

Beyond Titling

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Formal land delivery systems have often been inadequate to meet growing urban populations' demands for secure tenure. The "informal land delivery system" - squatting, illegal subdivision of plots and pavement dwelling - has been the only answer. In order to improve poor people's livelihoods, we need to better understand how the full continuum of informal and formal land markets operate; how new solutions to secure land for poor people can be developed; and how land can be used sustainably.

The Urban Research Symposium 2007 was held for the fourth time in Washington DC, USA, between May 14th to 16th 2007. The title of this year's Symposium was Urban Land Use and Land Markets. These themes have preoccupied donors, multi-lateral organisations and civil society for decades but research is still insufficient due to the complexity of the issues.

This publication summarises ten of the more than 50 papers on urban land use and markets that were presented at the Urban Research Symposium. In selecting the ten papers summarised in this publication, Sida took great care to include a range of themes and geographies. We hope this will give the reader a good overview of the whole event as well of the ten papers covered in more detail.

Titling lay at the heart of the discussions in Washington DC. Even though participants' views on titling varied, there was a common understanding that titling is not a universal remedy and that different solutions and complementary methods must be examined. Sida supports this view, which it endorsed in its recent position paper Natural Resources Tenure (Sida, 2007) and in its urban policy document, Fighting Poverty in an Urban World (Sida, 2006). Bearing in mind the scale of urban slums and the importance of access to land for poor people, we need to explore alternative instruments to make urban land markets work for poor people and to ensure efficient and sustainable urban land use.

Further reading:

- Natural Resources Tenure. Sida Position Paper, 2007. Art.No: SIDA37805en
- Fighting Poverty in an Urban World – Support to Urban Development. Sida Policy, 2006. Art.No: SIDA30526en
- More Urban - Less Poor, Göran Tannerfeldt and Per Ljung. Earthscan, London 2006



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Among the diverse range of papers presented at the Urban Research Symposium on Urban Land Use and Land Markets, certain major themes emerged. This publication endeavours to highlight the prominent themes that will have broader repercussions on the way donors, NGOs and multilaterals work with land use and land markets.

The first chapter, **TENURE OPTIONS**, deals with titling, possibly the most controversial issue in the urban land arena. It looks at the advantages and disadvantages of formal titling relative to other options, and examines what else is needed to secure tenure for poor urban dwellers.

In the second chapter, **URBAN INTEGRATION**, we explore the benefits of a diverse and integrated city. We look at how planning, regulation and social norms for land markets can all contribute to either urban integration or segregation.

The Urban Research Symposium 2007 on Urban Land Use and Land Markets brought together researchers as well as development professionals from donors, multi-lateral organisations, NGOs and consulting companies. In total, over 300 individuals from forty or so countries participated in the Symposium, which was arranged by the World Bank with support from Sida, GTZ, Cities Alliance and the Lincoln Institute of Land Policy.

Chapter three, **ACCESS TO URBAN LAND MARKETS**, investigates how poor people may benefit from different types of market and how markets can be made more equitable and accessible. It also compares formal and informal land markets and examines the role of the state in regulating markets.

In chapter four, **AFFORDABLE URBAN PROPERTIES**, we focus on how pro-poor urban planning and land allocation can give poor people access to affordable land and housing, and the lessons we can draw from previous low-cost housing initiatives.

Readers interested in learning more about the different perspectives on urban land use and land markets can find a literature list at the end of each chapter.

This publication should be seen as an introduction to the complex, ongoing discussions on urban land use, land management, land rights, secure land tenure, titling, land markets and the like. The examples cited in the following chapters clearly demonstrate that poor people can benefit from better urban land use planning, more efficient and open land markets and more flexible land delivery systems.

These initial findings make a case for further action-oriented research in this field in different parts of the world. Recent discussions acknowledge the need for more holistic, cross-disciplinary and integrated approaches in urban research, in order to underpin local capacity building and be a strong, direct resource for cities.

All of the papers, presentations and posters from the Urban Research Symposium, including the ten papers summarised in this publication, are available on the CD Urban Land Use and Land Markets, World Bank, Washington DC, and at the web page <http://www.worldbank.org/urban/symposium2007>.



Land titling programmes aiming to increase property values, give poor people access to loans, enhance housing investments or simply to secure tenure to remove the risk of forced eviction, have been advanced and supported by donors and financial institutions for many years. It has therefore come as a surprise to several researchers that there has been very little follow-up and data collection in an area that is so in vogue. Many of the perceived benefits of formal land rights, such as those mentioned above, are only supported by anecdotal evidence as formalisation programmes are rarely evaluated, particularly for medium- and long-term impact.

“We cannot think of any other area in development aid and lending policies where a policy has been continuously promoted for more than a decade without being subjected to rigorous evaluation concerning its ability to deliver the expected targets.”

-Payne et al: *Social and economic impacts of land titling programmes in urban and peri-urban areas: A review of the literature*

As a first step to remedy this lack of information, two research teams have simultaneously reviewed the existing literature. Alain Durand-Lasserve and Harris Selod summarise broader livelihood impacts of titling and initiate a discussion on alternatives in *The formalization of urban land tenure in developing countries*. In a similar but slightly deeper review, *Social and economic impacts of land titling programmes in urban and peri-urban areas: A review of the literature*, by Geoffrey Payne, Alain Durand-Lasserve and Carole Rakodi, different data sets yield similar results.

Durand-Lasserve and Selod underline that land tenure is above all a social relationship. An individual or community can have the right to occupy, use, develop, inherit and transfer land. Under freehold or registered leasehold all these rights are enforced; under other tenure systems (e.g. short-term leasehold or occupancy license) only some of them are enforced. Land ownership involves access to the whole bundle of rights, while many other types of tenure allow only one or a few of these rights. Different tenure systems therefore constitute a continuum of rights.

The continuum of rights also describes the differing degrees of informality of many tenure options such as illegal land subdivisions, squatters, plots or houses that do not conform to planning regulations, informal renting, etc. The different options involve different degrees of tenure security, which are not necessarily a function of formal or informal tenure status. In the words of Durand-Lasserve and Selod, “informality does not automatically transform into tenure insecurity”.

“...many of the advantages for which titles are promoted, such as stimulating investment in property improvements, have also been realised by less formal increases in tenure status, which may also be much cheaper and easier to implement given limited institutional and human resources.”

The process of formalising land involves registration by the state. There are two main ways to formalise tenure: either through administrative recognition of occupancy rights, normally a short-term lease or other agreement that is revocable, or through the delivery of real property rights, also known as land titling.

Just as informal status is not always insecure, formalisation does not always equal secure tenure. In fact, for some people a formalisation process might decrease tenure security. Tenants are a group that is particularly vulnerable in a formalisation process where the structure owners gain formal ownership. Tenants are usually unable to gain recognition as occupants or users of the land, while increased rents following formalisation are often beyond their means and increase their susceptibility to eviction.

Another risk for poor people whose plots are being formalised is that they may be tempted to sell, normally for a very low price, to developers or wealthier people who realise the real value of the land. This type of market-driven replacement has rapidly transformed many of the former low income settlements into middle class settlements (see chapter 4 with an example from Dakar, Senegal).

Bearing in mind the adverse impacts of titling, Payne et al and Durand-Lasserve and Selod review the existing literature on formalisation programmes and compare the advantages commonly believed to be associated with formalisation, with the real outcome of these programmes. Due to scarce data, limited evaluations and little research the authors are cautious in their respective conclusions (which are very similar despite different data sets). They nevertheless raise several points that could be interesting for future researchers to challenge or verify.

The researchers found some evidence that regularisation increases tenure security, and that this has greater benefits for poorer households who have the lowest degree of security in the first place. It is worth noting, however, that tenure in the studied cases was relatively secure (e.g. protected by de facto tenure) even prior to regularisation.

In certain cases titling had a positive effect on a household's income generating ability, but causality could not be proved as the increase in income could have been generated by other factors, such as market-driven replacement (i.e. wealthier households moving into the area). The increase could also reflect the increased financial need of the household to meet the costs incurred by formalisation.

When it comes to housing improvements, the literature is less ambiguous. It is clear that secure tenure generally leads to improvements, both in housing and in the neighbouring environment. However, as Payne et al point out, it is not clear whether titling *per se* is the reason for investments in housing, or whether an absence of eviction

threat would lead to the same investments. Some cases also document an increase in home investment when security is weak, implying that people sometimes try to reach de facto tenure security by improving their housing.

The question of whether titling leads to increased tax revenue for the local government, and to infrastructure improvements and access to basic services for the settlement, could not be answered from the two reviews but remains an important area for future research.

Payne et al note that despite huge interest internationally in women's access to land, only a few studies had looked at how gender equity was influenced by formal titling. One study observed a decrease in fertility, possibly the result of the increased bargaining power of women in a house with formal title.

Titling affects the property market by increasing prices and the number of transactions. Rising property values are not necessarily beneficial for poor people, who may be buyers as well as sellers. A steep price increase can lead to market segregation as wealthier people buy up the plots.

Finally, there is the question of whether titling leads to an increase in credit for poor people. In theory formal property can be used as collateral. However, the authors found no evidence of increased demand for loans after formalisation, and quote some case studies where it was found that inhabitants were not willing to "jeopardize their prime asset by mortgaging it", or where the inhabitants preferred to borrow money from family and friends.

On the credit supply side, banks may not be overly interested in doing business in low-income areas or in allowing small plots as collateral – formal employment and regular income are normally additional prerequisites to obtaining a loan and many low-income households would still fail to meet these requirements. In addition, given the administrative costs involved, small loans may not be sufficiently profitable to interest banks.

Other more practical drawbacks to titling are the huge registration costs, the long time taken to regularise, and the often fundamental changes in administration procedures and legal functions required to handle a large-scale formalisation process.

The main conclusion by both teams is that while titling generates some benefits for poor people, other interventions may lead to the same benefits, for possibly lower cost. They therefore encourage researchers to investigate both advantages and disadvantages of titling to get a better understanding of its impact, and to examine other tenure options that can generate similar outcomes, such as secure tenure, increased productivity and better functioning land markets.

Further Reading:

- Durand-Lasserve, Alain & Selod, Harris: The formalization of urban land tenure in developing countries
- Payne, Geoffrey, Durand-Lasserve, Alain & Rakodi, Carole: Social and economic impacts of land titling programmes in urban and peri-urban areas: A review of the literature
- da Piedade Morais, Maria & de Oliveira Cruz, Bruno: Housing demand, tenure choice and housing policy in Brazil

Future Research:

- Investigate whether titling stimulates investment more than other tenure options
- Examine the impacts of titling on tenants, women and other vulnerable groups
- Examine whether the cost of titling is affordable for governments and households and whether the costs are recovered by taxes and other revenues
- Investigate whether titling increases access to basic infrastructure and social services
- Investigate what differences can be found in security and investment levels in titled and untitled areas if titling is undertaken as part of slum relocation programmes, rather than in situ formalisation

Durand-Lasserve and Selod remark that tenure regularisation has failed to improve access to credit and furthermore risks creating a property market that is less affordable for the poor. In addition it is inflexible, treating an area's inhabitants as a homogenous group with similar interests and disregarding any household's preference for an alternative way of achieving secure tenure. They therefore propose incremental tenure formalisation processes that begin with protection from evictions and/or de facto security which will also give the government time to institutionalise the required changes in the land delivery system.

“The diversity of land rights situations requires a diversity of formalisation procedures. Land rights are not restricted solely to registered rights, and especially not to individual property rights. They should be seen as a continuum.”

- Durand-Lasserve and Selod: *The formalization of urban land tenure in developing countries*

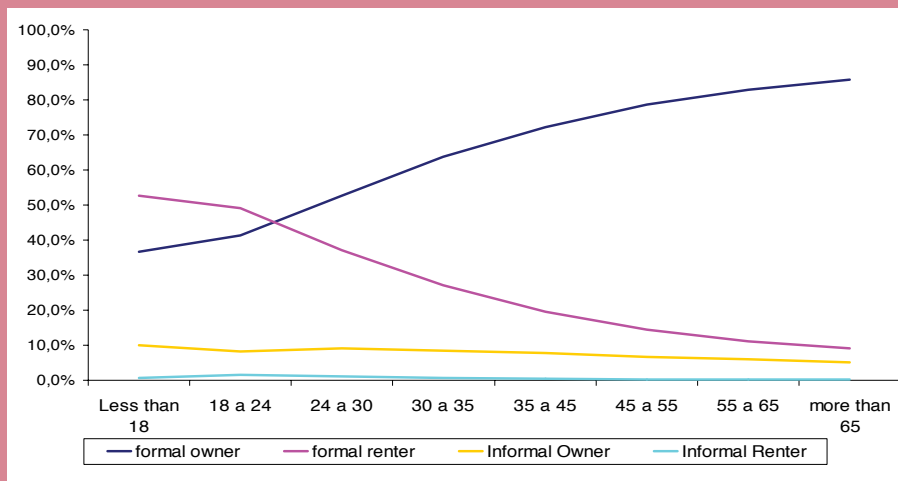
Payne et al also refer to other tenure options, such as gradually transforming informal systems into more formal ones. They admit that titling processes have been reasonably successful in increasing tenure security, but maintain that as titling has failed to deliver hoped for reductions in poverty and has not increased poor people's access to loans, it is time to look for other options.

Variation Needed in Housing Markets Brazil

In Brazil, as in many other countries in Latin America, politicians have for decades promoted home ownership as the ultimate housing solution for households, regardless of their income, life situation or household size. The result is that currently as many as 74,4% of Brazilians own their own houses, well above the international average. At the same time, renting is considered to be of inferior status and is not part of any official housing policy.

The disincentives to rental housing were one of the reasons for the emergence of slums in the 1970s, together with rapid urbanisation and the demolition of cheap rental housing in city centres to make way for modern housing and business areas. Today only 7% of Brazil's households live in informal areas, where most are structure owners and less than one percent are informal tenants.

In a study of almost 45 million urban households, using data from the Brazilian Census Bureau's national household survey in 2005, Maria da Piedade Morais and Bruno de Oliveira Cruz took a closer look at the tenure choices for people of different classes, ages and social status groups.



The diagram illustrates that whereas the actors in the formal housing sector are more likely to become house owners as they grow older, the same correlation does not exist for actors in the informal housing market, where other factors such as the wealth and the gender of household head seem to be more important.

Some of their results caused few surprises; for example, recent migrants are more likely to rent; inhabitants in larger cities are more likely to be tenants, as well as to be informal dwellers; and wealth has a positive impact on home ownership. Amongst the more unexpected results was that education seems to decrease the probability of becoming a formal house owner. This shows that some people actually choose to rent, even when they can afford to buy, but this tendency is being counteracted by government policies. One of the main messages from the study is that the state should ensure that housing of differing quality, price, size and location should be made available, either to buy or rent.

The authors furthermore emphasise that not only household wealth, but also the size and age of the household, as well as its marital status, should be taken into account to make housing policies a more accurate reflection of the prevailing housing demand.

Adapted from da Piedade Morais and de Oliveira Cruz: *Housing demand, tenure choice and housing policy in Brazil*



Urban Integration

Over coming decades the proportion of the world's population living in cities in developing countries will increase substantially. While this could be a positive trend - cities are engines of economic growth – most of the increase will be concentrated in slum areas. UN-Habitat reports that the growth rate of slum areas in Sub-Saharan Africa and Western Asia keeps pace with the growth rate of cities.

As slum areas have the potential to make an important contribution to economic growth, Sean Fox argues in *Encompassing Governance, Urban Integration and Economic Performance* that there are heavy costs involved in *not* providing slum inhabitants with basic services, proper tenure arrangements and law and order.

Through his study, Fox concludes that the failure to integrate the urban slum population into the regular city's economy and environment is not predominantly caused by rapid urban growth, but is a result of a lack of good and “encompassing” governance. An encompassing state is one that applies its collective actions (service delivery, land allocations, access to legal assistance etc.) to all inhabitants on an equal basis. An un-encompassing state is consequently one that only delivers to a selection of its inhabitants.

In many developing countries, slum areas are not serviced by the state and represent almost blank spots on official maps – the state is not present or does not even acknowledge their existence. Instead, slum inhabitants fend for themselves through informal and sometimes illegal supply systems, which due to their ad-hoc and small-scale nature tend to be inefficient and costly for the residents and often cause environmental problems at local or city scale.

“A state that fails to effectively provide the requisite law and order and public services required to draw urban residents into a formal, comprehensive economic system is very likely to fail in effectively coordinating its overall economy.”

- Fox: *Encompassing Governance, Urban Integration and Economic Performance*

Fox reasons that the high cost of services for individual slum dwellers has a negative macro-economic impact, while an encompassing state, which integrates informal areas with the formal city, will have a better economic performance. He manages to prove a positive and significant correlation between degree of urban integration (defined as degree of non-slum population) and income level, with controls made for geography, region, natural barriers to trade and colonial history.

If an active state promoting urban integration is one path to improving urban economic performance, why have more governments not adopted this model? Fox demonstrates that it is not due to low capacity, providing examples of resource poor governments that have managed to be inclusive in their governance. It remains an open question and could prove an interesting area for forthcoming research.

In future, Fox suggests that we should identify and dismantle the barriers to people's participation in the formal economy. An incremental formalisation of the economy, including land and property markets, which would gradually incorporate the poor into the formal economy, would be profitable for society as a whole. Urban integration could be promoted by more encompassing state interventions in planning or land market regulation, but could also be achieved by closer cooperation between groups from formal and informal sections of society and local or national government.

The urban integration to which Fox believes we should aspire in order to increase cities' economic development is attained, according to John Driscoll, Christa Lee-Chuvala and Dritan Shutina, by institutionalising community participation within the structure of local governance and by using incremental approaches to tenure security. The authors conclude in *Delivery of security of tenure, infrastructure services and access to finance through community-based approaches* that one of the primary benefits of the two projects they describe (see texts on Albania below and on El Salvador in chapter 3) is enhanced social inclusion.

“...titling does not appear from the literature to have either accelerated the integration of informal settlements into formal property markets in ways that benefit the poor as intended, or to have protected them from exploitation.”

-Payne et al: *Social and economic impacts of land titling programmes in urban and peri-urban areas: A review of the literature*

Apart from improving the physical infrastructure and social services, the Albanian and El Salvadoran projects manage to integrate informal settlements into the city fabric. During the life of the projects the status of settlements improved, delivering social as well as economic advantages. Driscoll et al emphasise that in order to obtain social inclusion, the needs of a specific community must be met on a case-by-case basis, allowing for flexible and innovative solutions both for secure tenure and infrastructure upgrading.

“Integrating informal communities into the urban economy through good road and transport links obviously has important economic implications and demonstrates that issues other than property ownership must be considered when addressing informal development.”

- Driscoll et al: Delivery of security of tenure, infrastructure services and access to finance through community-based approaches

In *Social and economic impacts of land titling programmes in urban and peri-urban areas: A review of the literature*, a paper written by Geoffrey Payne, Alain Durand-Lasserve and Carole Rakodi, the authors ask whether settlements that have been given formal titles integrate more easily with the rest of the city. The issue is rarely raised in the reviewed literature, but Payne et al succeed in identifying tendencies in both directions. They cite an example from India where newly registered holders of occupancy rights (which is not even a full title) demanded to pay tax as they considered themselves to be members of society. In other cities a higher degree of formality intensified gentrification instead, leading to more segregation.

Further Reading:

- Driscoll, John, Lee-Chuvala, Christa & Shutina, Dritan: Delivery of security of tenure, infrastructure services and access to finance through community-based approaches
- Fox, Sean: Encompassing Governance, Urban Integration and Economic Performance
- Napier, Mark: Making urban land markets work better in South African cities and towns: Arguing the basis for access by the poor
- Payne, Geoffrey, Durand-Lasserve, Alain & Rakodi, Carole: Social and economic impacts of land titling programmes in urban and peri-urban areas: A review of the literature

Future Research:

- Estimate the economic consequences of not integrating informal areas into a city
- Investigate the social and political obstacles to establishing encompassing governance at city level (or national level)
- Examine how formalisation programmes affect land use and spatial segregation in the presence of residential mobility
- Identify methodologies to reduce costs for formal regulation of land rights



Why Should Poor People Have a Place in the City?

South Africa

Following the South African Government's construction of approximately 2.3 million houses for poor people to date, the physical segregation between poor and rich is, unfortunately, almost as pronounced as during the Apartheid regime. A combination of limited funds and ambitious goals for housing construction meant that the Government could only afford to secure land to house the poor in peripheral areas of cities, thus aggravating the separation of people from different classes and ethnic groups.

There is currently a debate in South Africa about the country's physical urban segregation that is the result of both historical legacy and the Government's current housing policy. Some argue for planning that would require the poor to be relocated more centrally in economically vibrant areas, while others claim that this would be an inversion of the social engineering enforced by the Apartheid system.

Proponents for social inclusion base their position on an argument for human rights - that all citizens have the right to access land on an equal basis. They also highlight the potentially negative social impacts of segregation in a city, such as conflicts between the different groups and the creation of violent and crime-ridden enclaves that become increasingly separated from the rest of the society.

Land in an attractive location is more valuable than land that is far from the city or has a bad reputation. Some people therefore reason that it would make sense for any state wanting to reduce poverty to allocate prime land to the poor. However, most first-class land falls into the hands of wealthier people or developers, possibly due to a lack of appreciation for poor people's potential economic contribution to society.

The present design of most South African cities, with poorer areas sprawled around the outskirts, implies an inefficient use of commuters' time (who rarely have access to a car). In addition, it is expensive for both individuals, who pay fares, and the Government, which will have to fund extensive public transportation. If poor urban dwellers were given the opportunity to become involved and contribute more readily to cities' central markets and social networks, greater social mobility and poverty reduction might result.

Adapted from Napier: *Making urban land markets work better in South African cities and towns: Arguing the basis for access by the poor*

Incremental Integration

Tirana, Albania

During Albania's economic transition in the 1990s, urban centres grew rapidly as barriers to movement were withdrawn and privatisation encouraged people to invest in urban land and housing. The newly established urban land market was disordered and scattered: formal and informal land markets were both in use; cadastral coverage was incomplete; conflicts over land arose as the privatisation process grew; and basic services were lacking in most of the newly developed areas.

The Urban Land Management Project (ULMP) began in 1998, while the land situation was still chaotic, and focused on incrementally regularising informal settlements, introducing basic services and preparing urban plans while the population density was still reasonably low. The ULMP differed from other projects in Albania at the time in its demand-driven approach and emphasis on community participation.

The improvements in infrastructure in one of the targeted informal settlements, which were made jointly by local governments and households with some donor support, resulted in de facto secure tenure for the inhabitants. Residents paid development fees that were used to achieve community defined objectives. The infrastructure investments in land, housing and businesses led to a thriving land market with rising land values, even though much of the land lacked formal titles. The de facto security is now so well developed that people are willing to sell and buy without legal ownership, a development that supports the case for an incremental approach to titling and upgrading.

By the end of the project, almost half of the settlement's households were in contact with the municipality regarding infrastructure, social services and employment. This considerable level of communication with the state suggests that the settlement is well integrated into the city.

Adapted from Driscoll et al: *Delivery of security of tenure, infrastructure services and access to finance through community-based approaches*



Access to urban land markets

Land differs from other tradable assets. It can be a public good, requiring government regulation and protection. Most states manage land markets to a greater or lesser extent to ensure that they work efficiently and transparently. Both formal and informal markets follow the same basic rules of demand and supply, and many customers move between markets with differing degrees of formality, informality or even illegitimacy. Governments, however, have limited opportunities for extending their influence beyond formal markets.

The degree to which the state should intervene in land markets is open to political debate, but it is clear that government intervention is necessary if countries want poor people to be able to access centrally located urban land (see chapter 2 on why urban integration could be beneficial for a country). Mark Napier makes a case for a possible state intervention to address earlier flaws in the South African market. In *Making urban land markets work better in South African cities and towns: Arguing the basis for access by the poor* he relates how the urban land market functioned during the Apartheid era and the measures the new Government has taken towards dealing with the situation.

The largest intervention by the South African Government is an ambitious housing programme, which has succeeded in constructing millions of houses but has failed to counteract segregation and make the property market work better for poor people. Napier suggests that South African cities should invest heavily in infrastructure in the under-serviced or even un-serviced informal settlements at the peripheries of the city, so that their inhabitants can become more integrated into the formal city and its economy. Secondly, he encourages the Government to take responsibility for opening up central urban land markets to poor people.

“...the state has a very central role in setting the conditions in which the market can fairly distribute land as a complex commodity. Further, there is a direct role for the state in land allocation.”

- Napier: *Making urban land markets work better in South African cities and towns: Arguing the basis for access by the poor*

Even if it is not possible to totally transform the spatial form of cities inherited from the Apartheid era policies of segregation, Napier maintains that this earlier distortion of the land market will need to be rectified to some extent.

“...in many cities of the world, the majority of the labour force and even civil servants have no access to legal and adequate housing. The role of squatter colonies is fundamental rather than marginal: The urban economy is heavily subsidized by their existence, and cannot function – much less be competitive – without this subsidy.”

Lessons such as this, about how urban land markets influence a city's form can be applicable to other countries, particularly those with a colonial history with similar spatial patterns to South African cities; poor people concentrated in the outskirts, far from economic opportunities, good schools and health care.

In contrast to South Africa, where the prices for recent government housing and plots in other low-income areas have been falling, the informal areas in Nairobi, Kenya, have produced a housing market with surprisingly high prices. Sumila Gulyani and Debabrata Talukdar describe the rental market in *Slum Real Estate: The Low-Quality high-price puzzle in Nairobi's slum rental market and its implications*. Despite being informal, the property market in Nairobi's slum areas demonstrates distinct similarities with formal property markets.

Contrary to the commonly held belief that slum dwellers get cheap accommodation, albeit at a low standard, Gulyani and Talukdar show that slum inhabitants in Nairobi pay substantial sums for sub-standard housing and that prices are influenced by a variety of factors such as proximity to public schools and health facilities, the standard of the roof and exterior walls, and access to basic services such as water and pit latrines, in much the same way as formal real estate markets.

But unlike formal markets, the informal market in Nairobi's slum areas is not overseen by the state but controlled by structure owners who charge high prices for low standard housing (Gulyani and Talukdar are very careful in pointing out that the structure owners not are the only ones to blame for this situation; inertia on the part of the Government and the slum inhabitants has contributed to the situation).

According to Erhard Berner the market alone is unable to distribute land equitably. In his paper *Of Slums and Gated Communities: Failures of Formal and Informal Land Markets in Developing Cities*, still in draft form, he concludes that urban land markets have to be governed and controlled by the state.

Berner critically reviews the major slum development interventions that have been tried in recent decades, such as sites-and-services, slum upgrading and social housing. Self-help housing is the only approach that he sees as having a future, contending that squatting and incremental housing are the only options available to many of the urban poor in developing countries; he also points out that existing informal settlements are active proof that self-help housing can deliver shelter for the poor. Berner emphasises that people in informal settlements are not a marginal but a fundamental component of cities in the developing world. They often constitute more than half of a city's population and they dominate the informal sector as well as providing labour for the formal economy.

As it is costly for a poor urban dweller to access a decent plot of land, they often end up in hazardous, contaminated or distant locations. Even squatting has its informal price tag, especially if it is in an attractive area of the city. When people have found a plot, be it by paying fees to the local mafia or through accepting to live on a garbage heap outside the city centre, they usually manage to build their own house. Berner agrees with other researchers who claim that there is no housing gap, but a lack of affordable land for self-help housing. Like Napier, he would want the state to intervene more to ensure poor people's access to decent land.

Further Reading:

- Berner, Erhard: Of Slums and Gated Communities: Failures of Formal and Informal Land Markets in Developing Cities (draft)
- Gulyani, Sumila & Talukdar, Debabrata: Slum Real Estate: The Low-Quality high-price puzzle in Nairobi's slum rental market and its implications
- Kim, Annette M: North versus South: the impact of norms in the market pricing of private property rights in Vietnam
- Napier, Mark: Making urban land markets work better in South African cities and towns: Arguing the basis for access by the poor

Future Research:

- Compare different degrees of state regulated land markets and how/if state interventions can increase poor people's access to land
- Investigate the effect of the innovative land documents used in informal land transactions
- Investigate how societies with different cultural and social norms adopt changes in property rights



Poor People's Access to Formal Property El Salvador

Being the most densely populated country in Latin America, El Salvador has a highly competitive land market, exacerbated in the urban areas by rapid urbanisation. Prior to and during the civil war (1980 to 1992) the influx into cities was on such a scale that the municipalities could not keep pace and both housing construction and provision of services lagged behind. Low supply and high demand, coupled with widespread land speculation (caused by the lack of property tax, among other reasons) resulted in high urban land and housing prices that have prevailed to this day. The country's high reliance on remittances from abroad, which the poorest households rarely have access to, has also increased land and housing values.

Poorer El Salvadorans are unable to access the formal land market and their only option is to buy plots on the informal market where prices are lower. However, this parallel, informal land market is extensive; the Government estimates that around 60% of the population is settled informally. Nevertheless, even informal urban plots are often too expensive for the poorest families, and although the Government has set up some coping programmes, such as social housing, it has by no means reached the majority of the poor.

The non-profit organisation FUSAI was established at the end of the civil war with the objective of providing poor communities with low-cost land and housing. FUSAI works closely with local governments, making it easier and less expensive to buy land from municipalities for communities. With the help of long-term loans (up to ten years), mutual help between community members during the construction phase, and cooperation between communities and local authorities, the FUSAI schemes have assisted poor people in accessing affordable land and housing that is formally recognised by the state, yet within the same price range as informal property. To avoid gentrification, the title is put in the names of the woman and the children of the household, and an agreement is signed by the family not to rent or sell the property until the youngest child has reached the age of 18.

Adapted from Driscoll et al: *Delivery of security of tenure, infrastructure services and access to finance through community-based approaches*

Same Legislation Different Outcomes Ho Chi Minh City and Hanoi, Vietnam

Discussions about titling and secure tenure sometimes assume that with proper legislation and a free market, all land markets would function in basically the same way. However, this study from Vietnam demonstrates that social and cultural norms, as well as political history, influence how market access has developed differently in different contexts. It compares two cities with real estate markets that have developed differently, despite identical property legislation and the same high housing demand.

Vietnam's two major cities, Ho Chi Minh City in the south and Hanoi in the north, have different histories and cultures. The north has traditionally been more state-regulated and even after the transition the old pattern of state ownership remains. The south has been quicker to adopt a more consumer-oriented lifestyle and the privatisation of land has proceeded at a faster rate than in the north.

Land formalisation is not complete in Vietnam, and several legally ambiguous stages before formal ownership exist. These include stages where the right-holder is awaiting formal ownership. In Hanoi, the not-yet-formal property right will have a low market value, whereas the same property right will be considered as an intermediary form in Ho Chi Minh City and thus have a high value. Despite relying on the same system, the different markets in the two cities make different assumptions about the risk of the same type of property.

The comparison raises the issue of how social norms can impact land prices and serves as a reminder of the need to consider social and cultural contexts as well as the legal aspects of urban land markets.

Adapted from Kim: North versus South: the impact of norms in the market pricing of private property rights in Vietnam



Affordable Urban Properties

In the 1970s low-cost, state subsidised housing became a popular means of supplying poor populations with decent, basic accommodation. Lower standards and higher population densities than had been previously acceptable to governments and donors were now promoted. For a solution to be affordable, it was considered that housing and basic infrastructure should cost no more than 15-20 percent of a household's disposable income. One option for producing cheap units for poor people was the sites-and-services scheme. Plots were small and shared as many public services (e.g. water and toilets) as possible in order to keep costs down.

However, as Michael Cohen points out in *Aid, Density and Urban Form: Anticipating Dakar*, even though the projects were planned to be densely populated, most failed to predict the massive scale of the future population pressure on the site. Many of the former sites-and-services settlements today have serious problems as a result, including overflowing sewers, flooding, pollution of drinking water and traffic chaos due to under-dimensioned sewerage, over-used water systems and too few and too narrow roads.

A common problem in the beginning of the era of large-scale sites-and-services schemes was that despite providing poor families with subsidised land, infrastructure and secure tenure, the families could not afford to begin building their own houses on the plots as had been intended. The World Bank and other financial institutions that provided loans to governments for the affordable housing schemes soon discovered that it was necessary to develop credit facilities for the families in order for them to meet both their immediate and longer term expenses.

“The Dakar case also suggests that density is not an absolute value, but is in reality highly rational, within urban space and within urban markets.”

- Cohen: *Aid, Density and Urban Form: Anticipating Dakar*

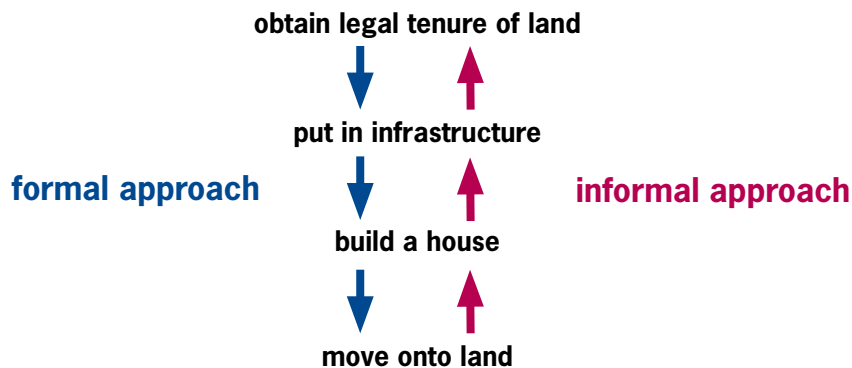
An additional difficulty with the sites-and-services areas, and one that it has in common with other large-scale upgrading approaches, is that the original beneficiaries normally begin to sell their properties as soon as they experience financial difficulties or as soon as the price of their property increases. In most cities in developing countries the supply of land is inelastic (it cannot increase), as is the supply of housing (due to building regulations and high investments costs) while the demand for both land and housing is strong (it increases with both population and income growth). Middle-income households are therefore keenly interested in buying upgraded properties that were originally targeted at low-income households. As long as middle-income families

in developing cities do not have access to secure tenure and decent housing, additional measures are needed to ensure that upgrading efforts benefit the poorest groups (see example from El Salvador in chapter 3).

Despite these setbacks, Cohen still believes that the basic, large-scale approach of supplying poor people with affordable plots for housing was successful in that the resulting settlements now house a very large number of people all over the world. The high density in this type of settlement can have a positive impact on social coherence and the dynamics of economic activities. It also counteracts urban sprawl, increasingly a problem for developing cities with its high infrastructure and energy costs, long distances between people and services and markets, and inefficient and costly transportation systems. The dense settlements can have a lower environmental impact, be cheaper and provide greater opportunities for social and economic interaction between people.

Erhard Berner has a more informal and dynamic view of how housing for the poor can be made affordable. In *Of Slums and Gated Communities: Failures of Formal and Informal Land Markets in Developing Cities*, he claims that the conventional process for people to access land and housing – planning, servicing, building, occupation – transforms what is often a relatively cheap piece of land into an expensive and time-consuming asset.

The illegal subdividers of plots or the informal squatters would instead reverse the process, keeping costs down, and Berner believes we should learn from them. Starting with occupation, the building and provision of infrastructure is then taken care of incrementally, resulting in lower costs. However, for a country to approve of this process requires a thorough revision of building and planning standards, and Berner does not discuss this practical obstacle.

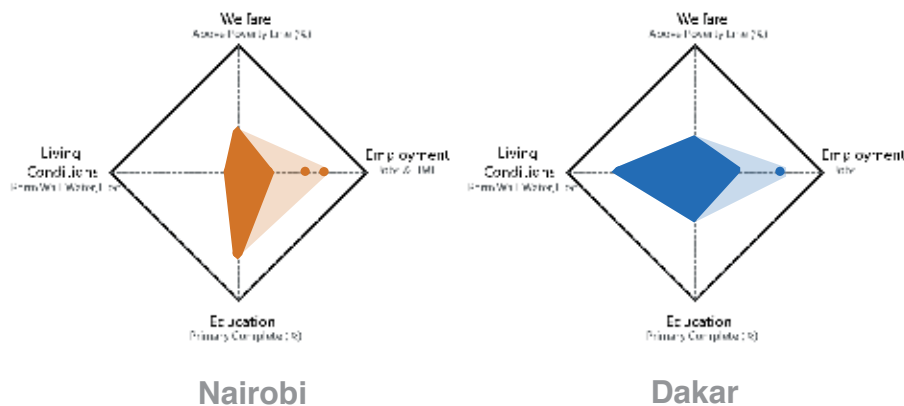


“Given Governments’ limited resources and capacity they should altogether abandon the role of a housing provider and turn towards a truly enabling approach. In other words: They should contribute the ‘essential ingredient’, namely land, and leave housing production to people’s initiative.”

- Berner: *Of Slums and Gated Communities: Failures of Formal and Informal Land Markets in Developing Cities*

But even in places where dwellings were built gradually with local materials and where the land was cheap or was occupied for free, the housing might still not be affordable. Sumila Gulyani and Debabrata Talukdar in *Slum Real Estate: The Low-Quality high-price puzzle in Nairobi's slum rental market and its implications* take a close look at Nairobi's slum areas, through a weighted stratified random sample of 1,755 households. They find that the assumption that a slum offers affordable housing due to its deprived state is not true in Nairobi. Instead, slum dwellers pay high rents for housing of extremely low standard. The tenants can obviously afford to pay these rents, but a considerably higher standard of housing would have been expected for that level of cost.

The authors maintain that the way out of the low-quality, high-rent trap is to get the three largest actors – the tenants, the landlords and the Government – to engage, cooperate and invest. Gulyani and Talukdar claim that tenure legalisation in Nairobi's informal areas would only lead to larger profits for the structure owners and that an infrastructure upgrading would result in even higher rents and ultimately gentrification. They argue that the Government needs to step in to break the vicious circle of high rents and low quality, and furthermore that both the issues of tenure and infrastructure will have to be dealt with simultaneously.



The diagrams above represent some of the differences between informal areas in Nairobi and Dakar respectively. In Nairobi's slums people are relatively well educated, whereas the infrastructure deficiency is appalling. In Dakar's slums, the education level is low but the infrastructure provision is of a reasonable standard. To improve the situations in different types of slums, very different measures need to be applied. (Source: Gulyani)

Further Reading:

- Berner, Erhard: Of Slums and Gated Communities: Failures of Formal and Informal Land Markets in Developing Cities (draft)
- Cohen, Michael: Aid, Density and Urban Form: Anticipating Dakar
- Gulyani, Sumila & Talukdar, Debabrata: *Slum Real Estate: The Low-Quality high-price puzzle in Nairobi's slum rental market and its implications*

Future research:

- Investigate what has happened to the poor people targeted by upgrading or relocation programmes who chose to sell their plots to wealthier people
- Examine the effects of economical development in relation to how homogenous the settlements/societies are
- Examine what effects changes in building norms and planning regulations have on the production of affordable housing

Gulyani and Talukdar suggest that the Government should broker an agreement between tenants and structure owners about the fair allocation of the costs and benefits of infrastructure improvements and secure tenure. The agreement between the tenants and the structure owners can involve radical changes, such as alterations of the tenure mix in the slums so that more people will own their structures (today about 92% of the inhabitants rent their dwellings, most from structure owners who do not live in the area). If the structure owners could be convinced to reinvest some of the rent income in housing the affordability of the slums would increase.



Emerging Rental Market Dakar, Senegal

The World Bank's first large urban resettlement project started in the 1970s outside Dakar. Through an interest-free loan to the Senegalese Government, 14,000 plots complete with sanitation, joint water points, dirt roads and sewerage were provided to low-income households. The site, called Parcelles Assainies, was planned to hold around 140,000 individuals, which at that time would mean that it would become the fourth largest city in the country. Despite this, very little space was left as public space or for future growth.

The housing development at Parcelles Assainies took longer than expected and very few of the original low-income households could afford to continue construction or wait for the supporting infrastructure to be ready, so they sold their plots to middle-income households. As a result, many of the buildings in the area are of a high standard and most houses have installed individual water connections instead of using the communal water tap, originally intended to be shared by 100 households. Unfortunately there has been no follow-up of the poorer families who sold their plots and moved elsewhere. Today, 60% of Dakar's population live in slums, so it is likely that many of the original inhabitants of Parcelles Assainies ended up in one of these areas.

In 2006 there were almost half a million people living in Parcelles Assainies. The increased density in the area has given rise to a rental market, which both make it possible for the owner to earn some extra income, and for the renter to live in a decent environment at lower cost. It is possible that the area's population is now more varied in terms of income than when the middle-class families had just moved in during the 1980s and 1990s.

In contrast to the slums in Nairobi (see in the text above) where most of the structure owners live outside the settlements, the landlords in Parcelles Assainies normally stay in the same house or building, renting out one or two rooms. This makes the owners much more likely to ensure a good standard of housing and infrastructure, as well as maintaining and developing the neighbourhood.

Adapted from Cohen: *Aid, Density and Urban Form: Anticipating Dakar*

Land Intended for the Poor Hyderabad, Pakistan

In the 1980s the Pakistani Government set aside a piece of land outside Hyderabad for poor families to build their houses. Led by a local NGO, the process was particularly designed to target poor people and discourage speculators. Only households who agreed to stay for a time in so-called reception camps, under quite basic conditions, were eligible for the project. Furthermore, the selected households had to start construction immediately and could lose their claim to title if the dwelling was left empty. A study completed after the project established that the project was too unattractive for wealthier people, leading to a settlement that was too homogenous and with low economic development. In this case, the affordability for the poor led to an unattractiveness of the area that discouraged investment..

Adapted from Berner: *Of Slums and Gated Communities: Failures of Formal and Informal Land Markets in Developing Cities* (draft)

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Urban Research Symposium Dissemination Award

The organisers of the Urban Research Symposium (Cities Alliance, GTZ, Lincoln Institute of Land Policy, Sida and the World Bank) have instituted the Dissemination Award in order to promote promising research work of high relevance to the development agenda. The award will contribute to the dissemination of results and findings in urban research and enhance the visibility of the Urban Research Symposium, as the prize consists of the opportunity for the researcher(s) to travel and present their papers at dissemination seminars, which this year will take place in Sweden and Uganda.

Two of the papers presented in this publication were awarded at the fourth Urban Research Symposium for their “exemplary contributions to the conference”:

- Mark Napier, architect and programme director at the Urban Land Markets Programme in South Africa
- Maria da Piedade Morais, researcher at the Institute of Applied Economic Research in Brazil

Halving poverty by 2015 is one of the greatest challenges of our time, requiring cooperation and sustainability. The partner countries are responsible for their own development. Sida provides resources and develops knowledge and expertise, making the world a richer place.



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