

South Africa:
Strategy for Shelter
and
Urban Development

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South Africa: Strategy for Shelter and Urban Development

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GLOSSARY OF ABBREVIATIONS AND ACRONYMS

ANC	African National Congress
AUHFI	African Union of Housing Finance Institutions
BESG	Built Environment Support Group
BLA	Black local authority
CAAA	US Comprehensive Anti-Apartheid Act
CBO	Community-based organisation
DAG	Development Action Group
DBSA	Development Bank of Southern Africa
DFR	Durban Functional Region
GAF	Get Ahead Foundation
GCC	Group Credit Corporation
GNP	Gross National Product
HFI	Housing Finance Institutions
IDT	Independent Development Trust
LIT	Land Investment Trust
NGO	Nongovernmental organisation
Perm	Perm Building Society
PWV	Pretoria-Witwatersrand-Vaal area of the Transvaal
RFP	Request for proposals
RHUDO	Regional Housing and Urban Development Office of USAID
RSC	Regional services council
SAG	South African Government
USAID	United States Agency for International Development
USAID/SA	USAID Mission in South Africa
UF	Urban Foundation
WLA	White local authority

INTRODUCTION

The magnitude of informal housing in South African (SA) cities and towns - squatter settlements and backyard shacks - is a manifestation of deep-seated problems in the urban system. This report proposes a strategy for (USAID/SA) to assist nongovernmental organisations, community groups, and others in improving that system at the community and policy levels.

Because the provision of shelter in SA is intimately linked to issues of finance and delivery of urban services, land conveyance, enterprise development, and local governance, this strategy takes a holistic approach to urban development.

USAID's interest in developing a shelter and urban sector assistance programme is well founded. In announcing the lifting of certain provisions of the Comprehensive Anti-Apartheid Act (CAAA) in July 1991, President Bush stated that USAID funding for SA would be doubled to a total of \$80 million for fiscal year 1992. The President specifically identified education and housing as key areas to be assisted with this incremental funding, reflecting the widely held view that these are areas of prime need in SA.

The physical manifestations of apartheid are strikingly apparent in urban areas. A severe backlog of services and infrastructure, as well as social and spatial disruptions in urban areas and more general economic distortions, have been caused by policies that have provided drastically inequitable levels of service and inappropriate governance systems. The effects of apartheid are well documented.

Demographic and economic trends in SA underscore the need for immediate assistance to shelter and urban development. Urban centres generate over 70% of Gross National Product (GNP) in SA and most of the growth in GNP. The urban population, already over two-thirds of the national population, is growing rapidly. The largest segment of urban population growth is, and will continue to be, in the Black population. Improving the efficiency of urban communities will help generate employment opportunities for this growing population.

This report provides a summary background on shelter and urban trends and issues and builds on the information base provided in the General Survey of Shelter Activities by Nongovernmental Organisations (NGOs) in SA (Trail, January 1991). This report recommends a framework for assistance in improving community-based involvement in development and in establishing policies and institutions that are appropriate for the transition to the post-apartheid era. Because of the rapidity of the political change in SA, this report necessarily focusses upon short-term technical and financial assistance requirements with the objective of paving the way for a longer-term approach at a later point in SA's political and social development.

SECTION 1 ISSUES AND TRENDS

There is an extreme sense of urgency among those hoping to solve South Africa's urban problems. Much of the violence in townships and squatter settlements has been attributed to political causes. However, it is also driven by the frustration of hostel dwellers and squatters who seek access to land, materials and basic services. The seven million South Africans housed in informal conditions represent a social, political and moral challenge to all. These and other larger challenges must be confronted immediately:

- The rapid rate of urbanisation must be acknowledged and accommodated;
- Economic disparities created by apartheid must be redressed by granting Black, Coloured and Asian people access to land and secure housing as a primary source for individual capital formation and upward mobility;
- Economic distortions produced by apartheid-induced spatial patterns must be corrected and a new concept of the urban system must be conceived in which integrated land use patterns and economic opportunities are promoted; and
- The fragmented, racially based institutional arrangements for urban service delivery must be replaced by representative local governments established on a rational geographic basis and with accountable and transparent management systems.

As in most countries, the problems of shelter and urban management are complex, so describing the institutional and legal response to them is not an easy task. In the case of South Africa, the task is even more difficult because of a number of factors. First, a complex overlay of institutions and legislation has been created as a result of apartheid. Legislation has been piled on legislation, creating a tangle of laws regulating land tenure and urban service responsibilities. Second, a portion of South Africa's economic and institutional fabric is highly developed and sophisticated. It does not lend itself to rapid description. And finally, the speed at which policy positions are being formulated and new programmes designed renders analysis of the past less than meaningful. Therefore, the purpose of this section is not to provide an in-depth picture of the current status of shelter and urban development problems and opportunities. Rather, it intends to provide an overview of key issues that will frame the USAID shelter and urban development strategy. A Sector Study commissioned by USAID (Trail, January 1991) traced the demographic pressures, constraints to the shelter delivery system, and responses at that point in time. This report summarises the findings of that Sector Study and emphasises the changes in the situation since then. The key issues which are described include urban population growth, urban form and structure, housing delivery and finance, land, and local government.

1.1 Urban Population Growth

A fundamental precept of apartheid was control of the influx of people into the cities through the "pass laws." The Black population in cities was viewed as temporary and thus no attempt was made to accommodate what in most countries is a normal urbanisation trend. Black urbanisation was highly discouraged through policies that provided only minimal areas of rental housing. Toward the end of the 1970's, policies changed to permit private ownership of housing, yet the main policy was still to restrict influx into urban areas. The legacy of this policy is a severe backlog in infrastructure and services for the segment of the population that is exhibiting the most dynamic growth.

Based on demographic models developed by the Urban Foundation, the population of South Africa will double from 29,1 million in 1980 to 59,7 million in 2010. The greatest increase will be in urban areas. The Urban Foundation estimates that in 1985, 63% of the total population lived in urban areas. In 2010, this figure will rise to 73%. As Figure 1 indicates, Black population growth will constitute the largest portion of this growth.

Ways to accommodate this population in areas where there are already millions of people living in backyard shacks and other informal arrangements, and where at least a quarter of the economically active population is at present unemployed, must be dealt with in an immediate and assertive way.

1.2 Urban Form and Structure

South African urban form is characterised by a core composed of a central business district, moderate- and low-density White residential development, and industrial areas. Pockets of Black, Coloured and Asian housing are located at the periphery of this core, as apartheid policy has dictated, typically with buffer strips of vacant land separating them from the urban core. These outlying dormitory neighborhoods are planned in sprawling patterns of grid residential development. Because the process of planning has been incremental and the justification for the pattern has been to house workers for other sections of the urban area, there has been little consideration of either the overall urban fabric or the creation of viable communities that contain adequate facilities and space for economic activities. Planning has not provided for the types of infrastructure and development patterns that foster community building.

Existing urban patterns have been created at enormous social and economic cost and their maintenance produces significant economic distortions. The city core and peripheral communities are linked by light rail and/or freeway networks that permit taxi vans to shuttle workers in and out of the city. Links among the outlying communities are poorly developed and workers spend hours in transit. Despite transport subsidies, as much as 10.5% of individual income may be spent on transport (World Bank Mission Draft Aide Memoire, May 1991).

Figure 1

South African Population Structure

1980 (29.1 Million)

2010 (59.7 Million)

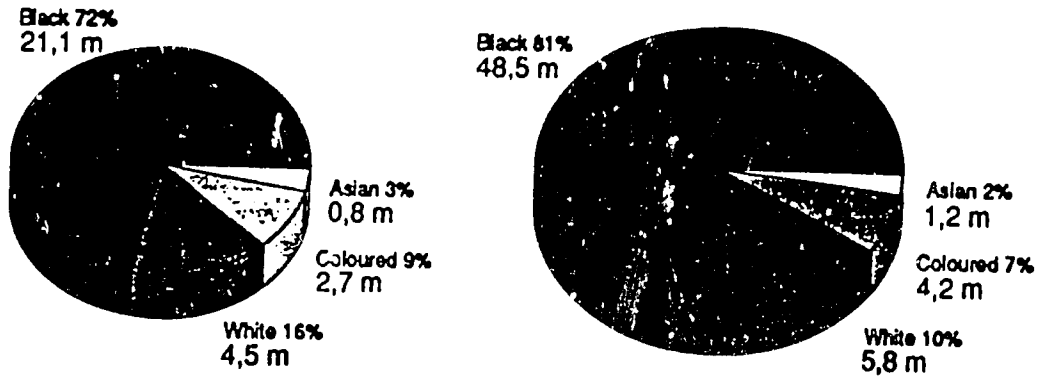
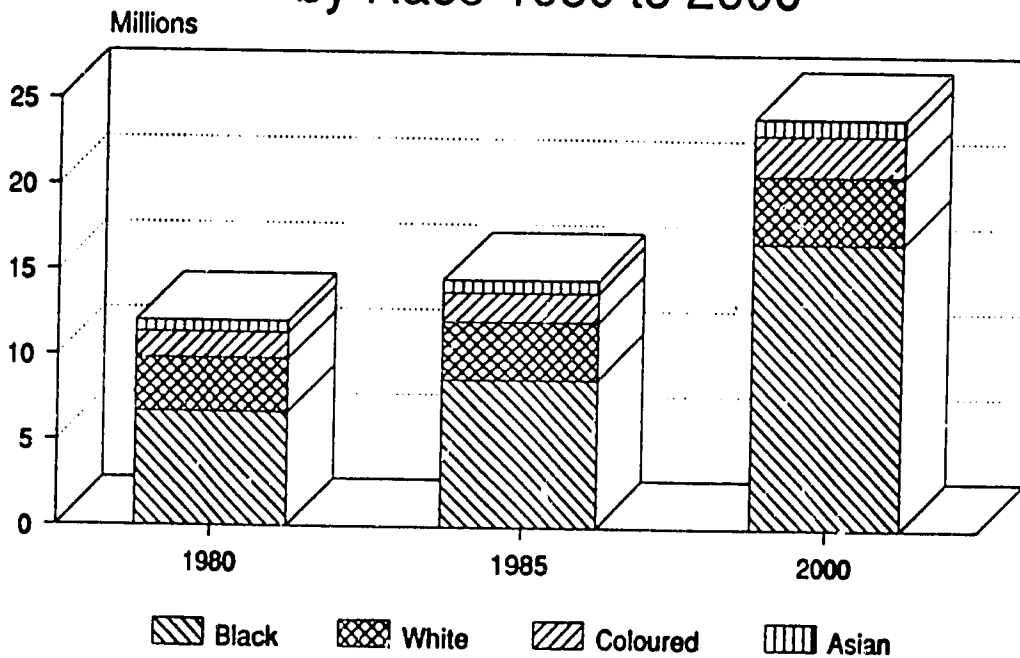


FIGURE 1

S.A.'s Total Metropolitan Population by Race 1980 to 2000



With the scrapping of the Group Areas Act in April 1991, the statutory basis for these patterns of development has been eliminated. It is now easier to envisage alternate patterns of growth that will permit the redistribution of the existing residents and accommodation of the large urban population that is expected. While the implementation of new patterns of growth will depend in part on modifications to current housing policy, some planners and decision makers are proposing in-fill patterns of integrated growth in which varying residential densities are combined with appropriate economic activities. At the same time, one must ask what will become of the existing township areas that carry with them the bitter taste of apartheid. They represent significant public and private investment in infrastructure and housing. In the context of overall planning for in-fill and diversification of land uses, it will be appropriate to examine the policies and actions that can make the townships viable communities within an integrated town or city.

1.3 Land

The 1913 and 1936 Land Acts restricted Black communities to 13% of the land in South Africa, in the ten homelands, mainly under the tribal tenure system. Outside the homeland areas, Blacks had access to land only as tenants on White farms or as monthly renters in the urban areas. In 1978, 99-year leasehold for Black people was introduced in the White urban areas. Next, freehold rights were introduced, but were restricted in terms of the Group Areas Act to designated Black Group Areas. Likewise, Coloured and Asian communities were allowed freehold rights in their respective Group Areas. The abolition of the Land Acts and the Group Areas Act this year has opened opportunities for these communities to exercise more freedom of choice in locating their residences. However, wealthier residents of Black, Coloured and Asian townships are finding difficulty in selling their expensive homes, as anyone who can afford such a home is buying in the better-located suburbs.

The new land laws have created an opportunity to develop more normal socioeconomic housing patterns and more efficient land use through urban in-fill and increased densities. The increased value of such urban land will place it beyond the reach of those who should have access to the inner-city areas (workers who can least afford high transport costs) unless government intervention takes place to expropriate such land and make it available at affordable prices. In the main metropolitan areas, the undeveloped land between the central business districts and the townships has a high market value and, in the case of the Pretoria-Witwatersrand-Vaal area (PWV), much of the inner-city land belongs to the mining houses, whose owners have entrenched legislated rights.

Much of the undeveloped land in the inner cities and at the city outskirts in the main metropolitan areas has been occupied by informal shack dwellers. Until recently, squatter settlements on inner-city vacant land have resulted in forced resettlement to the urban periphery. Current initiatives, such as subsidy schemes for serviced sites, mainly target communities at the urban periphery and could perpetuate urban sprawl.

Land and land ownership are highly emotional issues in SA and some politicians believe that they should be resolved nationally before housing is provided. Others, however, pointing to the extent of the homelessness problem, urge that shelter should be provided now and the land issue resolved through national negotiations.

1.4 Housing and Housing Finance

Despite the country's large and very sophisticated financial system, low-income South Africans have limited access to any kind of formal credit beyond hire purchase for household furnishings. The repeal of the Group Areas Act has made land and/or home ownership at least theoretically possible for all South Africans, but insufficient access to both bridge financing and long-term financing remains a substantial obstacle to the realisation of these new opportunities.

The current process of rapid sociopolitical change in SA presents a number of emerging approaches to dramatically increase the supply of secure, affordable living environments for the low-income majority. The most far-reaching of these initiatives at present is the R7500/plot capital subsidy scheme introduced by the Independent Development Trust (IDT), a fund created by the South African Government (SAG) with capital of R2 billion. In addition, some mortgage lenders are making efforts to move into the lower segment of the housing market, despite a variety of impediments including difficulty in accessing land, high interest rates, violence, and both threatened and real rent strikes.

The IDT subsidy scheme is imperfect in several respects. It does, however, provide tangible means by which community-based organisations (CBOs) and service organisations can at last secure improved homelots, which are the critical prerequisites to the incremental process of building homes, accruing equity, and thereby achieving upward socioeconomic mobility over the medium term.

By definition, both the IDT capital subsidies and traditional mortgages are "end-user" financing mechanisms. The product is paid for only upon delivery. Thus, developers of serviced plots and/or new units must obtain bridge financing to cover a significant percentage (usually at least a third) of the capital investment required to deliver the product. At present in SA, conventional bridge financing (through overdraft facilities or other means) is (1) expensive, with interest rates in the area of 23% per year; and (2) generally obtainable only by experienced developers with established records and the ability to post bonds or assign collateral as securities.

In short, CBOs and service organisations wishing to gain access to the IDT capital subsidy and conventional mortgage financing have, at present, little option but to employ formal-sector developers who can secure bridge financing on the community's behalf. This situation has several significant implications.

First, private developers are, after all, profit-making organisations. Profit margins of even 15% plus the cost of conventional bridge financing will add at least 20% to the base cost of any project. This cost reduces the effective value of the IDT capital subsidy to R6000/plot, a figure which is barely adequate to deliver a suitable product in the PWV, and wholly inadequate in the Durban Functional Region (DFR) and the Western Cape where rolling topography and low site elevations add substantially to base development costs.

Second, many civic organisations and CBOs, in alliance with the various service organisations, are seeking to maximise community involvement in the project implementation process. Mobilisation of self-help efforts will, in theory, reduce costs and create skills which will provide means of livelihood after project completion. Employing private developers in labor intensive, low technology serviced sites and upgrading projects will not encourage the development of community organisations and individual skills.

Thus, the key issue in the provision of low-income shelter and community upgrading in SA today is to improve the direct access of community-based organisations to available sources of short- and long-term financing.

1.5 Local Government

Local government systems in South Africa reflect the racial separation initiated during the colonial period and consolidated and extended under apartheid. The fragmented nature of local authorities and the plethora of institutions that have evolved for service delivery demonstrate on the one hand the extreme desire to separate administrations along racial lines and, on the other, the difficulty in providing services in such an unconsolidated fashion. For example, in the Cape Town metropolitan area, 52 local governments and service organisations exist.

White local authorities (WLAs) have evolved in a system of relative autonomy. The major share of their revenues is locally generated through rates and utility charges, primarily electricity sales. WLAs are able to generate significant operating surpluses that allow them to undertake investments on their own. The central government provides subsidies earmarked for specific services such as fire protection. Key to the financial strength of WLAs is a strong tax base, generally including industrial areas and central business districts. The Ministry of Local Government, Housing, and Works oversees the operations of White, Coloured and Asian local authorities.

Black local authorities are a more recent creation and are currently overseen by the Department of Planning and Provincial Affairs. In 1971, legislation was passed to remove the administration of Black areas from WLAs and place them under Black Affairs Administration Boards, supervised by the central government. In 1985, Black townships became Black local authorities (BLAs) vested with the same responsibilities as WLAs

and supervised by the provincial administrator. Because their areas of jurisdiction were viewed by the SAG as dormitories for workers in the White areas, the BLAs lack an adequate tax base to hire sufficient staff and provide services to their inhabitants.

Also in 1985, the SAG created Regional Services Councils (RSCs) to provide bulk services in metropolitan areas. The RSCs provide primary infrastructure for electricity, water, and sewerage; they also manage refuse dumps. Local authorities are responsible for utility reticulation within their boundaries.

Within the Black communities, the reaction to the creation of BLAs was immediately negative and elections were consequently boycotted. A sustained campaign to discredit the Black councils and intimidate councillors followed. The campaign included highly effective rent boycotts which deprived the BLAs of rents on public housing and municipal service fees. As a result, the BLAs are in general fully discredited and barely, if at all, operational. Bridge financing required from the central government to cover operating deficits accounts for 40% of the central government deficit and 20% of the total national deficit (World Bank, 1991).

Community-initiated civic organisations (civics) have grown and many can claim considerable popular support. They have become the principal local voice lobbying for restructuring of local government. In general terms, according to the civics' platform, restructuring includes providing a unified revenue base and service area, and democratically elected local governing boards.

As a result of the collapse of the Black local authorities and deterioration of services in Black communities, a variety of interim arrangements are currently under discussion. In the Johannesburg region, a Metropolitan Chamber has been formed that encompasses all local governments, civics, and other CBOs in the region. Alexandra has negotiated service arrangements directly with the surrounding White authorities of Sandton and Wynburg. In the Cape Town area the Progressive Development Forum was created in June 1991, comprising all local authorities, civics, service councils, and representatives of the private sector. The Forum discusses a wide range of development issues and is functioning as a de facto policymaking body. Black councils have also requested that the Cape Town Council provide services to their communities. Similar initiatives are under way in many other cities and towns and could result in some sort of interim government in the near future. However, decisions about which form of local government would be appropriate and how interim services should be provided will be difficult to resolve without national agreement on over-arching structures and revenue sources.

Regardless of the final form of local government, it is clear that there will be significant changes to local resource management and that massive training of local government staffs will be required to meet service needs in a satisfactory manner. Training of Black mid- and upper-level managers will be critical if local government staffing patterns are to reflect the composition of the communities' populations.

These trends reflect a change in attitude among many of the actors on the urban development scene. Members of extraparliamentary groups have characterised this change as a transition from the "decade of protest" (the 1980's and before) to the "decade of development" in which fundamental principles regarding South Africa's future development are thrashed out.

SECTION 2 OPPORTUNITIES

The extremely rapid sociopolitical change which typifies South Africa today dictates that to be useful, a development assistance strategy must be "opportunity" rather than "constraint" oriented. USAID/SA's shelter and urban management strategy must support evolutionary change rather than concentrating upon isolated elements of existing systems which may, in any event, literally cease to exist at any given moment.

In this light, a number of important existing and emerging opportunities must be considered and acted upon in framing and implementing USAID's strategy.

2.1 Broad-Based Community Structures

The various South African liberation movements have broad-based support at the community level virtually throughout the country. The necessary process of transforming these opposition structures into vehicles of positive change is proceeding at different paces and in different ways in various regions. It is clear that in this respect SA enjoys a distinct advantage in comparison to other post-colonial transitions in the developing world where, historically, new majority governments have often foundered upon ill-conceived, top-down approaches lacking in any real community-level participation. Thus, the reorientation process now taking place through SA civics and other community-based organisations represents a major opportunity to ensure that future delivery of housing and services will take place through a holistic approach to the urban development needs of the majority of the country's population.

2.2 Pragmatism and Openness

The transition to majority rule also appears to be characterised by an increasingly pragmatic appreciation of the need for both the government and the extraparliamentary organisations to balance resources with aspirations. Again, there are distinct regional variations in attitudes toward the desired directions of SA's future urban growth, and this diversity is healthy and useful. Coupled with this growing pragmatism is a pervasive thirst for knowledge about how things are and have been done in the rest of the world. As one observer said, "at this point all serious proposals will receive serious consideration." Thus, there exists a major opportunity to share accumulated experience and, at least in theory, to avoid many of the mistakes that have been made in other countries in recent history.

2.3 Technical Resources

Unlike other developing countries, SA enjoys a comparative abundance of technical resources in universities and colleges, the private sector, government, and parastatals. While these resources are now almost exclusively controlled by Whites, if properly used, they can significantly expedite the development and management of appropriate urban development policies and programmes.

2.4 Financial Resources and Systems

As with technical resources, the country's ample financial resources and sophisticated institutions offer tremendous opportunities for near-term delivery of real improvements to the low-income urban majority in SA. Realisation of these opportunities will depend upon the goodwill of all key actors (which is widely, if not universally, in evidence) as well as on critical realignments within existing operational systems. These realignments will be based, in part, upon successful examples from other countries.

2.5 Highly Developed Construction and Building Materials Supply Sectors

In many developing countries there is little internal capacity to build. Such is clearly not the case in SA. With strategic inputs on appropriate techniques, materials and enterprise management, SA has the capacity to greatly expand physical production of housing and services in the near term.

2.6 Large Existing Stock of Low-Cost Housing

Despite the settlement patterns enforced under apartheid, SA does have a large existing stock of low-cost housing in townships around the country. There is, therefore, an excellent opportunity to upgrade and redevelop existing facilities and human settlements without having to start from the beginning.

2.7 Well-Developed Urban Management Systems

White local authorities in SA are, on the whole, well-managed. Emerging alliances between these authorities and CBOs representing townships and squatters provide an excellent opportunity to integrate and transfer skills and technology. Outside resources can help facilitate this process.

2.8 Positioning of USAID

USAID appears to be the donor agency best positioned to provide immediate assistance in critical areas related to urban management and policy formation, upgrading of services, low-income housing, and community development. Harnessing the experience of USAID itself through the Office of Housing and Urban Programs; and US experience with civil rights, affirmative action, urban community development, and redevelopment would effectively support the formulation of urban policies and programmes in SA.

SECTION 3 STRATEGIC APPROACH

3.1 Goal

The goal of this strategy is to facilitate the development of shelter and viable human settlements for disadvantaged citizens of SA in the near and medium term.

3.2 Guiding Principles

The introduction to USAID/South Africa's Interim Program Strategy gives the context for the Mission's current approach to development assistance. Elements include:

- A shifting focus to groups that have a role to play in the negotiation process;
- Recognition that, despite significant change, the process of change has only just begun;
- Similar recognition that the rapid pace of change dictates the need for flexibility in approach and for a quick response to shifts in the environment, and;
- Strategic objectives that can realistically only be formulated for the near to mid term because of changing events. However, current actions will be the building blocks for future developments.

These elements must, of course, also underlie USAID/SA's strategy for the shelter and urban sector. However, the continued evolution of the situation since the drafting of the Mission's interim strategy -- as well as factors that are perhaps unique to the sector -- require an expansion or reformulation of these statements. The following guidelines are recommended for the sector strategy, founded on the observation that this is a time of dramatic flux and creativity.

1. Policy formulation and negotiation are a process. Hence, any assistance must recognise and respect the process rather than just offer prescriptive solutions. As much attention should be paid to who is discussing and how they are discussing as to what they are discussing.
2. Much of the rapid pace of change is driven by a strong sense of urgency. Hence, responses should be rapid and should encourage the innovation that is part of the search for solutions. This policy will require accepting a certain amount of risk because the Mission may have to deal with unproven partners and only partially tested approaches. By the same token, urgency and heightened expectations require that assistance produce as many concrete results as possible for decision makers who cannot afford to wait through an extended testing period.

3. The problems and attitudes in South Africa have distinct regional characteristics and the approaches that are currently under study vary accordingly. As a result, assistance should recognise a regional character to solving urban management and housing problems.
4. Although there are qualified people working in the sector, South Africa has been cut off from information about recent experience in developed and developing countries alike. Therefore, assistance activities should include a heavy dose of information exchange.
5. In recognition of the ultimate goal of the complete dismantling of apartheid, the race-based labels that have had such a visible manifestation must be abandoned during discussions of the evolution of urban institutions and the forms that urban growth will take.
6. USAID is in a strong and perhaps unique position among international donors through its early commitment of human and financial resources to this critical sector. The Mission can capitalise on this unique position by rapidly funding a variety of activities under this strategy and supporting fundamental improvements to reshape South African cities and towns.

3.3 Strategy Elements

The proposed strategy responds to the dynamic changes that are currently occurring in South Africa in that it seeks to strengthen the capacity of organisations that will negotiate future urban management systems and be involved in the delivery of shelter. It also provides sample solutions to the already well-documented problems, such as housing for the urban poor. The components of the strategy reflect what appear to be the major concerns of a variety of actors in South Africa at this time:

- Establishing mechanisms to provide access to structural components to which lower-income residents have been denied;
- Strengthening community involvement in the decision-making process and improving communities' control over decisions that affect them; and
- Providing policy alternatives across a wide range of housing and urban management issues.

The strategy's focus is limited to the near and mid term, because a specific attempt to deal with the longer term would be unrealistic. At the same time, these near-term activities will provide a valuable foundation for meeting the longer-term needs of post-apartheid South Africa.

The following section presents the three pillars of the strategy and their component programmes. The three pillars are:

- Support for community development management,
- Support for community development initiatives, and
- Support for policy formulation and institutional development.

Figure 2 summarises the components of the three pillars.

3.3.1 Support for community development management

The dismantling of apartheid structures has opened the door to the meaningful assimilation of Black townships and informal settlements throughout the country into cohesive, viable communities. Ideally, this type of development in any country should be based upon genuine community participation in the planning and implementation of projects, programmes, and services suited to the requirements of each community. The reality in South Africa today is that while the process of negotiating new governmental structures is continuing, community-based development is the only viable option open to the millions of township dwellers and squatters who are seeking real improvements in their living conditions over the short term.

Community representatives and their allies in service organisations and academic institutions around the country are unanimous in expressing the need for immediate technical assistance and training at the community level. Universal emphasis is being placed upon development of the skills, techniques, and human resources necessary to initiate, manage, and participate fully in local development. These needs are heightened by the dissolution of most Black local authorities. As a result, in many urban areas, arrangements for White local authorities to provide services, at least on an interim basis, to Black townships are now being negotiated by civic leaders with very little experience in these relatively complex matters. Simultaneously, these same leaders are being called upon to direct the equally complex planning and implementation process required to gain access to funding for community improvements from sources such as the IDT.

Finally, the residents of townships are, generally for the first time, entering the process of home ownership in which they negotiate contracts with builders, agreements with landlords, and mortgage agreements with lending institutions. The general lack of experience in the process of acquiring a home and lack of a culture of home ownership, combined with an extremely tight residential market, make the first-time home buyer easy prey to unscrupulous developers and lenders. Informed sources indicate that contractors absconding with deposits, defective work, and repossession because of mortgage nonpayment are frequent occurrences.

Figure 2

USAID/SOUTH AFRICA HOUSING AND URBAN MANAGEMENT STRATEGY

GOAL: Facilitate the development of shelter and viable human settlements for disadvantaged citizens of South Africa in the near and medium term

Objective I: Support for community based development management

Key Constrains/Opportunities: Widespread civic movement with many CBOs being organized, but extremely limited access to general, technical, and management training and skills.

Recommended Approaches

1. Target CBOs with access to finance
2. Increase of development management skills and capacity:
 - a. Train community leaders in basic management and planning through service organizations like CAST, PDF, PlanAct
 - b. Support training of professional community development advisors through mentoring program

Objective II: Support for community based development initiatives

Key Constraints/Opportunities: End user finance now available but obstacles to community access must be bridged.

Recommended Approaches

1. Target CBOs with access to finance
2. Develop bridging mechanisms:
 - a. Grants and TA to Group Credit Co.
 - b. Grants and policy work with LIT.
 - c. Grants and TA to regional community development trusts (CDTs) like Jumpstart in Natal, Headstart in Cape, etc.

Objective III: Support for urban management policy formulation and institutional development.

Key Constraints/Opportunities: Well developed but uni-dimensional white urban LAs must be adapted and integrated. International experiences in approaches to urban management and shelter are limited

Recommended Approaches

1. Combine a local research agenda with technical assistance and training on topics such as:
 - a. Options for form of local government
 - b. Finance options
 - c. Spatial planning approaches
 - d. Infrastructure, service standards
 - e. Inner city redevelopment approaches
 - f. Transport modes
 - g. Upgrading approaches
 - h. Land titling and transfer constraints
 - i. Urban/environmental management

Figure 2 (cont.)

Objective I: Support for community based development management

3. Evaluate and assist in implementation of appropriate community development models:
 - a. Provide technical advisors as resource persons for communities and service organizations
 - b. Exchange program for South Africa community leaders to meet counterparts from South Africa and other developing countries
4. Development of community based construction skills and enterprises
 - a. Needs assessments
 - b. Coordinate basic skills training and provide on-the-job management TA (RECAP)
5. Consumer protection support to legal aid groups
6. Provide impact grants for community facilities, identified by targeted CBOs

Objective II: Support for community based development initiatives

3. Encourage established financiers to serve the lower income market:
 - a. TA and hard/software for management of large volume of small loans
 - b. Targeting and referral of proven low income borrowers (from GCC, GAF, etc)
 - c. Develop alternative mortgage servicing systems and enterprises
 - d. Policy discussions through AUIFI
4. Examine mid-term roles of H.G. loans and local currency HGs

Objective III: Support for Urban management policy formulation and institutional development

2. Establish a central documentation service
3. Assist in the development of policy analysis tools and models (housing, infrastructure supply)
4. Pre-service academic training
5. Overseas training
6. In-service Local Authorities training (with TEPSs)

While the future role of civics and other CBOs in local municipal administration is the subject of continuing debate, it is clear that for the foreseeable future, existing civic leaders will by necessity be thrust into the roles of development negotiators, planners, and managers on behalf of their constituents.

Objectives: While the challenges facing these communities form a spectrum reflecting differences in goals, culture, and location, there are readily identifiable areas of common need including:

- Basic planning and management skills;
- Access to development alternatives and technical assistance; and
- Assistance to promote the fullest possible community participation in the construction of infrastructure and community facilities.

USAID can and should provide significant support in the near term to develop management skills at the community level.

The objectives of the support for community-based management of development are:

1. To increase within CBOs and service organisations the skills and capacity required to productively initiate and participate in the community development process;
2. To improve access to appropriate models of community and shelter development, through technical assistance, drawing upon broad-based international experience accumulated in these fields over the past two decades;
3. To provide skills and management training related to the development of small- and medium-scale enterprises, particularly in the construction sector; and
4. To create consumer protection mechanisms in community groups.

Issues: The provision of development management training and technical assistance to community-based organisations in South Africa is almost universally perceived as an extremely high priority and is not, therefore, a subject of significant contention. To the extent that disagreements seem to exist, they revolve mainly around identifying the target audience and delivery options.

Great care must be taken to ensure that the delivery of training, services, and/or goods to CBOs is undertaken in a totally apolitical manner. This will require that CBO recipients of USAID-supported training and technical assistance be selected using objective criteria. The most effective single selection criterion, at this point, would

appear to be targeting of CBOs which have near-term prospects of obtaining significant finances to improve their communities.

USAID will clearly need to work to the greatest extent possible with existing organisations and institutions to deliver training and technical assistance. Unfortunately, the CAAA would seem right now to preclude USAID from working with certain institutions, including universities, that receive financial support from the SAG. Legal developments in this regard will require close monitoring and, perhaps, advocacy for change within the CAAA.

Options: The most appropriate options for delivery of community management training and technical assistance will be an umbrella contracting mechanism through which a few (3 to 5) resident advisors will establish regional programmes with existing SA service organisations and training institutions. A first step will be to assess the training and assistance needs of these organisations to define training packages. Basic operating agreements should be established with counterpart organisations during the last quarter of 1991 and during early 1992.

Approaches: The recommended approaches to achieve the objectives of this element of the strategy include the following.

Objective 1: Increase the development management skills and capacity of community leaders.

This objective should be met through a combination of (1) offering training and workshops at the community level, and (2) increasing the capacity within relevant service organisations for advising on community development. Activities to be undertaken through this component would include:

1. Training for community leaders in management and substantive skills. Basic management skills and leadership training are essential for leaders who must harness the resources of their community organisations. This training should include understanding structuring of organisations, delegation, and communication skills as well as other management skills such as planning and budgeting. While negotiating skills have also been identified as a need, community leaders' lack of understanding of local government structures, procedures, and financial practices prevents them from being competent spokesmen during negotiations with local government bodies. Therefore, an additional effort to provide them with substantive knowledge and skills is critical. The objective of this training would not necessarily be to turn the community organisations into local governments in the future, but rather to provide leaders with a basic understanding that will allow them to participate in negotiations now.

2. Financial and advisory support to allow relevant service organisations such as Urban Foundation, PlanAct, Legal Resources Centre, etc., to establish a mentoring programme to train additional community development advisors. The number of people currently qualified to play this critical intermediary role probably does not exceed 20 in the entire country. As increasing numbers of townships enter into negotiations with White local authorities or initiate projects to be funded from the IDT subsidy scheme or other sources, advisors skilled in negotiation and conversant with development alternatives will be required to work closely with local development committees. Financial support should be provided to allow future community mentors to acquire skills over a 6- to 12-month period before assuming full-time positions with appropriate organisations.

Objective 2: Assist in evaluating and implementing appropriate community development models.

One of the legacies of apartheid is that there is virtually no direct experience within South Africa of the alternative means and technologies by which infrastructure and services in slums and informal settlements can be most efficiently improved. To bridge this gap, activities to be undertaken under this strategic component would include:

1. Fielding of two to four regionally based, resident technical advisors to act as resource persons for both service organisations and CBOs engaged in the planning and implementation of township and informal settlement upgrading projects. These advisors should have the broadest possible experience in the planning, implementation and management of appropriate shelter and urban infrastructure projects which have been financed by USAID, the World Bank and other international agencies throughout the developing world over the past 20 years. In addition, the advisors should work with local professionals to produce, for wide distribution, readily understandable handbooks outlining various solutions to technical challenges faced in the incremental upgrading process. This work could feed into an eventual governmental reassessment of residential development standards in SA.
2. To supplement this technical support, funding should be provided for an exchange programme through which established community leaders from various regions in SA and other developing countries can be brought into contact with their South African counterparts to share experiences. This community exchange approach has proven very useful in other countries.

Objective 3: Develop community-based construction skills and enterprises.

It is clear that the ultimate solution to widespread urban poverty in South Africa is the creation of productive skills and employment opportunities. Most CBOs have clearly stated the need to marshal community artisans and labourers to fully participate in

upgrading projects such as those to be undertaken through the IDT subsidy scheme. To maximise the "spinoff" benefits of community-based development projects, this strategic subcomponent could include:

1. Needs assessments of skills training requirements in communities slated for infrastructure and housing improvement projects through the IDT scheme and other programmes. Based on these assessments, referrals would be made in a timely manner to programmes sponsored by USAID and others (such as the Sunflower Concept) in the training and enterprise development fields. This coordinating function would maximise the efficiency with which training is delivered to members of communities with near-term prospects of substantial development projects.
2. Basic skills training, supplemented by on-the-job technical assistance to improve the construction management capacity of small, nascent, community-based enterprises. This type of training/technical assistance activity is currently being initiated with USAID support in other countries in the Southern African region. In theory, small firms which successfully participate in this type of effort could "graduate" directly into other USAID/SA-supported enterprise development projects such as BICSUN.

Objective 4: Create consumer protection mechanisms in community organisations.

Educating first-time home buyers about the purchase process, mortgage conditions, and other responsibilities (particularly financial ones) can be accomplished best through sources that are close to a community and are trusted. Currently there are various types of community assistance and advice programmes in which housing advice officers could be located. A coalition of service organisations and other NGOs is studying alternatives for providing this service. Because of the rapid increase in home ownership that is now occurring and the prevalence of unscrupulous practices or misinformed choices, supporting consumer protection measures is recommended as part of the strategy. Support could include underwriting the setup costs of advice offices and funding training for advice officers.

Implications: The need for community-based development management training and technical assistance is widespread and immediate in South Africa. To respond to this need in a timely fashion, USAID, in conjunction with RHUDO, should focus upon a detailed design leading to issuance of a request for proposals (RFP) early in CY92. This schedule implies regular short-term assignments by RHUDO personnel and consultants and intensive coordination with USAID in the coming months.

3.3.2 Support for community-based development initiatives

The need for training and technical assistance at the community level cannot be addressed in isolation. Time and again, CBO representatives around the country have emphasised the need to bring sources of financial support closer to the concerned communities. The best intentions in the world cannot, alone, indefinitely sustain the fundamental community development process which is now under way in South Africa. It is absolutely critical, therefore, that the means to concrete accomplishments be available to those communities which demonstrate the organisational capacity and drive to meaningfully participate in their own development.

This need is particularly acute during the current transition period. As noted in Section 1.4, significant community development financing is now available on an "end-user" basis but access to these funds requires bridge financing. In the absence of solvent local authorities and with little or no recourse to formal financial institutions, many communities now face the potentially debilitating prospect of losing their commitments from IDT due to the lack of bridge financing required to initiate development on the ground. Alternatively, they would be forced to use large, White developers with access to expensive bridge financing, which would do nothing to develop Black initiative, employment, or entrepreneurial activity.

We strongly recommend, therefore, that USAID provide technical assistance and funding to support concrete community development initiatives which require bridge financing in order to tap sources of committed end-user and long-term finance.

Objectives: The objective of this strategic pillar over the medium term is to bridge the gaps between disadvantaged communities and suppliers of development financing in South Africa. In the near term, two strategic objectives will be pursued: Facilitate community access to existing sources of development financing through bridging mechanisms, and encourage established financiers to serve the lower-income market.

Issues: In virtually all developing countries, banks are (or have been) very reluctant to move "down market" by lending to low-income individuals and groups. Banks typically attribute this reluctance to lack of collateral among low-income populations; increased costs involved in administering small loans; and higher risks, both real and perceived. This typical difficulty is complicated in SA by the low-income majority's understandable ambivalence toward establishment institutions and expectations that past inequities will be redressed through redistribution of resources.

A critical, but flawed, first step to providing financing for township and squatter settlement upgrading is being taken through the IDT subsidy scheme. The main drawback of the IDT scheme has been pointed out by many South Africans and is echoed in the World Bank's recent Aide Memoire (1991): The scheme is "developer

driven," from the top down. It will not, on its own, promote true community development.

Despite this major reservation, many low-income communities have decided, in consultation with their extraparliamentary advisors, that they will not wait for a less imperfect vehicle. They are now proceeding with plans to develop their own infrastructure, services, and, in some cases, housing, using the IDT subsidies. However, as discussed in Section 1.4 of this strategy, communities require access to bridge financing in order to avail themselves of IDT subsidies or other sources of end-user financing. The lack of bridge financing in the IDT scheme can be regarded as either: (1) a fairly astounding design flaw; or (2) an attempt to direct business to private developers who have their own financing. Regardless of interpretation, the need for bridge funding is very real and must be addressed.

This financing issue leads to a second important issue: what is the most appropriate mechanism through which dispersed communities can be assisted? Obviously, it will not be possible for USAID or any other donor agency to deal directly with hundreds of communities around the country. It is also evident that representative counterpart agencies will not be functional for some time to come. Finally, while there are a number of private sector organisations actively providing financial assistance to low-income groups and communities, all seem to be constrained, to greater or lesser degrees, by limited human and financial resources, and in some cases by questionable credibility.

The third important issue which must be considered is that of the reluctance of South African financial institutions to enter the low-income market. This reluctance will inevitably be gradually overcome through the general process of sociopolitical change now under way in the country. However, in the short term it will be very important to support and hasten this gradual process of change by helping the more progressive financial institutions, such as the Perm and Standard Bank, to define new ways of operating which satisfy their own needs as profit-making institutions while meeting the needs and demands of the low-income majority market.

Options: It is imperative, especially during this delicate transition phase, that donor assistance to communities, regional fora, service organisations, and financial institutions be made available on an impartial, self-selecting basis within guidelines which are clear and simple. Within this stricture, there are three basic options for improving community access to development finance.

First, grants or loans could be made directly to concerned communities or their representative organisations. This option has the advantage of being direct, but would necessarily rely on fledgling organisations which do not have established records and may be burdened with political associations.

Second, grants or loans could be made available through established banking institutions. This option has the obvious advantage of being easy to administer and monitor. It also has the obvious disadvantages of distancing funding from community-based users and of "pushing" reluctant bankers into new activities outside their normal operations. In other developing countries, abrupt attempts to push established banks into financing for low-income markets have generally foundered as a result of lack of real commitment and capacity to deal with this clientele. However, this approach would have the advantage of "rewarding" and encouraging those financial institutions which do take the initiative in this area such as Perm and Standard Bank have done.

A third option is to channel assistance through nongovernmental organisations which are specifically constituted to deal with low-income clients. The primary advantage of this option is that a number of NGOs of this type, including Group Credit Corporation, Get Ahead Foundation (GAF), and Land Investment Trust, do exist in South Africa and have achieved good track records. The main disadvantage would seem to be that most of these NGOs have not had much experience with bridge financing.

Recommended Approach: In light of these options, and bearing in mind the rapidly changing South African environment, we recommend that USAID consider a hybrid approach to achieving the short-term objectives identified above.

Objective 1: Facilitate community access to development financing through bridging mechanisms.

This critical objective could be achieved in a number of complementary ways without tying USAID into funding of specific projects. Further study will be required to validate the most appropriate approaches, and it is recommended that this work be undertaken during short-term assignments in November and December of 1991, leading to design of the required grant programme early in CY 92. At this point, the most promising methods of supplying bridge financing to low-income communities which have secured end-use commitments include:

1. Providing capital grants and technical assistance to representative regional development fora. Broadly representative organisations such as Jumpstart in Natal and Headstart in the Cape have already established trust funds through which local development projects will be financed and managed. The Metropolitan Chamber in Johannesburg will be formalised shortly and a similar trust fund could be established within this calendar year (1991). These regional representative bodies could offer excellent vehicles through which bridge financing could be channelled. With their broadly representative boards of directors and specific regional clienteles, these organisations are much better positioned to respond to local needs and priorities than are Johannesburg-based banks. It is recommended, therefore, that a detailed analysis be undertaken within this calendar year to firmly establish the feasibility of establishing regional, revolving

capital funds which would provide bridge financing to local development projects with end-use commitments. This detailed analysis will establish: (a) general feasibility, (b) operating procedures and accountability, (c) potential funding requirements, and (d) organisational aspects.

2. Provide capital grants to the Land Investment Trust (LIT). Briefly, both the LIT and the former Urban Foundation (UF) housing utility companies have been reorganised and spun off as separate entities from the UF. LIT will have, by October 16, 1991, a new 20-person board on which the UF will have only three seats. The LIT has secured over R120 million in capital investments from the IDT and pension funds; it is seeking approximately R80 million in additional investments over the medium term in order to maintain a loan portfolio in the range of R100-150 million.

LIT will provide comparatively low-cost (13%) bridge financing focussed in the near term upon housing and infrastructure projects with IDT commitments. It would appear that IDT's recent major investment in the LIT can be interpreted as a belated attempt to fill the rather startling gap in its capital subsidy programme design, as discussed above. It is recommended, therefore, that during additional calendar year 1991 short term assignments, close attention be focussed upon the suitability of capital grants by USAID to the LIT. It appears likely, at this point, that creation of a relationship with the LIT would be very useful in targeting communities for other key elements of this strategy, including community development management training, small-scale construction entrepreneurial development, and provision of technical assistance in appropriate design and construction techniques. In addition, the LIT has extensive management experience and is, as an established trust, subject to regular audits by reputable firms.

3. Provide a capital grant to the Group Credit Corporation (GCC). GCC's services centre upon 5- to 7-year loans to groups of 10 to 20 individuals at about R5000 per group member for the purpose of acquiring building materials and improving dwelling units. GCC has been remarkably successful, with arrears of only 0.15% on outstanding loans of R6.4 million. GCC requires a capital investment of R5-9 million to complete its R25 million growth fund, from which it will gradually open five regional offices in addition to its Cape Town base.

Support for GCC's expansion would not focus upon the establishment of a bridge financing facility per se. Rather, USAID's support would promote complementary activities including: (a) wider availability of medium-term housing loans, particularly in communities which have already upgraded services and infrastructure through the IDT scheme; (b) establishment of the creditworthiness of an increased number of low-income people, thereby creating a more attractive market segment for targeting by traditional long-term lenders; (c) potential for

training of community groups in obtaining and managing credit; and (d) potential for the provision of mortgage services, including packaging, origination and collection, on behalf of traditional lenders. In addition, USAID grant support would allow GCC to reduce the interest rate charged to its most reliable borrowers. It is again recommended, therefore, that the final details of this seemingly very attractive option be finalised during short-term assignments in the remainder of this year with an eye to finalisation and execution of a grant in early CY 92. It is also recommended that the GAF proposal to expand its operations into medium-term housing improvement loans be reevaluated in terms of possibly integrating GCC's expertise and expansion programme with GAF's existing regional office network.

All of the approaches recommended above are aimed at immediately improving access by low-income South Africans to available sources of development financing, with particular emphasis upon the IDT subsidies. However, it is important to bear in mind that the IDT scheme will not carry on forever, and that, despite current reluctance, established SA banks and financial institutions must eventually enter the low-income market as major players. Hence, the second near-term objective under this strategic pillar is:

Objective 2: Encourage established financiers to serve the lower-income market.

As argued above, it would not seem opportune at this time to channel community development funding through established South African banking institutions. Rather, emphasis should be placed in the near term upon assisting these institutions to overcome real and perceived obstacles to their entry into the low-income market. The forms this assistance could take are as follows:

1. **Technical assistance in managing large volumes of small loans.**

Despite the high degree of computerisation within SA's financial institutions, lack of experience in administering large numbers of small loans appears to be a technical constraint on increased lending to low-income individuals and groups. This constraint was also faced by Zimbabwe's building societies in the mid-1980's; with assistance from RHUDO and the World Bank this constraint was overcome through a combination of appropriate hardware and software, and the Zimbabwe societies now happily (and profitably) administer tens of thousands of small mortgages. It is recommended, therefore, that an exchange programme between the two countries' financial institutions be supported by USAID, possibly through the African Union of Housing Finance Institutions (AUHFI).

2. Targeting low-income borrowers with proven creditworthiness.

There have recently been rent strikes in some of SA's Black communities, and financial institutions have, perhaps understandably, used these occurrences as evidence that there are unacceptable risks in lending to this market segment. Simultaneously, organisations including GAF and GCC are achieving astounding loan repayment performances with their low-income clients. Clearly, therefore, a formal targeting or referral mechanism needs to be established between the banks and the micro-lenders whose clientele are irrefutably establishing their creditworthiness. The means by which this largely coordinative function can best be achieved will require further discussion among all concerned parties.

3. Development of alternative mortgage servicing systems and enterprises.

Another major constraint upon long-term lending to the low-income majority which is often expressed by SA financial institutions concerns difficulties in billing and collecting from low-income borrowers. This problem is not uncommon in many developing countries; however, it is exacerbated in SA by the extreme dispersion of low-income communities, which is one of the most visible consequences of apartheid. A simple solution to this problem, which has proven successful in both developed and developing countries, is the establishment of local enterprises which, for a fee, service mortgages in the low-income communities in which the enterprises are based. It is recommended, therefore, that this approach be explored in more detail with financial institutions and organisations such as GCC, GAF, Perm and Standard Bank.

There are many other tried-and-true methods of encouraging financial institutions to move into low-income lending. Employee housing schemes with mortgage repayments through payroll deductions have been successful in a number of countries. This approach could be targeted, initially, to US-owned companies operating in SA. There is also an obvious potential role to be played by the Office of Housing's dollar and local currency housing guaranties, although a good deal of additional study would be required. In the end, however, no amount of technical assistance, targeting, or guaranteed financing will achieve this important objective until the prevailing attitudes and perceptions of both lenders and borrowers are brought into closer harmony.

Implications: At this point the most useful roles USAID can play are to provide strategic funding and to facilitate dialogue to reduce the wide gap between lenders and borrowers. The strategic grants advocated under Objective 1 will not "solve" the low-income housing crisis facing SA, but they could have the type of impact necessary to cause people to focus on the tasks at hand, rather than the inequities and rhetoric of the past. In addition, through grants to LIT and GCC, USAID could acquire a place at the

policy table with other key actors including the IDT, the UF, the Development Bank of Southern Africa (DBSA), extraparliamentary leaders, bank and private sector representatives and others who sit on the boards of these organisations.

3.3.3 Support for policy formulation and institutional development

The transition to the "new" South Africa includes the search for policy options and institutional arrangements to correct the severe social disruption and economic distortions caused by apartheid policies. The past year has seen substantial progress in the establishment of fora to discuss the policy requirements of post-apartheid South Africa and in defining the issues that should be the subject of debate. However, continued progress is constrained by a number of factors including lack of policy-related research, lack of exposure to international experiences in housing and urban management, and lack of institutional capacity. The complexity of these interrelated factors within the rapidly changing SA environment will require a high degree of detailed study in order to arrive at a useful project design for USAID. This complexity is reflected in the organisation of this section of the strategy, which considers issues and options together, before moving to identified objectives and recommended approaches.

Issues and Options: Research on urban issues has been constrained by lack of funding and limited institutional focus. One of the principal sources of current research, the Urban Foundation, has been criticised for not allowing broad access to its research. The urban agenda in universities, although currently expanding, has been limited by lack of funding. At this point in time, the African National Congress (ANC) is the only extraparliamentary group to actively pursue an urban policy agenda. At the ANC's National Consultative Conference on Local Government in October 1990, a number of points were identified around which policy research must be conducted. However, funding for only a limited portion of the research has been made available.

South Africa has been isolated through sanctions from a significant body of knowledge about housing and urban management that has been acquired in developed and developing countries in recent years. Therefore, the current search for solutions is hampered by a lack of awareness of approaches elsewhere and by the desire to avoid reinventing the wheel. At the same time, participants in the change process realise that South Africa's situation is relatively unique in terms of the causes of the problem and the resources which it can bring to bear in solving problems. The thirst for information about approaches is balanced by the understanding that solutions cannot be easily imported without significant adaptation.

Lack of institutional capacity is another fundamental constraint. Among those organisations that are negotiating for change away from apartheid structures and policies, and among those institutions that should play a significant role in the future, there is only a thin layer of qualified personnel. Service organisations such as PlanAct, the Built Environment Support Group (BESG), the Development Action Group (DAG), and

Coreplan -- which are currently playing a vital role in assisting community organisations and supporting policy formulation -- are stretched thin. Other NGOs have few members trained in the areas that are required to move an urban management agenda forward. There are very few trained Black, Coloured or Asian people who can move into management positions in local governments and other sectors of the public service. As one observer has stated, "the organisations with capacity have no legitimacy and the organisations with legitimacy have no capacity."

Objectives and Approaches: The objectives of the "Support for Policy Formulation and Institutional Development" component of the strategy are:

1. To strengthen the capacity of NGOs to formulate policy and negotiate policy change through research and access to information related to housing and urban management, and
2. To strengthen national and regional professional capacity through training at the policy and operational levels.

Objective 1: Strengthen the capacity of NGOs through research and information exchange.

The principal element of the programme to satisfy this objective will comprise a combination of research funded on a national or regional basis, technical assistance, and workshops around specific policy issues. This combination would allow the interjection of external experience and expertise blended with a greater understanding of the situation in South Africa. One model that has been used recently in South Africa is that of "short, sharp bursts of expert advice" in which international experts are brought in for short-term discussions with local NGO staff to present experience in dealing with a particular issue. The approach would rely on South African expertise to carry out research.

A key constraint on conducting a research programme is the current prohibition on funding universities under relevant sections of the CAAA. Departments of many South African universities have demonstrated a strong commitment to change and constitute the largest base of relevant expertise.

While a specific list of policy issues has not yet been agreed to, a number of areas have been discussed and would be appropriate for development. The final selection of topics and the structure of activities under this programme must be made in consultation with an advisory committee composed of NGOs, relevant university departments, and other organisations as may be appropriate. Near-term topics could include the following.

Alternative local government forms: Implications of federal systems in terms of legislative authority and service responsibility, derived or constitutional basis for local authority, role of traditional powers.

- **Urban structure and form:** Promoting alternate spatial forms to provide greater efficiency in service delivery and promote employment opportunities and housing on a nonracial basis.
- **Public finance/local government finance:** Financing options that promote efficiency and equitability, criteria for intergovernmental transfers, service pricing structure and affordability, capital and current budgeting techniques.
- **Infrastructure and service standards:** Service costs and affordability, public versus private goods, demand-driven service provision, fee structure, public versus private provision of services.
- **Redevelopment and economic revitalisation:** Policies and programme options to prevent the deterioration of existing urban centres through the provision of key infrastructure investments and community development actions. Community-based options for managing housing stock.
- **Urban transport systems:** Rethinking transport design in light of current settlement patterns to promote more intraurban flow rather than the current township-central business district flow. Methods of public oversight of private transport systems, primarily taxi and van systems to ensure accessibility and coverage.
- **Institutional support for up-grading:** Organisational options at the national/regional/local level to ensure over-arching coordination and facilitating as well as the delivery of functional inputs to upgrading such as finance, community participation, materials, and building advice.
- **Mortgage services:** Operations of mortgage service companies at the community level, outreach activities, payment conditions and facilities to bring the banking sector closer to the community.
- **Land conveyancing:** Identification of the constraints in the current system of land titling, transfer, and registration; alterations to make the system more efficient.
- **Urban environmental management:** Examination of existing regulatory mechanisms and structures and exchange of information regarding approaches developed in other countries.

The Urban Foundation has recently been approached by civics and service organisation to assist in providing a training programme for them. In all likelihood, the orientation of the training will be similar to the approach that has been outlined. Therefore, it might be appropriate for the Urban Foundation to play a major role in coordinating USAID policy-oriented training.

In addition to funding of research, technical assistance and workshops on policy topics, assistance could be provided in two other areas.

1. **Documentation services:** To satisfy the thirst for information about approaches to urban management, a documentation service arrangement could be established with a US institution. The US institution would conduct literature searches and provide books, articles and other material to South African institutions.
2. **Policy analysis tools:** The Urban Foundation has developed a housing affordability model (HAM) which has been expanded by the Development Bank of Southern Africa. The HAM model is a planning tool that analyses effective housing demand in a community. The DBSA extension adds analysis of financial and fiscal implications of alternate scenarios of housing supply. These constitute the principal analytic tools that have been developed to date. However, both are developed on commercial software that is not well adapted to these particular applications. This component of the programme would supply US-based computer modeling expertise to assist in expanding the application of the existing models and in creating additional applications for other policy issues such as local government financing.

Objective 2: Strengthen professional capacities through training.

Human resource development will be one of the most significant contributions to helping South Africa move toward a new framework for urban management. Training will be beneficial at all levels and in all organisations. In moving forward in a training programme it will be important to distinguish between two types of training: Knowledge training will help decision makers and policy advisors become more aware of options for development. Skills training will enable professionals in service to perform their responsibilities in a more productive way. A combination of skills and knowledge training will be required to prepare future professionals to enter the market equipped with the ability to make an immediate contribution.

Many organisations have recognised the need for training and have begun programmes for civics and local authorities. USAID has funded training within South Africa and observational tours in the US for NGOs. However, to meet the real scale of the need, a broad array of public and private institutional resources will have to be mobilised.

Although universities constitute a valuable resource, they have not until recently focussed on urban management curricula. Programmes have not been structured to produce urban management policy specialists or well-qualified town clerks, treasurers or engineers. However, recent or proposed programme innovations at the University of Witwatersrand (Public Policy and Development Administration, civics training), University of the Western Cape (Public Administration), University of Natal (Public Administration) and University of Durban-Westville (training for civic leaders, local authority staff)

demonstrate a reorientation. USAID collaboration with universities in the future will be contingent on changes in the conditions of the CAAA.

Within the SAG system, the Training Board for Local Governments provides training directly and funds training by other institutions. The Board's direct offerings are very limited and training opportunities have not been widely used, particularly among the BLAs.

To meet the training needs of the transition to the "new" South Africa's urban sector, the following types of training programmes are proposed:

1. **Preservice academic training:** Preparing South Africans to assume positions of responsibility in local governments, in NGOs that are actors in urban management, and in the academic community. The objectives of this component would be to strengthen the urban management orientation of preservice training and increase the numbers of students who are prepared for careers in this field. This component would include:
 - a. Academic training in the US at the undergraduate and graduate levels; scholarships in fields such as public administration, public finance, and city and regional planning. Urban management training should be a priority sector for Mission-funded US-based academic training.
 - b. Reinforcing academic and technical training institutions in South Africa to focus their curricula on urban management issues. This component could include technical assistance in redesigning training programmes, faculty exchange programmes, funding of start-up costs of new programmes, and scholarships for disadvantaged students to enter urban management fields.
2. **Overseas short term training and observational tours:** Providing access for NGO professionals to specialised courses and urban management experiences in the US and other countries. Examples of specialised courses include the University of California/Berkeley course on urban land management, the Fels (University of Pennsylvania) course on housing finance, and the Research Triangle Institute course on municipal finance. While US or overseas-based courses offer the advantage of showing the larger context for urban management and can combine formal training with site experiences, the possibility of bringing specialised short courses to South Africa should also be explored.
3. **In-service training for local government officials:** The objectives of this component would be to improve the capacities of existing staff, so that they may contribute more effectively to local government service delivery. Training targets would include a range of senior- and mid-level managers and skilled tradesmen. While the greatest impact on overall local government performance will be made

by training managerial level staff, operational personnel are the most visible to the community and represent a good opportunity to "market" the local authority. Training topics for senior- and mid-level managers would range from management and leadership skills to more technically oriented topics such as financial management (accounting, budgeting, financial analysis), and public works management.

A variety of institutions could be involved in this programme but most will require some type of strengthening. Universities, professional organisations and some recently formed private sector institutions will be well suited to managerial-level training. "Technicons" (technical schools) and training infrastructure in large local authorities could be used for more technical skills training.

The creation of a national capacity to perform this training is unrealistic and would be unresponsive. A regional approach would be more appropriate. A proposed starting point could be a pilot project for the Johannesburg metropolitan area, working through the Metropolitan Chamber. The activity would begin with a needs assessment to determine performance discrepancies that can be corrected through training. As a second step, training public and private institutions would be inventoried as to their experience, capacity, and commitment to this type of training. At an implementation stage, training institutions would be assisted in designing appropriate courses and materials for adult education. Near-term implementation of training for local government officials is constrained by the conditions of the CAAA.

SECTION 4 IMPLEMENTATION ISSUES

4.1 Mechanisms to Implement the Strategy

Consideration about how the Mission will implement this strategy must take into account several factors including:

- USAID procurement regulations;
- Administrative efficiency, avoiding burdening USAID staff with the administration of a multitude of small activities;
- Programme coherence, ensuring that there is a consistent focus to all activities;
- Avoiding overlap and duplication of other USAID-funded programmes; and
- Allowing a rapid response to the evolving situation.

In light of these considerations, it is appropriate to view implementation in three time frames: the short, medium and long term. Recommended activities during each of these periods include the following (mechanisms for conducting the activities are mentioned in parentheses):

1. Short Term (6 months)
 - a. Target community-based organisations (CBOs), regional and national fora (additional fieldwork, in-house);
 - b. Conduct further study on mechanisms for community finance leading to grant design (in-house);
 - c. Package a mentoring grant for community development advisors (in-house, IQC);
 - d. Conduct a study of Black construction enterprises (in-house, IQC);
 - e. Identify and deliver "impact" grants to key CBOs (in-house);
 - f. Prepare key research grants: land conveyancing, Cape Town land use, etc. (in-house);
 - g. Establish documentation service with CDIE (in-house);

- h. Offer short, sharp upgrading technical assistance (in-house, IQC);
 - i. Package grants to service organisations, e.g., Group Credit Corporation, etc. (in-house); and
 - j. Prepare Housing Finance Institutions (HFI) needs assessment (in-house, IQC).
2. Medium Term (6 - 12 months)
- a. Define research and policy agenda and institutional setup, leading to RFP (in-house, IQC);
 - b. Define community management training content and resident technical assistance package, leading to RFP (in-house, IQC);
 - c. Package and execute larger grants for community finance through regional trusts and banking institutions (in-house, IQC);
 - d. Define and package urban management training programme (within existing USAID portfolio?);
 - e. Monitor and define assistance to emerging national policy bodies; and
 - f. Examine potential use of housing guaranties.
3. Long Term (12 months and beyond)
- a. Implement 3- to 5-year urban management policy and institutional support programme;
 - b. Implement 3- to 5-year community development capacity-building and technical advice programme;
 - c. Monitor, evaluate and adapt community finance mechanisms;
 - d. Be prepared to exploit new opportunities as Comprehensive Anti-Apartheid Act eases: DBSA, universities, local authorities;
 - e. Offer housing guaranty loans; and
 - f. Increase coordination with other donors as they enter the sector.

4.2 Monitoring and Coordination

Monitoring and coordinating the implementation of this strategy will achieve two important objectives. First, individuals and organisations carrying out various elements of the strategy will be kept informed and working in a mutually beneficial manner. The strategy should be seen as an integrated set of programmes and the lessons learned from one element must be shared with others. Second, the political context in South Africa is changing rapidly. The USAID strategy should reflect changes in the environment and react to the evolving situation. USAID should establish a coordinating and monitoring programme that could achieve these two objectives and support USAID programme managers.

APPENDIX A
LIST OF PERSONS CONTACTED

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PERSONS CONTACTED

Tami Khumalo	Business Consultant
Steven Manyane	QwaQwa Development Corporation
Moses Mayekiso	President, Civic Association of Southern Transvaal (CAST)
Hugh McLachlan	Perm Building Society
Dennis Chreighton	Perm Building Society
Curtis Nkondo	Perm Building Society
Mohammed Dangor	Perm Building Society
Peter Chreighton	Perm Building Society
Bob Tucker	Lawyer
Dick Fehnel	Tertiary Education Program Support Unit (TEPS)
Jeff Racki	World Bank (AF6IN)
Ketso Gordhan	ANC Economic Planning Unit
Cas Coovadia	CAST
Dr. Joop de Loor	
Members of the de Loor Commission of Enquiry into Housing	
Members of the Etwatwa Civic Association	
Chris Dhlamini	Council of SA Trade Unions (COSATU)
Mark Swilling	PlanAct
Billy Cobbett	PlanAct

Billy Cobbett	PlanAct
Julian Baskin	PlanAct
Andrew Boraine	PlanAct
John Spiropolous	PlanAct
Matthew Nell	Urban Foundation
Jill Strelitz	Urban Foundation
Tim Hart	Urban Foundation
Fred Stiglingh	Urban Foundation
Dave Gardner	Urban Foundation
Sam van Coller	Urban Foundation
Colin Appleton	Independent Development Trust (IDT)
Franz Pretorius	IDT Finance Corporation
Dr. Nthatho Motlana	New SA Housing Association, Get Ahead Foundation
Gibson Thula	Business Consultant
Harvey Tyson	Political Consultant
Don MacRobert	Get Ahead Foundation
Johan Kruger	Development Bank of Southern Africa
Ken Finlayson	Development Bank of Southern Africa
Glynn Davies	Development Bank of Southern Africa
Werner Beherens	Development Bank of Southern Africa
Chris Heymans	Development Bank of Southern Africa
Piet du Plessis	Development Bank of Southern Africa

Gerd Sipple	Development Bank of Southern Africa
Vic Milne	Johannesburg Metropolitan Chamber
Dirk Lamprecht	Johannesburg City Council
Johan de Jager	Diepmeadow Town Council
Elizabeth Sithole	Town Clerk, Soweto
Louis Geldenhuys	City Secretary, Soweto
Marvela Dlamini	City Engineer, Soweto
Len de Wet	Regional Services Council (Johannesburg)
Graham Collins	Town Clerk, Johannesburg City Council
Lukas Opperman	Senior Deputy City Treasurer, Johannesburg City Council
Neville Karsen	Dept. of Planning, Provincial Administration and Housing
Alan Mountain	Housing Consultant
Prof. Mike Sutcliffe	University of Durban/Westville (UDW)
Norman Levy	Centre for Community and Labor Studies (CCLS), UDW
Vish Suparsadh	CCLS, UDW
Nora Walker	Built Environment Support Group
Edmund Radebe	Legal Advisor, Qadi Committee
Rev. Sibiso	Chairman, Qadi Committee
Chief Nkhozi	Chief of the Qadi people
George Antoni	Antoni Land Investments
Christine Glover	Group Credit Company

Wilfried Scharff	University of Cape Town, Institute of Criminology
Geoff Budlender	Legal Resources Centre
Brian Leveson	Legal Aid Bureau
Andrew Lukhele	National Stokvels Association
Prof. David Dewar	Urban Problems Research Unit, UCT
Helen Zille	Community Affairs consultant
Clive Keegan	Deputy Mayor, Cape Town
Thozamile Botha	ANC, Director of Local Government Dept.
Lulu Gagwa	ANC, Local Government Dept.
Zorah Ebrahim	National Coordinator, Civics
Dennis Barrett	Director, USAID/South Africa
Janice Weber	USAID/SA
David Himeifarb	USAID/SA
John Addleton	USAID/SA
Dan Rathburn	USAID/SA
Farooq Mangera	USAID/SA
Steven Wade	USAID/SA
John Hirsch	US Consul General, Johannesburg
David Halstead	US Consul General, Cape Town
John Creamer	US Embassy
Taffy Adler	General Manager, Land Investment Trust
Rod MacGillavray	Newco

Nombulelo Khanyile	Newco
John Neels	Cape Housing Action Committee
Sarah Wood	Development Action Group (DAG)
Kenneth Tsamana	Western Cape United Squatters' Association (WECUSA)
Enoch Madywabe	Interim Committee (Cape Town)
Wilson Sedinah	Western Cape Civic Association
Tony Gocini	Western Cape Civic Association
Andrew Merrifield	Built Environment Support Group (BESG)
Members of the Phola Park Residents' Committee	
Graham Barr	Director, BP/SA
Keith Bryer	Headstart (District 6)
John Rees	Methodist Housing Trust
Jeremy Ractcliffe	Murray Trust
Zanele Mbeki	Women's Development Banking
Arthur Botha	Sunflower Concepts
Wayne Mitchell	Executive Director, American Chamber of Commerce
Yvonne Buckle	American Chamber of Commerce
Hanlie de Bruin	Wesselton Project
S.J. Klomp	Wesselton Project
Rocco de Kok	Wesselton Project
Mr. H. Matfield	Senior General Manager, Standard Bank

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