Wilgerspruit Fellowship Centre and the Development Resource Centre was active in co-operative support; and three trade unions supported co-ops as part of strategies to deal with dismissals in their industries. These trade-union linked co-ops included the Sarmcol Workers Co-ops in Howick, linked to NUMSA; the Zenzeleni Co-op owned by SACTWU; and NUM's network of 30 producer co-ops in South Africa, Lesotho and Swaziland (Philip, 2003:14).

To date very few worker co-ops had the ability to move from this phase of development and have now become defunct. In 2002, South Africa's total membership of worker co-operatives tallied 56,501 members, with many forming part of financial services co-operatives and agricultural co-operatives.

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### **3.2.2 Financial co-ops**

Financial co-operatives form part of the third tier of banking in South Africa. The membership forms part of the financial institutions, across a spectrum such as stokvels, burial societies, savings and credit unions, village banks, and mutual banks. Even though many of them do not describe themselves as co-operatives, the fact that they are owned and controlled by their members makes them similar institutions.

In South Africa, many stokvels have been referred to as savings and credit co-operatives, burial co-operatives, and financial services co-operatives, and have been called credit unions, mutual building societies and friendly societies. According to Philip (2003), savings and credit co-operatives are the more formal and registered versions of stokvels. The broadly accepted view is that stokvels were the precursor to co-operatives in South Africa.

Much has been made of the role and potential of stokvels as forms of 'rotating savings and credit' associations. The National Stokvels Association of South Africa (NASASA) estimates that there are a total of 800,000 stokvels, burial societies and rotating savings and credit associations in South Africa, with about 8.25 million members, and an estimated ZAR400 million a month in savings. Although there are 15,000 institutions of this kind, the formalisation of a wider membership network has remained elusive (Philip, 2003).

A new phenomenon in the financial sector is the establishment of village banks in response to the lack of private financial institution finance in the rural areas. By 1998, The Village Financial Service Co-operatives was gazetted (Satgar, 2003). The first three Village Banks were established between 1994 and 1996 in North West province.

These banks were essentially established

...to decrease transaction costs of savings mobilization, increase the circulation of resources in the communities; reduce information costs; provide loans and thus re-invest funds in the areas in which they were mobilized (Philip, 2003:16).

The registered Financial Services Co-operatives later established the Financial Services Association (FSA), which was seen as an apex structure. Funded by the Department of Social Development, the Financial Services Association sought to expand its network (Philip, 2003).

FINASOL was established by the South African Sugar Association as an alternative agency for its Financial Aid Fund. FINASOL was to develop a franchise methodology to support the establishment and replication of the Village Bank model. Thirty Village Banks were established in this way, and FINASOL registered with the Registrar of Co-ops, with similar functions to FSA (Philip, 2003).

However, both FSA and FINASOL ceased operations in 2002, and while the circumstances differed, the lack of ongoing funding was the main cause. The National Development Agency stepped in to try to find alternatives, and the Village Banks have continued to operate; but with limited technical support, and with reports of mounting problems.

### **3.2.3 The agricultural co-ops**

South Africa's agricultural co-operatives of the 1910s and 1920s became a powerful lobby for agriculture, holding a virtual monopoly in key agricultural sectors. These agricultural co-operatives were backed by readily accessible finance through the Land Bank, and with effective control of the marketing boards that regulated prices until this system was dismantled post-1994.

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During the period before 1994, South African grain co-operatives productions were significantly affected by agricultural financing and marketing. Using the co-operatives as agents, the South African Land and Agricultural Bank provided short- and medium-term credit to the mostly white farmers in the form of subsidies. The significant contribution of the short-term credit that was contained in the co-operative policy allowed debt to be carried over and essentially guaranteed by the government. After the drought of 1982–83, the policy was introduced and effectively became a permanent feature as the guarantees rose from an initial ZAR800 million in 1983 to ZAR2.4 billion by 1992. Up and until the early 1990s, the Land and Agricultural Bank played a major role in financing commercial farming.

The 1990s saw major reforms within this sector. During this period, subsidies were abolished and the termination of the control boards affected this bank, as it no longer considered financing the purchase of grain immediately after harvest as necessary. The Strauss Commission was appointed to investigate the system of provision of financial services in rural areas (RSA, 1996a). Upon the recommendation of the Strauss Commission, the loan book of the Agricultural Credit Board was transferred to the Land and Agricultural Bank. This in effect terminated effectively the channel of subsidised credit to commercial farmers. In doing so, co-operatives had no influence or involvement in the distribution of state subsidies. At this time, deregulation took place which included reforms in the area of trade policy. This reversed inward-looking industrialisation strategies and labour legislation, so ending past discrimination (Ortmann & King, 2007).

For the first time in the agricultural sector, legislation relating to working conditions and wages was introduced. It focused mainly on the living conditions and other rights of workers living on farms. These changes also introduced other policy initiatives, such as the land reform programme and re-targeting of agricultural research to aid smallholders. Although farmers did not necessarily benefit from these changes, welfare within the agricultural sector improved and benefits accrued to the economy (Thirtle et al., 2000). These reforms implemented a new legislative and political environment that supported the transition of the South African agricultural sector to a market economy.

The reforms and changes had a wide range of effects on the role of co-operatives in South Africa. The result was a decline in the influence of co-operatives in the grain sector. Agricultural co-operatives were no longer privileged to be agents for the maize and wheat boards, nor did they have regional monopoly powers. The Land and Agricultural Bank now had to compete with commercial banks to gain clients. Many of the agricultural co-operatives had to apply for finance on a commercial basis as the post-1994 government stopped using co-operatives as agents through which subsidies were channelled.

Today, the agricultural co-ops are organised under the Agri-Business Chamber (ABC) of the farmers' union Agri South Africa. Some of those that opted to remain as co-operatives have facilitated entry to membership by black farmers, while others are accused of placing barriers to such entry. At present, the Co-Operative Development Initiative (CDI), in partnership with the ABC and Co-operative Federation for German Co-operatives (DGRV), are attempting to forge relationships between the co-operative s and black farmers (who were previously excluded from access).

The level of commercial success of these co-operatives dwarfs that of any other form of co-operative in South Africa; and they continue to have significant commercial power, as well as extensive capacity to provide technical support to their members.

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### **3.3 Co-operatives alleviate poverty**

In most cases, co-operatives may serve a dual function in which the social and economic benefits for their members are promoted and protected. At the same time, co-operatives provide members of the community with more accessible, services, goods and employment opportunities. This is achieved through joint ownership in an economically viable co-operative structure (RSA, 2004b:20).

By being a member of the co-operative, the individual member, as well as the community, benefits from its interactions and operations. As stated earlier, collective bargaining allows for the provision of goods and services at a lower price. The potential result is the creation of employment opportunities, improved efficiency of work, enhanced job satisfaction and increased community participation in production. This theoretically would allow for a balance between individual and community interest.

A unique characteristic of the co-operative is that its main concern does not lie solely with the creation of financial wealth; instead, it focuses more on facilitating the efforts of a group of persons and supporting co-operation with one another for their mutual benefit. Membership could create various opportunities which are potentially beneficial to the communities in which they find themselves. It is through these interactions, that opportunities were created and in many cases result in the generation of income. One could thus claim that social benefits of the co-operative are both the cause and the result of successful co-operative dealings.

In the South African context, poverty is experienced mainly in the rural areas, due to the lack of access to resources like land and economic opportunities, poor standards, and the poor availability of social services such as housing and medical facilities (Ortmann & King, 2007). Wentzel (1992) argues that it is within such situations that the co-operative can make a difference in communities. This can be ascribed to the co-operatives' versatility – they are able to adapt to a situation and have a significant impact on poverty reduction.

In developing economies like South Africa, social business enterprises have an increasingly important role to play which, according to the Department of Trade and Industry, is necessary because of the high prevalence of poverty (RSA, 2004b). Co-operatives are seen as an alternative approach to achieve both economic and social upliftment. Co-operatives allow communities the ability to raise lower initial capital required in order to gain joint ownership and shared risk (Birchall, 2003). Collective action assists negotiations to lower purchase prices, and also contributes to lowering operating costs. Members can increase their marketing capacity by pooling production outputs, and through this could achieve a more sustainable supply of products, especially when delivering on contracts with large businesses (Steensma & Weaver, 2000).

Co-operatives also have the ability to accumulate their own resources, allowing members to survive independently from external support and compete in relevant markets (Von Ravensburg, 1999). McCormick (1999) argues that co-operatives have the ability to facilitate technical change. This would enable government to provide the infrastructure needed to support higher levels of technology and encourage the adoption of new products and processes. This once again reinforces the co-operative's dual function in a practical way.

As a vehicle for economic and social development, co-operatives make for a more beneficial solution than standard ways of doing business. This is because co-operatives can have a communal slant in business activities, due to their accessibility, versatility and the importance they place on their own social functions (Dellatola, 1989). The way a co-operative operates aims at improving members' skills within a community by promoting the principle of self-

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reliance among its members, encouraging participation and responsibility, and thereby empowering its members.

This dual function of social as well as economic upliftment allows for the inference that most informal organisational structures within the co-operative are there to achieve the empowerment of the members. The joining of a co-operative in South Africa is voluntary, unbiased and open to all – South Africans and non-South Africans alike. Membership is, however, subject to the consent of the board of directors. Membership is free (with reference to the notion of choice) and can provide a large group of people with access to basic services like education, housing and medical facilities. The co-operative, in its versatility, can provide these services (RSA, 2005a: section 4).

This view is contradicted by Lewin (1981) who argues that co-operatives are seldom formed voluntarily. Lewin observes that many co-operatives have organisations such as trade unions or government agencies as the driving force behind them. What this would suggest is that not all co-operatives are established naturally by communities. As new laws and policies at national and international level are developed which ensure co-operatives greater levels of autonomy, this provides the space to build new relationships and networks with a range of partners (Birchall & Simmons, 2008). For instance, new farmer associations are growing in countries as different as Vietnam, India and Bosnia. There is an increased realisation that ‘real’ co-operatives have much to offer farmers, consumers and worker-owners.

Co-operatives operating within real markets, informed by macro-economic policies in conjunction with legal reforms which ensure real autonomy, have shown that they are capable of reaching the very poorest (Rajagopalan, 2003). Co-operatives remain an indispensable means of delivering necessary goods and services to isolated rural populations in many countries.

Given the inherent nature of co-operatives, participatory development and co-operative development seem to adhere to the same underlying principles. Within the participatory development process, Birchall and Simmons (2008) argue that one could draw similarities with the process of setting up sustainable co-operative businesses. In comparison to village-based organisations in which all residents have membership, co-operatives seem to effectively have organised themselves around particular interests, such as farming or fisheries. Co-operatives have the ability to ensure the preservation of common resources (such as water for irrigation, forest products, or fish stocks) which may be in opposition to the interests of broader-based organisations. In NGO development, it is more likely that co-operatives would ensure the continuation of the projects after the NGOs finished and development funding is spent (Birchall & Simmons, 2008).

The South African government is faced with the challenges (due to internally or externally imposed constraints) of delivering meaningful support for its population at the grassroots level. This challenge has resulted in pendulum swinging from the one extreme of ‘top down’ provision in the other direction, towards the notion of ‘bottom-up’ development which is variously referred to as ‘self-reliance’, ‘endogenous development’ and ‘local economic development’ (LED) (Gooneratne & Mbilinyi, 1992). The ‘bottom-up’ approach can certainly be effective in creating and implementing government policies that are designed to uplift many lower income communities.

Within the policy development field, the organisation such as the World Bank and the United Nations Centre for Regional Development have endorsed the concept of community-driven economic development (Stock, 1995). However, the notion that many community-based,

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economic-development projects would spontaneously emerge and sustain themselves indefinitely is unrealistic.

### **3.4 Effects of Neo-Liberalism on the African Co-operative**

Neo-liberal economic policies are often blamed as the culprit to the further marginalization and poverty of the already poor. Within South Africa there are many controversial debates surrounding the debates about the reasons for the efficacy of the macro-economic policy choices made by the government since 1994 (Hirsch, 2005). The post 1994 government struggled to find the balance between its dual commitment, their fiscal responsibility and the need to uplift the historically disadvantaged. Huchzermeyer (2003) argues that these neo-liberal policies results in limited funds being made available for public and welfare-oriented programs. This means that the low-cost housing programmes is often underfunded resulting in delays on delivery and poor quality housing (which are developed on inexpensive land on urban peripheries) (Huchzermeyer, 2003:293).

The nature of cooperatives offers the institutional framework through which local communities gain control over the productive activities from which they derive their livelihoods (Ofeil, 2005: 14). The members thus are able to tap the energies of group effort to engage in economic activities that as an individual they would be unable to achieve thus increasing their chances of improving their living conditions.

#### **3.4.1 Co-operatives in a liberalized economy**

Develtere et al. (2009) states that co-operative development in Africa can be crisscrossed into two main eras: the era of state control and that of liberalization. The era of co-operative state control lasted up until the early 1990's, which saw the origin and substantial growth of cooperatives on the African continent. These co-operatives departed from the traditional establishment which is motivated by people's common interests, rather it originated from government policy and directives. Such was the state control that these organizations emerged, conditioned as dependent agents of the state. In

...serving as instruments for implementing government socio-economic policies, cooperatives in many countries more or less served the interests of the state than the ordinary members and the general public. These institutions were subsequently engulfed into state politics to the extent that the failures of state policies found expression in the cooperative movement" (Develtret et al., 2009:1).

The state and co-operative partnership resulted in a significant growth within this sector with regards to membership and number of cooperatives. At the same time the voluntary and bottom-up character was lost that would have put the members in charge of their organizations. When African governments targeted cooperatives as a means to address poverty, there was a tendency to over-invest or seek to make the cooperatives increase their size beyond their capacity to manage the development themselves (Jara & Satgar; Satgar, 2009:14).

The partnership created a monopolistic position and cooperatives ceased to reach out to the members, as it was these members that would voluntarily join the organizations. What resulted was a decline in members' morale to participate in the management of cooperatives, as most members viewed the co-operative as a government organisation rather than their

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own. In response to this government was forced to supervise certain co-operative activities to ensure that they were managed prudently.

It is these failures that triggered a second era, in which was argued that the developmental role that cooperatives could play would be more significant if they were able to disentangle themselves from the state, so as to operate with business principles that are aligned to the evolving market economy (Hussi et al., 1993). In essence the perception was that state control was hindering the performance of cooperatives and if operating according to free market principles, their full potential contribution to development could only be realized.

The 1990's saw many African countries' economies liberalized through the adoption of Structural Adjustment Programmes (SAPs). This ushered cooperatives into a new era as they were now afforded an opportunity to run their affairs following the departure of the state from the development scene. Just as the new economic environment that was sweeping across Africa in the 1990s, the co-operative sector was liberalized by introducing new policies and legislations. These Structural Adjustment Programmes sought to rectify economic imbalances through economic reform policies and measures, which would reallocate responsibilities and resources as to facilitate the emergence of a market-oriented economy. The underlying assumption was based on the neo-liberal notion that development problems in Africa could be ascribed to the dominance of an inefficient state in the economy and an 'underdeveloped' market, thus in essence stifling the freedom of the individual to realize their potential.

The shift from the away from the national economy allowed for market-led allocation of social and economic services. This was done through policies and measures which included,

...the privatization of public enterprises; removal of subsidies on the provision of public goods and services; liberalization of internal and external trade; free foreign exchange regimes that resulted in severe currency devaluation for purposes of promoting external trade; introduction of 'cost-sharing' for state supplied services; and restructuring government institutions, including retrenchment of staff in the public service (Bangura & Gibbon, 1992: 7).

These measures resulted in several changes in the organization and operation of cooperatives. The neo-liberal development paradigm that swept the African continent effectively resulted in the adoption of ensuring the security of capital over human security. Satgar (2007a) argues that these neo-liberal reforms at a global level share a commonality that is rooted in the need to enhance the structural power of capital, particularly finance capital, and ensure the extension of the commodity, for i.e. human needs are best met in the process of capital accumulation. The commodification of social life and expansion of capital has been used to promote a new approach for cooperatives.

This resulted in the withdrawal of government support by halting support services such as audit, supervision and management training within the co-operative field. The withdrawal left a vacuum as many governments failed to put into place an alternative institution that could perform the functions. At the heart of the attack of the neo-liberals on co-operatives was to redefine government and co-operative relations.

Much government had to restructure the legal framework as to allow for completely autonomous cooperatives. This was seen as means of enabling them to align themselves in the emerging competitive market economy, in line with the neo-liberal prescription of a minimalist state (Fazzio, 2000). Although the legal reforms aimed at promoting the development of co-operatives, it has to also align itself in with the ICA co-operative principles. The co-operative would thus have to be organized in such a way that it would be



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managed and operated as a self-reliant business entity, capable of competing with other private enterprises on the market (Develtere et al., 2009).

Satgar (2007a) argues this challenge was an attempt (change the ownership structure of co-operatives in creating hybridised cooperatives,) in which they are to be organized as a company and allow for external investor shares. The first draft of the new South African Co-operative Act in 2000-2001, presented by government for public discussion. This was vehemently challenged from below by various organisations of civil society, as well as cooperative movements and was ultimately removed from the new Act passed in 2005.

The process of liberalization opened the market which attracted new actors in the economic sectors, where co-operatives once enjoyed monopoly status. This resulted in a market that was guided by efficiency, competitive pricing and transparency, instead of ownership. Through this any policy incentives (like lower taxation levels) or protective measures that would allow cooperative-led infant industry models to develop and other training supports from the government were decried by the neo-liberals.

The emphasis on the market free from state control is

...an attempt to remove from view the systemic realities facing a developing country, particularly the extent to which the structure of its economy is shaped by external forces. What this entails for cooperatives is that they become the conveyor belts for donor programs and agendas. In many developing countries cooperative movement apex bodies are being re-engineered to become “business incubators” for external interests rather than autonomous, mass-based movements working strategically with national governments to build people centered capabilities for thoroughgoing structural transformation (Satgar, 2007a:27).

The ill-preparedness of the co-operatives to these changes have left challenges such as the persistence of their low business efficiency; weak capital base; heavy indebtedness and limited credit-worthiness; the weak entrepreneurial capability of managers and board members; and the unbalanced organizational structures of the movement (Birgegaard & Genberg, 1994).

The neo-liberals attempt at integrating cooperatives into the globally competitive market by commodifying their ownership structure, reducing the state’s developmental role and introducing typical managerial prerogatives, paves the way for the degeneration and circumventing any possibilities for an alternative logic of accumulation based on human needs and the requirements of nature. Satgar (2007b) argues that co-operatives are fundamentally organised around the principle of human solidarity, and thus cannot be viewed as a resource in which capital accumulation is fostered. If co-operatives are driven and established to firstly and foremost meet human needs then the social logic of these institutions should not be instrumentalised.

This dominant

...current climate (of the time) of accepted wisdom of privatisation and market deregulations in all spheres of economy, the issue of exaggeration of formal private sector capacity, excessive market deregulation and over reliance on the formal market for solving low income housing provision in developing countries can seriously undermine efforts for the stated objectives of the enabling housing strategy (i.e. to enhance better quality low income housing provision and to make housing markets

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more efficient in developing countries) (Develtre et al., 2009:41).

This is because given the opportunity the private sector will tend to choose the easiest route towards profit maximisation which is speculative profiteering (Duncan, 1986).

The traditional character of co-operatives as an organisation that would challenge the exploitative and oppressive order was contradicted with co-operatives that were instead shock-absorbers for the poor and the unemployed, whilst leaving the dominant structures of accumulation intact. In such situations the simultaneous integration and marginalisation by the dominant mode of accumulation are upheld with regards to the co-operatives. At the same time co-operatives that exist within themselves from the capitalist system and in isolation from the strategic framework of progressive economic ideal will be in danger of collapse. It is therefore imperative for co-operatives to become an expression of class contestations of the character of modern society. It should be viewed as a challenge, as to allow these co-operatives to be understood and located within the strategic objectives of the broader progressive forces.

However, it is worth reiterating the point that the international co-operative movement today is attempting to reclaim the authentic people centered identity of cooperatives and so has the government's Co-operatives Development Policy and new Co-operatives Act. This means cooperatives cannot be 'ideologised' by a dominant political thought and reduced to one aspect of how capitalism is being organised in South Africa.

South Africa's new Co-operatives Development Policy and Act (2005, 1) affirms the international definition of a cooperative as 'an autonomous association of persons united voluntarily to meet their common economic and social needs and aspirations through a jointly owned and democratically controlled enterprise organised and operated on cooperative principles'. Both the vision of the Co-operatives Development Policy and Act indicates that it is the states' responsibility in providing a carefully regulated environment for co-operatives, at the same time it needs to be careful as not to encroach on the control and ownership thrusts of these institutions.

The South African government's Cooperatives Development Policy and new Cooperatives Act (2005) refocuses on the emphasis on authentic people -centered identity of cooperatives. Thus supporting the general approach, to utilize cooperative development as a poverty alleviation intervention as part of its provincial development strategy. Satgar (2007c) argues that co-operatives are fundamentally organised around the principle of human solidarity, and thus cannot viewed as a resource in which capital accumulation can be fostered.

The above in reality is already being challenged by the South African government, with the Department of Trade and Industry attempt to conflate co-operatives to Small and Medium Enterprises (Satgar, 2007b). This has led co-operatives to be viewed as any other 'business' by government officials thus being subjected to the discipline of competition and profit maximisation. Co-operatives viewed in this light are perceived as a conduit that would lead to scaled up medium sized business enterprises. In this regard co-operatives, in theory at least, are meant to be fast tracked and incubated and eventually streamed into the "first economy".

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Although government has an essential contribution to make in supporting cooperative development it is not sufficient to ensure the success of the co-operative. Equally important are the attempts of co-operatives to develop support relationships that would contribute to them being sustainable. Satgar (2007 b) argues that the importance of these support relations operate on a primary and secondary level. The first example of a primary level of support can be found in the Heideveld Rooibos Cooperative in the Northern Cape. The Heideveld Rooibos Co-operative is hailed as one of the most successful post-apartheid cooperatives in South Africa. The Heideveld co-operative [a self-initiated co-operative that was established in 2000], is considered as a primary cooperative, consisting of 51 members. This cooperative produces about 60 tons of the finest rooibos tea in the world and exports most of its produce. One of the crucial determining success factors was the cooperatives willingness to build support relations with institutions that would not undermine its autonomy. In this regard, it has built useful links with the University of Cape Town which has assisted with scientific research to improve its cultivation methods and an academic has also assisted the cooperative with developing its financial management capacity, for example.

In South Africa the majority of people who would form cooperatives generally lack the ability to contribute significant 'own finance' when starting enterprises. Many people also do not own assets and do not have collateral security to access loans. As a result, many of those that are able to overcome the significant hurdles in securing access to loan finance are 'over-gearred', i.e. saddled with huge debt repayable at high rates of interest (Jara & Satgar, 2009:31).

### **3.5 Housing co-operatives**

Although co-operatives have certain inherent benefits for low-income households, there are problems requiring collective action that they need to overcome. Potential benefits may vary depending on the type of co-operative. At the institutional level, evolution of co-operatives is set in both the local housing market and the local institutional framework. The institutional framework could help or hinder in realising the potential benefits in a given housing market by lowering or raising transaction costs of the formation and functioning of co-operatives.

In understanding the *raison d'être* of why co-operatives exist, one could understand the support of co-operatives as one of the many alternatives in managing the housing crisis. Essentially, the Co-operative Act (RSA, 2005a:10) defines co-operatives as

...an autonomous association of persons united voluntarily to meet their common economic and social needs and aspirations through a jointly owned and democratically controlled enterprise organised and operated on co-operative principles.

Co-operatives, being voluntary, democratic and self-controlled business associations, offer the institutional framework through which local communities gain control over the productive activities from which they derive their livelihoods (Ofeil, 2005:14).

In some ways, the opportunity and potential benefits of establishing housing co-operatives was lost when the institutional housing subsidy mechanism was introduced in 1997 by the national Department of Housing. However, it should be noted that major work was done to enable housing co-operatives to register under the Co-operative Act of 1981. But given the political, social and economic context of the time in which it was formulated, this was overshadowed by a legacy of challenges in the legal, statutory and institutional realms.

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In 2004 the government approved the Co-operative Development Policy for South Africa which was rooted in internationally recognised co-operative values and principles of, among others, democracy, equality and equity. The policy was aimed at addressing the co-existence of a dual co-operative movement. This movement allowed for co-existence of a highly developed co-operatives owned by white people who benefitted from massive Government support and weak co-operatives owned by black people that did not receive such support.

The South African Housing Cooperative Association was formed in 2004 and consisted of 50 housing cooperatives, with a membership of 12 500. In South Africa many co-operatives are assisted by various NGOs that have developed over the past ten years to support cooperative development and the cooperative movement. These support relationships are developing outside government. While NGOs support relationships are on the decline other institutions like the Eco-City Trust, CBDC-Fort Hare University, the Social Housing Foundation, the Labour and Enterprise Policy Research Group, the Workers College, the Environmental Monitoring Group, YEBO Cooperative, the COSATU Job Creation Fund, the Cooperative and Policy Alternative Centre (COPAC) and the Dora Tamana Centre, are also engaged with support interventions for cooperative development.

Many of these institutions provide training and development services, research, funding and technical advice to cooperatives. The challenge going forward is to ensure a dense network of support institutions takes root, both within and alongside government, but more importantly within the cooperative movement and alongside it as part of an integrated support system to ensure cooperatives are embedded for sustainability and autonomous development.

In 2005, the importance of housing co-operative was elevated within the Social Housing Policy. Social housing is defined in the Social Housing Act as '[a] rental or co-operative housing option for low-income persons at a level of scale and built form' (RSA, 2008:8). The renewed focus on growing the housing co-operative movement received support from the National Department of Housing and the Parliamentary Portfolio Committee for Housing (Tonkin, 2008).

### **3.6 A comparative history of housing co-operatives**

Due to housing co-operatives' inherent advantages (employment, skills development, social cohesion, etc.), many positive attributes are associated with such an approach. International literature seems to suggest that many housing co-operative success stories have been documented and researched.

Certain correlations could be drawn between India and South Africa's housing co-operative experience, although the latter is still at its infant phase. In 1950, India's first Prime Minister, Jawaharlal Nehru, saw housing co-operatives as 'part of his paradigm of democratic socialism' (ICA n.d. (a):1). In 2003 at the Presidential Growth and Development Summit, special measures were endorsed to support co-operatives as part of strategies for job creation in the South African economy. This alluded to the government leadership's acknowledgement of the important role that co-operatives can play within the field of social and economic development.

A significant boost to the Indian co-operative housing sector took the form of successive five year plans implemented by the government (the first of which was instituted during 1951–56). This was further supported by a concerted effort by the Indian government to allocate major funding through programmes, with the aim of improving the economic conditions of the people through innumerable social, economic and institutional means. One-third of all funding was channelled to housing in the First Plan. South Africa has for example, allocated

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a significant amount of funds to infrastructure development, with the aim of job and skills creation, and wealth distribution. There are still questions surrounding the housing budget issue and funds allocated to that.

Although housing co-operatives are contained in the BNG Comprehensive Plan and the Co-operatives Act of 2005 (RSA, 2005a), there seems to be lack of political will from the South African government to commit fully to support this process. India established a support network – at a state and as well at a national federal level – to assist in the development of housing co-operatives. This allowed for the extension and adoption of Co-operative Acts and Rules, in which every state facilitated the registration of housing co-operatives. This would be challenging for South Africa, as local governments are often unable to implement national policies effectively.

It is evident that India's initial form of a housing co-operative, housing centres, have had limited successes. A factor that contributed to the Indian housing co-operative success was the adoption of the 'enabling approach', which was supported by the United Nations Centre for Human Settlements (now known as UN-HABITAT). Kenya has also adopted 'community mobilisation' in which communities are the owners and managers of housing projects for the future and forms part of their housing programme (Macharia, 2000). Given the recent outcry from various communities due to the lack of public service delivery and national governments threats, one could speculate that there are divisions between the levels of local and national government.

In 1998, India's National Commission on Urbanisation decided that housing should not restrict itself to the sole aim of providing shelter but that it should incorporate a broader urban development approach. South Africa's Social Housing Act 16 of 2008 has also adopted a philosophy in which its general principles will contribute to the Department of Housing's objectives, as well as to the government's macro objectives of promoting citizenship, democracy and good governance (RSA, 2008a/b/c:8).

India also promoted the facilitation of participation by removing legislative barriers. In five decades, the co-operative housing movement in India has grown from strength to strength to a commendable figure of 92,000 co-operatives. Housing co-operatives in India also flaunt a proud membership of 6.6 million people.

Kenya's programme has incorporated low-cost building technology to overcome the challenge of high building material prices, which raises the costs of home ownership difficult (Macharia, 2000). South Africa has not given any indication in which such a principle would be applied to seek better housing options. Most housing projects, including those managed by NGOs, seem to follow the developer model. This is because most government housing projects are driven by the urgency to build large numbers quickly, rather than the need for process-oriented delivery mechanisms. By developing low-cost house financing models, Kenya is trying to address the lack of access to housing credit among low-income people.

Over the years, co-operative enterprises have successfully operated locally owned people-centred businesses while also serving as catalysts for social organisation and cohesion. With their concern for their members and communities, they represent a model of economic enterprise that places high regard for democracy and human values.

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In a recent report by the Eastern Cape Appropriate Technology Unit (ECATU, 2009) it was clear that co-operatives are empowering communities and are constituted of a higher proportion of female members, although males seem to assume leadership roles (RSA, 2009).

### **3.7 Reflection on the South African Co-operatives Act, 2005**

In 2003, special measures were endorsed to support co-operatives as part of the strategies for job creation in the South African economy at the Presidential Growth and Development Summit. During this time, the state transferred responsibility of co-operatives from the Department of Agriculture to the Department of Trade and Industry where a Co-operative Enterprise Development Division has been established. The Co-operatives Act (RSA, 2005a) provides a new framework within which diverse forms of co-operatives are accommodated. This was some indication of the recognition in government that co-operatives can play an important role in the economy.

The rationale for policy development of post-apartheid co-operatives is anchored in Broad-Based Black Economic Empowerment Act, 2003 (RSA, 2003a), and serves as the foundation for the Co-operatives Development Policy and the 2005 Co-operatives Act. The 2003 Act clearly mandates the empowerment of black people, and co-operatives form part of the socio-economic strategies to achieve that goal (RSA, 2003: Section 2b).

This rationale has created numerous contradictions that constrain co-operative development in post-apartheid South Africa. Co-operatives have not benefited in any way with empowerment initiatives in companies, procurement policy (at most levels of government) and the numerous black economic empowerment (BEE) charters in various sectors (Satgar, 2007c). Satgar argues that the BEE discourse has merely been about class formation at the upper ends of society obsessed with the 'get quick rich' logic (2007c:5). This hampers development of sustainable co-operatives at grassroots level. Instead it has resulted in high expectations concerning financial gains and created short-term rent-seeking behaviour which is setting co-operative development back.

The signing of the Financial Sector Charter was a direct result of the BEE Act, in which the financial sector committed to invest R42 billion in low income housing before the end of 2008. This allowed for a sudden accessibility of all forms of credit (most notably credit cards and store cards) to low income earners. Pearson and Greeff's (2006) research discovered that the access to easy credit negatively impacted the debt profiles of low income earners and compromised their affordability for housing. Although not a direct consequence of the housing finance strategy, access to credit generally is undermining the ability of households to afford access to housing finance (Rust, 2006).

The new Act introduces public support for development-oriented co-operatives. The Department of Trade and Industry will treat these initiatives as small and medium enterprises (SMMEs). As recognised SMMEs, they will qualify for all of the incentives and support programmes offered by the Department and its agencies to SMMEs, e.g. training and access to finance. Beyond this, the DTI will also offer dedicated financial and capacity building support to co-operatives. The additional financial support will most likely include incentives to assist start-ups (Mpahlwa, 2005).

If the focus of co-operatives is primarily about meeting human needs, then these institutions should not be used as tools of the state. The DTI's conflation of co-operatives with SMMEs is already in conflict with the sentiment of the previous sentence. Within government, many

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‘view co-operatives as any other “business” which has to submit to the discipline of competition and profit maximisation’ (Satgar, 2007b).

Although the Co-operatives Act reinforces co-operative policy and legal reform, in post-apartheid South Africa, there are many systemic obstacles to face that could hinder the development of co-operatives. Balancing the provision of enabling support with the need to act to ensure autonomy is a challenge that needs consistent monitoring. Care should be taken to ensure that the bureaucracy does not capture these institutions and that the co-operatives do not become dependent on state support (Satgar, 2007d).

The Co-operatives Act aims to provide support programmes for emerging co-operatives and focuses on the interests of previously disadvantaged people. The dedicated support by government indicates the important role co-operatives play in managing community-owned resources. The Act explicitly targets black people in mainly rural areas.

While the Act acknowledges the policy and regulatory framework for co-operatives, as well as the need to bring in enabling state support, this does not constitute a sufficient condition for genuine, independent and self-sustaining co-operatives to take root. In post-apartheid South Africa, co-operative development requires building a dynamic co-operative movement. Policy and legislation aims to ensure the emergence of various types of co-operatives which are able to organise themselves from a primary level into a national apex body (RSA, 2005a, Schedule 1 of the Co-operatives Act). The necessity of building a co-operative movement that has the ability to provide a voice for its members within participatory development processes will ensure that neither the state nor market will distort their identity (Satgar, 2007c).

The Co-operative Act of 2005 certainly indicates the importance that government has attributed to the roles that co-operatives may play within the economic sector. Though in the case of housing co-operatives it would not necessarily be in line with the current business trend within the Department of Trade and Industry. The purpose and reason in establishing a housing co-operative is not to make a profit or operate like a traditional business. One could therefore reason that organisations like a housing co-operative may face challenges within the Department of Trade and Industry.

### **3.8 Challenges for co-operatives**

The main strength of a co-operative, and also its potential weakness, is its members. There is a high level of commitment by stakeholders and strong leadership in certain co-operatives. However, where there is a lack of commitment, the co-operative could disintegrate when faced by adversity, or be hampered in its decision-making, or office bearers may not be effectively held accountable by the members.

Given South Africa’s high unemployment rate and that most co-operatives require s monthly membership fees, it is difficult to see how people would be able to sustain their membership. The socio-economic context that the poor find themselves in can hinder the financial management of housing co-operatives (Philip, 2003). As members are part of the decision making process, it is often difficult to assess whether members are making informed decisions, since most have limited literacy and no financial management experience. Uncertainty or lack of understanding can often lead to tension with regards to the allocation of funds.

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The historical understanding of democratic participation in which decision-making may only occur through majority will or consensus may lead to contestation and tension within co-operatives. This is often the case when managers are mandated to manage the project, but their decision-making authority is under constant challenge. Most co-operatives fail to reach an appropriate level of democratic and efficient institutional consensus as this requires a high level of facilitation and maturity.

India's democratic socialism political system contributed tremendously to an institutional framework that could facilitate the development of collective organisations like co-operatives. Preferential treatment was given to housing co-operatives in relation to government land, credit and subsidies as they were viewed as vehicles for the development of low-income households. The benefits that many low-income households received from the housing co-operatives were divided between three cities, namely Mumbai, Chennai and New Delhi.

In Mumbai, which has the highest number of elective co-operatives, various schemes are used such as self-help housing, group credit, women's co-operatives, slum-dwellers co-operatives, etc., serving a wide range of income groups. Chennai's housing co-operatives are predominantly housing finance co-operatives that serve middle-income households. However, they also serve low-income households to some extent (especially in rural areas). In New Delhi, the Co-operative Group Housing Societies dominates the co-operative landscape; it serves both high- and middle-income households (Sukumar, 2001).

Being able to resolve these contestations and gaining financial and business skills in the co-operative is a necessary condition for participatory decision-making, and takes significant input of skills. This may be done by consulting outside expertise, which often leads to a dependence on technical support. At the same time, this knowledge may not exist within the housing co-operative, and most housing co-operatives cannot afford training.

Conflicts of interest may arise where the identities of owners, property managers and tenants become blurred, rendering the co-operative vulnerable to malfunction, even dissolution. The ownership model of housing co-operatives, for example, is characterised as a communal ownership, in which members risk losing all rights to the property if the co-operative goes bankrupt.

Within the African context, the threat of HIV/AIDS poses a significant obstacle to sustainable co-operatives. From a human capital perspective, this would compound the skills gap which may arise when trained and committed members may be lost. This is a major challenge, particularly for credit co-operatives, as loan defaults are likely to increase. Even if insurance is introduced to overcome this challenge, it can be costly in the long run.

In the case of India and Ethiopia, co-operatives serve as vehicles to increase awareness of HIV education. In India, co-operative networks are used as channels for health education. An estimated 400 co-operatives in Ethiopia are developing educational materials. In South Africa, the HIV/AIDS crisis spurred the establishment of new types of co-operative for home-based care provision, e.g. the Soweto Home-based Care Givers Co-operative, which is supported by the Canadian co-operative movement.

Although state intervention within the Indian context is significant, the principles of most co-operatives, namely collective ownership and democratic management, continue to be emphasised. The principle of collective ownership means joint ownership of housing co-operative members' resources. The common objective is thus achieved by collectively pooling investment resources. Investments can take on various shapes such as share capital,



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or they could be in the form of material inputs, labour or land (Sukumar, 2001). Intra-governmental co-ordination remains one of the main challenges facing co-operative development. The linking of various government institutions to support co-operative development and policy thrusts in departments highlights the strength of the emerging government support system.

In South Africa, co-operatives are concerned with the need for proper and accredited training. An ECATU seminar concluded that communities needed to consider that co-operatives operate differently to businesses (ECATU, 2009). Co-operatives centre on the upliftment of the community rather than profit-making. Another challenge for co-operatives is the turn-around time for registration, which may negatively affect the prospects of securing access to funding.

### **3.9 Conclusion**

Co-operatives in South Africa have an illustrious history, from agricultural co-operatives used as a tool to support white farmers during the apartheid era to housing co-operatives used as a state tool by the post-apartheid government. Co-operatives are certainly not the only means to alleviate the poor state of housing provision, but they could certainly be considered as a potentially valuable approach.

Co-operatives and the role these have played across many political systems and landscapes have certainly shown themselves as a potentially valuable institutional approach to meeting people's needs. A key strength is the 'people for the people' approach. Ensuring an effective bottom-up approach may be one of a co-operative's most daunting challenges if it is to remain effective over a period.

An important and fundamental characteristic of co-operatives is that they get their identity from the people that form them. The question emanating from this chapter is, 'how are co-operatives able to reflect the diversity of their members and remain true to their existence?' As is the case in other developing countries, co-operatives in South Africa operate within various political spheres. It seems almost utopian to think that co-operatives should not be politically affiliated, since in certain countries political affiliation is the key factor that has led to a successful and flourishing environment for co-operatives. Co-operatives are a dynamic and ever-changing institutional form that is often challenged, not only by their members, but also by outside political changes. That said, the inherent ethical philosophy of empowerment through co-operative action should be the main compass for deepening co-operative development. As dynamic as co-operatives are, the question of 'how they are able to maintain their dynamism' lies within the type of co-operative, which influences their day-to-day operation. The next chapter explores the various types of housing co-operatives specifically those that have evolved and gained a foothold within the South African context.

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## Chapter 4

### Housing co-operatives in South Africa

This chapter will examine the basic governance model of co-operatives, with emphasis on the various types of housing co-operative models found in South Africa. The types or models of housing that co-operatives traditionally provided, form part of a wider set of 'social housing' initiatives. This may include a self-build scheme, which forms the basis for co-operative approaches to home building. This approach is based on the notion of reciprocity in the provision of labour to construct houses. When a house is built, it is usually owned by an individual homeowner who, at some point, would be expected to reciprocate by providing labour for building another members house. Where the emphasis is on communal ownership, it allows for the creation and facilitation of strong social and economic support networks. This chapter discusses the governance challenges that housing co-operatives face in their operation.

A report released in 2003 by the Urban Sector Network (USN), describes a housing co-operative as

- an institution registered with the registrar of co-operatives as a trading co-operative, that incorporates in its statutes a commitment to the internationally recognised principles of co-operatives, and that has as its objective:
  - facilitating and/or managing the development and/or the maintenance of residential property for members;
  - owning residential property and making such property available to its members (USN, 2003:66).

By definition housing co-operatives allow groups of people to organise themselves and pool their resources and efforts into a formal organisation, they would thus be to negotiate on behalf of its members for acquiring land from the government or the private market, applying for and receiving credit or mortgage loans from government and formal sector institutions, receive building materials and commission contractors for building the housing units (Vakil, 1996).

#### **4.1 The basic structure of a housing co-operative**

The versatility of housing co-operatives to provide a wide range of means for social and economic upliftment also means that membership is able to adapt to their contextual needs. Thus selection is based on the personal needs, 'constrained by the individual's ability or adaptability and is not based on discriminatory factors, therefore more people are given the opportunity to prove themselves economically' (Hickson & Oldham, 1990:94).

Another principle that is central to housing co-operatives is the strong sense of participation and democracy. Most co-operatives adhere to the rule of a one-member-one-vote system when it comes to decision-making.

Rust (2003) states that informal settlement interventions are best accepted in a context in which most co-operatives are established and tend to highlight the importance of community participation. UN-HABITAT (2003) acknowledges the notion of a participatory slum upgrading as the best practice for informal settlement intervention. In the publication for the

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International Year of Shelter for the Homeless, McAuslan (1985) argues that with participatory planning, emphasis should be placed on:

- ‘bottom-up’, or community-based, administration;
- establishing what facilities the communities want, in what order of priority, and where;
- allocating funds for spending directly by the community (the possible waste or misallocation of funds will be a lot less than that involved in public housing schemes, which never pay their way); and
- helping to build up community-based institutions for essential self-management roles.

The concept of participation certainly calls for a departure from central control of the process by the administration or implementing agency, often the local government. Central control often sees participation as the rubber-stamping of externally designed plans by disempowered community representatives. What is essential to the governance framework is the establishment of guidelines to engage the challenge of meaningful participation. This intervention allows for the creation of a planning and decision-making framework in which all the role-players are brought together, but not only through ‘representation’. It calls for the creation of continuous processes and mechanisms to resolve the inevitable conflicts arising from the development process. Governance in housing co-operatives need to emphasise the support-based mechanisms established and must respond to an inherently contradictory process of change. These support-based mechanisms have to be able to deal with the unique social, economic, legal and physical dimensions of informal settlements.

As in the case with many commercial company boards, the board of directors of a co-operative exercise management powers. The constitution of a co-operative allows for a democratically appointed board (RSA, 2005a:32). For co-operatives, democratic principles are upheld in the decision-making process of the enterprise.

The purpose and function of the democratically elected board and managers is to manage the housing co-operative on a day-to-day basis. The board of directors have a dual function in which they deal with:

- the industry organisational part of the enterprise, in other words, the internal relations of the co-operative; and
- marketing to the public, which resorts under the commercial technical aspect (external relations) of the co-operative.

Given the dynamic context in which co-operatives seem to thrive, it is important to ensure that they remain vibrant by creating an environment that is characterised by:

- effective management;
- good member support and commitment; and
- enabling state support and legislation.

There needs to be a clear avoidance of conflict between the members, management and the board of directors. In most cases, co-operatives initiated by members tend to have a bottom-up approach (Bhuyan & Olson, 1998).

One fundamental element of a successful (housing) co-operative is the commitment and support of its members. People establish the co-operative, and members must realise that its

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continued existence depends on them. Within the realm of co-operatives, the entrepreneurial mind-set is often ignored (Röpke, 1992). In an ever-changing world, co-operatives in their management and operational structures must find creative and innovative answers.

Although housing co-operatives are member-driven and are autonomous organisations, in developing countries the support of government is indispensable. Von Ravensburg (1999) argues that government should provide the policy conducive to co-operative development.

In South Africa, with the Co-operatives Act of 2005 in place, the work has only recently started. Government needs to ensure that structures are put into place to guarantee that co-operatives remain autonomous and allow for the freedom in which they operate. Birchall and Simmons (2008) argue that in many countries there is still political resistance to allow co-operatives to operate freely.

## **4.2 Types of co-operative models in South Africa**

### **4.2.1 Housing management co-operative and continuous housing model**

One type of housing co-operative is the continuous housing co-operative, which requires strong institutional arrangements. What makes this co-operative model unique is that the housing management company establishes and registers the co-operative, with a temporary board that develops the property. The establishment of a co-operative housing management body would focus on developing housing units for new members who want to join.

The continuous housing model involves a housing management co-operative or company developing and managing the primary housing co-operatives. These co-operatives are established 'as independent housing co-operatives, but retain certain ties to the management co-operative, which created them' (CHF International, 2002:13). The Cope Housing Association, the East London Housing Management Co-operative and the new Newcastle and Uphahla Housing Company are examples of this style of co-operative. The management and operational model based on the two-tier model of housing co-operative seems to adopt a top-down approach.

Those who become members are obliged to buy a share in the co-operative. In doing so, members have the right to occupation so long as they pay the monthly charges. This entitles them to live in a unit and gives them an opportunity to control and assist with the maintenance of the stock. On joining the co-operative, they also make an initial membership contribution.

Members who occupy units then pay a fixed monthly amount. This covers basic expenses, including long term loan repayments, maintenance, insurance, utilities, management fees and administration (CHF International, 2002:14).

The management co-operative also provides, for example, management assistance to the individual housing co-operatives. The housing management co-operatives can thus serve as an umbrella institution, providing management services to member-based institutions, according to the Social Housing Foundation. A prime example is the East-London Housing Management Co-operative in East London which provides development and management services.

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#### **4.2.2 Individual ownership model/ primary housing co-operative**

Another housing co-operative model is the development of housing co-operative, which leads to individual ownership. Primary housing co-operatives are characterised by a standardised housing unit, built on a single piece of land. This is a non-profit organisation with a board of directors as its governing and decision-making body. This type of model generally follows the basic principles of the International Labour Organization in which each member has one vote.

Although members can elect a board of directors to manage the co-operative, the principle remains in that each household has only one vote concerning major decisions about the co-operative. According to this model, the title to the property is held by the co-operative. Each member has a share in the co-operative and has to sign 'a right of occupancy agreement' for the use of one housing unit. Each member has a monthly membership fee, and has to accede to the conditions of the occupancy user agreement. Co-operatives are more secure than rental, but not as secure as individual ownership, as there is a risk of non-payment by some members or of bad management.

The second model where a primary housing co-operative is established can be used as a vehicle for member savings, channelling subsidies for housing its members, building, and facilitating materials supply and job opportunities related to housing construction. The co-operative principles are meant to govern the relationship and interaction between the members. Once the organisation applies for subsidies and these are approved, the co-operative is able to access the subsidies. Subsidies are generally administered by a local government agency. Although the subsidy is managed externally, the co-operative generally takes on the responsibility of managing and developing the housing programme. This includes education of beneficiaries, training of participants in the programme, site clearance, construction, team management and quality control.

Examples are the Masisizane Women's Co-operative in Midrand, Gauteng and Welcome Zenzile Housing Co-operative in Cape Town. This is a bottom-up model which seems to favour a more consensus-driven management style. Once the co-operative, beneficiary and local authorities are satisfied with the quality of the house, it is handed over to the member who takes individual ownership (Satgar, 2007b).

#### **4.2.3 Independent housing co-operative/ individual ownership**

The independent housing co-operative is established with the single focused task in which the co-operative, for example, would perform the role of housing delivery agent. This model allows for the option of either using the service of a housing management co-operative, or procuring the service of an agency to assist the co-operative during the development process.

Co-operatives established for mutual self-help purposes allow members to take advantage of bulk purchasing. Families come together, joining resources to maximise housing value through economies of scale and self-help methods. Once the units are completed, families take individual ownership of their houses, but during the planning and construction phases, all the principles of housing co-operatives are observed for the mutual benefit of all the members. Once the units are built, the only responsibility is for upkeep of the common areas, so the co-operative may dissolve. The collective feature is in the delivery of the units rather than in collective ownership of the outcome. The type of co-operative developed under the People's Housing Process model uses an individual subsidy, or an institutional subsidy, if transfer of ownership to the beneficiary is delayed for four years.

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### **4.3 Security of Tenure**

In the context of the Housing White Paper the notion of security of tenure has been associated with the recognition of individual property rights. The application of the once-off individual capital subsidy reinforced this association. Baumann et al. (2004) argue, however, that international literature on security of tenure departs from the concept of individual property rights in favour of upgrading of settlements. Instead, the emphasis needs to be placed on securing tenure, with emphasis on community participation and linking land tenure with livelihoods.

As poverty increases, it creates insecure tenure, which worsens poverty in the slum areas. Studies indicate there is a strong correlation between urban poverty, tenure status, access to services, and citizenship that influences the socio-economic situation of households living in irregular settlements (Durand-Lasserve, 2006). These issues have a negative impact on the poor in the medium- and long-term, which often leads to harassment of the vulnerable, poor access to basic services and health problems.

If government aims to reduce the vulnerability of the poor, it would imply that the security of tenure would mean recognition of the right to the city. For the most part, it means the poorest of the poor being able to access space where livelihoods can be generated and maintained without fear of forced removal or eviction. This would require that location becomes the most important issue rather than what type of house beneficiaries end up occupying. The importance of being able to move in pursuit of economic gain would trump the long-term security of tenure aspiration. Households that have a greater degree of disposable income could invest in improving housing, and thus longer-term forms of tenure would become more important for them. Payne (2002) argues that perceptions of security may often vary considerably.

Bauman et al. (2004) argue that it is a common need for low-income households, as well as communities, to seek public recognition of their rights to dwelling and land occupation. This legitimisation, would in their view, protect them from forced evictions. The public recognition of these rights protects them as citizens and acknowledges their right to exist, which in turn would encourage them to invest in improving their homes and local environment. By local government providing tenure that meets the needs of residents, which would include the access to public services, such citizens may invest in the community, urban and national economy (Payne, 2002).

### **4.4 Financial constraints of Co-operatives**

Housing as accepted by all political systems worldwide is a social good and therefore cannot be left entirely to the market forces to control. State intervention via regulation and initiation is as old as mortgage finance itself (Ball, 1990). In most instances scarce resources have been directed towards meeting the needs of a few instead of meeting the needs of many (Jorgensen, 1975).

Within the South African financial sector, financial institutions are generally reluctant to advance credit to the poorest, as they often lack collateral or any other guarantee for their loans. Financiers are guided by the principle in which they require a return on their investment as well as the and expect building standards to ensure the quality of housing product, so that if a borrower defaults on a loan the bank will be able to sell the house and recoup its investment.

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Lea (2005) outlines that housing finance is a common problem in the emerging housing property markets often attributed to the lack of appropriate infrastructure and conditions of lending. In practical terms lower income households are not able to afford housing at market interest or house prices. Many of the lower income sectors are seen by banks as either not creditworthy or as high risk with regards to home loans as their income is generally not being stable (regular monthly) or documented. To close the gap, it is necessary for financial institutions to enter the low-value, high-volume credit market rather than thinking in conventional housing mortgage terms (Khan & Thring, 2003).

The Department of Trade Report of 2011 highlights that major challenges facing co-operatives in South Africa is their limited access to finance. Emerging co-operatives still find it difficult to attract and retain adequate capitalisation from the financial sector. Jara and Satgar (2009) argue that when it comes to cooperative enterprises, finance products from financial institutions simply do not recognise the cooperative model – this is especially true for cooperatives owned by poor people without collateral and positive credit profiles. In comparison to other enterprises, private sector financial institutions often do not understand the structures of co-operatives, ‘which result in limited support provided to co-operatives; difficulties retaining earnings; and increasing capital requirements; and existing incentives and support structure does not address the need of co-operatives across its entire life cycle’ (RSA, 2011: 44).

The Department of Trade and Industry was appointed as the main driver within government that would facilitate and support co-operatives in South Africa. Co-operative development is facilitated in which the Department of Trade and Industry and other agencies (such as Samaf, Umsobomvu Youth Fund, The Enterprise Organisation, National Empowerment Fund) provide financial support in the form of grants and funding, this includes:

- Start-up grants, financing up to 90 percent of co-operative start-up costs (not exceeding R300,000);
- A special projects fund that is available for projects in excess of R300,000 subject to strict criteria; and
- Funding to assist co-operatives with compliance, training and administration subject to a sound business plan (RSA, 2009c: 4).

Although an array of structures are in place to assist co-operatives, a recent survey conducted by the Department of Trade revealed that very few co-operatives applied for either a grant (15.06 percent) or a loan (12.35 percent). In 30.23 percent of cases grant applications were approved and 14.89 percent of co-operatives that had applied for loans were successful (RSA, 2009a:46). Thus overall with regards to support in the form of financial assistance such as grants and loans, less than 20% of co-operatives had applied for these funds, and only 25 percent of these applicants were successful.

...More than 5,000 members were lost to about one quarter (28 percent) of co-operatives surveyed. Lack of benefits and the inability to pay membership fees were cited as the main reasons for members dropping out. Membership retention, on the other hand, was enhanced by the availability of financial benefits and training opportunities. It appears that access to funding (whether it is through loans and/or grants) is especially challenging for the co-operatives and amplifies the significance of the role of membership fees (RSA, 2009c: 51) .

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The Newtown co-operative proved that the biggest stumbling block for housing cooperatives was sustainability. Non-understanding of the co-operative principles and non-payment of levies due to lack of education and training, resulted in the Newton cooperative filing for bankruptcy (Herbst, 2010:100). Satgar (2007a) argues that ensuring financial sustainability is essential in the rebuilding of the cooperative movement in South Africa. If the inability of cooperative members to pay the membership fees is a challenge then it would not serve as a solid foundation on which to build the cooperative movement. As the cooperative movement independence and sustainability is largely anchored in its own capacity to finance its existence.

In the bid to improve co-operatives' ability to source credit, to monitor the loan recovery rate and the performance of co-operatives, it is recommended that a comprehensive strategy to facilitate access to credit to co-operatives is developed. Furthermore, public institutions that supply grants and loans to co-operatives should be required to monitor and report against this expenditure. South Africa already has vehicles that can facilitate access to different types of financing mechanisms for co-operatives including Co-operatives Special Projects Fund and start-up funds facilitated by the South African Micro-Finance Apex Fund. The next step would be to work with other agencies (such as Seda) to support (as described in an earlier recommendation) and get those co-operatives to a level where they would be able to qualify for financial assistance

#### **4.5 Governance challenges**

The more developed housing co-operatives have a more accomplished record in the provision of housing for their members, but the scale is still small. The challenges that most co-operatives face in the developing world are a lack of financial assistance and improved technology, and often a serious deficit of educated administrative personnel. In developing countries, most organisations established with the intention to promote rural development, whether they are co-operatives, communes or government agencies, work inefficiently. These organisations should play a key role in plans to assist and reach the poorest of the poor. There are many challenges for housing co-operatives as they navigate the murky waters of democratic participation, governance structures, day-to-day operations and financing.

Even though co-operatives may have open membership, the notion of heterogeneous membership could negatively influence individual preferences with collective decisions. As Hansmann says

...a decision by a co-operative apartment building to accelerate repayment of the principal on the building's mortgage may affect members differently depending on their personal liquidity and tax status, even if they occupy identical apartments and have identical leases (Hansmann, 1996:45).

Many housing co-operatives have however not progressed to the delivery of units. Adequate financial resources and management practice have been identified as areas that require urgent attention. Many housing co-operatives reflect an enormous need for proper planning of projects, especially implementation plans, determining performance indicators, and doing the necessary resource mobilisation. Monitoring, evaluation and programme reporting is virtually absent in the sector, and projects make no provision for feedback to members.



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Collective participation and monitoring in housing co-operatives incurs costs. Low-income households may need to weigh up the opportunity costs of collective participation because that time could be spent on other productive, income-earning activities. At the same time, peer monitoring of collective participation also incurs costs. It may be safe to assume that members will participate if benefits from the collective outweigh the costs of participation.

The collective action does not prevent the problem of free riding, for example, when members of a housing project reap benefits from the collective without paying their dues or without participating. Collective participation in small groups in which incentives are imposed may overcome the challenge of free-riding (Olson, 1965). It is important that mechanisms are put in place to consciously minimise the potentially high costs of monitoring and providing sanction (Hechter, 1990).

Procurement procedures are often non-existent, as are stock controls and management of the organisation's resources. Risk management is an unknown facet of management and audit of inventory and financials is seldom done. Very few housing co-operatives have progressed to the stage where account categories for separating project funds are in evidence. The development and use of different categories of expenditure, e.g. operational/capital and/or project budgets is extremely rare. No annual projections are made and the dilemma faced by the housing co-operatives is that operational expenses that are used to determine member fees are not based on any forecast of these expenses.

The low level of sophistication of members regarding the management of finances exposes them to exploitation and fraud. Where this has happened, the members are very hesitant to put their money into a co-operative bank account. The sector as a whole needs to give attention to the diversification of its income base. In most cases, revenue is sourced only from member fees and, where service delivery is poor, the member base will diminish, leaving the organisation financially unsustainable. Capacity to develop project proposals for the attention of government, as well as to the financial sector, is very low and requires urgent attention.

A fundamental weakness in co-operatives is the aspect of staffing, and most jobs are done by volunteers. This often leads to a lack of management resources and capacity. Most literature suggests that this may be overcome by training. But, in reality this is a gross oversimplification as volunteers are not bound by employment contracts, as well as by the fact that most volunteers do not receive remuneration. In many housing co-operatives, a democratically elected board of directors is tasked with managing the co-operative. A basic challenge that these bodies face is that management's decisions are sometimes based solely on the well-being of the members. At times, this might negatively impact on their managerial capacity and eventually on the co-operative's success. It is important that, from a managerial control perspective, control is placed in the hands of democratically elected people from the co-operative itself. In doing so and given the conditions under which co-operatives are established, further workplace skills development, whether through membership or employment, is important.

There are two principles that form the basis for the democratic decision-making process. In one, decisions are taken by majority. Another approach is to adopt the outcome preferred by the average member. The principle of homogeneity plays an important role in the success of lending programmes as there is a lower risk of default by members if they are more similar to each other than not (Deverreux & Fisher, 1993).

Within these areas, different skills and capacities will be required depending on the nature and approach of the housing co-operative, and its stage of development. For this reason, activities would need to be tailored to suit available skills and capacity. The growth and

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sustainability of housing co-operatives centres on the capacity of the organisation and its ability to build the organisation. Often housing co-operatives seem to adhere to self-management, but this can be problematic as members generally lack managerial, technical, legal, or financial expertise. Even the option of hiring professionals may be problematic since, in low-income housing co-operatives, members may lack the necessary expertise and resources (Sukumar, 2001). Municipalities, provincial departments of housing and their regional offices, as well as sector role players, must be capacitated to ensure continued support of co-operatives.

This assessment identified a myriad of needs and highlights broad areas requiring urgent attention for effective public service delivery. It is quite evident that few of the primary housing co-operatives are concerned with the property management function, which is an indicator that they are in an early stage of organisational development. The housing co-operatives can be a vehicle for housing across a range of delivery options that currently exist within the housing sector, namely, hostels, public housing, social housing and People's Housing Process housing. They can also work in a range of delivery areas, namely, inner city, township, and informal settlement upgrading. The strength of the housing co-operative approach lies within the member base. The full spectrum of combinations of models and options for housing co-operatives in South Africa has hardly been explored to date.

Characteristically, co-operatives are seen as those institutions which are able to identify and activate untapped resources to increase economic growth and create conditions for a more equitable distribution of resources. South African housing co-operatives are at an early stage of development and faced with many challenges such as a lack of state assistance. To conclude that the co-operative housing approach is not suited to South Africa would be premature, since it could only be based on the results of the first generation of housing co-operatives.

#### **4.6 Conclusion**

The South African housing co-operative landscape is in its beginning stage and has many obstacles to overcome. Co-operatives in the country tend to be dominated by the model of collective ownership, and form part of a wider set of 'social housing' initiatives. Two types of orientation are found, namely those co-operatives which aim at delivering continuous ownership, and those that aim at delivering individual ownership. Both models emphasise communal participation, which allows for the creation and facilitation of strong social and economic support networks.

Co-operatives in South Africa face a myriad of challenges ranging from skills capacity in managing the day-to-day operation to deciding which light fixtures to install. Co-operatives play an important role in the lives of the poor, as they often give them a sense of being acknowledged, and legitimise the claim to a more equitable share of resources. The role of the state as a supporting partner has become more important to the success of housing co-operatives. Housing co-operatives are certainly not the only answer to managing the housing crisis. It depends on an organic unravelling, in which the individual, community participation and local government all play central roles in a range of multi-sectorial processes.

The state must play an important support role if co-operatives are to be a viable and effective alternative housing service delivery agent. This support cannot simply assume a linear approach. Chapter 5 will explore the need for local government institutions to navigate their

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relationship between national government on the one hand and their local communities on the other.

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## Chapter 5

### The state of play with public services, local government and the meaning of 'co-production'

By examining the challenges faced by local government in the sphere of public service delivery, and its shortcomings as an institution that is responsible for socio-economic development, the author expects to uncover some of the reasons why local government has been ineffective in solving the housing crisis. The chapter will suggest alternative approaches to the housing crisis by examining public service, decentralisation, the importance of communities and co-production.

The chapter attempts to explore practical means by which local government can overcome its challenges in respect of addressing the housing crisis, since this has become an obstacle to the upliftment of lower socio-economic communities. For housing co-operatives to be effective concerning the housing crisis, they need to develop a good understanding of local government challenges. Decentralisation and co-production could serve as a framework that would allow for the creation of an environment in which local government and communities can partner effectively through such institutions as housing co-operatives.

In fragile states, the inability of governments to provide basic goods and services, coupled with increased unemployment, increased poverty, and rising costs of living, is likely to aggravate pre-existing levels of conflict, violence, public unrest and criminality (Bakrania & Lucas, 2009:7).

The drive for sustainable local development, as a primary responsibility of local government, is often constrained and challenged by small budgets and poorly developed administrative capacities. These constraints have led to an increased demand for training support, knowledge exchange, capacity development and institutional strengthening on a local level. These demands have led to efforts to promote local socio-economic development as well as the facilitation of community participation in the operation of local government (McEwan, 2002).

This chapter will explore the conceptual understanding of public service and the debate around privatisation, as well as highlighting a recent COGTA [Department of Cooperative Governance and Traditional Affairs] report (RSA, 2009b) on the state of municipal government in South Africa.

#### **5.1 Local government's failure to address inequalities**

The Challenges of Local Government and the Provision of Housing,

...The Act (Act No. 107 of 1997) binds the three spheres of Government in respect of housing development. National Government's role is to establish and facilitate a sustainable national housing development process and determine national housing policy. Provincial Government must ensure and create an enabling environment to promote and facilitate the provision of adequate housing in Provinces within the framework of the national housing policy. Local authorities (municipalities) must actively pursue the development of housing, addressing issues of land, services,

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infrastructure provision and create an enabling environment for housing development (RSA 1997).

The urban housing question in turn is inextricably tied to questions of land reform, and cannot be resolved without tough political decisions and strong inter-departmental cooperation (Khan & Thurman, 2001). The failure of new housing developments is resulting in minimal impact on apartheid planning forms, which further indicates a hesitation in negotiating on the part of local government with regards to releasing strategically located land. Essentially little progress is being made in restructuring, de-racialising and desegregating apartheid towns and cities through new housing developments. In fact, most subsidy housing developments are, in effect, consolidating existing spatial patterns and inequalities. On the basis of integrated development and location, the sustainability of most new housing developments must be called into question (Khan & Thurman, 2001).

According to the National Department of Housing (RSA, 2008c:89) South Africa's housing programme,

..has a positive influence on the alleviation of poverty as well as contributing to the redistribution of wealth. The home . . . may serve as collateral for credit for home improvements or other purposes such as the development of small businesses”.

Central to the thinking was that the creation of black homeowners was seen as a means of political stabilisation. Commodification of land and housing was understood as vital for economic growth.

“South African settlements in both urban and rural areas are generally inefficient, fragmented, inconvenient and massively wasteful in terms of publicly and privately controlled resources. For many they are hostile places in which to live, offering few economic, social, cultural, environmental or recreational opportunities...there are few signs that significant and wide-reaching improvements have been set in place since 1994. To this extent, the planning system must be judged to be ineffective” (RSA, 1999a:18)

Within the context of the city, housing provision focuses on delivery, but also aims at contributing to the spatial reconfiguration and generating well-managed spaces of opportunity. This occurs firstly through local representative politics, in which locally elected councillors are able to give their constituencies immediacy and creates local focus to the national delivery. The housing programme is perceived as an interventionist mechanism to address the apartheid spatial legacy. The programme focuses on assisting with the creation of spatially and socially integrated settlements, in an effort to overcome segregation, fragmentation and inequality in the city (RSA, 2000).

According to Rust (2003:8), there is an underlying expectation that the South Africa's housing programme has to contribute to the development of 'urban citizenship', in which new communities of home owners help 'to develop a democratic and integrated society'. The National Department of Housing states that “Government, at each of its three spheres of operation, is committed to a South Africa in which every person has adequate housing in a manner that supports their development as a functioning member of society” (RSA, 2000:94). From a national standpoint, the housing programme objectives include 'demonstrating delivery, contributing to economic performance and assisting with poverty alleviation' (Charlton, 2006:302). There are both intersections and points of divergence between these and the city-level objectives of the housing programme.

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The 'land issue' still presents itself as a major obstacle in cities to the reconceptualising the housing programme. Huchzermeyer questions the existence of a 'segregated dormitory development in South Africa [that has] prevailed since 1994' (2003:128). Huchzermeyer (2003) further argues the existence of patterns in property ownership as well-established interest groups have attached themselves to these patterns. Especially in developing countries this relationship has seen "the withdrawal of state from land ownership and control and deregulation of the land market in terms of private ownership and exchange remains unclear" (Keivani & Werna, 2001: 201). Rust and Rubenstein (1996) argue that the process of the identification and delivery of housing and land for low-income earners is slow at best. This hesitation is attributed to the fact that local authorities do not want to become involved for fear of upsetting adjacent land owners by building low-cost housing near them.

Many authors have pointed out, the problem of excessive land speculation by landowners, including building remains and develops, in unregulated land markets poses a serious challenge to the efficiency of the private market mechanism" (Keivani & Werna, 2001: 201).

Baken and Van der Linden (1993) have argued, for example, that between the demands generated by the use value and investment value of land needs to distinguished, as the increased deregulation and more freedom for the market cannot prevent excessive land price increases caused by investment demand.

The government urgently needs to develop plans. The location of many low-income housing developments are generally associated with large maintenance and management task for local authorities, which is contributed due to the scale of these new neighbourhoods, the limited nature of the initial investment in them and the poverty of their inhabitants. Tomlinson highlights that 'while interviews with local government housing implementers revealed a willingness, if not an eagerness, to provide low-cost housing, the councils were hesitating, as they began considering its likely impact on their financial health' (1999:291). Keeping this in mind, the impact of housing delivery on the city is thought to have a negative effect. These types of housing projects create a financial burden to municipalities with respect to maintenance and operating costs (Huchzermeyer, 2003).

The South African government has a urgent need to develop plans that will have to provide creative ways of allowing access to public land, or take the interventionist route in which government make land available and provide access to optimally located land at nominal cost. In actual fact such approach would serve the dual purpose, namely the poor to be able to be located closer to the city and allows for a greater portion of the subsidy to be spent on the actual house and services.

An example of the insufficiency in context of capacity that many municipalities faced is highlighted by the Banking Association research report of 2005, in which it is estimated that converting raw land into registrable land took between 30 to 59 months, rather than the general estimated time of 12-18 months. The estimated time to develop houses on stand, increased from 5 months to 19 months. The delays were partly attributed to the limitations in the bulk service capacity (Rust, 2007).

Tomlinson (1999: 291) noted that

...while interviews with local government housing implementers revealed a willingness, if not an eagerness, to provide low cost housing, the councils were hesitating, as they began considering its likely impact on their financial health...

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It has also been pointed out that some council have supported housing delivery by means of an amount additional to the subsidy. However, in most municipalities, this was not possible, as the municipalities did not have funds available.

The Housing Subsidy Scheme report noted that:

poorly resourced small town municipalities face up to 80 or 90 per cent default on rates or services but appear not to have the means, or the national or provincial support, to be able to put in place appropriate indigent policies . . . [this affects] the social and economic viability not just of the housing projects but also of these small municipalities (RSA, 2003b:101)

Many municipalities, especially in the former homeland areas where little structure in terms of local government was in place, lack administrative capacity to perform their duties. The result was,

...Being unsanctioned, these places are not included in the formal, regulated system of governance. As a result, land administration systems, among other functions, do not reach them. Land allocation, land use management, development facilitation, property taxation and valuation, recording of land parcels and rights and dispute resolution are among the land administration functions that are not formally performed. (USN, 2004:44). The State has insufficient resources to meet the needs of the homeless on its own.

The challenge is achieving a balance between State intervention (with a focus on the poorest that operate on the fringes of the formal market) and the effective functioning of the housing market as a whole (RSA, 2000:16). Huchzermeyer goes so far as to say 'there is growing concern that government subsidised low-income housing delivery in post-apartheid South Africa has perpetuated urban segregation' (2003:115).

All partners of the Habitat Agenda, including local authorities, the private sector and communities, should regularly monitor and evaluate their own performances in the implementation of the Habitat Agenda through comparable human settlements and shelter indicators... (Habitat Agenda, 240).

For efficient and affordable housing provision to happen, partnership needs to be developed and must be seen as an important mode of provision to create synergies between different socio-economic classes. Jones and Pisa (in Keivana & Werda, 2000:204) argues that partnerships should also been seen as a bridge to connect the ideological divide between the advocates of the free market system and those of state intervention. Thus it is argued that by allowing the participation of both classes as a well as various community actors creates these types of synergies. providing institutional support for the housing market, particularly housing/building finance and infrastructure provision, the low-income output of such modes may be enhanced through the creation of public- private partnership schemes.

In the current climate of intensifying 'urban entrepreneurialism', the formal organisations active in the field of local urban development within a city are likely to be increasingly geared towards establishing the preconditions for competing effectively in the global economy. This may well be at the expense of making comprehensive or equitable provision for the basic needs of the urban residents, particularly for cities in the developing world where resources for urban development are considerably more limited and yet social demands higher (Jenkins & Wilkinson, 2002:35).

Khan and Thring (2003) perceive the current state policies and their implementation as excessively market –oriented. They see them as underfunded, insensitive to poverty, incapable of integrating gender and environmental concerns, unsympathetic to problems

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associated with public health and worsening geographical segregation, and even inefficient in terms of untapped economic multipliers.

Ultimately participation in decision-making guarantees sustainable implementation. It allows the mobilization of local resources, divergent interests are reconciled and consensus among all stakeholders is secured on how to tackle priority issues. PHP was the fact that it was established as a means of state control rather than a mechanism in which dweller control could be fostered (Marais et al., 2008).

## **5.2 The state of local government and community participation in South Africa**

Edigheji states that

“The South African developmental state is, in a real sense, committed to civic participation and engagement in policy and governance processes. In an attempt to demonstrate its commitment to the participatory elements of the developmental state, the concept of a “people’s contract” was the theme of the ANC manifesto for the 2004 general elections” (Edigheji, 2006:6).

The idea of ‘a people’s contract’ is that it would serve as an approval from the state that through collaborating closely with communities and citizens, unemployment and poverty would be halved by the year 2014. The intention of the concept of a ‘people’s contract’ was to reinsert a democratic component into the emerging South African developmental state.

This is further supported in Chapter 7 of the South African Constitution (RSA, 1996b) which sets out the essential baseline framework for local government. This clearly assigns local government a development role and emphasises the importance of participation by communities and community organisations. These principles are also central to the Reconstruction and Development Programme, conceived to meet the socio-economic needs of previously disadvantaged communities. Most of the ambitions of RDP have not been met and arguably have been superseded by the neo-liberal macro-economic Growth, Employment and Redistribution (GEAR) framework. Access to and control over resources is still based on race, gender and class (McEwan, 2002).

Even with these measures and commitment from the state, South Africa remains characterised by extreme poverty and social disintegration, mass unemployment and the exclusion of the majority of people from socio-economic development and growth (Kehler, 2001). Mangcu points out that

...[i]n official and popular parlance, local government (government in general) represents nothing more than a distribution node in a transmission belt of goods and services. All hell breaks loose when the belt breaks down (Mangcu, 2006:1).

According to the Constitution (1996), the State’s mandate is to establish a country by which society is guided by democratic values, social justice and fundamental human rights (RSA, 1996a). To achieve this mandate the democratically elected government has, since it was first elected in 1994, implemented a plethora of policies in order to reshape the social, economic and political landscape. National policies focus on the transformation, redistribution, social cohesion, public participation, and human, social, economic and community development, which is informed by social development imperatives. These policies, created by the new dispensation, have had a significant effect on civic service within South Africa (Perold et al., 2007). Although well intentioned, the effective implementation



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of these policies through local government and municipalities has had many challenges. A recent COGTA report (RSA, 2009b) highlights some of the implementation difficulties experienced by certain municipalities.

The report reflects a situation of under-resourced mandates and functions in local government. From the provincial assessments, the reasons for failure in municipal governance include:

- tensions between the political and administrative;
- inability of many councillors to deal with the demands of local government;
- insufficient separation of powers between political parties and municipal councils;
- lack of clear separation between the legislative and executive;
- inadequate accountability frameworks and support systems and resources for local democracy; and
- the inability to comply with the legislative and regulatory frameworks for municipalities (RSA, 2009b).

An example of these failures is the expenditure and financing responsibilities of the health and education systems in South Africa. Central and provincial governments have concurrent responsibilities, but who is responsible for which aspect of joint responsibility has not been properly defined. Standards and norms concerning policies, delivery standards and financing are determined nationally, whilst implementation is decentralised to provinces. Local government argues that central mandates need to be financed directly from the centre.

Batley and McLaughlin (2009) argue that, in weaker states, incentives for regulation may be absent or critical. Regulatory organisations often lack staff, skills, enforcement powers, or information on the sector to be regulated. Establishing or applying a regulatory framework for small-scale, non-state providers is particularly difficult.

These challenges have resulted in a party political factionalism and polarisation of vested interests, and the creation of new political alliances and elites. The report also claims that it is through this factionalism that a battle rages over state resources rather than any ideological or policy differences. It also highlights that public service is not high on the agenda, but rather an amassing of wealth at the expense of poor communities.

Whilst incorporating the rich and middle class South Africans, the lack of a formal municipal accountability system means that local government are not held accountable when they are ineffective and inaccessible to many citizens. This dysfunction creates distrust amongst citizens, a dissatisfaction evidenced by the recent spate of public protests in communities across the country. Concerning housing, the report states that

...many municipalities indicated that they are experiencing serious challenges with the provision of housing. Although housing is a provincial competency, the impact of the slow provision of housing is experienced at local level. The unpredictable nature of provincial housing expenditure and approval for developments undermines the ability of municipalities to adequately plan for infrastructure investments, and can lead to delays in both housing and infrastructure projects (RSA, 2009b:49).

In summary, some of the housing provision challenges that were identified during the assessments are as follows

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- ‘poor relations between the traditional leaders and the local municipality, which has a negative impact on the delivery of services;
  - traditional land ownership can clash with the need to the proclamation of townships;
  - lack of ‘free’ land for housing delivery in most areas – rural and urban;
  - high spatial development costs for a large number of small-dispersed villages;
  - the need to repeal regulations of older legislation;
  - the planning and management challenges associated with housing formalisation and regularisation of informal settlements;
  - the fact that fast growing informal settlements put pressure on municipalities to provide more services with scarce resources;
  - illegal occupation of RDP houses takes place due to delays and poor management of housing delivery and many housing projects remain incomplete due to corrupt or defaulting contractors;
  - vandalism of low cost houses takes place when beneficiaries do not occupy them; and
  - there is a lack of fairness in the allocation of houses – some communities are given preference over others’ (RSA, 2009b:50).

The report also highlights the challenges faced by local government with regard to navigating housing and land policies, through complex split authorities that limit decision-making and the local regulatory environment. Larger municipalities are discouraged by the complexities of accreditation and the reluctance of provinces to grant any of the three accreditation levels.

The focus of municipalities on the bureaucracy has excluded the poor. The absence of participation is the missing link in providing a democratic and accountable government. The report also highlights the high prevalence of inappropriate appointments in conjunction with lack of capacities, poor skills development programmes and weak institutional management (RSA, 2009b).

***In essence, certain policies illustrated the institutional exclusion of the majority of the population from the systems of municipal government. This would suggest that, at the core, the modus operandi of colonial and apartheid bureaucracy has not yet been overturned (Mamdani, 1996). What emerges is a dual system of city administration where the formal state benefits are not applied and poverty flourishes. Thus, poverty, unemployment and lack of access to basic social services remain the lived realities for millions, even with the advent of non-racial democracy (Edigheji, 2006).***

### **5.3 It’s a question of decentralisation**

Central to the topic of being able to overcome these governance challenges is the necessity for reforms to be able to enhance accountability for service delivery and at the same time limit the inherent problems of the traditional centralised system. McEwan (2002) argues for decentralising the delivery system.

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The argument for decentralising the public delivery system is that it allows local governments to be subjected to electoral pressures from local citizens, who will be able monitor delivery better than a distant central authority. Residents are then likely to be motivated not to re-elect those government officials or politicians who did not deliver these services. This may conceivably enhance accountability in the delivery process (Bardhana & Mookherjeeb, 2005:676).

Decentralisation thus requires an approach in which power is transferred to local authority, which often takes place under the guise of privatisation, civil support, social funds or development driven by the community (Prichette & Woolcock, 2004). Bardhana and Mookherjeeb (2005), on the other hand, question the simplicity of the argument as decentralisation is based on the assumption that local democracy will function effectively. The argument assumes that citizens will have a level of literacy and political shrewdness, which is often not the case in developing countries. The case study of Pakistan's decentralisation of its education system highlights the challenges faced with such assumptions. In that situation, the process of decentralisation led to misaligned responsibilities. The responsibility for appointing education staff to the districts remained within the provincial government, essentially leaving the district with limited or no authority over the hiring, firing, evaluation, or placement of teachers (Ahmad et al., 2005).

According to Devarajan et al. (2007), the current partial decentralisation, as is the case in South Africa, creates a situation in which most citizens expect national government to deliver service at a local level. This created a situation in which national government officials are often blamed for local ineffectiveness, thus removing the accountability from local officials.

What is created is a 'Catch 22' governance trap. Citizens are unable to hold local government accountable as national government may allocate resources according to where they expect to be able to reap maximum political dividends. Thus, performance of local government cannot be solely based on their ability to deliver service as national government controls the distribution of resources. In an attempt to overcome this challenge, the Financial and Fiscal Commission was established as an oversight committee to protect the fiscal transfers from national government to local government, and from national to provincial, to prevent political erratic behaviour. In recent times, the Commission has progressively lost its influence, as the country made its transition from its conflict years. This would suggest that political motives have influenced the distribution of resources between different tiers of government. It is this politicising that have affected the independence of the commissions, whose aim was to insulate intergovernmental finances from political capture (Ahmad et al., 2005).

The inability of lower tiers of government to manage public finances and maintain proper accounting procedures result in local government receiving less money than before decentralisation (Ahmad et al., 2005). To overcome this challenge calls for a strengthening in the capacities of local authorities, particularly concerning decentralisation. These challenges can only be

...overcome with leaders, managers and communities who have the capacity for adopting innovative and robust approaches to planning, developing, managing and financing growth for all citizens (Van Donk, 2008:28).

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***From the local government perspective, 'South Africa has not adequately begun to tap into this social capital for the advantage of society at large' (Ranchod, 2007:21).***

#### **5.4 Community participation and what lies beyond**

The UN-HABITAT Global Report on Human Settlements of 1986 broadly defined participation as people's involvement in certain projects or programmes that are aimed at improving their lives. This was reiterated in the 1990s by the United Nations Development Programme. A variety of forms of participation exists, and not all participatory processes necessarily empower communities. Community participation in relation to local government is often characterised as a process in which information is disseminated, thus leaving the responsibility of the decision-making to the bureaucrats and technocrats.

These decisions might have a negative impact, even if the decision makers were well-meaning. The South African housing practice has since 1994 been characterised by the 'top-structure' and 'project-based' focus; a focus which may have disrupted the livelihood strategies of many households. This sentiment could be observed in the phenomenon of people selling their subsidised housing and returning to informal settlements. This serves as a reminder that the house (building) is not necessarily perceived as a valuable 'asset' in relation to household's overall livelihood strategies (Baumann, 2003).

Departing from the rudimentary 1986 UN-HABITAT definition of participation, Imparato and Ruster (2003) describe participation as a process in which people, and especially disadvantaged people, influence resource allocation, policy and programme formulation, and implementation. This definition suggests a more organic and dynamic process that seems to embody a more energetic process of participation. The definition extends beyond participation in policy-making, and includes resource allocation as well as the implementation and post-implementation stages of projects. The definition also makes an indirect assumption about the importance of systems of planning in which it creates an enabling platform for community participation in the development of decision-making skills and activities (Hadingham & Wilson, 2003).

A more empowering form of community participation is the process in which communities are able to fully participate in the identification and prioritisation of their needs. This also includes the full participation in the decision-making process, with regards to the allocation of resources to meet those needs (Hadingham & Wilson, 2003). This process gives a voice to the poor and essentially paves the way for local community movements or organisations to be acknowledged as partners in their own development. At the same time, for the partnership to be effective, communities need to strengthen their participation.

Pieterse (2009) argues that it is the role of government or the intervening agency to facilitate the strengthening of capacity through its governance framework. The governance framework would in effect call for a change in power relations. The framework's mandate is to ensure that individuals, households and organisations are empowered in an inclusive way. This is done in opposition to individual beneficiaries who tend to lose their commitment to serving their community.

Effective local services, available to all citizens, require some level of local democratic practice and a genuine need to work together (to plan and construct infrastructure networks, and to identify and support those in acute need). However, this is difficult within a modern democratic state. State agencies see themselves (whether central or local) as the key agencies

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controlling activities (to the exclusion of others). If supervised by elected politicians, these agencies also consider that they have the right to do so, legitimated by the elections. State involvement tends towards centralised control and away from those directly involved, and tends to professionalise state activities, promoting a very different kind of authority from that of democratic collective practice. Williams (2008:178) argues that central government must challenge local elites to respond to the interests of ordinary people. Effective participation by ordinary people in local government programmes can, however, counter the elite.

Nurturing a meaningful generative relationship between communities and other actors for the participatory processes is important. Though Pieterse (2009) acknowledges these relationships, he argues that this is not enough. He says that government's objectives in the eradication of poverty will be continually missed unless the poor are consulted in informing government intervention programmes at a policy level.

The importance of participation in housing projects is linked to efficiency. Community participation directly benefits the state's agencies responsible for social welfare, planning and housing, as it broadens the resource base in terms of the physical, financial and human dimensions (Imparato & Ruster, 2003). This perspective argues for the engagement of disadvantaged people in the implementation of economic, social and cultural interventions that affect their lives (Imparato & Ruster, 2003).

Theoretically, this seems correct, yet within the African context of informal settlement communities, this perspective fails to take in account the cultural or socio-economic characteristics relating to these types of communities and their participation. In so doing, these communities are denied the right to engage in decision-making at levels that matter (Miraftab, 2003).

The South African housing policy acknowledges the right of communities to participate. This is a mandatory requirement for publicly-assisted housing projects. However, a gap still exists in which institutional requirements fail to promote the power of low-income communities in decision making and exercise of their participatory right (Pieterse, 2009).

An alternative to overcome these challenges to meaningful community participation in the public service arena is the notion of co-production. Though co-production is not the only answer, it is able to create an environment in which the themes of partnership, participation and inclusivity are highlighted and allowing for resources to be used more effectively.

## **5.5 Co-production**

Bovaird argues that, within public administration, there needs to be recognition with regards to the involvement of service users and their communities, which

...has a major democratic implication because it locates users and communities more centrally in the decision-making process... [and] demands that politicians and professionals find new ways to interface with service users and their communities (Bovaird, 2007:3).

This recognition of citizen involvement allows for a system transformation

...once clients and community activists become engaged in the co-planning and co-delivery of services alongside professional staff, the networks created

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may behave as complex adaptive systems, with very different dynamics from provider-centric services (Bovaird, 2007:3).

It is argued that, through this engagement of citizens, government is able to have a much wider impact across the policy areas in respect to planning, design and implementation. Effective change can only be achieved by moving beyond the borders of government receiving input from a wide set of institutions and actors (Rhodes, 2007).

The process of engagement and participation creates a change in civic behaviour, whilst fostering a greater citizen responsibility. Halpern et al. (2004:xxxx), states that these processes “is seen to strengthen individual character, enhance quality of life for the whole community, while at the same time lowering the tax burden and allowing for a less coercive state and judiciary”

A process that allows for this type of change to take place is the notion of co-production. Co-production is defined as:

...delivering public services in an equal and reciprocal relationship between professionals, people using services, their families and their neighbours. Where activities are co-produced in this way, both services and neighbourhoods become far more effective agents of change (Boyle & Harris, 2009:11).

Co-production is a ‘revolutionary concept in public service ... because it locates users and communities more centrally in the decision making process’ (Dunston et al., 2009:42). Co-production emphasises active citizenship, deliberative democracy and the participation of citizens as co-producers within all areas of public service sector functioning and development. This departs from the notion of citizens as consumers. It is within such a discursive shift that the idea of co-production has been emerging.

Osborne and McLaughlin (2004) assert that the original notion of co-production can be expressed in three manifestations namely, co-production, co-management and co-governance. All three manifestations allude to a type of co-operation, as they all have a direct influence on the nature of the service. Though they might not be exclusively linked to certain levels of analysis, there may be an empirical connection. Evers (2006) refers to the three notions as follows:

- Co-governance is an arrangement, in which the third sector directly participates in the planning and delivery of public services.
- Co-management refers to a partnership, whereby the third sector organisations collaborate with the state in producing services.
- Co-production refers to an arrangement where citizens, (at least in part) produce their own services and focuses on involvement.

Evers (2006) distinguishes the three concepts along two dimensions. One in which a distinction can be made between the organisational and the individual level. Co-management refers primarily to interactions between organisations, whilst co-production differs as it refers to voluntary-based individual citizen efforts. The other refers to the phases of the policy cycle, in which there is a distinction between planning and production. Co-governance differs from the other two; where co-production and co-management refer to the implementation, the latter focuses on policy formulation.

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The results in the emergence of co-production can be ascribed to two sets of drivers in which the variants of the inability of the state to provide are described as follows:

- The co-production arrangement can evolve due to a decline in governance capacity at local or national level. This arrangement is a response to ineffective service delivery by government, which results in an organised group of citizens to assist and monitor them. This type of arrangement process is described as the governance drivers of co-production. The consequence is a general change in the political environment (in the broad sense) that allows for co-production as a desirable or possible alternative.
- In some instances, co-production emerges as a result of government agencies being unable to deliver due to an environment that is too complex or varied, or where, due to budgeting, the costs of delivering service to a large number of poor households is too great.

For any form of co-production to have a lasting effect in the sphere of public administration and service, the need for ‘institutionalised co-production’ must be required.

Institutionalised co-production is the provision of public services (broadly defined, to include regulation) through regular, long-term relationships between state agencies and organised groups of citizens, where both make substantial resource contributions (Joshi & Moore, 2004:31).

Institutionalised co-production allows for effective means of mobilising the resources needed to cope with logistical challenges in the provision of public service. They are in fact widespread in situations that pose similar logistical challenges to comprehensive service delivery through state agencies. Perhaps the most visible examples from the recent development literature are of joint forest management, where forest departments and local communities co-operate to plant and protect forests, and share the eventual proceeds (Sundar et al., 2001).

In situations of a governance crisis, co-production can be used for political gain, allowing states to offer services and resources at reduced costs, thus broadening political support ‘in exchange for loss of control and power’ (Joshi & Moore, 2004:44).

### **5.5.1 Why co-production?**

Co-production argues that public services will be less effective if they are kept from the communities and people they are trying to help. Burns and Smith (2004) argue that the notion of welfare and services can only be effective through jointly produced programmes and policies by professionals and beneficiaries, in which they are not restricted to managing them. This participation creates a shift within the balance of power, responsibility and resources from professionals to communities and individuals concerning service delivery. Boyle et al. (2008) argue that people as active participants are an essential resource that can transform public service.

A major contribution of co-production is its cost effectiveness by allowing for extra resources in the form of help, support and effort from clients, their families and neighbours. These resources are non-monetary resources and are ignored, mainly because no price is attached. Their effective use demands major reforms to the structures of public services (the organisational structure), effectively turning them inside out. This requires a fundamental shift in the manner in which public services are provided and thought of.

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Co-production requires co-operation in which the public service sector is able to increase its resources, having a far-reaching impact and transforming its operation to be more effective. This creates a strong core economy of neighbourhood and family, which is central to the task of all public services (Boyle & Harris, 2009). Co-production requires an examination of local communities as a supportive innovative social network, using the vibrancy to help deliver and expand services. This departs from the traditional inward-looking targets and process approach adopted by most public service agencies and treating communities as institution enablers rather than looking just at what they need.

Parker and Heapy state that co-production practices and services require ‘dialogue, empathy and understanding, and intimacy,’ creating a channel in which the flow of information may flow upward as well as downward. Interaction is identified as

...engagement at the interface. Deliberation has to take place at the point of delivery to create the kind of engagement required for co-production where people are mobilised, coached, and encouraged to participate in the ‘common enterprise’ of generating positive outcomes (Parker & Heapy, 2006:51).

This notion of ‘citizen engagement’ or ‘service user involvement’, which is central to co-production, nurtures the principle of equal partnership. The principle of inclusivity allows for a dynamic transformation between the public and public service workers. Overcoming the notion of local government with distinctive roles (but not separate from the people they serve) allows communities and citizens to pool different types of knowledge and skills, based on lived experience and professional learning. This citizen and public partnership could also allow more effective tackling of stubborn social problems. Horne and Shirley (2009:10) argue ‘...citizens contribute more resources to achieving an outcome, share more responsibility and manage more risk in return for much greater control over resources and decisions’.

For movements or organisations such as housing co-operatives, co-production allows for the social strengthening of such organisations, as it gives these groups the capacity to understand the required changes in state delivery practices in order to address citizen needs (Mitlin, 2007). Through authentic participation, organisations have the capacity to campaign effectively for the required changes as they better understand service delivery at multiple levels. This process would find support within the lower-income settlements, as they are often characterised by unique, contextual and informal practices.

As Bovaird (2007:20) elaborates, co-production helps to achieve change through recognising the

...need to re-conceptualize service provision as a process of social construction in which actors in self-organizing systems negotiate rules, norms and institutional frameworks rather than taking the rules as given.

In doing so low-income residents would not have to adopt the practices of the wealthy, but rather build on familiar social relations.

Underlying the process of co-production requires all participants to contribute, to give back and help deliver the service, thus allowing for mutual support. This allows for the strengthening of (effective) public service delivery, not only those that require professional skills, but also services dependent on broader human capacities.

Co-production allows for the co-ordination of behaviours across organisations and for improving information about the quality of services delivered in the social service arena. It



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consists of multi-organisational networks, collaborations and partnership bringing together groups of contracting agencies and service producers (Kitchener et al., 2001). The establishment of multi-organisational arrangements and the ability to offer mechanism that enables the co-ordination of activities to deliver social services gives back some control to government entities that generally operate in a decentralised environment. Through the creation of these linkages, synergies may be realised, in which emerging complementary services can be identified, thus avoiding unnecessary duplication of efforts (Huxham, 1996). While often faced with the challenge to survive within a competing environment for funding and the continuous possibility of other organisations encroaching on their operation, such arrangements are a quintessential illustration of a desire for, and utility of, collaboration (Lowndes & Skelcher, 1998).

A local government that focuses on the exercise of power and control through its hierarchical structure becomes unable to function effectively when dealing with decentralised clusters of communities, organisations and local agencies. Evans (1996) argues that this emergent synergy moves beyond just between state and citizen. It also encompasses synergy between movements that allow for the practical engagement of

...the day to day needs of citizens, and their political aspirations for political inclusion and redistribution goals; goals that, arguably, can only be achieved with an organized mass of citizenry negotiating improved outcomes from the state through a political process (Moore, 2003:3).

Grassroots-organised co-production, with its more deliberate engagement with the state, appears to have a dynamic that encourages it to move beyond a local orientation and towards more substantive change. From the perspective of citizen groups, interest in being involved appears to be motivated both because such activities respond to immediate needs, and because it prepares communities for a more substantive engagement with the political system, particularly around issues of collective consumption. This enables them to negotiate for greater control and additional resources.

As an alternative form of service delivery, co-production has been hailed as beneficial for the following reasons: it allows for the active involvement of citizens in delivering services that could be viewed as participatory and it is in keeping with democratic ideals. Citizens are able to provide service agents with vital and accurate information about the needs and problems of their communities. This information can be used to adjust service delivery to meet expressed public needs. The co-production model of service delivery could be described as being economically viable in situations where public agencies need to operate with reduced revenues as service delivery costs rise (Mottiar & White, 2003).

### **5.5.2 Co-production in the developing world**

In the case study of the Shack Dwellers Federation of Namibia, Mitlin and Muller (2007) highlight how co-production is able to create positive relationship with the state and advance political solutions necessary to serve their interests as poor people. In this case, the grassroots experience suggests that civil society plays an important role concerning the ability of poor people to engage in political negotiation to try to ensure outcomes which favour their interests. These co-production activities allow for the emergence of new groups. These benefit the poor by expanding the political practice and including the experience of these new groups, thus pressuring the state to respond positively to their requests.

The federation as a grassroots organisation consisted of women-led savings schemes in very low-income settlements. Many women were frequently challenged by the lack of access to

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legal land tenure and sought ways to purchase affordable plots. In collaboration with the federation, the city government of Windhoek was able to develop a policy in which such organised groups were able to occupy land with communal services. They obtained low cost plots in this way, which meant that it was affordable to many of the lowest-income women. Once the tenure was secured, women were able to start improving their living conditions, either by saving or by borrowing money and investing it in developing individual plots. Members, who were unable to qualify for loans, used their savings to improve infrastructure. In certain instances, these women were provided with technical support from municipal staff.

The federation and all the members were motivated by one aim: to create low-cost solutions in which all members could have equal development opportunities. This demonstrated the capacity of low-income organised communities to collaborate effectively with the state to address common problems. It also allowed authentic citizen participation in the sphere of policymaking, and departed from the traditional approach of leaving policies to be developed by politicians and professionals. Consisting of a network of grassroots organisations, the Shack Dwellers Federation of Namibia illustrates the experience of influencing policy by entering into pragmatic engagement, rather than through lobbying 'from the outside'.

A notable feature was the sustained participation of the federation, which consistently accepted invitations to participate in state processes. This experience enhanced active participation through constant engagement with the day-to-day practicalities of service provision. An estimated 3,100 federation members were able to secure land, and 1,174 were able to access loans for improved services and infrastructure (Muller & Mitlin, 2004).

The use of co-production to create openings for citizen involvement in areas usually reserved for the state within conventional delivery models has been more widely used. Bovaird (2007) argues that this participatory approach draws in those citizens who want to engage with small daily politics, personally and concretely, but who often distrust local political parties and grassroots organisations and do not wish to become expert activists. This process creates and introduces a new kind of community to political activities. In some cases, it allows existing leadership to participate by choice, but to practice a different kind of politics. The proactive process that co-production offers encourage state transformation by presenting alternatives to traditional state delivery methods. For example, Namibia, Pakistan and India (see Mitlin, 2007) illustrate the beginning of the state's understanding of how co-production can contribute to effective government functioning and achievement of political objectives. At the same time, one has to acknowledge that most governments measure and negotiate changes in accordance with what will bring them political gain.

In an analysis of participatory budgeting in Porto Alegre and other Brazilian cities, Avritzer (2006) notes that though the approach successfully improves access for lower income settlements in rural cities, there is little chance of seeing changes in democratic practices (for example greater participation of associated actors) in the decision-making processes at local level. This statement suggests that the success is due to an existing political culture of the area, assisting in the preparation for change to alternative approaches to public administration. Depending on how success is measured, these ambiguities can be interpreted to limit co-production to a being state-sponsored practice rather than representing empowerment of people at the grassroots or more accountable government.

Describing the case of Mumbai, India, Ackerman argues that

...the supply side of the equation is crucial. Without the capacity and well-financed state apparatus that can actually respond to popular demands and

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participation, such accountability mechanisms would create more disenchantment than hope (Ackerman, 2004:455).

What he emphasises is the importance of the reform-minded bureaucrat holding the city government to account.

### **5.5.3 Challenges of implementing co-production**

Even though co-production in the arena of public services gives a sound alternative approach to service delivery, it is often faced with difficult and varied challenges. Underlying co-production is the notion of transformation which calls for change in the fundamental principles of public service administration, but change is usually a difficult process.

Within the realm of political opportunity structures, there is limited participation, as civic organisations, citizens and communities lack the support, in terms of education, income, time and citizenship skills, which are often the main challenges to ensuring authentic participation (Verba et al., 2001). The reality is that citizens will not participate in structures if they think their participation will not have an impact (Pattie et al., 2003).

Change in any context is often a difficult process, and is often the motive, that underlies co-production. The implementation of authentic participation through co-production often means a change in processes and procedures. This type of change is traditionally resisted by large bureaucracies.

In most cases, the co-production process also calls for a move toward decentralisation, which is often received with trepidation as it allows for the transfer of responsibility to its participants who are traditionally seen as passive recipients, rather than drivers of solutions based on their own capacity. An example of this is that public servants may feel that handing over certain tasks makes them less important to their employers. The traditional hierarchical public administration structure inhibits the vibrant and rich learning experience and support for innovative thought that is associated with the co-production process. Another challenge faced by local officials is that handing responsibility to participants means that, although the outcome is not in their control, they remain accountable for what transpires.

In most cases, local authority officials play a frontline role in providing information about citizenship, though many local authorities still have the tendency to rely on mechanisms and structures, rather than focusing on the skills and willingness of citizens to engage them (Andrews et al., 2008). Traditionally motivated by efficiency in processes, citizen participation can be viewed as complicating procedure and curtailing productivity. This argument should not be negated, considering that citizens might not have the capability and skills required for public service delivery, and also lack experience (Mottiar & White, 2003). It is therefore understandable that local officials would be suspicious of the co-production process, as few have ever received training concerning partnering with civic organisations and citizens on such a level.

Ostrom's (1996) case study of the Nigerian primary education co-production process highlights the aforementioned limitations of such an initiative. The study indicated that citizens were able to mobilise themselves around community issues and for co-production of goods and services. In fact, the study highlighted an eagerness by the community to actively participate in activities such as repairing school buildings, building community centres, and installing sanitation services such as pit latrines for students. In spite of this willingness, their efforts were frustrated by local government authorities (LGAs). The LGAs were characterised by a top-down decision-making process, in which most of the officials worked

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in isolation from events in the villages. This resulted in a serious lack of support from the LGA for any project, and instead they often were the cause of delays as permission from government authorities was never received (Ostrom, 1996)

In essence, co-production attempts to resolve a paradox, as effective local service delivery to all citizens requires some authentic participation, in which a degree of local democratic practice is exercised. Many state agencies regard themselves as the exclusive agencies controlling such activities. If these agencies are headed by elected politicians, they often consider themselves the custodians of power, legitimated by elections. Mitlin (2007) argues that centralised control creates a tendency for states to steer away from participants directly involved. This combined with the professionalisation of state activities and promotes a type of authority that contradicts democratic collective practice.

The political opportunity structures created by local government fails to provide a satisfactorily attractive offer to citizens in terms of the variety of opportunities to volunteer or join groups and actively participate in meetings; and the quality of these opportunities to provide support that would allow significant influence and stimulate appropriate institutional responsiveness.

As an alternative form of service delivery, co-production can be described as beneficial for a number of reasons. Firstly, the active involvement of citizens and communities in delivering services could be viewed as participatory, in keeping with democratic ideals. These democratic ideals form the foundations of a co-operative in its daily operation. It is through this process of participation that citizens and communities will be able to provide service delivery agents about important and accurate information concerning their needs and challenges. Secondly, co-operatives can galvanise action on community problems and provide a legitimate platform from which to speak about these issues. Thirdly, and most persuasively, the co-production model of service delivery could be described as being economically viable in situations where public agencies need to operate with reduced revenues as a consequence of rising costs of service delivery.

## **5.6 Conclusion**

This chapter focused extensively on the inability of local government to deliver effective public service. The discussion about public service and privatisation aimed to highlight major issues of this growing global phenomenon in the public administration arena. Privatisation of public services may have its merits, but should not be seen as the sole solution to challenges facing local government service delivery. Privatisation may bring about a transformation of the public sector which excludes citizens, communities and movements, reducing them to mere passive beneficiaries.

Although South Africa is committed to a democratic and participatory government model, the COGTA report on local government (RSA, 2009b) highlights the gap between promises of delivery and the reality at grassroots level. The report gives a clear indication of the extent of internal challenges local government agencies in South Africa face, such as budgetary and skills deficits.

The discussion of community participation was introduced as a form of partnership in which individuals are given not only a collective voice, but also afforded access to varied resources, knowledge and experiences to deal with the significant challenges that face them. Authentic participation requires an organic approach in which the partnership has to develop and

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constantly grow through vibrant interaction. The result of these interactions can only have a meaningful impact through the decentralisation of local government. Decentralisation potentially allows local government to be more flexible in its approach to service delivery solutions. It also allows local government to plan, manage and implement projects in partnership with the respective constituents and communities they serve. Understanding the value of co-production paves the way for communities to develop themselves as partners with local government. The shift from local government as sole provider to its people towards an understanding public service delivery as a mutual beneficial service would allow for a different approach to the local housing crisis. It is through exploring and understanding concepts such as decentralisation and co-production that would allow for innovative responses to the questions facing public service delivery. One of these may well lie in the form of housing co-operatives as one approach to managing the housing crisis.

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## Chapter 6

### Research findings

This chapter describes the most important findings which emerged from the research questionnaire (see Appendix A).

#### 6.1 *Demographics of the research sample*

Demography has become an important part of understanding and analysing housing research, as well as the housing market. Demographic information about age, for example, can play an important role in informing assumptions about likely housing demand and price levels. One could thus argue that demographics can make a significant contribution to accurately forecasting housing demand. The use of demography in this study answers an important question with regards to the housing crisis, namely, ‘who are the people we are aiming to provide housing to?’ It allows for a glimpse into the socio-economic group that experiences the consequences of government’s inefficiencies and lack of effectiveness with respect to service delivery within the public housing sector.

#### Age

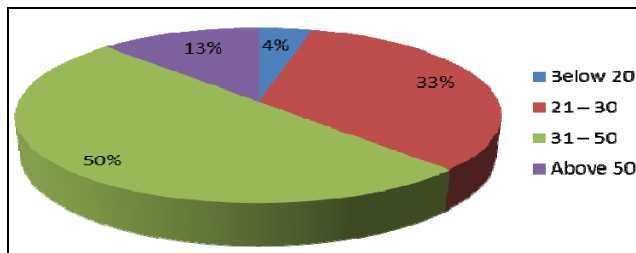


Figure 6.1: Age

Figure 6.1 show that 50 percent of the respondents who volunteered to take part in the research are between the ages of 31 and 50 years and a further 33 percent fall between the ages of 21 and 30. This suggests that housing is seen as particularly important by young adults. It is also important to note that participants over the age of 50 years were less interested in participating in this research.

#### Economic status

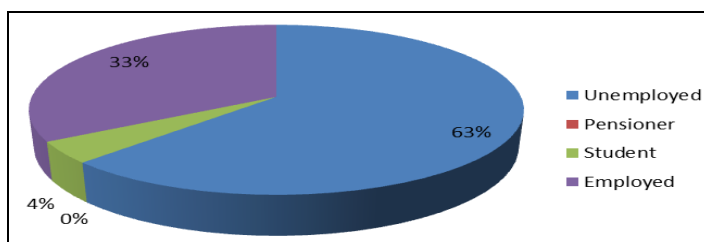


Figure 6.2: Economic status

Sixty-three percent of the research population group is unemployed (Figure 6.2), a factor with important implications for government’s aspiration to provide affordable housing. The high unemployment rate of the research population mirrors the current unemployment rate of South Africa as a whole. This finding supports arguments in favour of the need for subsidising housing provided at state expense rather than considering private sector mechanisms primarily driven by the profit motive. That said, the private sector does act as a building agent and developer to government.

### Total monthly gross income

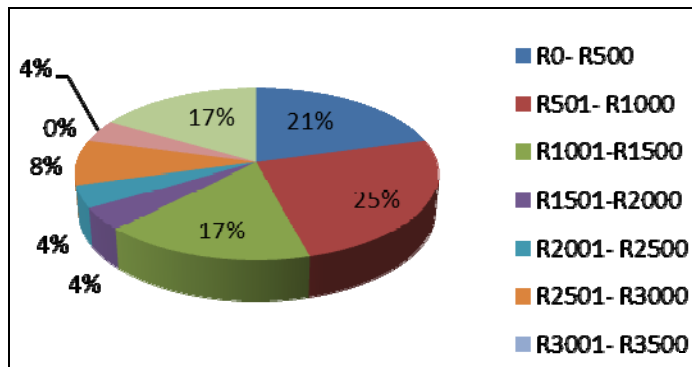


Figure 6.3: Total monthly gross income

The high unemployment rate means 46 percent of respondents earn less than ZAR1,000.00 per month (Figure 6.3). This effectively excludes them from being able to buy a house. The government’s failure to provide adequate housing has a direct impact on people in this socio-economic bracket because they have no other options.

### Tenure rights

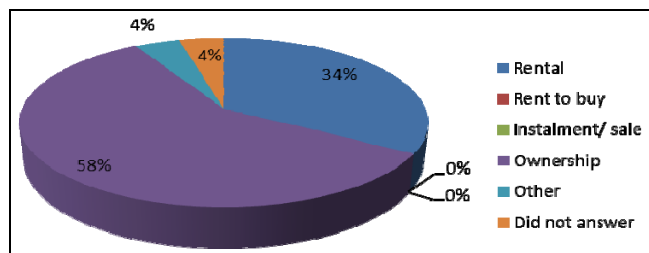


Figure 6.4: What type of tenure rights do you have?

Figure 6.4 highlights that 58 percent of the respondents own their houses which shows that a significant proportion of participants have fully invested in their homes. The relative permanence of home owners plays an important stabilising role in the housing scheme.

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### Number of people per dwelling

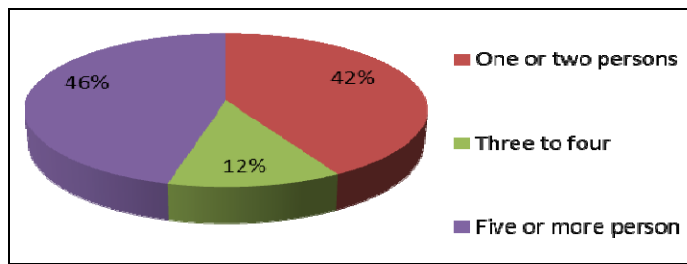


Figure 6.5: How many people live in your flat, house or room?

Figure 6.5 indicates 46 percent of respondents have five or more people living in their homes. This high occupancy could be interpreted to mean that there is a shortage of accommodation in the housing scheme or perhaps that extended family members share dwellings with respondents.

### Place of origin

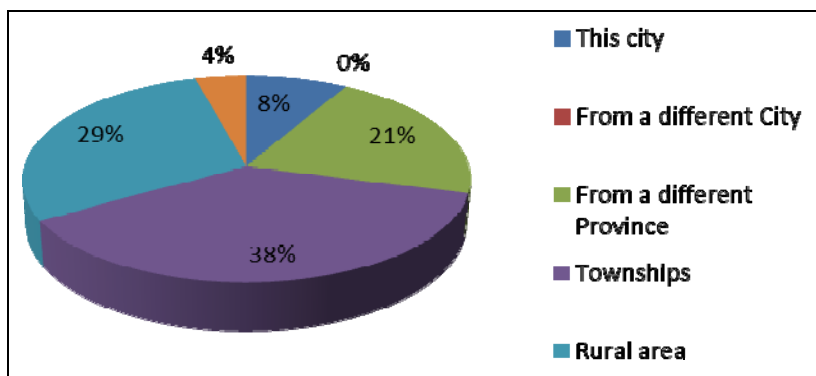


Figure 6.6: Where is your place of origin?

Figure 6.6 shows that most of the respondents are not originally from their current places of residence. The survey indicated that 38 percent of respondents are from other townships, whilst 29 percent are from rural areas and 21 percent from a different province.

### Reason for staying in this housing type

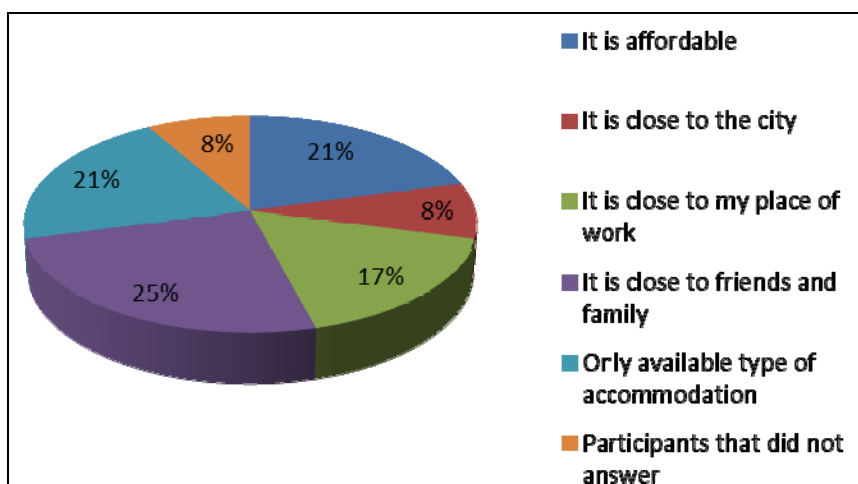


Figure 6.7: Reasons for staying in this housing type



Figure 6.7 interestingly highlights that the largest part (25 percent) of respondents live in a specific area because it means they are close to friends and family. This may be motivated by the desire for personal security (in the sense of social support). Family and affordability were equally important to respondents, with each category scoring 21 percent. This was followed by closeness to work. All these have major significance with regards to human settlement planning. Living in cities provides a better level of access to affordable housing, jobs and services than may be available in rural locations.

### Length of stay

The length of time people have lived in their dwellings indicates that people like living in the area – 42 percent said they had been there for longer than three years. The 42 percent that had been living for less than a year might be migrants who have moved to town in search of a better life.

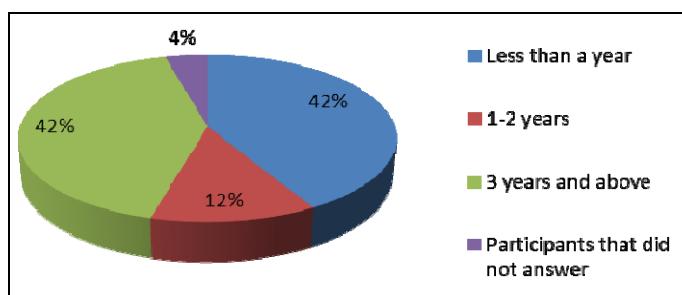


Figure 6.8: How long have you been staying in this housing?

## 6.2 Public service provision

### Toilet facilities

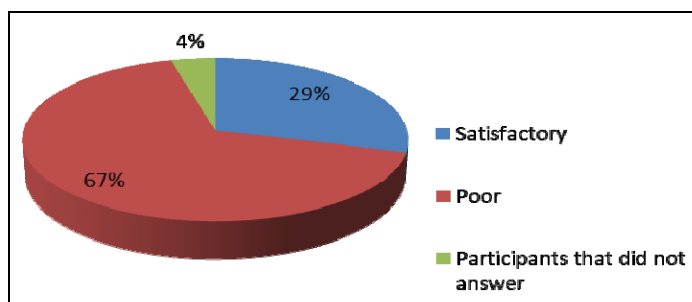
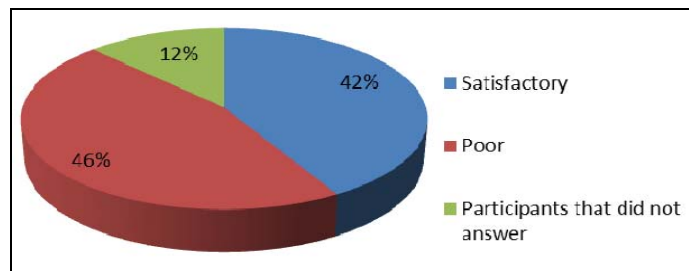


Figure 6.9: How would you rate the toilet facilities available in your dwelling?

The survey assessed the experience of participants with regards to toilet facilities, the provision of water and electricity and cable connections. There was significant dissatisfaction with regards to toilet facilities. The toilet facilities were rated ‘poor’ by 67 percent of respondents (Figure 6.9). This was attributed to shoddy work by the contractors.

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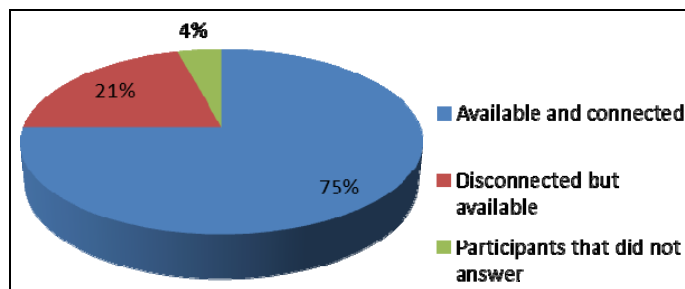
### Electrical supply and connections



**Figure 6.10: How would you rate the electrical supply and connections in your dwelling?**

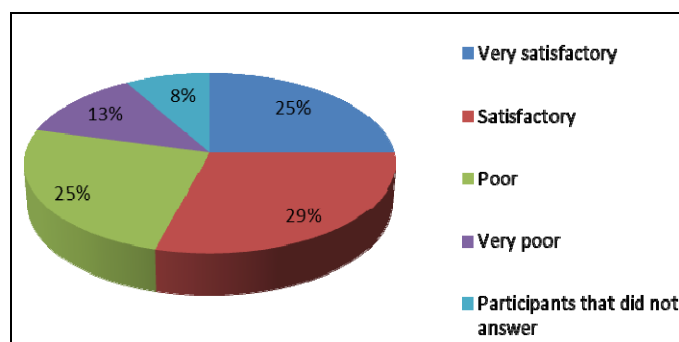
The survey indicated that dissatisfied respondents (46 percent) slightly outweighed satisfied ones (42 percent) with regards to electrical connections to the dwelling. This was attributed to exposed wiring, erratic power supply and in some cases illegal connections. Those who rated it as satisfactory attributed their satisfaction to frequent maintenance.

### Water supply



**Figure 6.11: What type of water supply do you have?**

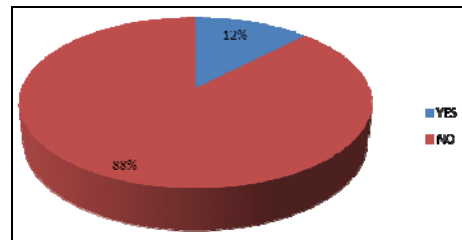
Three quarters of respondents reported that they had access to both water connections and to water (Figure 6.11). More than half the respondents were satisfied (29 percent) or very satisfied (25 percent) with water supply (Figure 6.12). A significant proportion was not satisfied (25 percent), while 13 percent thought the service was very poor.



**Figure 6.12: Are you satisfied with the water supply of your housing scheme?**

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## Recreational facilities

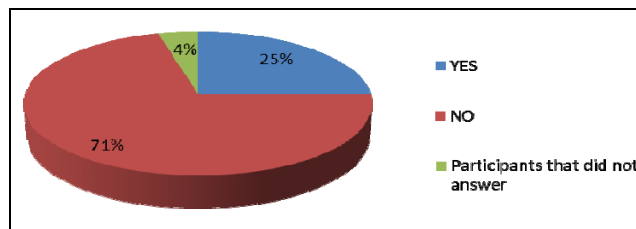


**Figure 6.13: Are there any type recreational facilities in this housing scheme?**

Figure 6.13 shows that 88 percent of respondents had limited access to recreational facilities and only 12 percent have access to such facilities. Communal spaces in which communities can interact on a social level are an important component of community-building, sustainability, ownership of the housing environment and community cohesion

### 6.3 Perceptions and attitudes towards the scheme

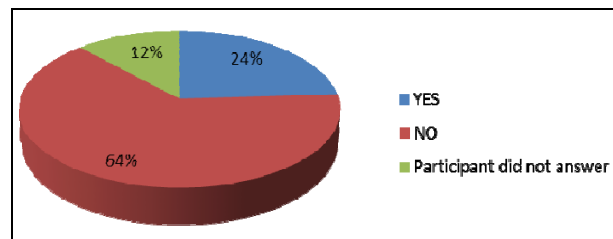
#### Are you part of a housing scheme?



**Figure 6.14: Are you part of a housing scheme?**

Most respondents were not part of a housing scheme (71 percent, Figure 6.14) and most of those in a housing scheme did not understand the scheme (64 percent, Figure 6.15). This could be due a lack of information or a lack of skills and knowledge about housing schemes.

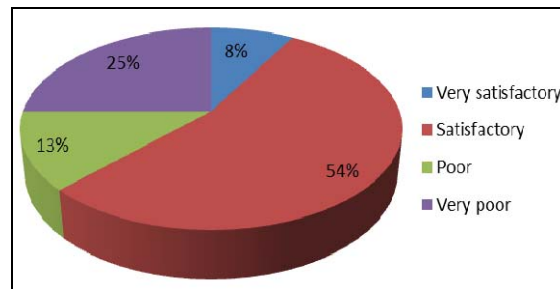
#### Do you understand the type of housing scheme you are in?



**Figure 6.15: Do you understand the type of housing scheme you are in?**

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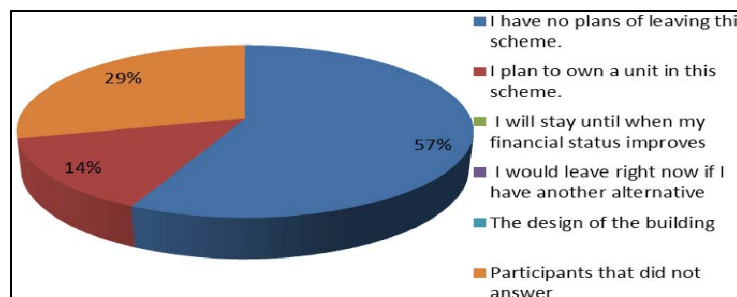
### Satisfaction with present living arrangements



**Figure 6.16: How satisfied are you with your present living arrangement?**

More than half (54 percent) of the respondents were satisfied with their present living arrangements.

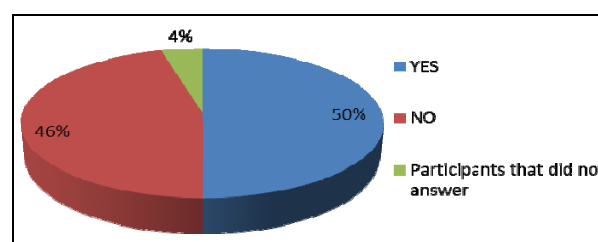
### Intended length of stay



**Figure 6.17: How long do you intend on staying in this housing area?**

More than half (57 percent) had no intention of leaving, suggesting a stable community.

### Quality of life

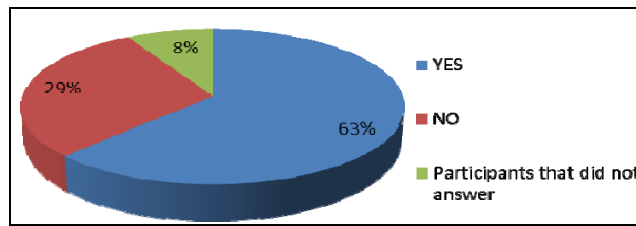


**Figure 6.18: Has the quality of your life improved by staying in this housing scheme?**

Half the respondents felt that the quality of their lives had improved (Figure 6.18) and 63 percent said that the cost of living was different to where they lived previously (Figure 6.19). Many respondents felt that quality of life improved in that receive some sort of service from local government.

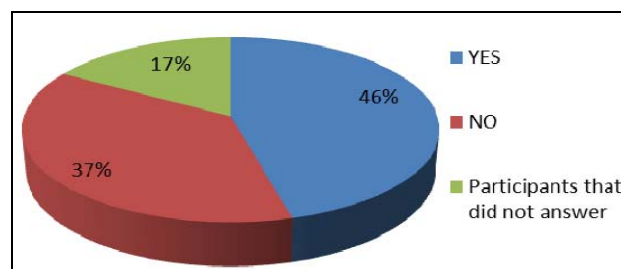
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### Cost of living



**Figure 6.19: Has the cost of living here differed from where you previously lived?**

Only 46 percent felt that their current form of housing was affordable (Figure 6.20) compared to 37 percent who said that is not affordable.

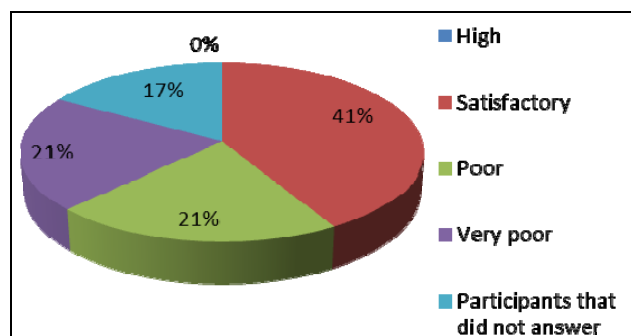


**Figure 6.20: Looking at your current monthly expenditure, do you believe this type of housing is an affordable alternative?**

### 6.4 Management of the housing crisis

This section of the survey explored the relationship between the respondents and local government by examining their experience with regards to service delivery and the extent to which residents play an active role interacting with local government.

#### Quality of local government service



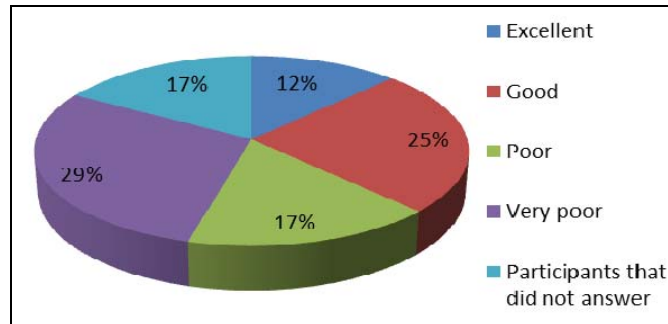
**Figure 6.21: The quality of service delivered by local government would be best rated as...**

The largest proportion of respondents (a total of 42 percent) rated local government service as poor or very poor, and only 41 percent rated it as satisfactory (Figure 6.21). The rest of the participants believed that the lack of service was due to local government's lack of

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engagement (22 percent), in that residents are not consulted in the running of housing schemes (15 percent) and that the environment was not well maintained (11 percent).

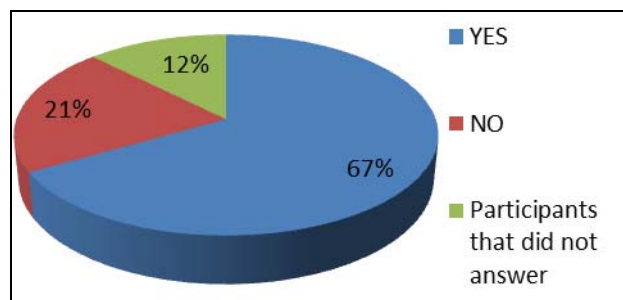
### Communication and relationship with local government



**Figure 6.22: How would you rate the level of communication and relationship between the tenants and local government?**

Figure 6.22 shows a broad range of perceptions of the quality of communication and relationship between tenants and local government.

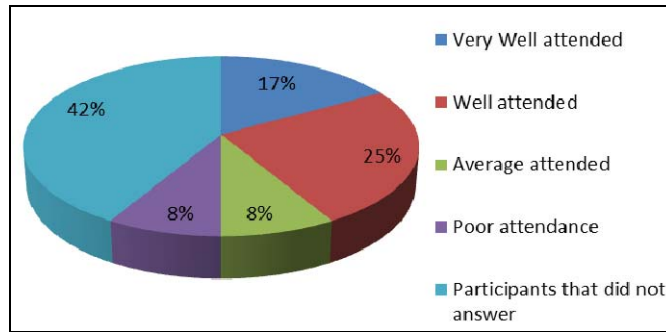
### Participation in housing meetings



**Figure 6.23: Do you attend housing meetings?**

The survey also tried to establish to what extent residents are invested in and active with regards to their housing. Figure 6.23 indicates that 67 percent of the respondents attended housing meetings in the community. Only 21 percent said that they did not attend any housing meetings. This gives a preliminary indication of how important residents consider housing to be and also their willingness to understand issues and challenges, and to share possible solutions.

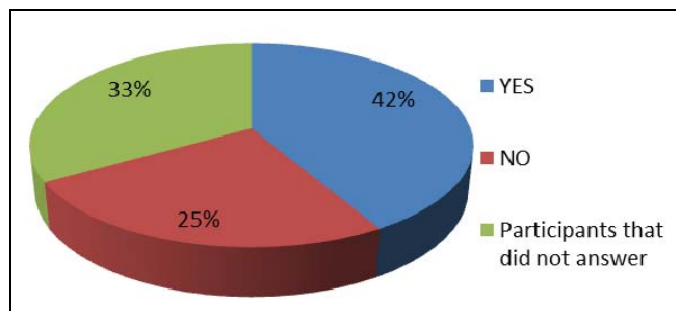
The high percentage of the respondents who attend housing meetings is indicative of the willingness of these residents to be active participants in managing and contributing to the housing scheme. This willingness creates a fertile environment for engagement with local government which could act as a vehicle for the creation of partnerships. This conclusion is further supported by the 42 percent of respondents who felt that, in general, housing meetings were well attended over a period of a year (Figure 6.24).



**Figure 6.24: If yes, how would you rate the attendance of meetings in the past year?**

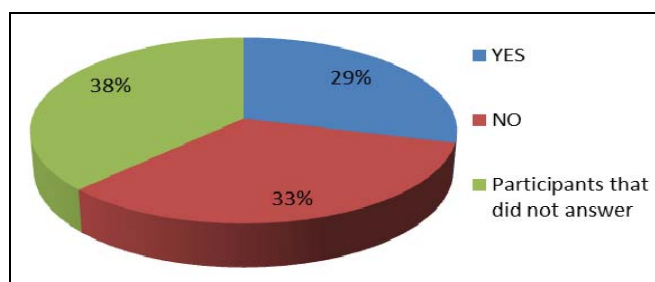
### Quality of engagement at housing meetings

Though the interaction at meetings was seen to be good, 33 percent felt that local government did not respond well to issues raised at these meetings (Figure 6.25). Figures 31, 32, 34 and 35 raise many questions about why local government is still not willing to meet communities as partners.



**Figure 6.25: Are the residents allowed to express their views and problems at the meetings?**

### Response of local government to issues raised at meetings

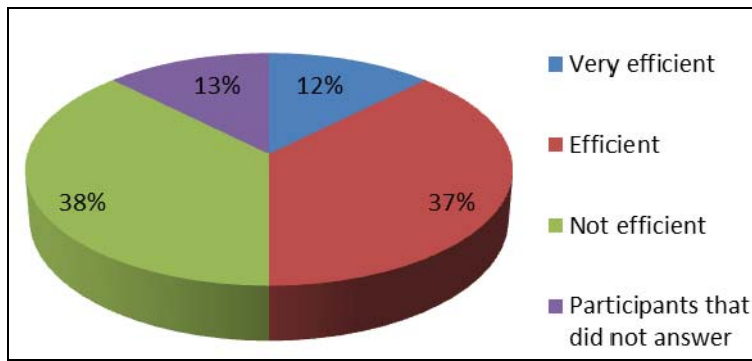


**Figure 6.26: Does the local government respond well to the issues raised at meetings?**

Figure 6.26 shows there was a marginal difference between the proportion of respondents who felt that local government did not respond well to the issues raised at meetings (33 percent) compared to 29 percent who held the opposite view. It is likely that local government has engaged with some individuals and not others.

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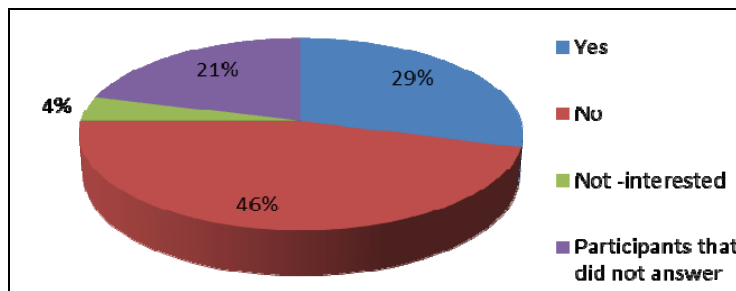
### Efficiency of local government response to solving problems



**Figure 6.27: How efficient is the local government in solving problems in this housing scheme?**

Figure 6.27 indicates that opinion was evenly split on whether local government was effective or not in respect of dealing with problems in the housing scheme. However, 46 percent of respondents felt that local government does not keep them well informed about the management of the housing scheme (Figure 6.28). Local government could be perceived as being secretive and not transparent in its dealings with housing scheme beneficiaries.

### Are you well informed by local government on how the housing scheme is managed?



**Figure 6.28: Are you well informed by local government on how the housing scheme is managed (e.g. income generated, building expenditures etc.)**



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## Chapter 7

### Conclusions and recommendations

The research questions of this study were:

- To what extent do social and economic issues spur the establishment of informal settlements in a context of increasing in-migration from rural to urban areas?
- How do we bridge the gap between demand and supply of affordable housing for those who fall within the low-income bracket?
- If local government is to collaborate with communities to jointly manage resource allocation (co-production), what implication would this have for local government in its role as public service provider?

Chapter 1 dealt with aspects of the policy environment in South African housing, as well as a housing delivery model in which people were perceived as passive beneficiaries of an externally managed process. The research indicates the existence of an active civil society that wants to engage and collaborate with local government. For example, respondents voiced their opinion concerning the design and size of the unit, indicating there is a potential for a more active role for beneficiaries. Co-operatives are often described in the literature as entities that are able to provide members with services that could not be provided by other agencies. Housing co-operatives could provide people with more voice against the background of the lack of a consultative approach on the part of local government, thereby assisting them to meet their needs more effectively.

It is self-evident that the population influx caused by in-migration from rural areas increases pressure on an already over-burdened urban infrastructure. The research confirms that economic pressures are a primary driver of migration to urban areas – most participants migrated towards a more economically viable location. According to Bhuyan and Olsen (1998), a co-operative is the ideal type of organisation to channel contributions to the socio-economic upliftment of its members. Given the high rate of unemployment among participants, housing co-operatives could potentially function as a channel for economic and social programmes.

Idealistic as it may sound, it is important that government take a more active role in collaborating with civil society organisations and private institutions motivated by profit. One of the essential benefits of co-operatives is the bargaining power they may hold by virtue of the fact that they represent a large group of members. Internationally there has been a realisation that the co-operative housing movement plays ‘... an important role in terms of promoting social integration and to remove barriers and eradicate discrimination in the provision of shelter’ (UN-HABITAT, 2002b). If housing is a basic human right under the South African Constitution, should this then not take precedence over profit?

Respondents’ complaints concerning the size and design of home based units’ highlights the potential value of collaborative approaches and consultation with beneficiaries by local government. For government to be able to protect the rights of vulnerable people, it has to afford the poor to access space where they can secure and sustain a livelihood. The emphasis must move away from a house as a physical structure towards the location of the house, since this is a critical determinant of livelihood potential.

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An important conclusion one can draw from the results is government's inability to engage with community as organisation or entities that have the ability to self-organise and become an active participant in state housing delivery. The attitude of local government officials appears to be informed by an insistence on treating communities as if they do not understand the intricacies of the housing process; indeed that they need protection from these intricacies.

Co-operatives, as one of the alternatives, have good potential to succeed, given South Africa's social activist history. They would allow a voice *for* the poor, *from* the poor. The democratic principles under which well-functioning co-operatives are established would allow them to establish an easy foothold within communities.

## **7.1 Recommendations**

### **7.1.1 Collaborative participation/decision-making**

Local government officials lack the resources and skills to engage with and provide housing and services effectively to a large section of their constituents. One response to the housing crisis could be the promotion and establishment of housing co-operatives within communities. This requires a considerable effort on the part of local government in education about and facilitation around the establishment of well-functioning co-operatives. Communities should have the option to establish a housing co-operative to either partner with local government or manage the direct provision of houses to its members.

The introduction of the Co-operative Act in 2005 provides a legal mechanism for local government to promote and facilitate the establishment of such entities. Appropriate co-operatives could provide a clear self-empowerment vehicle for communities to participate in the identification and prioritisation of their needs.

Democratic housing co-operatives have the potential to support the development of a more active citizenry, especially poor people who rely on the provision of public goods and services to a greater extent than their more fortunate countrymen and women. The empowerment element is a product of participatory decision-making which provides an opportunity and incentive for people and communities to strengthen social bonds. It is in the interests of government to facilitate the emergence of effective grassroots movements of this kind around social goods like housing because people have a stake in being active development partners. Meaningful participation provides a mechanism for the delivery of social goods to take place in a way that also achieves economic and social development goals. While this is not always the case, co-operatives are not affiliated to a direct political agenda because they focus on the needs of their members.

The South African housing policy acknowledges the right of every community to participate in public housing projects. Housing co-operatives may narrow the gap that currently exists between the institutional requirement for public participation and its failure to promote the ability of low-income communities to make decisions about housing, which undermines the exercise of their participatory right (Pieterse, 2009). One could therefore see the link between the housing co-operative and the principle of community participation required by the Social Housing Act (RSA, 2008c).

It is recommended that co-operatives should also be allowed to manage government-housing subsidies for their members after suitable training in financial skills and management. As most housing co-operatives are founded on non-profit principles and a one-vote one-member principle, the chance for corruption is minimal. Members of housing co-operatives will have

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an opportunity and incentive to be actively involved in the construction of their houses. If housing co-operatives have the power to award housing contracts to suitably qualified local individuals and businesses, they can ensure that the economic benefit of state housing subsidies are extended by stimulating local business (contractors and suppliers), and providing income to local labourers. The prevailing pattern is to award housing contracts to big businesses which are located outside the area, probably procure their supplies from outside the area, and may prefer to use labourers who come from outside the area.

Meaningful dialogue and participatory decision-making would allow for the discussion of options in housing designs and size to be discussed and acted upon. The quantum of the housing subsidy itself is established by central government; the scope for discussing the location of such a building, its design and size would lie elsewhere, e.g. in people providing unpaid labour to build their own houses, or adding savings to the subsidy to increase the amount available from the start. Participation, suitably facilitated, allows for co-operative members to contribute their views to the discussion. Certain decisions would be subject to majority votes, e.g. rules of the co-operative. House designs and size, especially in Africa, may be determined by geographical or cultural concerns. There may be scope for communities to express their identity through locally appropriate architecture. This is a win-win situation because people get something which is closer to what they feel comfortable with and can identify with, and government officials who behave in good faith would gain legitimacy.

### **7.1.2 Governance and training**

Emerging from the literature review are two types of housing co-operatives styles that seem to work in South Africa. It is recommended that local government try these two styles as they have been tried and tested within the national context, without being closed to the possibility that community co-operatives may have even better ideas for addressing their own unique requirements.

NGOs may have valuable experience of the establishment, operation and pitfalls of housing co-operatives. They may be valuable partners with the ability to manage consultation and training processes.

Government should move towards creating mutually beneficial partnerships. This requires a fundamental shift in the psyche of government away from being a parent figure (which borders on welfarism; an inherently disempowering approach) towards a partner.

Such an approach would require local government to acquire new skills and responsibilities, including putting in place mechanisms for monitoring progress, rewarding success and addressing challenges that communities may experience. Sufficient funding and support would be required to establish housing co-operatives for communities.

South Africa's high unemployment rate and high rate of poverty are often seen as an obstacle as many co-operatives require a joining fee.

### **7.1.3 Local government as facilitator**

Housing co-operatives should be seen as an option, as one of many possible alternative approaches to responding to the housing crisis. Core to the success of any co-operative is voluntary participation and commitment from members. Any attempt on the part of

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government to require or coerce people to become members of co-operatives as delivery mechanisms would corrupt this grassroots, bottom-up approach to development, and would justly be viewed with suspicion.

Local government should essentially be a facilitator of such a process, not present it as a hybrid in which dominant political ideologies and agendas continue to hold sway. Government should be committed to the role of co-operatives as independent and autonomous entities within a specific agreed framework for decision-making. Entering into dialogue with autonomous co-operatives challenges the traditional notion of government as sole guardian and implementer of public service provision. This process of dialogue aligns itself to underlying principles of co-production, in which all participants promote mutual support, and in which all participants are required to assist and contribute to delivering services. Given the nature of well-functioning housing co-operatives, which focus on the importance of members, such an approach reflects the notion of service beyond purely professional skills; it supports the notion that effective service provision is also dependent on a wider set of human capacities.

The dialoguing process underpins the concept of service provision as a social construct, in which housing co-operatives and government create self-organising systems and negotiate institutionalised frameworks, norms and rules, thereby moving away from the idea of beneficiary communities being passive recipients.

It is imperative that local government understands its role as facilitator, together with allowing co-operatives to act independently within agreed parameters. In such a system, one key role for government is to facilitate the growth of co-operatives into autonomous entities that effectively act to meet the needs and aspirations of their members and the unique communities they represent. Communal ways of working fit especially well within the African context. This holds the potential for government to allow each community to be able to express its own identity, thus validating and acknowledging its distinctiveness.

It is recommended that where housing co-operatives are established, they need to become an essential partner to local government concerning planning, designing and implementing government programmes for that area. In this process of co-production, housing co-operatives are in a unique position to provide access to their social networks as 'arteries' through which government programmes can flow. It is these 'arteries' that would allow government to establish and maintain 'dialogue, empathy and understanding' and 'intimacy,' with an active citizen population.

In this process of collaboration citizens and communities need to be seen as resources, and the relationship between communities and managers working in the public sector has to shift from dependence towards inter-dependence. This would challenge the dominant paradigm in which public servants are 'experts' who can improve public services, and move towards an understanding that important social goals, like the provision of housing for people with small incomes, can more effectively be provided through the collective action, capacities and resources of government, civil society (including co-operatives, where appropriate) and the private sector.

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## Appendix A: Questionnaire addressed to occupants of social housing schemes

Kindly tick the option appropriate to you.

### **Demographics**

#### **1. Age**

Below 20	
21–30	
31–50	
Above 50	

#### **2. Gender**

Male	
Female	

#### **3. What is your marital status?**

Married	
Single	
Divorced/widowed	
Separated	

#### **4. Economic status?**

Unemployed	
Pensioner	
Student	
Employed	

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**5. What is the total monthly gross income of your household?**

R0–R500	
R501–R1000	
R1001–R1500	
R1501–R2000	
R2001– R2500	
R2501–R3000	
R3001–R3500	
Above R3500	

**6. What type of tenure rights do you have?**

Rental	
Rent to buy	
Instalment/ sale	
Ownership	

Other: \_\_\_\_\_

**7. How many people live in your flat, house or room?**

One or two persons	
Three to four	
Five or more person	

**8. Where is your place of origin?**

This city	
From a different city	
From a different province	
Townships	
Rural area	

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**9. Reason for staying in this housing type**

It is affordable	
It is close to the city	
It is close to my place of work	
It is close to friends and family	
Only available type of accommodation	

Other reason: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**10. How long have you been staying in this residence?**

Less than a year	
1–2 years	
3 years and above	

***Public service provision***

**11. How would you rate the toilet facilities available in your dwelling?**

Satisfactory	
Poor	

Reasons for your answers: (you can choose more than 1 option)

The sanitary fixtures (bath tub, water closet, wash hand basin) are in good condition	
There is constant supply of water	
There is no water supply	
The toilets are dirty and smelly	

Other reasons: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

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**12. How would you rate the electrical supply and connections in your dwelling?**

Satisfactory	
Poor	

Reasons for your answers: (you can choose more than 1 option)

There is constant electrical supply	
There are exposed electrical wires around the scheme	
The power supply is erratic	
There are illegal electrical connections in this housing scheme	

Other reasons: \_\_\_\_\_

\_\_\_\_\_

**13. What type of water supply do you have?**

Available and connected	
Disconnected but available	

**14. Are you satisfied with the water supply of your housing scheme?**

Yes	
No	

Why? \_\_\_\_\_

\_\_\_\_\_

**15. How would you rate the water supply and connections in your dwelling?**

Very satisfactory	
Satisfactory	
Poor	
Very poor	



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Reasons for your answers: (you can choose more than 1 option)

The cost of the water supply is cheap	
There is a constant supply of water	
Hot water is available	
The water supply is limited	

Other reasons: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

**16. Are there any recreational facilities in this housing scheme?**

Yes	
No	

**17. If yes, how would you rate the main recreational facility (Open space or playground)?**

Very satisfactory	
Satisfactory	
Poor	
Very poor	

Reasons for your answers: (you can choose more than 1 option)

It promotes social interaction	
It's big and safe for children to play	
It's is not well kept (i.e. dirty, grass is not cut	
It is too small and not safe	

Other reasons: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

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**Perceptions and attitudes towards the scheme**

**18. Are you part of a housing scheme?**

Yes	
No	

**19. Do you understand the type of housing scheme you are in?**

Yes	
No	

**20. How satisfied are you with your present living arrangement?**

Very satisfactory	
Satisfactory	
Poor	
Very poor	

Reasons for your answers: (you can choose more than 1 option)

The services provided are good and efficient	
It is good value for my money	
The housing environment is conducive and well managed	
The services are inadequate	
The environment is unfriendly and unsafe	

Other reasons: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**21. If you had a choice to change one of the following options below, in your present housing scheme, what would it be and why?**

The amount paid for rent	
The size of the units	
The management body	
The location of the housing scheme	
The design of the building	

Please explain why: \_\_\_\_\_

**22. What is your view on the rent you are paying for your dwelling?**

It's too expensive	
It's affordable	

**23. Do you pay your rent regularly?**

Yes	
No	

**24. If no, why?**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**25. How long do you intend on staying in this housing area**

I have no plans of leaving this scheme	
I plan to own a unit in this scheme	
I will stay until when my financial status improves	
I would leave right now if I had another alternative	
The environment is unfriendly and unsafe	

Why? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

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**26. Has the quality of your life improved by staying in this housing scheme?**

Yes	
No	

Please state your reasons: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**27. Has the cost of living here differed from where you previously lived?**

Yes	
No	

Explain? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**28. Looking at your current monthly expenditure, do you believe this type of housing is an affordable alternative?**

Yes	
No	

Explain? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

***Management of the housing crisis***

**29. The quality of service delivered by local government would be best rated as:**

Very satisfactory	
Satisfactory	
Poor	
Very poor	

---

Reasons for your answers: (you can choose more than 1 option)

There is a good relationship between the residents and local government	
The residents are allowed to express their views	
The buildings and the environment are well maintained by local government	
There is no relationship between the residents and the local government	
The environment is not well maintained	

Other reasons: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**30. How would you rate the level communication and relationship between the tenants and local government?**

Excellent	
Good	
Poor	
Very poor	

Why? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**31. Do you attend housing meetings?**

Yes	
No	

**32. If yes, how would you rate the attendance of meetings in the past year?**

Very well attended	
Well attended	
Average attended	
Poor attendance	

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**33. During the meetings, is there a good level of interaction between the residents and local government?**

Yes	
No	

**34. Are the residents allowed to express their views and problems at the meetings?**

Yes	
No	

**35. Does the local government respond well to the issues raised at meetings?**

Yes	
No	

Why? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**36. How efficient is the local government in solving problems in this housing scheme?**

Very efficient	
Efficient	
Not efficient	

Why? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**37. Are you well informed by local government on how the housing scheme is managed (e.g. income generated, building expenditures etc.)?**

Yes	
No	
Not interested	

Why? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_