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## THE URBAN FOUNDATION : Transformation Possibilities

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For many on the left to juxtapose the terms 'Urban Foundation' and 'Transformation' is to construct an oxymoron. Hostility towards the Urban Foundation (UF) by particularly the intelligentsia on the left, has been the rule rather than the exception from the beginning. However, whatever view one wishes to take of the role that the UF has played in the past, the collapse of socialism in Eastern Europe and the dawning of a 'new South Africa', has demanded that actors across the political spectrum reassess their relationships with others. The forging of new alliances and the opening of new cleavages has become the order of the day. Moreover, for many actors on the left, the question of alliances and relationships with others demands an ideologically less dogmatic approach than has been true in the past. Uncertainty at least should be acknowledged.

But it is not only actors on the left that need approach relationships with more flexibility. The Urban Foundation has in the past underemphasised the importance of building very sound relationships with the left and has concentrated instead on achieving 'structural' change by shifting government policy. Power relations have however shifted quite substantially in favour of the democratic movement necessitating a reappraisal of strategy on the part of all those who wish to be significant actors in the political economy, including the UF.

It is against this very fluid background that this paper addresses the relationship between transformation and the Urban Foundation. However pedantic the preceding sentence may sound, it should be noted that the words are carefully chosen. This is because there are a variety of ways in which the question of the Urban Foundation's relation to transformation can be explored. I rather suspect that the primary concern of this conference is to assess the extent to which it is both desirable and feasible to bring the institutions being assessed here under the *control* of the democratic movement. This implies a primary interest in transforming the institutions themselves rather than seeing a role for them as currently constituted.

But there may of course be a very strong case for not attempting to change the constitution of organisations such as the Urban Foundation in order to promote transformation. Such a position would derive from an analysis of what the UF, as currently constituted and serving the constituency that it currently does, could contribute to transformation. This paper will as a consequence attempt to address possibilities for the UF in transformation from both angles. In short it will be argued that there are some components of the Urban Foundation which are amenable to greater democratic control and which should be brought under such control. There are other components which are not only less amenable, but which can play a very important role as currently constituted. Instead of calling for their transformation,

the democratic movement should, it will be argued, develop new and more constructive modes of interaction to ensure that the potential of these components can be realised.

The Urban Foundation was established in mid-December 1976 as a Section 21 (not for gain) company. It is widely accepted that the uprisings in Soweto earlier that year (June 16) and the country-wide tumult that followed had shaken the captains of industry who were fast losing confidence in Pretoria's ability to deal with deteriorating conditions in the townships (Leadership, 1987). With Anglo-American's Harry Oppenheimer as chairperson, and the doyen of Afrikaans business, Anton Rupert, as deputy, the UF began operating early in 1977. By 1978 regional offices and boards had been established in Johannesburg, Cape Town, Durban and Port Elizabeth. Its initial finances came almost exclusively from the local business community, the biggest piece coming from Anglo-American itself. Reliance on essentially local sources has continued largely because the UF was politically blocked in attempts to raise funds abroad. In 1991 some R 28,3 million of a total of R 35 million in donations received by the UF came from local sources, a freer fund-raising environment notwithstanding (Urban Foundation, 1991).

While the goals of the Urban Foundation were rather fuzzy, initial emphasis fell on raising the socio-economic circumstances of the black population across a wide spectrum of areas (housing, health, education, welfare, community development and so on). Like many other development agencies in their formative years, the UF spread its resources across far too wide a net of activities (135 projects in the first 2 months) (Leadership, 1987). It also discovered that it was difficult to operate as a development agency in a policy environment that was fundamentally antipathetic to the kind of approach being pursued by the UF. Thus quite early in its existence the UF recognised that it would have to actively seek change in the policy environment if it was to succeed in its development objectives. As a consequence the organisation began to develop a strategic framework which was to remain relatively robust through the first decade and a half of the UF's existence.

The essence of the framework resides in the way in which the UF has theorised its roles. Two major roles were isolated, namely the roles of 'change agent' and 'development agent'. The change agent role has involved promoting changes in the legislative and institutional framework of South Africa necessary to eliminate apartheid and to promote development practices. The development agency role on the other hand has involved 'making things happen' in carefully targeted areas of development activity. Development itself has also been conceptualised as avoiding 'hand-outs' and instead promoting self-sustaining enablement. Of course neither the change agency role nor the development agency role have been pursued in a political and ideological vacuum.

While the UF has steadfastly worked to eliminate apartheid in all of the areas of development in which it has worked, the elimination of apartheid has not been the only thing on its agenda. From the beginning the UF has also systematically attacked the statism and welfarism of the apartheid regime's approach to development. While many on the left share the UF's aversion to paternalism, they have been unhappy

about the monetarist disposition of many of the UF's policy proposals. In short many of the UF's proposals have been perceived as being 'plain mean' and as relieving the state of its responsibility to provide for the poor. Thus the UF's penchant for introducing market relations and bringing the private sector into development has been received with skepticism in many quarters. But, as will be argued later, the UF's work in this regard may, ironically, prove very valuable to the democratic movement in post-apartheid South Africa. For the moment however it is useful to reflect on the UF's achievements and failures in attempting to perform as a change agent on the one hand and a development agent on the other.

As far as structural change is concerned the UF's major impact has been achieved in the fields of urbanisation and housing. The UF would claim credit and responsibility for convincing government to accept the permanence of black urbanites and to abandon the temporary sojourner philosophy. This battle began in the late 1970's with the UF pushing hard for the introduction of 99-year leasehold tenure for blacks in urban areas. Having achieved this goal the UF continued to push for full freehold rights which were granted a few years later. The struggle surrounding the permanence of urban blacks reached its climax in the mid-1980's with the abolition of influx control and the introduction of a 'positive urbanisation' strategy (articulated in a white paper on urbanisation in 1986). Of course many actors have contributed to the impetus leading to the scrapping of influx controls, but it is arguable that the UF's role was particularly significant. This contribution has essentially come in two forms. Firstly, the UF was largely instrumental in mobilising the powerful business constituency into a coherent lobbying group for the abolition of influx control. Secondly, through careful and sustained research they were able to present compelling evidence on the failure of influx control as well as articulate convincing alternate approaches to urban growth management. Both kinds of contribution are worth dwelling on since they provide significant clues as to the role that the UF could play in a post-apartheid South Africa.

Recognising the need to bring political clout to the debate about influx control, the UF initiated the formation, in November 1985, of the Private Sector Council on Urbanisation. The Council is comprised of the six national employer organisations (AHI, NAFCOC, SEIFSA, ASSOCOM, FCI, Chamber of Mines) as well as several prominent business individuals, important members of the black community and the UF. The fact that the UF were successful in winning the support and participation of the umbrella body organising Afrikaans business interests (i.e. the AHI), was particularly significant in unifying the business community's assault on government policy.

In the six or so years since its formation the Private Sector Council has contributed resources (usually money) and time to the development of proposals for a new national urbanisation policy and strategy. A highlight of this effort (apart from the abolition of influx control) has been the publication of several largely progressive and private-sector-supported documents called the *Policies for a New Urban Future Series*. But perhaps more important from the point of view of assessing the UF's future role in transformation is to note that the UF has achieved more than getting

an overall mandate from capital. It has organised and mobilised the private sector into providing active support.

There can be little question that the UF is highly regarded by the private sector and has the capacity to *deliver* this sector in development initiatives. To the extent that the collaboration of the business community is central to the success of such initiatives (and I would argue that in many instances it is), it follows that a critical role of the UF in the future is to continue to deliver the private sector. It is worth noting that such delivery is likely to be anything but straightforward. Given the dramatic 'reform' progress that has been made in the country, it is possible that the business community may now want to retreat back into the business it knows best, making profits. Moreover if a democratic government raises the tax burden, decreased 'social responsibility' spending is likely to be the consequence. An institution which understands the private sector and has their confidence may well be required to sustain business community commitment to change.

The UF's achievements in pursuing structural change are not confined to the reversal of apartheid urbanisation policies. The other area in which it has had a major impact is in the introduction of the legislative and institutional machinery necessary to allow the private sector to become involved in the delivery of low-income housing. For some the entire UF initiative in this regard has been pernicious and largely counter-revolutionary. Bond (1991) for example has argued that the UF's interventions have been designed to facilitate the flow of capital from the primary to the secondary circuit and so ease a crisis of overaccumulation. Rather far-fetched arguments of this sort notwithstanding, the UF has revealed a great deal of ingenuity in attempting to lure the private sector into low-income housing. The introduction of the Loan Guarantee Fund, the Group Credit Company and the Land Investment Trust are all highly creative examples of such ingenuity.

It is also probably fair comment to assert that if there is one area of substantive knowledge and expertise that the UF can claim to have cornered it is precisely in this area of involving the private sector in low-income housing initiatives. Whilst some on the left might be skeptical about the value of such substantive knowledge, I would argue that in many spheres of development (including housing) a democratic government is not going to be able to rely entirely on the fiscus (in order to finance such development). Already high levels of government spending on the one hand and high inflation on the other impose major constraints on what is possible. This is not to say that the democratic alliance's policies will not be more redistributionary, more welfarist or more statist than those proposed by the UF. It is simply to argue the mobilisation of private sector capital and delivery capacity will nonetheless be inevitable and it is the UF who are way ahead of the pack in developing approaches (both technical and political) to achieve this. An important role for the UF into the future then would be to continue to develop instruments which secure the flow of private sector capital into low-income housing and other initiatives. The expertise which has been built up over time must be built on.

Before proceeding to an analysis of the UF's performance as a development agent, it is worth dwelling briefly on an aspect of the UF's capacity which has been

developed largely in relation to its role as a structural change agent, its research capacity. There can be little question that the UF has demonstrated research management capacity. Each of the policy documents which form part of the *Policies for a New Urban Future Series*, have been backed by a major research initiative. Literally hundreds of researchers, practitioners and academics were mobilised into a policy relevant research effort. Given the imperatives to produce policy positions on a range of issues, the democratic alliance would be well advised to learn from the approach adopted by the UF. The possibility of utilising the UF to manage certain democratic alliance initiatives should also be considered.

It should be noted however that the UF has been reluctant to be 'commissioned' to do work for others arguing that it is not a consultant but a development actor in its own right. This stance seems at odds with the UF's strategic shift towards facilitation which will be explored further shortly. It should be noted too that the UF's research capacity is essentially a *management* capacity. The number of 'in-house' researchers that the UF has is very small (perhaps no more than 2 people). In fact the UF is a very 'slim' organisation in staffing terms and in relation to its output. What it has done very successfully is to mobilise, manage and co-ordinate a community of researchers outside the UF. This community is not markedly different from the community of researchers which is, or should be, contributing to the democratic alliance's policy effort. In fact reading through the list of contributors to the UF's research effort is not dissimilar from scanning a listing of 'who's who' on the left. What the UF's lists do reveal however is that they have been more successful in avoiding the introversion and ideological ghettoization of research than is true of the left. The important overall lesson of the UF's success in its policy relevant research effort, by comparison with others, is that appropriate management rather than researchers and resources is the key issue to be addressed if the democratic alliance is to produce policy more effectively.

Turning to the record of the UF as a 'development agent', it should be noted at the outset that the UF, like many NGOs, have constantly been bedeviled by uncertainty, at a strategic level, as to whether they should be innovators tackling a limited number of 'pilot' projects, or whether they should be focusing on delivery at scale. The pioneering of innovation through pilot projects has always been part of the UF's portfolio of activities. A good example is the use of pilot projects to demonstrate the viability of self-help housing. Between 1979 and 1983 the UF implemented a 'managed' self-help scheme in Khutsong near Carletonville. The scheme was successful enough to solicit state collaboration in the second major self-help project, Inanda Newtown which commenced in 1983. These projects threw many of the self-help approach's advantages and many of its deficiencies into stark relief. They certainly contributed to greater acceptance of decentralised approaches to housing delivery even on the left. However having drawn attention to the possibilities through demonstration, the UF essentially withdrew from this area of activity rather than become involved in delivery at scale.

In the late 1980's the UF returned to informal settlements with the focus this time on the upgrading of existing settlement. Failed projects in Crossroads in the Western

Cape, and St Wendolin's near Durban highlighted the high risk nature of this terrain of operation. But in the early 1990's the UF has had a major success at Bester's Camp near Durban. This 8 site project is the biggest single project ever undertaken by the UF. The availability of funds from the Independent Development Trust (IDT) has also led the UF to tackle very large projects at Soweto-on-Sea in Port Elizabeth, and Freedom Square in Bloemfontein. Of course the high risk nature of the activity has again raised the issue of whether or not the UF should be involved in delivery at scale. In fact the risks associated with delivery at scale along with developments in the political economy have led the UF to adopt an altogether new strategic approach. This approach cannot however be appreciated without reference to the UF's boldest delivery at scale initiative - its housing utility companies.

During the 1980's the UF established a number of utility companies registered under Section 21 of the Companies Act. Uticos were set-up in Cape Town (Cape Utility Homes), Durban (Innova), Pietermaritzburg (Azalea), Port Elizabeth (Unifound), Bloemfontein (Bloemanda), Johannesburg (Family Housing Association) and the Ciskei (Masizakhe). While the activities of these companies were geared primarily at the upper end of the black housing market, there can be little doubt that delivery at scale was the intention and achievements in this regard have not been unimpressive. Since their inception the Uticos have produced some 4 467 new homes. This it should be noted, constitutes the biggest contribution in housing delivery by any non-governmental organisation in the country. As should be apparent therefore, the UF's house-building capacity is not to be sniffed at.

The Uticos have however run into serious difficulties in the early 1990's. Economic recession, high interest rates and several other factors contributed to a situation in which they lost R17 million on a turnover of R11,7 million in 1991. In order to keep the Uticos alive the UF has had to rely on support from the IDT and has had to dig deep into its own resources. The crisis in the Uticos has precipitated a crisis in the UF itself since Utico difficulty has placed the entire organisation at risk. The Uticos have as a consequence been dramatically reorganised and rationalised and several operations have been closed down. They have also committed themselves to moving down-market and to an almost exclusive focus on site-and-service schemes. Viewed from the perspective of development and change, such a shift is to be welcomed. Current difficulties notwithstanding, the Uticos still possess substantial housing delivery capacity. A post-apartheid South Africa is going to have to mobilise all of the capacity it has and extend it substantially if houses are to be delivered at the rate and scale required.

As noted earlier the Uticos crisis along with developments in the South African political economy have led to major changes in UF strategy. In my view the shift presents major opportunities for the democratic alliance in advancing its transformation objectives. An important component of the shift, is directly related to the crisis in the Uticos. In order to reduce the vulnerability of an entire development institution that often goes with involvement in implementation at scale, the UF has taken the position that most of its implementation projects will be 'cut loose' from the UF and will operate as separate legal entities. The UF will continue to offer

services to these operating units (accounting, fund-raising, research support etc.), but the latter will be free to establish their own boards of directors and their own direction. As a consequence these operating units offer real transformation possibilities in the sense that it would be both appropriate and feasible to bring these units more directly into the democratic alliance. The Natal Region of the UF's informal settlement's division for example, is an outstanding implementing agency which is moving towards full autonomy. The democratic alliance has an opportunity to shape its future directions through strong participation on the board of the new operation and through entering into direct collaborative arrangements around specific projects. It would in all probability be wise to assess all of the UF's projects which are to become autonomous and to enter into negotiations with those projects and operating units which the alliance would like to be closer to.

The other major shift in UF strategy, i.e. the shift away from an emphasis on structural change agent to that of development and change facilitator, has been precipitated largely by rapid reformist changes that have occurred since de Klerk's February 2 1990 'turning point' speech. In some ways the UF's role as structural change agent has been overtaken by events.

The precise form that a new 'facilitation' role will take is yet to be seen. Apparently what is envisaged is the building of the country's development capacity by extending its development know-how to other agencies. While the UF has substantial development knowledge and management skills, there are reasons for doubting the appropriateness of a facilitation role for it. Liaising sensitively with development agencies close to the democratic movement has not been the UF's strong point. In part this is due to the aggressive and competitive stance taken towards the UF by service organisations and other NGO's operating on the same terrain. But it has also been due to the very arrogant style adopted by the UF in its dealing with others. It is not just about style and competition however. Real political and ideological differences do exist between the UF and the democratic movement's NGOs. In any event it is likely that the UF will in the near future be looking to establish a new relationship with the democratic movement and others. Opportunities for constructive collaborative work may emerge and each possibility should be considered on its merits.

While it is important for the UF *core* to continue delivering the *private sector* as positive participants in development initiatives, thought should also be given to the possibility of dramatically broadening the constituency to which the UF is answerable. Why for example, should the labour movement not become a partner in directing the UF's direction and work? After all it is local capital's 'social responsibility' allocation that funds the UF's work, and workers have in the past had success in gaining greater control over the way in which 'social responsibility' money is used. Unlike many government institutions many of the UF's staff members are progressive people and I would estimate, on the basis of the two years that I worked for the UF, that at least half would vote for the democratic alliance in an election, and the other half for the Democratic Party. Some of the senior executives within the UF are however libertarians in the Thatcherite mould and have

often been responsible for the 'meanness' of some of the UF's policy directions and proposals. The core may as a consequence not be that amenable to change, but the possibility needs to be explored nonetheless.

Whilst it is not possible in a paper of this length to deal comprehensively with the role of the UF and the chances of transforming it, the following general arguments have been made about the desirability and possibility of developing new relationships with the UF. As far as the desirability is concerned, it has been argued that:

- A major attribution of the UF is its ability to deliver the private sector in major development initiatives. To the extent that it is inconceivable to envisage a major development program such as the use of housing as a lead sector without private sector support, it follows that any new relationships with the UF (or any attempts to transform it) should not jeopardise such capacity.
- The one area of substantive capacity that the UF has which is not easily replicated outside of the organisation is its knowledge on how to bring the private sector into low-income development initiatives. This capacity should be encouraged and the left should take the policy work done here seriously.
- The UF, while not an institution filled with researchers, has a demonstrated capacity to manage policy relevant research and to turn it into concrete policy. Much can be learned from the UF, and its management capacity could be used to good effect.
- The UF has substantial development implementation capacity. South Africa will need to mobilise all of the capacity that it has if the development challenge is to be met.
- People in the UF are generally more progressive than is true of many government institutions, which suggests new relationships will be embraced enthusiastically by UF functionaries.

As far as possibilities for bringing the UF under greater democratic control are concerned, it has been argued that :

- The 'cutting-loose' of several UF implementation agencies and operating units as separate legal entities offers real opportunities for substantial democratic movement influence over the future direction and nature of such operations.
- The strategic shift of the 'core' component of the UF towards facilitation offers opportunities for the forging of new relationships since the UF is keen to establish such relationships.
- The possibility of making the UF accountable to a joint 'capital/labour' constituency should not be ruled out. Any move in this direction should not however jeopardise the UF's ability to deliver the private sector.

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