

Workings of

TOWNSHIP RESIDENTIAL PROPERTY MARKETS

A research project sponsored by the FinMark Trust, Ford Foundation, Micro Finance Regulatory Council / USAID, South African National Treasury and the National Housing Finance Corporation.

Phase One: General Research

Annexure B: Socio Cultural Dimensions

For Discussion

24 October 2003

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1. Introduction

1.1. *Critical review of the dominant conceptual framework of the policy debates*

Attempts to create secondary housing markets in developing countries have encountered numerous obstacles, including economic, legal, social and cultural barriers. In South Africa the formal Township housing market is often described as inactive and 'dysfunctional'. Meanwhile, very little is known about informal township housing markets, although there is growing anecdotal evidence that is functioning, and that 'RDP houses' are sometimes sold informally at prices well below what it costs to build them.

This literature review focuses specifically on the socio-cultural factors that facilitate or impede the creation of a functional and viable lower-income housing market in South Africa's townships. Why is it that whereas an informal housing market exists in the townships, there is a virtual absence of a functioning formal market? This situation clearly has serious implications for housing policy and attempts to use state low-income housing delivery for poverty alleviation and local economic development (Shisaka 2003:2).

Focusing on the socio-cultural dimensions of Township property markets requires attempting to understand the social and cultural factors that shape the ways in which people make decisions relating housing. Clearly, an investigation of decision-making behaviour also requires taking into consideration economic and legal factors. However, since these dimensions of housing markets are relatively well documented, and other members of this team are addressing these aspects, this literature review concentrates on social and cultural issues.

A growing anthropological literature has raised questions concerning the universalizing assumptions of mainstream economic and legal models of formal market dynamics. This literature draws attention to the complex and diverse ways in which individuals and cultural groups make decisions in relation to housing. Focusing on socio-cultural differentiation can, however, result in problematic generalizations that imply there are fundamentally different 'Other' cultures. It is crucial to recognize that 'cultures' are not static, internally coherent or bounded. This means that it is crucial to avoid sweeping generalizations about cultural beliefs and practices.

While literature reviewed indicates that there are significant social and cultural blockages to the creation of viable secondary markets in the Townships, there is no evidence that township residents are uninterested in participating in formal housing markets, or that they are culturally predisposed towards participation in informal markets. Sections of the township population may be very interested in participating in the formal housing market if there are enabling circumstances, e.g., access to formal financial institutions and so on. In this respect they may have aspirations that are not that different to middle class homeowners in the suburbs. However, conditions of poverty and lack of access to finance, amongst other factors, may prevent township residents from participating in formal housing markets. It may also shape whether they view a house as a financial or social asset. However, rather than making generalizations about the housing preferences and market behaviour of all

Township residents, it makes more sense to do empirical studies that identify the diversity of housing options and aspirations of what is clearly an extremely heterogeneous population of Township residents. Such a study would also need to investigate to what degree economic circumstances shape residents' orientation towards formal housing markets.

This review focuses on some of the key behavioural assumptions embedded in much of the literature on market dynamics. These assumptions draw on a historical legacy of western social science in terms of which human behaviour is seen to be the outcome of rational choices made by individuals on the basis of maximizing values and self-interest. While individuals all over the world may indeed be driven by self-interest, rational choice theory, especially its application in mainstream economics, assumes universal notions of economic rationality and 'rational' decision-making. However, behaviour that members of San communities in the Kalahari may regard as perfectly 'rational' and culturally and socially appropriate, for instance spending many hours a day socializing or involved in ritual activities, may be regarded as completely 'irrational' by investment bankers for whom time is money. Similarly, cultural difference has to be taken seriously when it comes to thinking about market behaviour in the low-income housing sector whether in South Africa or elsewhere. Yet, in much of the western literature on market dynamics, including the writings of the extremely influential Peruvian economist Hernando De Soto, socio-cultural difference is written out of the equation. Such thinking usually draws on a universalizing 'rational man' approach.

1.2. Key assumptions in the literature on market dynamics

It is assumed in much of the literature on residential property markets that market dynamics are a result of economic and legal factors alone. It is also assumed that 'the market works for all' (Smets 2003:193). This perspective includes the following assumptions:

- ✍ Assumption 1: legalization (i.e., legal title) on its own can produce positive outcomes for the poor, for instance by allowing the poor to use their property as collateral to access loans from formal financial institutions.
- ✍ Assumption 2: the provision of legal title to the poor can, through its capacity to generate finance, stimulate the emergence of secondary housing markets and vibrant entrepreneurial activity.
- ✍ Assumption 3: the economic and legal interventions mentioned in 1 and 2 can be applied in any contexts and do not need to take into account socio-cultural particularity and diversity.
- ✍ Assumption 4: market dynamics can be explained by means of a universalistic model of homo economicus in terms of which individual agents make decisions based on rational choice principles and maximizing values of economic self-interest.
- ✍ Assumption 5: it is in the interests of the poor to engage with formal systems, including legal procedures (e.g., titling), and formal housing markets and financial institutions.

Hernando De Soto's thesis reflects a dominant position in current policy debates on housing market dynamics in the developing world, including policy debates on South Africa's low-income townships. While de Soto's views are only one position in a global policy debate, his ideas have come to represent mainstream policy thinking on the role of legal title in stimulating secondary property markets in developing countries. It is precisely because of the global significance of his ideas that it is necessary to take his thesis seriously. It is for these reasons that this introduction to the conceptual framework of policy debates on low-income residential property markets devotes significant space to addressing de Soto's ideas.

1.3. Thinking beyond de Soto and the 'magic of title'

De Soto's (2002) *The Mystery of Capital* has unleashed worldwide interest in the idea of property titles as the vehicle for improving the lot of the poor. De Soto claims that title deeds allow the poor to borrow money from the formal sector, and create possibilities for capital accumulation, for example by allowing property to be transferred legally from one owner to another. According to de Soto, it is possible to convert the poor into successful entrepreneurs simply by facilitating their access to formal credit, and they will get this credit if they are granted legal title to their property.

1.4. De Soto's key assumption is as follows

Poor people save but they hold these resources in defective forms: houses built on land whose ownership rights are not adequately recorded and unincorporated businesses with undefined liability. As a result these assets are insecure, cannot be turned into capital, cannot be traded outside of narrow, local circles and cannot be used as collateral for a loan, or used as a share against an investment (de Soto 2000:5).

Following De Soto's visit to South Africa in June 2001 it became clear that his ideas had influenced the thinking of government officials, planners, academics, NGO workers and activists. For instance, in response to government's decision a week earlier to relocate 'squatters' in Alexandra township, critics of this 'de-densification' initiative argued that, rather than simply destroying 'surplus shacks' and replacing them with properly planned formal housing, the state ought to first recognize that the humble, illegal dwellings of the poor hold the key to their escape from poverty. Critics of the Alexandra housing development drew attention to de Soto's rallying call for legal title to be used to liberate the 'dead capital' of the 'illegal' assets of shack dwellers. These illegal assets, so the argument went, belong to the poor but have no value because the latter live in a legal system that does not endow the poor with formal property rights to their dwellings. In other words, give the poor titles and they will have access to credit and that will improve the functioning of the land and property markets. The Mail & Guardian editorial made a direct link between De Soto's claims and the Alexandra forced removals:

De Soto's point is ingenious. Give property rights to those living in illegal dwellings; their dwellings then become assets whose value can be measure in the formal economy: the poor can then use these assets as collateral to

raise capital; and they can then use that capital to finance the beginnings of any number of enterprises. Rather than destroying illegal homes in Alexandra, the government should be looking at ways to liberate those assets, to convert them into capital, to unleash the economic potential and power of the less wealthy... (Mail & Guardian, June 22, 2001).

1.5. Critiques of de Soto's thesis

It would appear that the World Bank, Western donors, development agencies and governments in the developed and developing worlds have 'bought' de Soto's 'magic bullet' theory. However, de Soto critics such Alan Gilbert (2002) and Peer Smets (2003) are highly skeptical of the sweeping claims made in the name of legalisation and property titles. While de Soto's thesis is seductive to policy makers because of its conceptual elegance and apparent common sense, his critics have raised a number of troubling questions. For instance, in a recent presentation to the World Bank, Gilbert (2003) provided compelling counter-evidence suggesting that sales are sometimes more frequent when people lack legal title, that renting develops despite illegality, that informal finance is available at the establishment of an illegal settlement and that little formal finance is forthcoming after legalization. In addition, there are virtually no signs of secondary housing markets developing in legalized settlements.

Gilbert is also not alone in pointing out that it is extremely doubtful that banks and building societies would be interested in developing mortgage products to help 'liberate' the 'dead capital' currently trapped in the illegal assets of the poor, i.e., the townships. In an article entitled 'Thin Red Line: banking on good intentions' (Thisday October 14 2003), the South African journalist Gail Smith writes about how Absa Bank initially turned down her application for a bond for an R80, 000 flat in Yeoville, Johannesburg. The first bank official she spoke to simply said: 'It's a high crime area and we don't want to do business there.' Absa, a bank proclaiming a proven track record and commitment to investing in low-income housing and in redlined areas, initially refused this relatively well-paid professional with a clean credit record a bond for a house in a middle-income neighbourhood. What chance then do the urban poor in the townships and informal settlements stand when it comes to bank loans? Would legal title of a township house or a shack make any difference in terms of accessing finance through banking institutions? If the medium-income, multiracial and cosmopolitan Yeoville could be 'redlined' so soon after the end of apartheid, what does this say about the banking sector's perceptions of future business prospects in the townships? Although Gail Smith's story ended on a happy note with the eventual approval of her bond, it raises a number of questions similar to those posed by de Soto critics: Will banks provide loans for low-income housing in legalized settlements and townships? Are banks interested in this lower segment of the market? Do the poor trust the banks?

Notwithstanding the skepticism of de Soto critics, it would appear that some of de Soto's arguments about the benefits of legalisation may have merit in the South African context. For instance, legal recognition of the houses and shacks of the poor can, under certain circumstances, provide security of tenure. However, it is unlikely that legal title alone will provide township residents, and the poor more broadly, with

access to loans from formal financial institutions. Neither is legal title on its own likely to result in the creation of a secondary housing market in the townships. In other words, this critical literature suggests that de Soto's sweeping claims about the benefits of legal title need to be treated with considerable circumspection.

1.6. Findings from empirical studies that challenge de Soto's thesis:

- ✍ Latin American governments have given out hundreds of thousands of land titles but the evidence suggests that this has not necessarily improved security of tenure, facilitated access to formal credit and stimulated the emergence of a vibrant secondary market in land and housing (Gilbert 2002:4)
- ✍ The housing need of the poorest section of the population in the developing world is generally not addressed through formal market mechanisms. Instead, their housing is usually self-supplied (Snijder, 2001:2)
- ✍ Efficient land markets are determined by the availability of land, a competitive environment and an ample supply of finance capital to fund construction. None of this is available in sufficient supply for Township property markets (Snijder, 2001:2).
- ✍ Those residing in slum and informal settlements, backyard shacks and low priced rental units are effectively priced out of the formal housing market (Dowall, 1989:339; c.f Snijder, 2001:3).

2. Socio-cultural obstacles to (residential) property market dynamics

2.1. *Anthropological critiques of mainstream theories of market dynamics*

- ✍ Anthropological studies draw attention to socio-cultural obstacles to the creation of formal low-income housing markets, thereby questioning de Soto's assertions about the transformative role of legal title. These studies question whether title deed is indeed the panacea for Third World economic growth and development.
- ✍ Anthropological studies have also drawn attention to the problems with rational-choice theories. A growing body of South African anthropological studies and anecdotal evidence illustrates why choices about housing are not always made on the basis of individual rational choice and economic self-interest. These studies show that this is largely a result of the fact that housing is often not perceived as simply an individually owned financial asset, but it is also understood a social and cultural asset.

The following examples draw attention to the socio-cultural dimensions of housing and the impact this could have on attempts to extend legal title and develop a more dynamic formal housing market in South African townships. While these obstacles may exist in certain townships this does not mean that attempts to create viable secondary housing markets are doomed to failure. There will clearly be significant differences between and within South African townships. It is only through systematic empirical research that it will be possible gauge the nature and extent of these socio-cultural blockages. While it is problematic to generalize on the basis of anecdotal evidence and limited case studies, such evidence can be used to identify trends and likely obstacles to the establishment of a viable and functional market in the townships.

The following section draws attention to the policy implications of local perceptions of the township house as a social asset rather than a financial asset. However, this does not mean that all owners of township houses would be uninterested in selling their houses on a formal secondary housing market if this was perceived to be to their advantage. A township house and its uses, like cattle and other types of household property, are subject to multiple and conflicting claims.

2.2. *Why a house is more than a financial asset: Socio-cultural blockages to market dynamics.*

- ✍ **The house as a family asset:** Even if property owners have title deeds they are often not be in a position to sell their property because family members may view the house as a family asset rather than as individual asset that can be readily sold on the market. They may not even have control over the rental income obtained from backyard shacks or subletting house (Ishmael Mkhabela, personal communication).

- ✎ **Social and cultural pressures not to sell a Township house:** The decision by an individual title deed holder to sell a 'family house' in the townships and buy a bigger and more 'modern' one in the suburbs could precipitate conflict if certain household members stand to lose out from this transaction, e.g., if the new house cannot accommodate all household members. The anthropological literature illustrates how individualistic decisions and behaviour that disadvantages kin members can result in accusations that the individual is 'anti-social' and violating kinship based moral codes of conduct. Such behaviour can, under certain circumstances, culminate in witchcraft accusations against individuals who are perceived to be undermining kin and family solidarity (Geschiere, 1997). This draws attention to the tensions between individual success and ambition on the one side, and kinship obligations and expectations on the other.
- ✎ **Use value versus exchange value: The livestock analogy.** From anecdotal evidence it would appear that the social and cultural barriers to the sale of township residential property resemble the obstacles identified by anthropologists in studies of government attempts to promote the commercial livestock production in the communal areas of Southern Africa (Robins, 1994; 1998; Ferguson 1990). These studies show that in many cases livestock ownership involves multiple stakeholders. Family members are often extremely angry if a member of the household, for example the wife of an absent migrant, unilaterally sells cattle that have been earmarked for social and cultural purposes e.g., lobola, ritual dedication to the ancestors (izinkomo yamadlozi), ploughing for kin and neighbours (amalima), provision of milk to kin etc. In other words, cattle, like houses, are often understood to be social and cultural assets (use value) rather than individually owned financial assets (exchange value). Converting cattle or houses into cash or individual private property without the consensus and approval of the relevant kin, can be interpreted as anti-social behaviour.
- ✎ **Houses and cattle as markers of social status for absentee owners:** James Ferguson (1990) has shown how Basotho cultural barriers to the conversion of cattle into cash serve as a way of enabling absent Lesotho migrants to use their cattle to maintain a social and cultural presence in their home villages during long periods of physical absence. In other words, the social status of the absent migrant is strengthened because kin and neighbours can use his cattle for ploughing, milk, manure, ritual purposes and so on; selling the cattle could therefore undermine the migrant's social standing in the eyes of kin and neighbours in the home village. Similar socio-cultural processes and family pressures encourage middle class former township residents who have moved to the historically white suburbs to hold onto their township houses rather than selling (Maurice Makhathini, personal communication, see below).
- ✎ **Social and kin networks and 'wealth in people'** 'Wealth in people' may be as important as financial assets for the poor. For instance, households may hold onto property rather than selling because they need to house a large number of kin who can contribute to household welfare through their labour and income. This is also part of building social networks – wealth in people.
- ✎ **Sustaining townships ties and community solidarity:** Anecdotal evidence suggests that many middle-class black South Africans who move to the

historically white suburbs often hold onto their township homes as a means of retaining socio-cultural ties to family and community. They often experience cultural alienation and hostility in the 'white suburbs', and consequently prefer socialising in the townships on weekends (Maurice Makhathini, personal communication). Retaining a family house in the townships that can be used by kin, is sometimes seen as means of maintaining a social and cultural presence in the community even though one is physically absent, i.e., living in the 'white suburbs.' The township house thereby becomes a marker of socio-cultural identity and belonging.

African philanthropy, community solidarity and the township house: Some middle class black South Africans who have moved into the historically white suburbs have handed over their township houses to the community for social uses including the housing of AIDS orphans (Maurice Makhathini, personal communication). In other words, the township house can become a vehicle for the expression of community solidarity and philanthropy by former township residents, i.e., it may have more value as a social asset than as a financial asset

- ✍ **Respect for 'the house of the fathers':** Retaining a township house within the family can also be a sign of respect for the memory of parents and grandparents who struggled against all odds to build a home during the years of influx control and pass laws; it is often not perceived to be an individual's financial asset to be sold on the market.
- ✍ **The market is not always best:** Some attempts at creating market-driven private homeownership ('rent to buy') schemes in Cape Town's townships have produced serious intra-community conflict. For example, some community members have actively resisted attempts by the City Council to allow 'outsiders' (i.e., beneficiaries from other townships) to qualify for participation in such schemes. At Hanover Park and Manenberg, residents recently demanded that all new housing stock should be allocated to local community residents, many of whom live in overcrowded rental accommodation and backyard shacks. This communitarian logic could, under certain circumstances, undermine efforts to create a secondary housing market in the townships.
- ✍ **Domestic fluidity and household mobility:** Another obstacle to the sale of township houses results from precarious economic circumstances of low-income households. For example, anthropological studies have used the term domestic fluidity to describe the hyper-mobility of low-income households (Ross, 1995; 2003; Ross and Spiegel, 2001; Spiegel, Watson and Wilkinson, 1996, 1999). This mobility is associated with conditions of poverty and the need for multi-sited livelihood strategies, i.e., the need for household members to be hyper-mobile in their search for employment opportunities. Given this situation, it makes sense for households and individuals to retain rather than sell township houses; the more residential bases at the household's disposal the better. As a result, some households retain access to a number of homes in rural and urban areas. Although an individual household member may have title deed to this house, it may not make social or economic sense to sell the property given the household needs and family pressures.

- ✍ **Debt or arrears in rates and services payments:** As a result of debt and arrears the owner of a RDP subsidy house may decide to sublet or 'sell' a township house through the informal market, and then move back into an informal settlement (Robins, 2002a). As will become clear below, living in informal settlements can offer certain advantages to the urban poor. These include lower expenses for rates and services, less regulated built environments and better opportunities for informal economic activities such as spaza shops, shebeens and so on. Owners of 'RDP houses' are also known to sell their township houses informally for extremely low amounts, or else they sub-let their houses, in order to gain access to cash in order to meet basic household needs or to subsidize their rates and services bills.
- ✍ **Costly and complicated legal regulations** can also be a barrier to accessing the formal housing market.
- ✍ **Legalisation and individual title** can also create conflicts within the family, especially for common-law or second wives (Varley, 2000; c.f. Gilbert 2003:6). Selling a family house can exacerbate inheritance conflicts and family divisions. This may serve as a hindrance and disincentive to sell, thereby perpetuating the prevailing situation of low supply.

2.3. Gaps in existing studies on formal Township markets

- ✍ A number of studies have identified economic blockages for financing affordable housing and noted that these obstacles are largely responsible for the relative inactivity of township property markets (NHFC, 2001; Abt Associates Inc.1998; see Shisaka Reports by Abrahams and Hawkins). There is, however, very little written on socio-cultural blockages.
- ✍ South African housing policy documents declare that the current housing backlog is a result of a dysfunctional housing market that systematically excludes the poor. This view has influenced the government's plan for a normalized, vibrant housing market in which dwelling units are bought and sold among subsidized beneficiaries. It calls for low-income housing products that have a market value (Snijder, 2001:12). However, these economic perspectives on housing fail to address the fact that a house and 'home' are not always viewed as individually owned financial assets to be bought and sold on the market. Instead, they are often understood as social and cultural assets that are embedded in kinship and social networks that include large numbers of people. As was mentioned above, negative repercussions and punitive measures can result from attempting to convert such social or family assets into financial assets, e.g., by excluding kin from access to these housing resources.
- ✍ While much of the literature on township property markets correctly identifies the adverse impact of the apartheid legacy of housing backlogs, the problem extends beyond that of a tight housing market in which there is little room for any movement within the secondary housing market (Abt Associates Inc. 1998:1). To understand the problem in its full complexity requires identifying a range of social and cultural constraints to the creation of a secondary market.

- ✍ The following section draws attention to the advantages of informality for low-income households.

3. 'Self-housing and informal housing markets'

3.1. *International Experience*

- ✍ Recent studies recognise that in most developing countries, the formal market mechanism had failed to meet the rapidly increasing housing needs of the population. It has been estimated that between 30 and 70 per cent of the poor lived in 'irregular' settlements, and this was a growing phenomenon (Durand-Lasserve 1997:11); c.f. Berner, 2001:293).
- ✍ The United Nations Centre for Human Settlements (UNCHS) found that 64 per cent of the housing stock in low-income countries, and up to 85 per cent of new housing, was 'unauthorised' (UNCHS 1996:200) c.f., Berner, 2001:293). It had become evident that 'illegal' or informal land markets had been providing land for new housing stock in most cities of the South of the last 30 or 40 years (UNCHS 1996:239; c.f. Berner, 2001:297).
- ✍ These findings are not new and can be traced to John Turner's *Housing by People* (1976) and the first Habitat conference in 1976, which signalled a paradigm shift towards an enabling approach that recognised the value of self-housing ('squatting'). This approach acknowledged the failure of an earlier approach that was characterised by attempts to create incentives for the formal private sector to move downmarket (Berner, 2001:293). In the mid-1970s, self-housing came to be recognised as the only viable solution for sheltering the poor (ibid). This approach acknowledged the importance of informal settlements for the economy.

3.2. *The South African situation: The socio-cultural logics of the informal housing system*

Low-income groups in South Africa appear to have sound social, economic and cultural reasons why they operate in spheres of informality, i.e., by living in informal settlements and/or relying on informal markets. Reasons for living in informal/'illegal' settlements include the following:

- ✍ Building standards and regulations, by-laws and transfer procedures associated with the formal housing system are also often perceived by the poor to be obstacles. Informal settlements and informal housing may provide cheaper options for poor people who need to extend a house or build a corrugated iron backyard shack to accommodate family members or tenants.
- ✍ By-laws and regulations could also become a barrier to home-based livelihood strategies and business opportunities such as spazas and shebeens.
- ✍ The combination of financial burdens of service and rates levies, by-laws and building regulations, as well as increased state control and surveillance in formal townships, may become particularly burdensome for members of lower-income groups involved in informal and illegal economic activities.

- ✍ Informal renting (sub-letting) is also often the result of the inability of the formal rental and ownership housing sectors to provide sufficient and affordable housing to lower income households (Snijder, 2001:9).
- ✍ Informal rental accommodation (including backyard shacks and subletting) may also be more suitable in terms of facilitating independence and residential mobility. It allows for more short-term commitment, which is particularly important for many low-income households and migrant workers who lack job security, and who therefore have to move between town and country, or between cities, in search of employment. This mobility is confirmed in a number of anthropological studies that have drawn found that low-income households are often characterized by domestic fluidity and kin networks that are 'stretched' across geographical spaces (Spiegel, Watson and Wilkinson, 1996, 1999; Ross 1995; Ross and Spiegel 2001).
- ✍ This combination of factors may explain the logic and tenacity of the informal housing system.

3.3. A KZN case study: Informal township property transactions

- ✍ Snijder (2001:15) draws attention to a recent report that found a high turnover of beneficiaries in a greenfield housing project in KZN. The report found that numerous informal transactions were taking place. For instance, units had been purchased by occupants who were not the original beneficiaries for between R4000 and R6000; units were rented from beneficiaries; relatives and friends were house-sitting for the original beneficiary; occupiers had exchanged units and so on. The Provincial Housing Development Board (PHDB) had been notified that it could not act against such transactions as this would be contrary to the constitutional right to economic freedom. The report also identified a number of problems regarding legal sales (i.e., where the beneficiaries are the legal owners) of subsidized housing units:
 - ✍ Those who resell their homes are likely to return to an informal settlement;
 - ✍ If sales are not registered, the new owners do not have legal protection
 - ✍ Units are sold well below market value
 - ✍ The new owners may not qualify for the subsidy which means the subsidy scheme is not reaching the intended target

3.4. Costs of formality

There are a number of additional factors why living without title deed in an informal settlement or in rental accommodation may make sound sense. This is largely the outcome of a range of **social, economic and cultural costs** associated with living in a formal settlement. These costs include the following:

- ✍ The financial costs of living in a formal township can be prohibitive for extremely poor people, i.e., 50 per cent of the South African population (Terreblanche, 2003). As a result, the advantages of living in a shack in an informal settlement,

or renting a backyard shack, may outweigh those of legal ownership of a formal house in a formal settlement (Robins, 2002a; Morange, 2003). Informal rental or living in backyard shacks may also not be nearly as exploitative as is often assumed. There may in fact be a number of social, cultural and economic advantages in such arrangements (Morange 2003).

- ✍ The socio-political costs involved in living in formal townships include heightened state control and surveillance in environments in which large numbers of poor people eke out livelihoods through informal and illegal means. Informal settlements are generally subjected to less state regulation.
- ✍ For the urban poor, living in a rented or 'owned' shack that is conveniently located, cheap, and safe and secure may be a more viable option than ownership of a formal house at some distance from the city center and places of employment (Morange, 2003).

3.5. *Informalisation, 're-informalisation' and redlining*

The 'informalization' of middle-income suburbs, for example through deviations from conventional suburban housing and built environment standards and regulations, often precipitates 'redlining'. The recent redlining of historically white middle-income suburbs such as Yeoville (Johannesburg) and Muizenberg (Cape Town) draws attention to the fickleness of financial institutions when it comes to the lower end of the market. It would also appear that bond applicants seeking to buy into culturally heterogeneous suburbs, especially those with significant numbers of African immigrants (often labeled under the blanket categories of 'Zimbabweans' or 'Nigerians'), are particularly disadvantaged when it comes to bond applications. Given this scenario in historically middle-income suburbs such as Yeoville and Muizenberg, it would appear that the townships are even more likely to remain redlined. This situation is likely to impede the emergence of a vibrant secondary housing market in the townships.

My recent ethnographic study of the Joe Slovo Park upgrading scheme in the historically white middle class suburb of Milnerton, Cape Town, draws attention to the adverse implications of processes of 're-informalisation' of RDP housing (Robins, 2002a). In the Joe Slovo Park study I used the term re-informalisation to refer specifically to the construction of corrugated iron backyard shacks and extensions to formal 'RDP houses'. Such deviations from suburban built environment standards usually result in automatic redlining. In the case of Milnerton, racialised perceptions of working class blacks and African immigrants, along with increases in crime, also contributed towards negative sentiment about Joe Slovo Park. Traditional townships are unlikely to be in a better position than places like Joe Slovo Park when it comes to the perceptions and sentiments of financial institutions.

Alongside the N2 highway driving from Cape Town city center to the airport one passes enormous cooling towers on the left and then arrives at Langa, the most established of Cape Town's black African townships. In the 1980s better-off members of the Langa community bought middle-income homes as part of the Settler's Way housing project. The owners of these large and modern houses were devastated in the 1990s by the invasion of land immediately adjacent to their Settler's

Way homes. Hundreds of shacks were built overnight by former backyard tenants living in overcrowded conditions in Cape Town's townships. The Settler's Way homeowners suffered great financial losses as the value of their houses plummeted and banks redlined this relatively up-market township development.

Deviations from conventional built environment and housing standards (e.g., shack settlements and backyard shacks in formal settlements) are sometimes interpreted as the product of socio-cultural conditions of poverty. Whereas the anthropologist Oscar Lewis used the 'culture of poverty' concept to refer to 'dysfunctional' socio-cultural features associated with urban poverty in Mexican shantytowns in the 1950s, it is also possible to view these responses to poverty in a far more positive and functional vein. This approach highlights the socio-cultural logics that shape the decisions of poor people regarding different livelihood and housing options. It may also explain why housing decisions that may not make sense from a developer's or economist's perspective, often make perfect sense when one takes into consideration the socio-cultural dimensions of poverty. The following examples illustrate this point by showing how:

- ✍ If one is in arrears in electricity and rates payments it may make sense to sell one's RDP house on the informal market for as little as R3000 and move back into an informal settlement.
- ✍ Under conditions of extreme poverty it makes sense to consolidate social and kin networks by extending your RDP house and adding on a corrugated iron structures to accommodate kin and clients. This process of re-informalisation characterized the informal settlement upgrading scheme at Marconi Beam/Joe Slovo Park, Cape Town (Robins, 2002a).
- ✍ Socio-cultural factors can explain the local community opposition to the implementation of private homeownership ('rent to buy') schemes in Manenberg and Hanover Park, Cape Town (Robins, 2002b). This opposition came from a group of backyard shack dwellers that stood lose out in this process (see below).

The following section draws attention to the costs of 'proper modern living' that may encourage low-income households, including housing subsidy beneficiaries, to remain within the sphere of informality.

3.6. Cultural expectations and costs of 'proper living'

- ✍ Formal housing also comes with notions of 'proper modern living' that can become costly. Whereas living in informal settlements involves few lifestyle expectations, living in a 'proper' house usually calls for costly modern furniture and household appliances. These become signs and symbols of 'modern living' (Ross 2003; Meintjes 2000; 2001). In other words, the trappings of modern living can become a debt trap! Research findings from Joe Slovo Park by Yose (1999), Mongwe (2003) and Robins (2002a) indicate that in informal settlements it is culturally acceptable to be relatively 'minimalist' in terms of consumption practices as fires and flooding can, in an instant, destroy expensive furniture and household appliances.

- ✍ Fiona Ross's research into an informal settlement upgrading scheme at Chris Nissen Park in the Western Cape shows how moving into 'RDP houses' ushered in new cultural conceptions of *ordenklikheid* ('respectability' or 'proper living') resulting in new expectations of 'proper' lifestyles and family relationships (e.g., proper marital status) when 'squatters' move into RDP housing.
- ✍ My own work on the Marconi Beam/Joe Slovo Park upgrading scheme (Robins, 2002a) suggests that 'RDP house' beneficiaries and housing development practitioners (i.e., policymakers, NGO workers and developers) often share these development visions and aspirations of 'proper modern living' and 'suburban bliss.' However, poor people are usually unable to live out these dreams of 'modern living' because of the hidden costs of 'proper' suburban living.

3.7. The downside of formal homeownership: The plight of the ultra-vulnerable

- ✍ Legal ownership and 'trading up' can create problems for the poorest section of the population who often benefit from backyard shack tenancy arrangements. When former landlords acquire title deed and move into more upmarket formal housing settings, they often use this as an opportunity to rid themselves of tenants. They may be pressured into this decision because of the demands of neighbours or municipal by-laws that prohibit backyard shacks. This renders backyard tenants vulnerable and potentially homeless. The case study below illustrates this process.
- ✍ Fiona Ross's study of the Chris Nissen Park housing scheme in Somerset West shows how, because the chronically poor have such immediate cash needs, they are often tempted to sell their new RDP homes informally for a few thousand rand, and then move back into shacks in informal settlements (Ross, personal communication). As a result the poorer and most vulnerable members of these communities often end up homeless and excluded from these RDP housing schemes. In other words, individual title and a formal housing market is no guarantee that the poorest of the poor will not end up being displaced and dispossessed. NGO and activist opponents to apartheid state attempts in the 1980s to privatize the commons in South Africa's 'coloured' Reserves of Namaqualand (Robins, 1998) predicted that desperately poor farmers would end up selling their land to wealthier neighbours, thereby creating increased landlessness.

3.8. The Manenberg Tornado Rehabilitation Program: A case study of individual homeownership as a catalyst for intra-community conflict (Robins 2002b)

Following a tornado that swept through Manenberg, a 'coloured' working class neighbourhood in Cape Town's Cape Flats in 2001, the City of Cape Town, together with the Cape Town Housing Company, decided not to renovate its stock of damaged rental flats. A key City manager was reported in the press as saying that the devastation caused by the tornado was 'a God send' because it allowed the City

to rebuild and redevelop this violent, drug and gang-ridden area from scratch. It was decided to establish a 'rent to buy' housing scheme whereby new houses would be built for tornado victims who proved that they could save and pay their rent over a period of a couple of years, after which the house became theirs. The rationale for demolishing the damaged Council flats was that they were in the heartland of gang territory. It was argued that gangs such as the Hard Livings and the Americans controlled access to these flats and used accommodation to build up patronage networks in the community. It was also argued by the City that Council rental housing reproduced a state of dependency and a 'culture of poverty' that had been part and parcel of the apartheid's state paternalistic approach to 'coloured' communities. Individual homeownership was perceived to be a way of breaking the back of Manenberg's gangs, and well as creating the conditions for tackling this paternalistic legacy of the 'nanny state'. In particular, it was believed that individual homeownership would enable mothers, the moral and economic backbone of the community, to be in a better position to raise their children properly, and prevent the youth from joining gangs. In other words, title deed, in the hands of women in particular, was perceived to contribute towards the 'scaling up' of the positive social capital of Manenberg's working mothers. What emerged subsequently, however, was considerable local opposition to this 'rent to buy scheme'. The Manenberg Disaster Committee (MDC) mobilized the poorer sections of the community, including backyard shack dwellers, to oppose this individual homeownership scheme. Violent threats against the building contractors and labourers and the destruction of building material culminated in the City Council obtaining a legal interdict against the MDC leadership. This scheme, which was meant to facilitate the creation of a secondary housing market in Manenberg, came to be seen as a threat to backyard shack dwellers and poor residents who could not afford to participate in this 'rent to buy scheme.' It created a split between the better off section of the community who could participate in the scheme and those who felt excluded it.

The findings referred to above draw attention to problems with de Soto's thesis that titling and private home ownership are the panacea for the urban poor. The Manenberg case study, along with the other case studies referred to above, challenges some of de Soto's key assumptions.

4. Provincial policy implications derived from empirical case studies: Rethinking de Soto's key assumptions

4.1. *Assumption 1: Title deed = security of tenure; or without title there can be no security*

- ✍ 'Illegality' and land invasions have not always been perceived as a problem by Latin American governments who have at times turned a blind eye to these processes (Gilbert 2003:4)
- ✍ Most governments leave self-help housing alone and tend to service it rather than destroy it (Gilbert and Gugler, 1992). In post-apartheid South Africa, evictions are relatively infrequent and there is official recognition of their political costs, for instance in the case of the Bredal and Alexandra removals.
- ✍ For these reasons, it would appear that 'illegality' (absence of title) does not automatically translate into insecurity of tenure
- ✍ Security of tenure does not require the issue of full legal title (Durand-Lasserve, 1986; McAuslan, 1985; Fernandez and Varley, 1998; c.f. Gilbert 2003:5). NGO advocates of the South African land tenure reform process have identified alternative methods for ensuring security of tenure amongst vulnerable groups such as female-headed households, immigrant communities, minority groups etc (see Cousins 2003).
- ✍ Demolition and evictions usually take place where powerful vested interests are involved (Coulomb and Sanchez, 1991; Dwyer, 1975; Hardoy and Satterthwaite, 1981; Scarpaci et al., 1988; Valladares, 1978; c.f. Gilbert 2003:5). In other contexts, occupiers of invaded, 'illegal' or illegally sub-divided land can be relatively secure about their tenure rights.

4.2. *Assumption 2: Title creates access to credit and formal finance*

- ✍ Numerous studies have drawn attention to the obstacles preventing poor people from accessing formal credit, regardless of whether they have legal property title or not (NHFC, 2001. A recent report by Abt Associates Inc. (1998:2) concludes that 'in the main, bond lenders were not interested in the lower-income groups, frequently noting that bond lending was not viable below monthly household incomes averaging R2 500 or loan amounts of approximately R95 000.
- ✍ Contrary to popular belief, informal credit (e.g., through local money lenders) is not always perceived to be exploitative and can reinforce social ties and solidarity (i.e., it can have non-monetary value).
- ✍ Titling may make little difference to the poor in terms of either security of tenure or access to formal finance (see below).

4.3. Disadvantages of title

- ✍ Titling can be expensive for both the state and for citizens; these costs can create problems for 'beneficiaries', e.g., property taxes (Ward, 1989; Durand-Lasserve, 1996; c.f. Gilbert 2003:5).
- ✍ Titling may be seen as part of process of 'formalising the informal' that disadvantages the poor in a variety of ways. This is particularly evident in upgrading schemes that result in increased state control and surveillance over populations (Robins, 2002a). This can undermine 'illegal' and informal livelihood strategies.
- ✍ Titling also often results in tenants losing out through rising rents in legalized settlements where the costs for services are passed onto the tenant.
- ✍ Titling and formalisation can also result in the eviction of backyard shack dwellers. This occurred in the working class 'coloured' township of Manenberg, Cape Town when, following serious damage to City Council flats caused by a tornado, the Council demolished a number of flats and replaced them with individually owned subsidy housing. The victims of the tornado who had rented the Council flats were given subsidy houses with title, and many of them subsequently refused to take back tenants they had previously allowed to build backyard shacks in the flat courtyards (Robins, 2002b).
- ✍ Legalisation can also create problems within the family, especially for common-law or second wives (Varley, 2000; c.f. Gilbert 2003:6). Inheritance conflicts can be exacerbated.

5. The need for more empirical studies to access the relevance of de Soto's thesis for the South African Township context

With de Soto's dramatic re-entry into the international housing policy scene, there have been renewed attempts to induce the formal private sector (and financial institutions) to 'move downmarket.' While de Soto is correct to stress the tremendous economic (potential) value of shacks and shanties, as well as their important role in the urban economy, the evidence from South Africa suggests that the private sector and financial institutions are not particularly interested in housing at the lower ends of the market. Neither do low-income 'owners' seem to be seeking property title and selling their houses on the formal property market. This could be due to a combination of factors including financial constraints and the absence of accessible formal credit, lack of housing stock appropriate to their income levels and an extremely tight housing market with little movement within the secondary housing market.

- ✍ While the literature reviewed in this documents identifies numerous financial constraints, most studies failed to address the socio-cultural barriers to the creation of township property markets. In most of the literature, the need and desire for legal ownership (title) and formal market exchange are assumed without adequate investigation and analysis.
- ✍ It would seem that the South African government is particularly interested in using the provision of lower-income formal housing stock ('RDP houses') as the catalyst for the creation of a secondary housing market in the townships. This approach is less concerned with the existing and functioning informal township (residential) property system, i.e., informal 'self-housing' and informal markets.

The following section investigates the historical bias of Third World governments against informality.

6. Why governments persistently fail to acknowledge the long-term realities of informal economies, informal housing and informal markets¹

- ✍ Third World governments generally don't like informal economies, informal housing markets and informal settlements even though these phenomena are here to stay. These features of life in developing countries are rude reminders to states that their modernising projects are incomplete (Scott 1998; Robins 2002b). The favelas and informal settlements are also perceived as places where 'the unruly masses' refuse to pay for services and taxes and are involved in criminal activities.
- ✍ What this suggests is that post-colonial states are committed to modernist, technocratic development, and that such projects are perceived to be undermined by the visible presence of vast 'unruly' Brazilian favelas and South African squatter camps. Nonetheless, informal land and housing market systems continue to mushroom in response to the constraints and failings of formal markets and the limits of state delivery.
- ✍ Most informal housing markets and informal housing settlements are the result of the inability of the state to meet the increased housing needs caused by urbanisation. This is certainly the case in South Africa where, given the massive low-income housing backlogs, informal housing markets and informal settlements are likely to be here to stay for many decades to come.
- ✍ Despite the inevitability of the expansion of informal settlements in developing countries, governments tend to refuse to accept the 'illegality' of informal settlements. This response is a result of the following factors:
 - ✍ The location and structure of their homes violate planning and building regulations;
 - ✍ Informal settlements are also perceived by state planners and bureaucrats to be 'unruly' spaces of crime and social disorder that violate high modernist conceptions of proper, scientific planning
 - ✍ The services provided there may be illegal: tapped electricity or water, unlicensed taxis or buses, unregistered businesses and unlicensed shebeens etc
 - ✍ Livelihood strategies may be illegal: drug and small arms trafficking, businesses that disregard health and safety regulations; street and trade marketing without licences;
 - ✍ Gangs, violent warlords and drug kingpins often operate in these settlements. In other words, these settlements pose a challenge for 'proper' governance.

¹ This section draws on Snijder (2001)

Despite these 'illegal' aspects, informal settlements and backyard shack rental accommodation play a crucial role in allowing the urban poor to live close to the urban centre and places of employment. Over time, homes in these settlements can be upgraded and improved.

7. Conclusions

A review of the literature indicates that for millions of poor people in the developing world the idea of legal ownership of a 'proper' house is attractive. However, it would appear that not everyone is in a position to realize this aspiration towards 'proper modern living.' In other words, there are real economic obstacles to creating the conditions necessary for the establishment of viable and functioning secondary housing markets. However, these constraints are not only economic and financial; they are also socio-cultural. For example, not everyone in South Africa's townships shares the same 'Western' notions of homeownership. For example, for some township residents the house may be viewed more as a social asset than an individually owned financial asset. Yet, most studies of formal housing markets presuppose the existence of a universal model of homo economicus, the 'rational' individual who makes decisions based on self-interest and utility maximization. This western bias would imply that all owners of township houses would be interested in 'trading up' – i.e., selling their township homes and moving into middle income historically white suburbs. Such assumptions need to be tested by means of rigorous qualitative and quantitative empirical research.

The case studies from South Africa's townships and informal settlements demonstrate that individuals are often unable and unwilling to sell houses because of the multiplicity of competing claims made by kin members on this property. Land, housing and cattle are often social and cultural assets that cannot easily be converted into cash or sold on the market. In communal areas, for instance, land is held by traditional authorities or the state and cannot be sold. These socio-cultural factors could contribute towards a situation whereby legal property owners hold onto property for decades, thereby exacerbating the existing formal housing shortage in the townships, hence the market inactivity. Further empirical research would need to be done to assess to what degree it is possible to provide incentives for owners to put their township houses on the formal market. This will also depend on the capacity to convince cautious banking institutions that it is worth their while doing business in the townships. For this to happen, however, it will be necessary to overcome deeply entrenched perceptions of the townships as spaces of financial risk characterized by high levels of crime, payment boycotts, unemployment etc.

The studies reviewed in this document question the myths of legalisation and the mixed blessings of 'formalizing the informal'. For example, a number of studies cited challenge De Soto's sweeping claims concerning the inevitable benefits of titling. It would appear that it is unlikely that legalisation alone will make a significant difference to millions of shack dwellers and township homeowners. The latter are likely to continue to struggle to gain access to formal finance. Also implicit in de Soto's model is the idea of upward mobility from informal to formal housing; however, for the urban poor and the unemployed, formal housing may be neither accessible nor advantageous. It is only by empirical research that it will be possible to better understand the social, cultural and economic logics of existing housing options and market processes. With such knowledge it may be possible to develop a more realistic approach towards intervening in township property markets.

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