



**EVALUATION  
OF EXPERIENCE  
WITH INITIATING  
ENABLING  
SHELTER  
STRATEGIES**

 UNITED NATIONS CENTRE FOR HUMAN SETTLEMENTS (Habitat)



# Evaluation of Experience with Initiating Enabling Shelter Strategies



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## Evaluation of Experience with Initiating Enabling Shelter Strategies



### List of Acronyms

GSS	Global Strategy for Shelter to the Year 2000
UNCHS	United Nations Centre for Human Settlements (Habitat)
NGO	Non-governmental organization
CBO	Community-based organization
HUDCO	Housing and Urban Development Corporation
HUZA	Human Settlements of Zambia
ICT	Instituto de Credito Territorial, Colombia
UNDP	United Nations Development Programme
CMDA	Calcutta Metropolitan Development Authority
ULCRA	Urban Land (Ceiling and Regulation) Act, India
BCH	Central Mortgage Bank
IDF	Infrastructural Development Fund, Nigeria
OPP	Orangi Pilot Project, Pakistan
CIDCO	City and Industrial Corporation of New Bombay
NHB	National Housing Bank, India
HFDC	Housing Finance Development Corporation, India
SEWA	Self-Employed Women's Association, India
IYSH	International Year of Shelter for the Homeless (1987)
BRAC	Bangladesh Rural Advancement Committee
BMTPC	Building Materials and Technology Promotion Council, India
CAVs	Housing and savings funds, Colombia
NCHF	National Cooperative Housing Federation, India
SENA	the National Apprentice Service, Colombia
ZOTO	Zone One Tondo Organization, the Philippines
SPARC	Society for the Promotion of Area Resource Centres
CONAVIP	National Council of Popular Housing Organizations, Colombia
CONAMUP	National Coordinating Body of Mexican Popular Movements
FONHAPO	National Fund for Popular Housing
HIC	Habitat International Coalition
CINVA	Inter-American Housing and Planning Centre
HABITEC	Latin American and Caribbean Centre for the Exchange and Promotion of Technologies for Human Settlements
CENAC	National Construction Information Centre, Colombia
PROCO	Foundation for the Promotion of the Community and the Upgrading of the Habitat, Colombia
UNCEVI	Central Housing Unit, Colombia
HSMI	Human Settlements Management Institute, India
RCUS	Regional Centre for Urban Studies, India
DANIDA	Danish International Development Authority
ODA	Overseas Development Administration, United Kingdom
ICBF	Family Welfare Institute, Colombia

SCF  
HDFC

Save the Children Fund  
Housing Development Finance Corporation





## Evaluation of Experience with Initiating Enabling Shelter Strategies



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## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Foreword

Within the next 20 years, the urban population of the developing countries will exceed 2 billion people, over two thirds of the total urban population of the globe. The provision of adequate shelter for such huge numbers in both urban and rural areas constitutes one of the most pressing tasks before us.

In the search for solutions to world shelter problems, the Global Strategy for Shelter to the Year 2000 (**GSS**) represents a very significant step forward. It is one of the most important documents yet produced in the field of housing and the built environment. The comprehensive framework for action provided by the **GSS** represents a fundamental change in our thinking about shelter issues, a change which holds out the promise of adequate shelter for all in the foreseeable future.

The most important aspect of the **GSS** lies in its emphasis on "enabling" strategies and processes in the field of shelter provision and improvement. For most governments, this role is relatively new and untried. For the **GSS** to be successful, therefore, it is particularly important that effective mechanisms for monitoring and evaluation are set in motion. This will enable all those involved to learn from experience and put these lessons into practice. This study represents a systematic attempt to evaluate initial efforts at implementing the Global Strategy. It is based on a series of case studies in India, Colombia, Thailand and Nigeria, as well as less detailed evidence from countries elsewhere. Particular attention in this report has been given to identifying:

- Bottlenecks in the successful implementation of enabling strategies
- Experiences which are relevant across national boundaries
- Innovative modes of organization for shelter delivery
- Experiments which may be replicable in different settings
- Appropriate indicators and standards for measuring progress
- Priorities for further research, experience-sharing and action

For a detailed analysis of particular policies and projects, the reader is directed to the country case studies. However, it is at this stage worth registering a note of caution. Generalization across time and space is always dangerous, particularly so in such a complex and dynamic field as shelter. The essence of the **GSS** is flexibility and adaptation to local circumstances, not the identification of standardized solutions. Necessarily, therefore, the conclusions of this report are circumspect. In addition, only two years have elapsed since the adoption in December 1988 of the **GSS** by the United Nations General Assembly. Although some elements of the enabling approach were present prior to the formalization of the **GSS**, many countries (including Nigeria and Colombia, two of the current case studies) are still in the process of developing and ratifying new National Housing Policies based on its provisions. The **GSS** itself emphasizes the gradual introduction of "enabling" strategies over time, rather than their wholesale implementation in "year one". It would be unrealistic, therefore, to expect major changes in shelter

strategies to have been consolidated so quickly, and the case studies confirm this. More systematic and meaningful evaluation will only be possible in the future. The aim of this study is to highlight early successes and difficulties, and to identify key areas for monitoring, rather than to reach firm conclusions about the GSS itself.

Although the entire shelter sector is the focus of concern in this study, priority is given to the situation of lower-income groups in major urban areas of the developing countries. This reflects the scale and urgency of shelter problems facing these groups, together with the much lower priority usually awarded to housing by people living in the rural areas of developing countries. There have, of course, been some significant successes in the field of rural shelter over the last five years, most notably the Rural Housing Programmes in Malawi and in Kerala, India. Where appropriate, the achievements of these initiatives are cited in the text.

I gratefully acknowledge the following contributions to UNCHS (Habitat)'s work in the preparation of this publication: Dr. Michael Edwards for the global research and evaluation of the country case studies, and Mr. P. S. A. Sundaram, Ms. Inés Useche de Brill, Dr. Chijioke L. Odimuko and Ms. Somsook Boonyabancha for the preparation of the case study reports.

Dr. Arcot Ramachandran  
Under-Secretary General  
Executive Director





## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter I. Introduction

#### A. Review of current shelter policy and its links with the overall economy

Traditionally, housing has been seen as a consumption good, a social rather than economic investment divorced from wider macroeconomic management. The Global Strategy for Shelter to the Year 2000 turns this analysis on its head by placing housing firmly within a macroeconomic framework, explicitly recognizing the contribution of shelter to economic growth and the links which exist between housing and wider economic management. Of course, many writers and policy-makers had recognized these links long before the **GSS**; pioneers of "self-help" housing like John Turner focused their attention on low-income builders as a productive resource, and on the enormous contribution they made to the economy, albeit one that went unrecognized in official statistics. The links between housing production, employment and output are now widely accepted, though this is often not reflected in the proportion of developing-country budgets devoted to the shelter sector. For example, a mere 2 per cent of government expenditure in Sudan goes to housing (Ahmad, 1989, 59).

More recently, greater emphasis has been laid on the need to evaluate the effect of wider economic policies on the production and cost of housing, especially for low-income groups. For example, heavily-subsidized housing-finance systems in Argentina and Turkey have contributed to rising interest rates for other borrowers, fuelling inflation, and increasing the national budget deficit (Buckley and Mayo, 1989). Ljung and Faruaque (1988, 4) estimate that fully one fifth of the current Colombian inflation rate is due to inappropriate housing-finance policies. Recent declines in economic growth rates in sub-Saharan Africa have reduced real urban wages and made it more difficult for the poor to gain access to land (Amis and Lloyd, 1990). "Structural adjustment" policies which enforce reductions in government expenditure can also have a negative impact on shelter, as in the case of the recent suspension of sites and services programmes in the United Republic of Tanzania noted by Campbell (1990). Equally, it is clear that, without the necessary economic growth, it will be extremely difficult to expand and improve national housing stock, because there will be insufficient resources to strengthen government response and insufficient demand to stimulate private sector and household construction. In this sense, economic growth is, indeed, the best way of promoting shelter for all. However, while it is certainly a necessary condition for achieving the goals of the **GSS**, economic growth is not a sufficient one. This is borne out by the experience of the case studies highlighted in this report.

Evidence from country case studies shows that governments do increasingly recognize the links between housing and the wider economy, even if there is a long way to go before this process is complete. The new National Housing Policy in India explicitly acknowledges the links that exist between housing and employment, and has tried to operationalize this link in the "Urban Basic Services Programme" (Sundaram, 1990, 13). In Nigeria, housing was seen as a social (consumption) sector until the Third National Development Plan (1975-80) (Odumuko, 1990, 3). Since then, there has been a gradual shift in attitudes culminating in the draft National Housing Policy of 1990. Colombian economic policy has for a long time recognized the productive nature of investment in housing, though implementation of has varied markedly from one administration to the next. President Gaviria and his predecessor Virgilio Barco both emphasized the relationship between construction and economic growth, and indeed the contribution of the construction sector to employment generation in Colombia increased

by 6 per cent per annum between 1980 and 1989, well above that for manufacturing industry and the rest of the economy (Useche de Brill, 1990, 3). However, recent recession and liberalization of the domestic market have threatened to halt this trend and to erode the role of local construction companies under the impact of increasing foreign competition (Useche de Brill, 1990, 13).

Thailand provides a particularly interesting illustration of the links which may develop between shelter and the economy. With rates of economic growth considerably in excess of many other developing countries, a thriving private sector, "free" markets and weak government regulations on shelter and planning, Thailand should confirm the theory that economic growth is the most effective form of housing policy. As the rest of this report shows, Thailand does indeed have many impressive achievements to its credit. However, the shelter position of the urban poor continues to give great cause for concern, with millions living under the threat of eviction in poorly-serviced slums. The housing situation in many intermediate cities in Thailand actually worsened over the last decade because rapid economic growth under the Fifth National Development Plan took place almost in a housing policy vacuum (Boonyabancha, 1990, 1). Land and property prices rose on a speculative boom fuelled by the easy availability of resources. Hence, in the Sixth National Development Plan, much greater emphasis is placed on the need for tenure security, popular participation, and a strong facilitating and coordinating role for central and municipal government (Boonyabancha, 1990, 4). In this way, the benefits of economic growth can be harnessed to expand the low-income housing stock, while its potential costs can be minimized.

In conclusion, it is far too early to say with any certainty that governments throughout the world have accepted the critical importance of shelter as a productive investment, or have recognized the damaging effects which broader economic mismanagement can have on housing. This is reflected in the low priority generally given to housing in national budgets, and in the pursuance of financial and other policies which have a negative impact on shelter production, costs and quality. However, as the experience of India, Colombia, Thailand and Nigeria shows, the **GSS** has stimulated governments to think more critically about these questions and to take some first steps towards the necessary action. What remains, as in so much of the **GSS**, is to operationalize these early statements of intent in a much wider and more systematic fashion.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter I. Introduction

#### B. Shelter needs at the national scale

While it is important to develop accurate forecasts of shelter needs among particular income groups, it is never easy, and often downright misleading, to quantify these estimates in a rigid and inflexible way. Demographic change, new household formation, and variations in cultural preferences and economic circumstances make quantitative housing targets difficult to justify. Hence the widespread suspicion of the concept of the "housing gap". As the Global Strategy for Shelter itself emphasizes, the goal of national housing policy should be to widen the range of housing choices available to all households so that they can adjust their shelter situation to their own needs and preferences. This is much more important than achieving pre-determined targets in terms of housing production.

Nevertheless, some idea of overall housing needs is essential as an aid to effective national planning. Perhaps the most that can be said in this respect is that the need for adequate shelter (defined in terms of shelter that people want), especially among lower-income groups, is huge and steadily increasing. One recent report estimates that "developing countries as a group must produce about 45 million additional units of minimally-acceptable housing each year in the years immediately ahead if they are to meet their housing needs" (Struyk, 1990, 315). Indian estimates indicate that gross housing shortages increased from 17.3 million units in 1981 (rural and urban housing combined) to 28.5 million in 1988, and are predicted to rise to some 41 million by the year 2001 (Sundaram, 1990, 174). Other figures from India show that in 1981, over 60 per cent of households in situations of "housing need" were living in *kutcha* (or unserviceable) dwellings (Sundaram, 1990, 172).

In Thailand, the Sixth National Development Plan estimates that approximately 50,000 housing units will be required each year to cater for needs across the income range (Boonyabancha, 1990, 4). More realistically perhaps, there are already over one million people living in slums and squatter settlements in Bangkok, and this total is growing daily (Boonyabancha, 1990, 5). Nigeria faces similar levels of need, with the number of dwelling units required among low-income groups in urban and rural areas scheduled to increase from 15.2 million in 1980 to 32.7 million in the year 2000 (Odimuko, 1990, 14). More useful are figures which document the number of households living in conditions defined as "deficient" according to criteria which the occupants themselves subscribe to. In Colombia, for example, over 33 per cent of all homes in the country were deficient in terms of service-provision, structure or crowding, according to the 1985 census (Useche de Brill, 1990, 14). Since new households in Colombia are currently being formed at the rate of 3.5 per cent per annum, these problems are set to grow. Obviously, these deficiencies are most serious among the lowest income groups.

While it would be unrealistic to place too much faith in any of these figures, some clear conclusions can be drawn. First, national shelter needs continue to increase, though more in most cities through natural increase than in-migration. It was the signal failure of conventional housing policies to address these needs that underlay the development of the **GSS** in the first place. It will, however, be many years before the **GSS** makes any significant impact on these figures at the national level. Secondly, shelter needs are most acute in the largest urban areas and among the lowest income groups, a situation made worse throughout much of sub-Saharan Africa in recent years by precipitate economic decline. The

challenge ahead remains huge.



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### Chapter I. Introduction

#### C. Evaluation of current shelter programmes and activities as regards effectiveness in addressing the needs of low-income groups at the national level

There have been sporadic successes and advances throughout the developing world over the last 30 years in terms of housing programmes which have managed to reach and utilize the energy and resources of the poor. However, prior to the Global Strategy for Shelter, the general record of official housing policy and programmes had been very disappointing. These failures have been widely documented and need no detailed explanation here. Not surprisingly, many of these disappointments have been carried over into the first two years of implementation of the **GSS**. Most of the weaknesses of low-income housing policy and practice highlighted in the country case studies were already manifest many years before the drafting of the **GSS**. By and large, the record even now is one of isolated successes set against an overall background of neglect. Despite these failures, poor people themselves have continued to build or find their own housing, as they have always done.

In terms of background material for the rest of this study it will be useful to highlight, at least in brief, the major weaknesses of past shelter programmes and activities in addressing the needs of low-income groups at the national scale, relating these to current policies as described in the **GSS** case studies. At least five major sources of concern can be identified:



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#### a. Misdirected efforts

Although the era of large-scale public-sector investment in housing production for low-income groups is long past (see below), it remains true to say that governments have been far too concerned with financing production (by themselves and other formal-sector builders) and too little concerned with facilitating inputs (such as land and credit) into the housing process. This is one of the most important messages contained in the **GSS**. The evidence of most of the case studies cited in this report suggests that Governments in Colombia, Thailand and India still have a long way to go in this area, particularly in facilitating the supply of land and housing finance. As Sundaram concludes in his report on India, "generally the record of developing efficient and equitable land and housing has been disappointing" (Sundaram, 1990, 11).



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b. Inefficient use of scarce resources

Another common theme in housing policy evaluation is the misallocation of those scarce resources that do exist in the form of subsidies to land, services and housing among those who can afford to pay the market price. The experience of upgrading and sites-and-services programmes during the late 1970s and early 1980s demonstrates the effect of this kind of subsidy in rendering investments non-replicable and in denying access to land and housing among the poorest sections of the community (Keare and Parris, 1982; Bamberger, 1982). In their survey of sites-and-services schemes funded by the World Bank, Mayo and Gross (1985) concluded that all six projects involved subsidies of 65 per cent or more. Cost recovery was much lower than anticipated, though the reasons underlying this phenomenon vary. In some cases, standards and affordability criteria were set too high; in others, administrative weakness and lack of political will were more significant. A similar trend is apparent in Colombia, where cost-recovery problems in the State-run Instituto de Credito Territorial (ICT) led to a 50 per cent reduction in the amount of resources available for investment in the Programme on Human Settlements between 1986 and 1990 (Useche de Brill, 1990, 18).



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c. Lack of access among the very poor

Programmes that have been successful in reaching the poorest groups in urban areas are comparatively rare. It is now clear that upgrading is a cheaper and more cost-effective approach than sites-and-services schemes, though even in the former the very poor have often been ignored or pushed out. In part, this is the result of a basic weakness of most housing policies in failing to address the needs and interests of tenants, who form the majority of low-income households in many cities (see Edwards, 1990). In addition, affordability criteria have been set too high, and insufficient account has been taken of speculative investment which can entice low-income residents to leave upgraded areas. Overall, however, there has been a consistent failure among official land, housing and financial agencies to reach those who need assistance most of all. The **GSS** case studies demonstrate that these problems continue. To cite only two short examples, a mere 7 per cent of loans made by the Federal Mortgage Bank of Nigeria have gone to "low-income" applicants (Odimuko, 1990, 21). The private-sector housing market in Thailand remains out of reach for the bottom 40 per cent of the population (Boonyabancha, 1990, 6). The threat of eviction hangs over most of Bangkok's slum-dwellers, and even if successful in gaining access to a resettlement scheme, people may face serious economic costs as a result of losing their employment or in longer journeys to work from the peripheral locations of most resettlement areas (Boonyabancha, 1990, 6).





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#### d. Inadequate scale

Of course, there have also been successful experiments in addressing the needs of low-income groups, especially in terms of community action, the role of non-governmental organizations (NGOs) in shelter delivery, service provision, legal frameworks, and institutional development. These successes are examined in detail in later sections of this report. However, it remains the case that (by and large) these successes have been on a small scale and certainly inadequate to deal with the size of the problems at hand. As is concluded in section V, "scaling up" successful enabling strategies is one of the most urgent priorities for the GSS in the next few years. For example, the National Site-and-Service, Infrastructure Development, and Slum Upgrading Programmes in Nigeria are all on a very small scale, the latter covering less than 70,000 households (Odimuko, 1990, 27).



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#### e. Fragmented responses

Coherent and coordinated action at the local level to address the shelter needs of the poor remains the exception rather than the rule. Municipal planning is weak, national policy-making still tends to exclude the participation of beneficiaries, and responsibility for different aspects of shelter delivery and improvement remains divided, often among a bewildering array of official and semi-official agencies (see section II.C). This makes it very difficult to adopt consistent and effective policies towards the particular needs of low-income groups.



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#### f. Conclusion

In conclusion, shelter programmes and activities intended to benefit low-income groups have often been misdirected, inefficient, inaccessible, inadequate and fragmented, problems which the **GSS** is only just beginning to correct. Lest this seems too negative a view, it is important to bear in mind the advances that have taken place, especially in the fields of community and **NGO** action, institutional and legal frameworks, and special programmes such as upgrading. The general record in other key areas, such as land and housing finance, has been much less impressive.



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#### D. Basic changes in shelter policy in the last 10 years

In the run-up to the adoption of the **GSS** in 1988, most countries passed through a similar history in terms of their official response to shelter policy and practice. Although the timing varies from country to country, it is possible to identify three major phases over the last 30 years (Stren, 1990).

The first phase consisted of large-scale public-sector investment in housing production, concentrating on the construction of standardized dwelling units for the poor by government agencies. This was the era of the Caracas "Superblocks" and of many similar housing developments around the world. Since this phase of shelter policy ended long ago in most third-world countries, it need not detain us here. However, it is worth pointing out that some countries government resources on housing production until the mid-1980s. In Nigeria, the Federal Government reviewed its basic emphasis on direct construction only in 1983, when it became clear that the results of traditional housing policy were severely disappointing: only 32,000 dwelling units had been completed, barely 20 per cent of the planned target figure (Odimuko, 1990, 5). Until very recently, Indonesia demonstrated a similar trend, spending approximately 70 times more on building houses between 1984 and 1989 than on supporting self-help efforts (Turner, B., 1990, 42). Thailand switched the focus of its shelter policy a few years earlier than Nigeria, with the start of the Slum Upgrading Programme in 1979 and the National Housing Authority's Site-and-Service Programme coming on stream in the following year. Even Hong Kong, along with Singapore the only successful examples of large-scale public-sector investment in housing production, is now turning its gaze toward the potential of the private sector (Fong, 1989).

The second major phase in the evolution of housing policy took the form of "aided self help" - official support for upgrading, sites-and-services and (to a lesser extent) inner-city rehabilitation during the 1970s and early 1980s. It is important to remember that (in contrast to the **GSS**) most of these efforts were directed at specific projects rather than at the processes underlying people's own efforts, and their impact on low-income housing overall was therefore limited. Too many government resources were tied up in these projects, making them non-replicable. Examples of this kind of intervention include the large number of World Bank sponsored upgrading and sites-and-services programmes undertaken in (among others) the Philippines, Senegal and Zambia (Keare and Parris, 1982).

At the end of this period, around 1979-1980, the first signs of a more fundamental shift to what was later to be known as the "enabling" strategy began to appear. Programmes such as the Slum Upgrading Scheme in Bangkok, Urban Community Development in India, and the Programme on Human Settlements in Colombia, broke away from specific projects to focus on developing a more appropriate framework within which poor people could create housing more effectively. This approach continued to gain strength throughout the 1980s, before being recognized formally in the **GSS**. Richard Stren (1990) calls this third phase of shelter policy, "management and infrastructure". It focuses on managing the framework within which people are able to build or find their own accommodation, and on directing scarce government and private-sector resources to areas (such as infrastructure) which the poor cannot finance for themselves. World Bank, United Nations and bilateral shelter aid policy has paralleled these changes, with the emphasis moving away from specific neighbourhoods (projects) to the strengthening of

institutions in the fields of municipal government and housing finance (World Bank, 1990). World Bank assistance to shelter programmes in Brazil, India, Indonesia, Nigeria and Sri Lanka exemplifies this move in recent years.

Most recently, there has been a more explicit acceptance of the central role of enabling strategies in shelter provision and improvement. This movement, catalysed by the International Year of Shelter for the Homeless in 1987 and formalized in the **GSS** one year later, is explored in more detail in section II. All the country case studies cited in this report make it clear that governments have accepted, and have committed themselves to, the enabling approach. In most cases, this was a gradual move over the last decade rather than a complete shift in the space of one or two years; the new National Housing Policy in India is a good example of this (Sundaram, 1990, 11), focusing as it does on the facilitating role of government, the role of the private and household sectors, the need for strong action in the fields of land and housing finance, the links between shelter and employment, and an emphasis on cost recovery in service provision (Sundaram, 1990, 12-14).

In Colombia, too, many elements of the enabling approach were present in official shelter policy during the late 1980s. The two priority shelter programmes of this period (the Programme on Human Settlements and the Re-densification and Consolidation of Cities) focused on institutional consolidation and strengthening, increasing access to land among the urban poor via upgrading and the provision of serviced land, reducing planning and building regulations, and a tougher stance on the expropriation of land for low-income housing development (Useche de Brill, 1990, 5). The latest developments in shelter policy have not yet been formalized, but in draft form they clearly maintain the emphasis of the previous five years, placing shelter policy explicitly within the enabling framework. Particular attention will be paid to strengthening coordination between public, private and "popular" sectors; improving the capacity of municipal government; and increasing the reach and efficiency of Colombia's complex housing-finance system. The number of official institutions involved in shelter provision and improvement at municipal level is being drastically reduced (from the level of 170 in 1973), and the financial capacity of local government is being strengthened in parallel with the political decentralization carried out two years ago (Useche de Brill, 1990, 12). The overall objective of these reforms is to create a "national social housing system that maximizes the use of available resources under efficiency and equity criteria, and that optimizes the construction process" (Useche de Brill, 1990, 8).

Nigeria's New National Housing Policy (which has not yet been formally authorized by the highest levels of government) takes a similar line. It is framed very clearly within the **GSS** and marks an explicit change of direction toward supporting the private and household sectors as the focus of housing development (Odumuko, 1990, 29). The structure of housing finance is being reorganized and rationalized, while the Infrastructure Development Fund is an interesting attempt to channel large quantities of long-term, low-interest funds to service provision (Odumuko, 1990, 30).

The introduction of the enabling approach in Thailand has been less clearly defined, though elements of the **GSS** can be found as far back as 1979, when the national Slum Upgrading Programme was launched. According to the country case study for this report, this programme constitutes the "one bright spot" in Thailand's shelter policy (Boonyabanha, 1990, 8). Sites-and-services projects followed in 1980, though on a fairly small scale. There was a more pronounced move towards privatization and private-sector development around 1986, along with a continuation of the Slum Upgrading Programme and the inauguration of the first experiments in "land-sharing" (Boonyabanha, 1990, 9). As is explained later in this report, although land sharing has been much discussed in the context of the enabling approach, it has occurred in Bangkok only on a small scale (4 projects with 6000 beneficiaries to date), and is in any case a slow and difficult process (Boonyabanha, 1990, 9).

These case studies could be replicated many times. To take just one additional example, the

Government of Indonesia has also recognized the need for an enabling approach to shelter in its current Five-Year Plan (1989-94) (Hoffman and others, 1990), though the very recent Urban Renewal Programme might actually lead to the eradication of inner-city kampungs (Marcussen, 1990). While formal government acceptance of enabling strategies is therefore a recent phenomenon, its origins stretch back at least 10 years, and much further if one takes account of early and pioneering efforts among community organizations, NGOs, and advocates such as John Turner. Other developments in shelter policy over the last 10 years are worth noting, though there is no need to go into detail at this point. A decade ago, little was known about the nature or importance of renting, and there was little provision for rental housing in official shelter policy beyond the direct production of rental units by the State. Although policy still lags behind (and the GSS makes little reference to the rental market), there is at least a great deal more information about this type of accommodation. This theme is taken up in [section III.B.7](#).

The role of women in shelter provision and improvement is now explicitly recognized, even (see later) if it is not adequately supported and facilitated by official agencies. Again, this recognition came gradually over the years and was greatly advanced by the Nairobi Forward-Looking Strategies for Women, adopted in 1985. Also, the role of small and intermediate urban centres has been brought into sharper focus over the last 10 years, in relation to both shelter provision and industrial and commercial development. Finally, integrated approaches to shelter issues encompassing health, nutrition and employment have emerged as researchers and practitioners have recognized the essential links which exist between different aspects of the shelter environment. All these changes are reflected in the GSS, though to varying degrees. However, as later sections of this report demonstrate, implementation of these new ideas has been very variable.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter II. Effects of enabling shelter strategy

#### A. The background and components of the enabling approach in the shelter sector

"The housing problem cannot be solved from above. It is a problem of the people, and it will not be solved, or even boldly faced, except by the concrete will and action of the people themselves" (Hall, 1988, 249). While this may sound like a direct quotation from the **GSS**, it is actually taken from a speech by Giancarlo de Carlo to the Architectural Association in London in 1948. The audience for de Carlo's address that day included a young student called John Turner, later to pioneer with a small group of others the potential of self-help housing strategies among the poor. While never placed on such a comprehensive and systematic basis as the **GSS**, Turner's work implicitly recognized the fundamental importance of what later became known as the "enabling" strategy in shelter provision and improvement. This was the essence of *Freedom to Build* (Turner and Fichter, 1972), the title of one of Turner's best-known books, releasing the talents, energies and resources of poor people themselves to create and gradually improve their own environment. Though sceptical at first, opinion among academics and policy-makers gradually came to recognize the basic truths embodied in Turner's ideas, which later found a wider echo in the economic and political liberalization of large sections of the globe in the 1980s. By the time of the International Year of Shelter for the Homeless in 1987, *Freedom to Build* had become the new orthodoxy, albeit imperfectly applied in practice. The stage was set, then, for the adoption of the Global Strategy for Shelter to the Year 2000 in December 1988.

The basic philosophy of the **GSS** is best summarized in a number of short quotations from the document itself. The main objective of the Strategy is to "facilitate adequate shelter for all by the year 2000". Adequate shelter "means more than a roof over one's head: it means adequate privacy, space, security, lighting and ventilation, basic infrastructure, and location with regard to work and basic facilities - all at reasonable cost" (**GSS**, 4). The fundamental policy change required to implement this new strategy "will need to be the adoption of an 'enabling' approach whereby the full potential and resources of all the actors in the shelter production and improvement process are mobilized; but the final decision on how to house themselves is left to the people concerned. Ultimately, an 'enabling concept' implies that the people concerned will be given the opportunity to improve their housing conditions according to the needs and priorities that they themselves will define" (**GSS**, 8). This "enabling concept" implies a radically different role for governments, "withdrawing from direct provision of housing to facilitate new construction via a more appropriate regulatory environment and housing finance" (Urban Edge, 1988, 1). Here, the emphasis for government lies in enabling different sectors (private, household, **NGO**) to make their "optimal contribution" to the provision and improvement of housing (Urban Edge, 1988, 1). It is the job of the public sector to create and maintain "incentives and facilitating measures for housing action to take place to a greater degree by other actors" (**GSS**, 8). In order to carry out this difficult task, national shelter strategies need to have four interlocking components:

- clear and measurable objectives
- gradual reorganization of the shelter sector
- rational mobilization and distribution of financial resources in the shelter sector

- equal emphasis on shelter and the improvement of management of land, supply of infrastructure and promotion of the construction industry (GSS, 15).

More specifically, the GSS requires coordinated action in the following areas:

- rationalization and efficiency improvements in the institutional arrangements governing the shelter sector
- promotion of public participation (especially by beneficiaries) in all aspects and stages of decision-making over shelter
- the increasing involvement of community organizations, cooperatives and NGOs in shelter production and improvement
- changes in government attitudes toward informal and other low-income settlements
- rationalization and efficiency improvements in the legal and regulatory framework governing the shelter sector
- improvements in spatial planning and the provision of serviced land
- expansion of housing finance and increasing access to housing finance among low-income groups
- the promotion of rental housing review and withdrawal from direct production of housing and subsidized inputs by the state, except in relation to the poorest groups
- support to self-help efforts, low-cost construction techniques and materials, and private-sector investment in shelter
- increasing public awareness of the enabling approach and its advantages, improved information and property-registration systems, and better training at all levels
- the involvement of women and their organizations in all aspects of provision and improvement, especially in decision-making
- systematic and regular monitoring and evaluation, research and experience-sharing.

The most important component of the enabling approach is the new role for government it portrays, withdrawing from direct production and even management except in the case of particular target groups. It is these groups, including the poorest families, pavement-dwellers, inner-city tenement-dwellers and single mothers, who face the most difficulty in the private and household housing markets. According to the GSS, governments should restrict their direct role in the production and improvement of housing to specific vulnerable groups whose needs are not provided for by any other sector. This is an effective use of scarce resources and brings immediate shelter benefits to the very poor.

For most governments, using public-sector resources to protect the most vulnerable groups is a much more sensible strategy than mass-production of housing for all. It is worthwhile remembering that the conditions which allowed Singapore and Hong Kong to invest so heavily in direct shelter production are simply not replicable in other economies. The level of resources available to the State is vastly higher there than in the rest of the developing world, land was overwhelmingly Government-owned, target populations were relatively small, and an efficient and well-supported administrative system was in place (Fong, 1989). Even in Hong Kong, recent developments show that the role of the public sector in housing production is declining: private-sector resources are increasingly utilized, and public-sector



tenants are being encouraged to purchase housing on the private market under the new Home Loan Scheme.

The components of the **GSS** listed above constitute a formidable list, and it does represent a huge and complex agenda for action over the next 10 years. Not surprisingly, no government has found it an easy task to internalize and operationalize the recommendations of the enabling approach. The difficulties (and successes) they have faced form the subject matter of the main body of this report. Nevertheless, it is true to say that real changes in attitudes and policies have occurred. The new National Housing Policies in India, Colombia and Nigeria described in the country case studies for this report all embody in explicit terms the concepts and strategies of the enabling approach. Of course, the balance of actions in the different areas listed above varies enormously from country to country. This is natural given that flexibility and adaptation to local circumstances are basic themes in the **GSS**.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter II. Effects of enabling shelter strategy

#### B. Particular inputs of GSS recommendations on the national approach for housing

As [section II.A](#) made clear, the concept of the enabling approach to shelter provision and improvement has indeed taken root in many parts of the world. The rest of this report provides a detailed analysis of early successes and failures in implementing this approach, component by component. Before embarking on this detailed review, it will be useful to summarize the general areas in which GSS recommendations have been operationalized in different countries.

The most comprehensive description of inputs of GSS recommendations into national housing policy comes from the India case study, which lists 22 separate components of the enabling approach as they emerged during the Sixth and Seventh National Plan periods (1980-1990) (Sundaram, 1990, 16-19). These inputs range from basic changes in philosophy (such as withdrawal from direct construction by the State and commitment to its role as a facilitator), through the growing involvement of different actors in the shelter process (communities, NGOs, women), to attempts to redefine the legal, regulatory, institutional and financial environment within which housing provision and improvement takes place. As this report makes clear, the record of actual implementation of these recommendations is less impressive. It is good, however, to have such a clear "statement of intent" right at the outset.

In other countries there are similar, if less clear, attempts to identify the impact of the GSS. Nigeria's draft National Housing Policy (elements of which have been visible since about 1985) re-states the role of the Government very much as a facilitator and places the future emphasis of shelter production firmly on the shoulders of the private and household sectors. Housing finance is being reorganized, as is the legal framework governing the shelter sector, while the supply of low-interest, long-term capital for infrastructural development is being greatly expanded (Odumoko, 1990, 35). The Colombian situation is more fluid because of the impact of a new President and Administration every four or five years. Traditionally, each change of government brings with it a review of major policies, and the new Administration has not yet finalized its new national housing strategy. Nevertheless, it is already clear that the new policy will build on and go beyond past achievements within an explicitly enabling framework. Priorities for action include further decentralization to strengthen the political and financial capacity of municipal government, popular participation in decisions over shelter policy and infrastructural development, reform and rationalization of the housing finance system, and changes to the institutional structures which oversee government inputs into the shelter process (Useche de Brill, 1990, 27).

Although the commitment of the Thai Government to the GSS is less explicit, here too it is relatively easy to identify components of the enabling approach that have taken root since 1982. It is interesting to note that the Thailand case study concludes that policy changes within the enabling approach came about as a response to particular social, economic, political and cultural factors "rather than preconceived public policy" (Boonyabancha, 1990, 11). Nevertheless, many developments in Thailand over the last few years do conform to the provisions of the GSS. These include a large-scale expansion in housing finance (though not necessarily to low-income groups), de-regulation of the housing and land markets, greater coordination in policy-making, more community participation in land-sharing, resettlement and slum-upgrading programmes, and an impressive array of NGO roles and activities

(Boonyabantha, 1990, 10-11).

As a general and preliminary assessment, one can say that many countries have responded positively to the **GSS** and have already started to implement its recommendations in a wide range of areas. The most impressive of these components are (naturally) those which were already in existence and partially developed prior to the formal introduction of the enabling approach in the **GSS**. These components include community participation and the role of **NGOs**, support to self-help initiatives, withdrawal from direct production by the State, and a more coordinated approach to policy-making. The record in other and more challenging areas, such as the supply of serviced land and affordable housing finance, is less impressive. It is these areas which remain top priorities for more concerted action in the future.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter II. Effects of enabling shelter strategy

#### C. Current changes in the institutional arrangements responsible for shelter issues

It is, perhaps, a popular misconception that the enabling approach means less (or even no) role for government in the shelter sector. Simplistic associations of market liberalization, freedom to build, and freedom from government are very misleading. While the **GSS** certainly does imply fundamental changes in the distribution of responsibilities for different aspects of shelter production and improvement, the new role for government required to implement the enabling strategy remains critically important. This role does not lie in the direct provision of housing, nor in State-administered housing projects, but rather in facilitating and regulating the overall framework within which other actors can make their most effective contributions. But this still implies strong and coherent government action, including intervention in land, housing and financial markets when they fail to respond appropriately to the needs of lower-income groups. Hence, the "institutional arrangements" responsible for shelter provision constitute a crucial component of the **GSS**.

Effective government at the national level is particularly important in the areas of overall policy-making, legal and regulatory reform, and housing finance. At local (municipal) level, bureaucratic action is essential if services are to be provided, taxes and revenue collected, and resources allocated, in an efficient and effective manner. Private-sector and community organizations cannot provide an effective framework for city-wide planning and decision-making, since their interests are fragmented, localized, and sometimes contradictory. National governments cannot play this role either since central authorities are too far away from local realities to act appropriately. Yet, because they are bureaucratic and hierarchical, government structures at both local and national level are much less effective in the "active management" of urban development - the actual provision and upgrading of housing (Rakodi, 1990). It is here that other institutions - the private sector, **NGOs**, community groups and the poor themselves - have to take the lead. The key to the successful implementation of the **GSS** lies in identifying the respective roles of government and other actors, and ensuring that each has the resources, support and freedom to play these roles effectively.

There are three major areas in which the reform of institutional arrangements for shelter provision is essential: integration and coordination among different agencies and levels of government; political and financial decentralization; and popular participation in decision-making. Let us look at each area in turn.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter II. Effects of enabling shelter strategy

#### C. Current changes in the institutional arrangements responsible for shelter issues

##### 1. Integrated action

Governments will not be able to undertake the facilitating and coordinating tasks assigned to them in the **GSS** if their actions are fragmented and separated from each other. Effective government action requires that the number of agencies and programmes carrying out different tasks within the shelter sector be as small as possible, and that their activities be closely coordinated. Historically, this has rarely been the case. Colombia is perhaps an extreme example of what can happen when government responsibility for different aspects of the shelter process is devolved to a multiplicity of institutions, but it is instructive nonetheless. This is a problem of very long standing in Colombia, and although the number of agencies involved has been reduced in recent years (from over 170 in 1983), it continues to hamper the effective implementation of housing policy (Useche de Brill, 1990, 22). Given the absence of a central ministry of housing or urban development in Colombia, some responsibilities are fulfilled by the Ministry of Economic Development, while others (including policy co ordination) are handled by the National Planning Department The Central Mortgage Bank is administered by the Ministry of Public Finance, the Family Compensation Fund by the Ministry of Labour and Social Services, and the Agrarian (rural housing) Fund by the Ministry of Agriculture. Each of these institutions links in with many others at lower levels of the system, but not yet in a very coordinated fashion. More recently, the Colombian Government has introduced (with help from **UNCHS** (Habitat) and **UNDP**) a General Directorate of Urban Development and Social Housing, and a Central Housing Unit in the Ministry of Economic Development, which should improve the situation. New approaches to integrated urban development are also being tried out in Medellín, Cali and Tunja (Useche de Brill, 1990, 22). However, as the Colombia case-study report concludes, lack of inter-agency coordination will continue to pose a barrier to the implementation of the **GSS** in the foreseeable future, and its effects will hit hardest at the housing prospects of lower-income groups (Useche de Brill, 1990, 30).

The experience of India illustrates another aspect of this issue: the comparative advantages of integrated versus fragmented shelter responsibilities at municipal level. Both approaches have been tried in different cities. For example, in Bombay, responsibility for infrastructural development, urban planning, the administration of different housing projects and programmes, and finance, all belong to different agencies. Some of these agencies are controlled at municipal level, and others at state level. In his recent book on housing in Bombay, Sundaram (1989) concludes that the separation of the development and maintenance roles in municipal government has led to a particularly poor record of performance in the upkeep of infrastructure and the housing stock, because of rising resource and management constraints.

In contrast, the Calcutta Metropolitan Development Authority (or **CMDA**), created in 1971) acts as an umbrella body which brings together (at least in theory) all the institutions involved in the shelter sector within the city. In practice however, this does not seem to be any more effective than the fragmented model illustrated by Bombay. Metropolitan authorities have not been able to improve to any significant extent the quality of planning, budgeting and programme implementation in Indian cities (Sundaram, 1990, 31). Among the reasons for this depressing conclusion, Sundaram (Sundaram, 1990, 44-45) cites the following: lack of an overall policy framework, rigid bureaucratic traditions, inadequate

staff training, constant delays, and tensions between different levels in the same system. The **CMDA** still depends for its political legitimacy on the West Bengal (State) Government, while experience has demonstrated that maintenance and management have to be delegated to local bodies closer to the ground. If the capacity of these local bodies is neglected (as in Calcutta), the system falls down (Pugh, 1989, 115).

In Nigeria, the focal point for shelter issues is the Federal Ministry of Works and Housing, and within it, the recently-created Housing Division and National Council on Housing, which includes all State-level Commissioners with responsibility for shelter (Odimuko, 1990, 36). The new National Housing Policy goes still further in clarifying the responsibilities of the different institutions involved. At the national level, policy coordination will fall under the Federal Ministry of Works and Housing, programme development under the Federal Housing Authority, and housing finance under the Federal Mortgage Bank. State governments will in future have responsibility for preparing master plans and coordinating the appropriate implementing agencies (including housing cooperatives). At the municipal level (the role of which was previously ignored), the local authorities will control the layout of settlements, services and sanitation (Odimuko, 1990, 38). Although these reforms are as yet untested, they promise well for the future of the **GSS** in Nigeria.

Like Nigeria, Thailand is passing through what the country case study calls a "transitional stage" in institutional arrangements for the shelter sector. A National Housing Policy Sub-Committee was established in Thailand in 1983 to coordinate the activities of all relevant institutions (including **NGOs**). Although the Slum Upgrading Programme is implemented by the National Housing Authority, municipal government (i.e., the Bangkok Metropolitan Administration) is increasingly involved in programme planning and execution. This trend looks set to continue, placing future coordination of an increasing number of shelter responsibilities in the hands of the local authorities.

While it would be unwise to generalize too much from any of these experiences, common sense suggests that sectoral approaches to shelter management are bound to have some damaging consequences. The **GSS** requires an integrated approach to shelter because the shelter process itself brings together a wide range of actors and issues: housing, land, finance, employment, health, spatial planning and so on. Coordination between these sectors is therefore paramount, and the best way to ensure this is to develop strong municipal authorities (see below). It is particularly important that external donors are aware of the dangers of vertical programming in reducing the effectiveness of inter-sectoral coordination, since specialized agencies established and maintained with donor funds have often proved to be unsustainable once these resources have been withdrawn.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter II. Effects of enabling shelter strategy

#### C. Current changes in the institutional arrangements responsible for shelter issues

##### 2. Decentralization

The need to strengthen municipal administration was stressed many times in the previous section. This is essential for the successful implementation of the enabling approach. However, as Hardoy and Satterthwaite (1990, 155) have pointed out, too many local governments are "fragmented, confused about their functions and all too often either invisible or largely ceremonial". National governments often reserve the right to collect and utilize the most lucrative taxes and other sources of revenue, starving municipal authorities of the resources they need to develop infrastructure and undertake their support roles effectively. An essential ingredient in the **GSS** is decentralization, in financial as well as political terms: local authorities must be able to set, collect, and allocate their own resources (Ljung and Faruaque, 1988). More effective land-and property-registration and -information systems are required if this is to happen (see [section III.D.2](#) ). Time and again, attempts at strengthening municipal government have been undermined by weak financial capacity, poor government audit procedures, missing information and mismanagement. For example, the last census in Nigeria took place in 1963; in Dakar, Senegal, the first reliable map of city neighbourhoods was only produced in 1988 (Stren and White, 1989).

The historic legacy of centralized government is particularly strong in French-speaking African countries, although recently some Governments, such as the Côte d'Ivoire, have made strenuous efforts to reform this situation (Stren and White, 1989). However, it is a very widespread problem in all regions and it requires concerted action at the national level. Indeed, there are examples of real decentralization in practice. Despite the problems it has experienced in coordination among shelter agencies, Colombia has managed to forge ahead with meaningful political decentralization at the municipal level. Direct election of mayors became possible for the first time in 1988, and widespread participation in the reform of the National Constitution has followed. Although financial autonomy lags some way behind political and administrative decentralization in Colombia, there have been significant moves here too (Useche de Brill, 1990, 12). In general, however, a huge amount of work remains to be done in most countries to secure a strong and effective municipal platform for the successful implementation of the **GSS**.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### **Chapter II. Effects of enabling shelter strategy**

#### C. Current changes in the institutional arrangements responsible for shelter issues

##### 3. Participation

Clearly, effective citizen participation is crucial if political and other forms of decentralization are to be successful. A related point concerns the increasing role being played by community groups, NGOs and federations in making decisions over shelter. However, since both of these issues are the subject of separate sections of this report, no more will be said about them here.





## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter II. Effects of enabling shelter strategy

#### C. Current changes in the institutional arrangements responsible for shelter issues

#### 4. Conclusion

In conclusion, there has undoubtedly been some progress in developing more effective institutional arrangements for the shelter sector over the past few years, and specifically within the context of the **GSS**. Examples include political decentralization in Colombia, municipal strengthening in Thailand and Nigeria, and better inter-agency coordination in many different countries. However, this remains a priority area for more effective action. Although (as the experience of India shows) there is no universal or easy solution to institutional problems, strong and coherent municipal action is a pre-requisite to the successful implementation of the enabling approach.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter II. Effects of enabling shelter strategy

#### D. Involvement of NGOs and community-based organizations in the shelter delivery process

Most of what can be said about the role of NGOs and community organizations in the shelter process will be found in [section III.C.7](#). A brief summary of the major points will suffice here. The gradual emergence of NGOs (of various kinds) as significant actors in the shelter process has been a striking feature of the last decade. Ten years ago, little was heard of the activities of these organizations in relation to housing. Now, NGOs are an important focus for research and experience-sharing, and their contribution is widely acknowledged, supported and indeed institutionalized in the GSS. However, the rather uncritical appraisal of NGO performance in the shelter sector characteristic of the last few years has obscured some fundamental issues about the nature of NGOs and the extent of their contribution to the shelter process.

NGOs come in all shapes and sizes, but one should at least distinguish between international NGOs (usually donors such as OXFAM), national "intermediary" NGOs such as CENVI in Mexico City and HUIZA in Lusaka, and community-based organizations (CBOs) which are directly accountable to their constituents (such as housing cooperatives and residents' associations). Each of these types of NGO has a distinctive comparative advantage in particular areas. Intermediary NGOs are best at facilitating shelter delivery (through housing finance, land supply, services and so on) and at mediating between people and government (on shelter policy, legal rights, tenure security etc.). However, they have no distinctive competence in shelter production (just like governments).

CBOs, however, are good at producing shelter and related services, coordinating popular action, and lobbying the authorities for legal and material rights. International NGOs usually provide financial and other forms of support to local and community organizations, and are influential in international lobbying and networking.

As [section III.C.7](#) makes clear, there are plenty of examples from all the country case studies of effective NGO action within the context of the GSS. This tradition is strongest in India, but is also prominent in Colombia and Thailand, and indeed in most other countries with a relatively open form of government and society. The most important NGO roles have usually been in increasing the effectiveness of upgrading, rehabilitation and resettlement schemes; securing shelter rights for the poor; lobbying; and campaigns.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter II. Effects of enabling shelter strategy

#### E. Promotion of public participation in decision-making in the shelter sector

Popular participation is the bedrock of the enabling approach, since the **GSS** is, literally, about increasing the participation of people in creating their own environment. However, "participation" means different things to different people, and the term is often used to describe anything from political empowerment to cost recovery in service provision. It is very important that one specifies, therefore, who is participating in what, and why. In the Lusaka Upgrading Programmes of the late 1970s and early 1980s, for example, residents participated in cost sharing and construction but not in the design or direction of the project. In the Dandora Site-and-Service Scheme in Nairobi, however, residents participated in cost recovery but rarely in construction. Again, in contrast to these two examples, FUNDASAL in San Salvador aimed to promote capacity-building and empowerment through participation, with cost recovery only as a secondary objective (Moser, 1989a).

The objectives of public participation were different in each of the three cases cited above. The most important distinction to be made lies between participation as a means to other ends (such as cost recovery, relevance in programme design, and popular support and commitment), and participation as an end in itself (empowerment, a fundamental human right, a process of increasing control over one's life). The choice between these objectives depends on the overall goals of the authorities concerned, as well as the nature of the project or programme in question, but they do always have to be specified in advance. It is also crucial to decide which sections of the population are supposed to be participating, so that the involvement of less powerful groups such as tenants, women and the very poor, can be monitored. In the **GSS**, these differences are somewhat masked by a very general support for popular participation of all kinds in all circumstances. Since cost recovery is the subject of [section III.A.4](#) and participation in spatial planning is covered in [section III.A.1](#) the following comments are restricted to general decision-making over shelter policy.

Within the framework of the **GSS**, it is possible to distinguish at least four ways in which people (i.e. the beneficiaries of the shelter process) are able to participate in decisions over housing. The first concerns participation in national policy-making, exemplified by the recent experience of India. Here, a wide range of interests was canvassed during the drafting of the new National Housing Policy to make sure that the final outcome was representative of, and supported by, different groups in society. These interest groups included the poor themselves (represented by popular housing federations), professional associations (architects, engineers and others), and different levels of government (Sundaram, 1990, 5). The resultant policy should be much more relevant and effective as a result of these wide-ranging consultations. A similar process has been underway in Colombia as part of the current revision of the policy on social housing by the Gaviria Administration, and in Mexico where the national popular housing federations have a continuous dialogue with Government over shelter issues (see [section III.C.7](#)).

Secondly, residents can and should play a role in managing the institutions which provide infrastructure and services to them. The best example of this process comes from Colombia, where recent reforms have allowed user representation on the Boards of Directors of municipal enterprises administering services in urban areas (Useche de Brill, 1990, 17). This increases the accountability of the

institutions concerned and makes efficient cost-recovery more likely.

Thirdly, beneficiaries must have the opportunity of participating in all stages of project design, implementation and monitoring of shelter programmes which affect them; for example, in upgrading, rehabilitation, resettlement and sites-and-services schemes. This has rarely been done in the past, with the result that cost recovery has been poor and people have ended up in locations or types of housing which do not suit their needs. A particular problem here concerns low-income tenants, a group which tends to participate even less than others in most situations. Tenants are usually less secure and less motivated to participate in popular organizations because they lack a permanent stake in the community, but experience shows that given the right support, they can and will do most things for themselves (Edwards, 1990). In large public-sector rental housing units, participation is notoriously difficult to achieve, but it can be done if it is localized and where relations with the state landlord are informal and flexible. The resultant gains in terms of cost recovery and maintenance are plain for all to see (Leynes, 1989).

Finally, encouraging progress is being made in some countries in terms of more meaningful popular participation in the wider political process. Of course, these processes would be significant regardless of the GSS, but it remains the case that without them, and the political liberalization and decentralization that comes in their wake, the enabling approach would be impossible to implement effectively. "Freedom to build" requires political freedom: the freedom to participate effectively in decisions over shelter, land, planning, resource-allocation and so on. In Colombia, for example, direct elections of city mayors are now an established part of the political scene, and a wide range of social groups are gearing themselves up to participate in the forthcoming reform of the National Constitution. Clearly, the outcome of participation at this level of decision-making will be crucial to the future implementation of the GSS.

In conclusion, while popular participation in decision-making is clearly crucial to the success of the enabling approach, it is important to be specific about the goals of this process, the form it is supposed to take, and the actors involved. Experience shows that genuine participation (i.e., participation that is not manipulated by other interests) works best where there is clear and consistent political support - for example, in the San Judas project in Managua and Villa El Salvador in Lima (Moser, 1989a), and indeed in the cases of Colombia and India cited above. Experience also shows that it is extremely difficult to facilitate the involvement of traditionally less powerful groups in society (women, very poor people, tenants) in the decision-making process. This is a major challenge for the future.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter II. Effects of enabling shelter strategy

#### F. Attitude of the government and public organizations towards informal settlements

Official attitudes toward informal settlements (including pavement-dwellers and inner-city slums) have always posed a considerable barrier to the adoption of enabling strategies, because people cannot make optimum use of their resources and talents unless they are openly encouraged and supported in so doing. Traditionally, governments and public organizations have refused to recognize that informal settlements are indeed a productive and creative solution to shelter needs, preferring instead to treat them with suspicion and downright hostility. The **GSS** reverses these attitudes by calling for the explicit acceptance of informal-sector housing and for constructive engagement with this sector in order to improve its effectiveness.

A tendency to eradicate informal settlements and evict their inhabitants has been commonplace over the last 20 years. Some governments see "slums" as an indication of official policy failure, and therefore something to be "removed". In restricting or reducing the supply of shelter opportunities in informal settlements, official attitudes can play an important role in affecting the housing situation of the poor at different points in time. This can drive an increasing proportion of low-income families into rental accommodation, or less adequate forms of illegal ownership, as the range of shelter options available is reduced (Edwards, 1989). Even if government does tolerate informal settlements, this is no substitute for the active partnership recommended in the **GSS**. Efficient spatial planning is difficult if settlements are allowed to develop outside of a coherent overall framework for servicing, infrastructure and employment. Rather than merely being "tolerated", therefore, informal settlements need to be actively included by government in its plans for orderly urban development.

Evidence from the country case studies for this report suggests that these attitudes are changing, but only slowly and with many reverses. Most state governments in India tolerate squatter settlements and in some cases actively cooperate in supporting their development. For example, the Urban Community Development and Basic Services Programmes described in detail in section IV have granted legal tenure to slum residents in return for payoffs to the municipal authorities in the form of better cost recovery (Sundaram, 1990, 25). The Indian Housing and Urban Development Corporation (**HUDCO**) is required by law to reserve between 5 and 15 per cent of all lots in new housing programmes for low-income households (Sundaram, 1990, 26). India also provides one of the few examples in the world of positive attitudes among government and public institutions toward pavement-dwellers, inner-city rental tenements, and rental shantytowns like the *bustees* of Calcutta. The successful introduction of nightshelters for pavement-dwellers in Delhi is now being replicated in other metropolitan areas, with the aim of providing similar facilities for the entire pavement population by 1995 (Sundaram, 1990, 26). This initiative, and the highly innovative approach of the Bombay authorities toward inner-city rehabilitation, is analysed in detail in section IV.

In Colombia, official attitudes toward informal settlements have varied, usually being highly negative towards land invasion but reasonably benign when it comes to illegal land subdivisions. The Urban Reform Law adopted in 1988 legalized invasions on State-owned lands but makes provision for the eradication of similar settlements on private land (Useche de Brill, 1990, 34-35). The new National

Housing Policy aims to reduce the need for land invasion by increasing access to other forms of affordable shelter (Useche de Brill, 1990, 35). This is an eminently sensible policy but will work only if the Colombian Government takes more positive action in facilitating the development of informal settlements other than land invasions. In turn, this means strong action in the land market (see section III).

Official attitudes toward informal settlements in Nigeria have varied over time under different governments, though always with an underlying hostility towards squatting (Odimuko, 1990, 39). Eradication was particularly strong during 1984-1985, but examples of forcible removals have continued at a lower level right up to the present day, including the period after the acceptance of the **GSS** by the Nigerian Government. The celebrated case of Maroko in Lagos took place only last year (Odimuko, 1990, 40). It will be interesting to monitor the effect of Nigeria's new National Housing Policy on these attitudes. The upgrading and urban renewal programmes adopted in 1988 do grant secure tenure in informal settlements, albeit on a small scale. As yet, the size of these programmes has been too small to make much impact on low-income shelter generally (Odimuko, 1990, 39).

Fundamental question marks also remain concerning the attitude of the Thai Government towards informal settlements. Prior to the beginning of the Slum Upgrading Programme in 1979, attitudes were almost entirely negative, with eviction being commonplace. Since then, however, slums and squatter settlements have become more acceptable as solutions in themselves to the shelter needs of the poor, and the Government has accepted (in some cases) that it has a responsibility to assist those who are evicted to resettle themselves elsewhere in the city (Boonyabancha, 1990, 14). There are problems with resettlement of this sort (especially if the new area is located far from sources of employment), but at least this is an improvement over past policies of neglect and inaction. A case study of this kind of effort is analysed in detail in section IV.

However, in Thailand, as in most other countries, the underlying causes of informal settlements remain more or less untouched. Spiralling land costs, speculation, insecure tenure and weak land rights also need to be tackled if the real potential of the urban poor is to be realized. The **GSS** requires governments and public agencies to go far beyond tolerating or even accepting the existence of informal settlements, entering instead into an active partnership with the low-income population by assisting in the removal of barriers and blockages to housing improvement which cannot be addressed by the poor alone. Thus far, the evidence suggests that the enabling approach of the **GSS** has indeed had some impact on these official attitudes, but at a fairly low level. For example, even though the Indonesian Government has publicly endorsed the **GSS**, its new Urban Renewal Programme may well lead to the removal of a large number of kampungs in the centre of Jakarta (Marcussen, 1990).



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter II. Effects of enabling shelter strategy

#### G. Review of overall legal and regulatory framework governing the housing sector

Legal controls and other regulations abound in the shelter sector and discriminate in particular against the low-income population. Poor people find it much more difficult to overcome or circumvent the hurdles and obstacles placed in their way by rigid bureaucracy and tortuous red tape. Poor households also suffer disproportionately from the absence of effective legal rights in areas such as tenure security, safety from eviction, and land-ownership. The net effect of price controls, land-use and building regulations, and inadequate property rights is to render enabling strategies much more difficult to implement. One of the major objectives of the **GSS** is to remove as many of these barriers as possible in order to make it easier for private and household-sector builders and developers to produce and improve their housing. This does not mean complete deregulation, since certain measures (such as security of tenure and minimum standards for infrastructure) will still be necessary in order to protect the very poor from exploitation, a point which is developed further in section V. However, there must be a radical reduction in restrictive measures which act as a disincentive to private initiative in the shelter process. Despite the urgency of this goal, legal and regulatory frameworks are notoriously difficult to reform, and change inevitably comes only slowly. There are three major groups of legal and other measures which are highlighted in the **GSS** for priority action: price controls, property rights, and land use and building regulations.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter II. Effects of enabling shelter strategy

#### G. Review of overall legal and regulatory framework governing the housing sector

##### 1. Price controls

This category includes rent control, regulations governing land prices, and interest rates on loans to finance inputs into the shelter process. There is little to say on the question of interest rates, though some comments in relation to incentives for savings and investment in shelter are included in section III.B. The subject of rent control, however, is worth a report in itself. Although there is a consensus in theory on the inadvisability of rent control, in practice it continues to be widely adopted.

In part, this is an understandable reaction to the need to protect low-income tenants from excessive rents, though there are better ways of doing this than rent control, and rent control is a very blunt instrument anyway (Malpezzi, 1990). As the **GSS** makes clear, the challenge of rent control is to balance the interests of landlords and tenants in such a way that incentives to let property are maintained at a price level which is not exploitative of tenants. The best way of doing this is to facilitate access to low-cost home-ownership in the housing market overall, since this reduces the pressure acting on the rental market among those who cannot gain access to land or housing, and therefore tends to bring down the level of rents (Edwards, 1989). Failing this, the consensus on this issue is that the costs of rent control nearly always outweigh the benefits, and so they should be relaxed gradually over time to maintain the necessary balance between the rights and needs of landlords and tenants. This can be done by "floating up and out" over a lengthy period, to use Stephen Malpezzi and others (1989) term, via rent control "holidays", indexation, and other transitional measures. At the same time, cheap and simple arbitration systems have to be put in place in order to provide some measure of protection to tenants faced with eviction.

Clear targeting of rent control can help to protect the poorest tenants, though evidence from Ghana, and Karachi, Pakistan, suggests that such benefits, where they do exist, are unrelated to need and have little distributional efficiency (Malpezzi and **UNCHS** (Habitat)). As with many other regulations, rent controls usually benefit only those with the resources and information to "work the system", and this excludes the poorest. The recent report of the United Nations Expert Group Meeting on Rental Housing puts this situation into perspective very nicely: "the role of governments in most cases will be to develop the appropriate regulatory framework within which the household rental sector can flourish. This framework must reduce input constraints to the market, while preventing monopoly control and maintaining rents and densities within agreed guidelines" (**UNCHS** (Habitat), 1990b, 15). This is a good description of an "enabling" approach to the provision of rental housing.

How, then, has the **GSS** affected attitudes toward rent control? In his case study of India, Sundaram concludes that controls still act as a disincentive to private-sector investment in rental housing, though recent exemptions in some states for 5 to 10 years from the date of new construction, periodic revisions of rents, and the exclusion from controls of property above a certain level of rent, have helped the situation to some extent (Sundaram, 1990, 58-59). In Colombia, rent control has a long history but has never been very effective among low-income groups, where tenancies are rarely registered and are therefore unregulated by the law (Edwards, 1982). There is no rent control in Thailand anyway, tenants



being unprotected by the law and liable to eviction at any time (Boonyabancha, 1990, 15). The positive side of this situation is that Bangkok landlords have developed a very wide range of rental sub-markets for low-income groups, but this has been bought at a considerable price to poor tenants. What is needed in Bangkok, as elsewhere, is a better system which balances the interests of landlords and tenants within an overall framework which enables poor families to gain access to the type of accommodation they want.

Land prices have a crucial impact on access to housing, and here again there is a long way to go in most countries in developing systems which maintain adequate incentives and flexibility in the land market while encouraging access to land among the urban poor (see [section III.A.3](#) ). To take the example of Thailand again (which in this respect is somewhat extreme), those laws which do exist are weighted heavily in favour of the large landowner. There is no tax on land, no ceiling on landownership, and no control over land prices. Fuelled by a high rate of economic growth and a rapid increase in the supply of housing finance, speculation in the urban land market of Bangkok has led to rapid price increases which have put land purchase out of reach for the majority of low-income households, unless they have access to special schemes (such as resettlement programmes) in which prices can be controlled. In the Thai case, therefore, deregulation of land price controls has not fostered access to land among the urban poor. This is a warning to others.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter II. Effects of enabling shelter strategy

#### G. Review of overall legal and regulatory framework governing the housing sector

##### 2. Property rights

Secure tenure is essential if people are expected to invest in shelter development, yet at the same time landownership has to be subject to a regulatory framework if an adequate supply of land to low-income groups is to be maintained. This is another case of balancing different interests in the shelter process as part of an overall enabling approach. This regulatory framework must make provision for the expropriation of private land by government if all else fails, and for measures which reduce speculation in the land market and prevent the development of monopoly or oligopoly control through ceilings on vacant urban land and other measures. The land market is considered in detail in [section 1.A](#) ; this section therefore concentrates on the effects of legal and other regulatory measures on the supply of land for shelter development.

Unfortunately, evidence from the country case studies demonstrates that legal regulations are often ineffective or even damaging to the long-term aims of shelter development. The classic case of this is India's much-studied Urban Land (Ceiling and Regulation) Act (**ULCRA**), which specifies that the Government must be offered priority access to vacant land in metropolitan areas above a certain level of landholding (Baross and Van der Linden, 1990). However, less than 1 per cent of land falling under **ULCRA** regulations in Ahmedabad was acquired by state agencies between 1976 and 1982 (Raj, 1990). The same situation prevails in other cities. Sundaram (Sundaram, 1990, 38) estimates that only 5000 hectares out of an estimated total surplus of 327,000 hectares has so far been acquired under the Act. **ULCRA** has frozen huge tracts of land in major Indian cities and contributed to rising land prices. In addition, the administrative costs of the **ULCRA** scheme are enormous. Perhaps its only benefit is that low-income households have sometimes been able to squat on land offered for sale under the Act before the full and lengthy procedure has been completed (Sundaram, 1990, 39).

In Colombia, the Urban Reform Law of 1989 was "designed to guarantee the social function of property within a planning framework ... assuming that private property is not absolute but ... a social function that entails obligations" (Useche de Brill, 1990, 36-37). The Law authorizes special acquisition procedures by the State to protect the interests of low-income groups: for example, in the purchase of land, compensation to those who are evicted, and preferential access to housing projects elsewhere (Useche de Brill, 1990, 37). Although the Law has only been in operation for a short period of time, it appears to be a good example of land regulation which makes a positive contribution to the enabling approach by ensuring that the poor can gain access to land, without removing incentives for private-sector development.

Nigeria has a more cumbersome Land Use Decree which has generally failed to release adequate quantities of land onto the market quickly (Odimuko, 1990, 41). Procedures governing land rights and land acquisition are particularly intimidating to the poor, and this is one reason why they are currently being reformulated as part of the new National Housing Policy (Odimuko, 1990, 41). The situation in Thailand is similarly in need of reform, though in this case the task is to develop effective regulations from scratch rather than to reform existing ones. Although Thai law does permit the expropriation of land by

the Government, this right is only exercised in the case of road construction and planning (Boonyabancha, 1990, 15). Generally, land tenure in the slums of Bangkok is highly insecure. Only in the small number of land-sharing and resettlement programmes do poor families have secure legal tenure. This is one reason why shelter conditions in much of Bangkok are so poor in relation to the health of the national economy.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter II. Effects of enabling shelter strategy

#### G. Review of overall legal and regulatory framework governing the housing sector

##### 3. Land use, building regulations and public agencies

Planning procedures and standards are dealt with in section III.A below, but as part of the overall legal and regulatory framework governing shelter it is important to consider at this stage their effect on enabling strategies. Basic planning law in many countries is outmoded and inappropriate, based on norms inherited from the colonial era and ill-suited to local conditions. In Nigeria, for example, the basic Town and Country Planning Ordinance dates back to 1946; it is recognized to be obsolete and will be replaced by a new law currently in draft form as part of the National Housing Policy (Odumuko, 1990, 42). Building bye-laws vary by state and municipality, but all are based on codes developed by the British in the context of the United Kingdom. Again, these are currently under review as Nigeria reassesses all aspects of its shelter policy within the framework of the **GSS**.

In Thailand, land use is not regulated by any serious formal framework and the four land-use plans for Bangkok "have never been implemented in any substantial way" (Boonyabancha, 1990, 14). Slum housing does not comply with any standards, though residents can apply for a "temporary house registration" which enables them to apply for connections to basic services (Boonyabancha, 1990, 14). The Thai case is interesting because, although official regulation of the land and housing markets is almost unknown, informal mechanisms operate via "compromise, negotiation and patron-client relationships" to achieve at least some semblance of order in the allocation of shelter. Given the weakness of planning norms elsewhere, this must also be true of many other developing-country cities. It is, however, hardly a substitute for the proper balance between deregulation and legal protection which the enabling approach requires. A great deal more work is needed to identify where this balance lies in different contexts, and to exchange ideas and experiences on how it can be maintained.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter II. Effects of enabling shelter strategy

#### G. Review of overall legal and regulatory framework governing the housing sector

##### 4. Conclusion

The overall message of this section of the report is that legal and regulatory frameworks governing shelter are severely under-developed in most developing countries. This has not yet been addressed in the early implementation of the **GSS** in the countries studied as part of this report. However, this does not mean that there is insufficient regulation (though in some cases, such as land supply, there is), but rather that the framework itself is inappropriate. Successful implementation of the enabling approach requires the right balance between legal protection of the interests of low-income groups (security of tenure, some measure of rent regulation and protection against eviction, and so on), and deregulation of the land and housing markets in order to promote private and household-sector activity. Even in a well-resourced economy, this is a very difficult balance to achieve. In economies which lack resources, administrative capacity and skilled personnel, it must seem almost impossible.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter II. Effects of enabling shelter strategy

#### H. Conclusion

In this second section of the report, the preliminary effects of the enabling shelter strategy have been assessed in the fields of overall housing policy, public participation, the role of NGOs and community-based organizations, the attitude of governments toward informal settlements, and the institutional, legal and regulatory frameworks for shelter provision and improvement. Bearing in mind the recent implementation of the GSS, the most one can conclude is that a useful start has been made at a very general level. There is a high-level commitment to the enabling approach, but this has yet to be translated into detailed action in the field. This will be a recurring theme throughout the text that follows.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter III. Workable elements of enabling strategies: The changing role of the public sector

#### A. Spatial planning and provision of serviced land

##### 1. Planning procedures, responsibility in local authorities and increasing involvement of public participation in decision-making

In sections [I.L.C](#) and [I.L.E](#) , the importance of coherent municipal-level planning based on genuine community participation was highlighted as a key feature of successful implementation of the [G.S.S](#). Fragmented and uncoordinated private-sector development fails to tap into the economies of scale in infrastructural development and service-provision, thus increasing costs to the consumer in the long run (Sundaram, 1990, 27). There are certain things that governments can do (especially at the municipal level) which cannot be done as effectively by the private or household sectors, just as there are things which these sectors can achieve much more efficiently than can government. The enabling approach readjusts the traditional division of responsibilities among these three sectors to achieve the optimum contribution of each. As we have seen, this means government withdrawing from shelter production to concentrate on facilitating the overall framework within which private and household developers can operate. In this respect, effective and efficient local authority planning and coordination is essential.

Ideally, all municipal authorities should produce a development plan in order to ensure that all the actors in the shelter process are working in a mutually-supportive way and in the same overall framework of spatial planning. Otherwise, problems will arise in the efficient allocation of land to different uses, the provision of services and basic infrastructure, and the location of employment and other facilities. This was one of the aims of Colombia's Urban Reform Law, but very few municipalities have actually produced a master plan (Useche de Brill, 1990, 46). The largest cities (Bogotá, Cali and Medellín) do produce development plans (though these are often ignored in practice), but smaller urban centres still depend on central government directives and "officials are only just being trained to face the challenge of local autonomy" (Useche de Brill, 1990, 48).

In Nigeria, it is estimated that only 20 to 40 per cent of physical development in major urban areas is regulated by the Government (Stren and White, 1989, 41). Perhaps this was the reason behind the decision of the Lagos State Administration in 1986 to hand over many of its planning functions to the private sector, though it retains control over policy development, planning standards, and overall supervision (Odimuko, 1990, 46). Thailand (or more accurately, Bangkok) lacks any kind of strong municipal framework for planning, while the experience of India is more variable. As was pointed out in [section I.L.C](#) , attempts have been made to experiment with metropolitan coordinating authorities (for example, in Delhi and Calcutta), as well as with specialized agencies operating at city and state level (as in Bombay). Neither has had total success in improving planning performance or in achieving a more effective division of responsibilities among local authorities (Sundaram, 1990, 38).

If planning is to be more effective within the framework of the [G.S.S](#), then it has to be based on more meaningful and comprehensive participation in decision-making by representatives of all the relevant interest groups, especially the least powerful (women, the poorest and tenants). This is the only way to make decisions over shelter that are more relevant and responsive to the needs of the poor. There have

been some encouraging signs in this respect over the last couple of years in Colombia, India and Thailand. Increasing democratization of the political system in Thailand has created more opportunities for popular participation and greater access to key decision-makers. This has included public hearings during the planning stage of housing and infrastructure projects, and a higher profile for NGOs and community groups in the shelter process overall (Boonyabancha, 1990, 15). In Colombia, discussion of the Gaviria Administration's housing policy has been broadened to include representatives of the popular housing federations such as Fedevivienda.

The direct election of city Mayors has greatly increased local democracy, while it is also now possible for beneficiaries to take part in board meetings of municipal agencies involved in service provision (Useche de Brill, 1990, 15). Some of the Indian case studies described in detail in section IV also show that planning which involves people at the grassroots is much more effective as a result.

However, overall it is true to say that planning mechanisms in most developing-country cities are still too weak to support the effective implementation of the GSS. Local authority responsibilities are fragmented and uncoordinated; popular participation is infrequent and inadequate; and planning procedures are cumbersome and are easily circumvented.





## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter III. Workable elements of enabling strategies: The changing role of the public sector

#### A. Spatial planning and provision of serviced land

##### 2. Determination and enforcement of standards in urban planning

In [section II.G](#), the harmful effects of outmoded, inappropriate and inflexible urban planning standards on the development of the shelter sector were highlighted. As in the case of India, norms derived from the planning standards of excolonial powers have contributed to the inefficient allocation of land for different uses (Sundaram, 1990, 36). Transplanted from a radically different context, such standards tend to emphasize physical rather than economic criteria and fail to recognize that low-income builders require flexibility rather than standardization in the shelter process.

However, one should not overstate the significance of rigid planning standards in terms of low-income housing, since most informal settlements lie outside the reach of legal norms anyway. If dwellings are not registered and land transactions take place outside of the existing legal framework (as they often do), then inappropriate planning norms will not be much of a disincentive to shelter production and improvement. However, this is not true for the formal sector of the housing market, nor is it a satisfactory position for the future. The enabling approach requires that optimum use be made of all the actors in the shelter process, and this implies that low-income developers be actively supported in their efforts by providing them with a framework of planning standards which helps rather than hinders incremental construction. There is no doubt that more appropriate standards would provide an added incentive to private- and household-sector shelter production.

It is also worth bearing in mind that planning standards are sometimes ignored or contravened by the authorities that set them. Thailand is a good example of this process, whereby the enforcement of those standards which do exist varies considerably "as a result of bargaining and negotiation between vested interest groups of businessmen, politicians and bureaucrats" (Boonyabanha, 1990, 16). The only exceptions to this rule are traffic norms and road construction, problems which are so acute in Bangkok that State action is essential. Since the private housing market provides housing to those who need it (however inadequately), there is less incentive for the Government to take strong action here. As a result, low-income housing conditions are far below the "optimum" level demanded by the **GSS**.

There have been a number of developments and experiments worth noting in urban planning standards over the last few years. Some of these were implemented prior to the **GSS**, and others after or as part of its adoption, but all embody the principles of the enabling approach. Perhaps the most famous innovation in this area has been the Colombian system of *normas minimas* (minimum standards). This initiative, aimed at simplifying building and spatial planning standards in "irregular" settlements, started as long ago as 1972. Colombia has a well-developed housing market in illegal land subdivisions (or "pirate settlements"), and the minimum standards programme was intended to stimulate shelter development in this sector still further. New regulations were developed to govern lot size, construction norms, spatial layout, servicing and other key areas.

However, the results of the programme have been mixed. The Colombian case study for this

report concludes that Minimum Standards have been "more profitable for developers than for the poor" (Useche de Brill, 1990, 49). Construction activity was indeed stimulated, but at the cost of higher residential densities, smaller plots and narrower roads for the low-income population. In addition, some developers actually reduced their investment in new settlements because applications for approval under the minimum standards legislation took so long to process (between one and two years in many cases) (Baross and Van der Linden, 1990, 189). As a result of these problems, the Colombian Government has instructed state agencies such as the Central Mortgage Bank (BCH) and the Land Credit Institute (ICT) to develop their own system of planning norms as an alternative to the current system (Useche de Brill, 1990, 49).

Sudan also has an interesting system of zoning urban land in order to reduce restrictions in low-income areas. Each of the four levels in the system has a more complex and restrictive set of planning standards than the one below. In the fourth class (the poorest areas), there are no standards at all (Hardoy and Satterthwaite, 1989, 132). Jamaica, Kenya and the Philippines have created "Special Development Zones" in major cities in which all planning standards are simply abandoned (Hardoy and Satterthwaite, 1989, 132). This promotes shelter activity in these areas but tends to increase the spatial segregation of the poor into particular locations, and can (as in the Colombian experience) encourage substandard housing (i.e., housing which is less adequate than it would be under alternative regulations).

A further point to note here is that planning standards need to make explicit provision for the needs of women in the shelter process, and the needs of rental housing. As [section III.D.5](#) makes clear, women have different requirements from men in relation to dwelling size, layout, location and construction, and can often be discriminated against by insensitive and inflexible planning norms. This obviously reduces the potential contribution of women to shelter provision and improvement. Rental housing is often ignored completely in planning norms, yet the rental sector (see [section III.B.7](#)) is a crucial component of the low-income housing market. Standards are needed which promote the development of rental accommodation, though there are very few examples of this in practice. One of the few is the Colombian *Plan Terrazas*, which provides official encouragement to the construction of an additional storey to the dwelling. Equally, where renting predominates care is needed in lowering planning standards so that the quality of rented accommodation is not reduced too much. Generally, rents are determined by supply and demand rather than by construction costs (Andreasen, 1989). The enabling approach should not, therefore, be interpreted to mean no planning standards at all.

In conclusion, a great deal of work needs to be done in finding a more appropriate set of planning standards to underpin the enabling approach. The experiments highlighted above show some signs of success, but have had a mixed record in practice. Clearly, the goal should be to increase the flexibility of standards while retaining some measure of protection against substandard housing development. Equally, it is impossible to standardize this framework from city to city (or even settlement to settlement). It is not a question of "lowering" standards, but of identifying standards which reflect what is achievable in a given context (Hardoy and Satterthwaite, 1989).



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter III. Workable elements of enabling strategies: The changing role of the public sector

#### A. Spatial planning and provision of serviced land

##### 3. Provision of urban land for housing, particularly for low-income households

Land is clearly one of the most crucial inputs into the shelter process, and perhaps the most important of all. Successful implementation of the enabling approach requires a steady supply of land in the right place, at the right time, and at a range of prices within reach of the low-income population. Otherwise, the range of housing options available to the poorest declines and they are forced into higher-density rental accommodation and/or squatting on marginal lands outside the market (Edwards, 1990). However, land supply is also the area of greatest failure in shelter provision over the last ten years. The inability or unwillingness of government to channel sufficient public-and private-sector land to the urban poor is a consistent feature of developing-country cities. In many urban areas (such as Delhi, Bamako, Mexico City and Karachi), government has allocated public lands to middle- and higher-income groups rather than to the poor (Baross and Van der Linden, 1990). This is partly because (as in Mexico) land has become a prime medium for political mediation.

More importantly, however, land markets have been allowed to operate in a way which denies access to low-income groups and promotes the holding and exchange of land for speculative purposes. Urban land markets are notoriously "imperfect" (Walters, 1983). Generally, they are highly-organized and dominated by a small number of powerful interests which attempt to increase monopoly control over land in order to push up prices and profits. In this situation, intervention and regulation by government are essential if speculative gains are to be prevented, costs to consumers reduced, and land prices brought within reach of the poor. For example, the 1985 Development Plan for Karachi reveals that over 12,000 acres of land within the city boundary lies vacant, enough to house over one million people at the current planned residential density of 100 persons per acre. The amount of land in Bombay held vacant for speculative purposes (at least 20,000 hectares) would be sufficient to accommodate the entire population of the city's illegal settlements, pavements and rental tenements (Hardoy and Satterthwaite, 1989, 101).

Of course, land prices would still increase over time regardless of speculation. Underlying the process of urban growth and economic development is a very long-term upward trend in the general price of land. On top of this trend, the gradual commercialization of land previously held outside the market has added more fuel to price rises. Commercialization, the process by which land or housing comes to be exchanged on the private market, is perhaps the dominant theme in third-world urbanization today (Amis and Lloyd, 1990). This process may take the form of public land being released onto the market (as in Sudan where the Government tends to sell it for quick revenue benefits), or the conversion of illegal to legal tenure, as in many upgrading and rehabilitation programmes (Ahmad, 1989). In both cases, the effect is to add value to land by rendering it a tradeable commodity. Price increases which result from commercialization may exclude the poorest groups from access to the land market, as has been documented many times over (Amis and Lloyd, 1990). In India, for example, urban land prices rose dramatically throughout the 1980s (Gupta, 1985); in Thailand the rate of increase has been even faster, fuelled by a rapid expansion in the supply of credit, a high rate of economic growth, and land purchases for speculative gain (Boonyabancha, 1990, 17). In their recent book on land markets, Baross

and Van der Linden (1990) conclude that the urban poor suffer higher land prices in the private market than those they would have had to pay if government had supplied land directly to consumers.

Strong government action is necessary to reverse the trend towards declining access to land among low-income groups caused by the process of commercialization. In order to do this, government has a number of options open to it. They include utilization of vacant public land (with some restrictions on tenure to prevent its use for speculation), compulsory purchase and expropriation of private land, purchases on the land market, and land exchanges of various kinds (UNCHS (Habitat), 1984). However, evidence from the early years of implementation of the enabling approach demonstrates that little progress has been made in these areas. The Indian experience has been largely one of disappointment, with government unable to deliver land to the poor in an efficient and equitable manner, except perhaps in Delhi (though see below; (Sundaram, 1990, 11). The failure of the Urban Land (Ceiling and Regulation) Act to unlock the supply of land held vacant for speculation in the major cities of India has already been analyzed in [section II.G](#) . Overall, the very slow pace of release, marketing and development of land in India has pushed up price levels, reduced access to land among the poor, and thwarted the Government's original purpose of achieving the ordered development of land. This has led to a wide-ranging review of urban land policy under the current National Housing Policy deliberations (Sundaram, 1990, 12). Even in Delhi, the existence of a well-prepared Master Plan, monopoly control over land, and the compulsory purchase of over 45,000 acres of land since the early 1960s, have been "unable to arrest the growth of over 700 unauthorised colonies and slum settlements" (Sundaram, 1990, 39). Again, the freezing of vacant land to prevent speculation, coupled with the slow pace of land release and development and restrictions on land transfers, have been responsible for this state of affairs.

In Colombia, the Urban Reform Law of 1989 enables the state to acquire land in exchange for compensation in the form of cash or "urban promissory notes or bonds" (Useche de Brill, 1990, 39). Provided that there are legitimate "Social" objectives at stake, the right to expropriate land is also available to municipalities and public institutions (Useche de Brill, 1990, 40). Ownership rights can also be annulled on land held vacant for speculative purposes and considered by the Government to be priority for development (Useche de Brill, 1990, 51). Other options are limited by the absence of vacant public land in most Colombian cities, most having disappeared under land invasions over the past 20 years (Useche de Brill, 1990, 50). However, none of these measures has as yet had much effect on the supply of land for shelter development among low-income groups. In the words of the Colombian case study for this report, "eighteen months after the legislation on land ownership came into force, it is impossible to make a balanced (assessment) regarding the results of its implementation" (Useche de Brill, 1990, 51).

As has already been remarked, Nigerian land policy is currently in a state of flux, in anticipation of new measures being included in the National Housing Policy which is yet to be ratified. However, the Federal Government is already empowered (by the Land Use Decree of 1978) to control land allocation, layout and servicing. It has been unable to use this instrument to allocate land in sufficient quantities and at sufficient speed, in part because the mechanisms involved are extremely slow and cumbersome (Odimuko, 1990, 46). Recent land reforms in Lagos State have improved this situation slightly and opened the way for land development by the private sector; this measure may be extended nationwide (Odimuko, 1990, 47). The distinctive approach of the authorities in Thailand to land development is considered below.

Despite the gloomy results of many attempts by government to intervene in the land market, there have been some more successful and interesting experiments. Among these, six are worth particular attention:



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### Chapter III. Workable elements of enabling strategies: The changing role of the public sector

#### A. Spatial planning and provision of serviced land

#### 3. Provision of urban land for housing, particularly for low-income households

##### a. Land-sharing

Land-sharing is a method of securing ownership rights for low-income families living on private land which has a high potential exchange value (usually situated in or near the centre of the city). In exchange for the freedom to develop part of his/her land in whatever way is most profitable, the owner agrees to sell the remaining portion of the lot to the current residents, usually at a subsidized (below-market) price. The residents receive secure tenure in the same location, though, of course, residential densities increase because the lot is effectively halved in size. For their part, the landowners receive higher profits from the sale or re-development of the land than would have been made from continuing to rent the land to low-income groups. Thus, land sharing works because it benefits both groups; landlord and tenant. While land-sharing undoubtedly has considerable potential in releasing bottlenecks in the land market, it should be noted that it has certain undesirable side-effects and generally operates only on a small scale. In Bangkok, which is acknowledged to be something of a "world leader" in land-sharing arrangements, only four or five schemes have actually taken place. Others are currently under consideration, particularly by the Crown Property Bureau, the largest owner of slum land in the city (Boonyabancha, 1990, 17). Land sharing is extremely difficult to arrange, and so the negotiations involved are usually very lengthy. In addition, tenants and very poor families (who are unable to afford to purchase lots in the new settlement) are often forced out altogether. Finally, speculation may in fact be encouraged because land can now be exchanged on the open market.



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### Chapter III. Workable elements of enabling strategies: The changing role of the public sector

#### A. Spatial planning and provision of serviced land

##### 3. Provision of urban land for housing, particularly for low-income households

##### b. Land adjustment

A variant on the land-sharing approach (called land adjustment) has been used with some degree of success in Colombia and India. In Gujarat, over 38 schemes have been executed in 20 cities, involving more than 10,000 hectares of land (Sundaram, 1990, 36). Here, small parcels of land are brought together, consolidated, and redeveloped (or "readjusted") by providing better infrastructure and services. They are then returned to the original landowners for their own use, on condition that they return 50 per cent of the unearned increase in land values that has been created, as a contribution towards the costs of the redevelopment. Hence, the local authority acquires the land temporarily without having to pay compensation, while the landowner and residents receive a higher quality environment. However, the Indian experience also illustrates some of the difficulties involved in land adjustment: costs often escalate during the development phase, full cost-recovery has to be enforced to prevent windfall gains, betterment charges have to be levied on the basis of current market value, and the average gestation period has to be reduced from the current five or six years (Sundaram, 1990, 36). In Colombia, landowners taking part in adjustment schemes can receive payment for their land in the form of completed dwellings, which they are then free to sell or use as they please (Useche de Brill, 1990, 51).



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##### 3. Provision of urban land for housing, particularly for low-income households

##### c. Resettlement and transfer of titles

Although land-sharing and land adjustment offer considerable potential for replication, it is more common for low-income groups who are renting or squatting on valuable land to be evicted. In this case, development *in situ* is impossible, and residents must find land elsewhere in the city for resettlement. This process has been encouraged in parts of India, where the Government has transferred development rights from land in the inner city to land in the urban periphery, in order to reduce congestion (Sundaram, 1990, 36). A more detailed example comes from Bangkok, where most slum-dwellers live under the constant threat of eviction. Here, the poor themselves have played a positive and innovative role in finding land for themselves in a very short period of time after being informed of impending eviction. They search for suitable sites, decide among themselves which one to select, and move there as a group. This allows them to make their own trade-offs in terms of access to employment, transport costs, land quality and other factors. Although such land is rarely less than 20 kilometres from Bangkok city centre, the end-result is nearly always more satisfactory from the viewpoint of those who have to move than would have been the case if government had selected the site on the community's behalf. In the Thailand case, those being evicted are supported during the resettlement process by government: they are compensated as a group, assisted with temporary services at the resettlement site, and granted legal tenure. A detailed case study of this kind of approach is included in section IV.



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#### d. Land banks

One way of improving the supply of land to low-income groups is for government to "stockpile" land that has been purchased or expropriated in a "land bank", and release it in whole or in part as and when required. This assumes that the authorities are able to release sufficient land from the "bank" quickly and efficiently. Otherwise (as in Delhi), it merely adds to bottlenecks in the land market. The idea of land banks has been considered (though never implemented) in Bangkok (Boonyabancha, 1990, 17), and in Colombia, where the Urban Reform Law of 1989 authorized the Government to expropriate or purchase land on offer, in order to deposit it into the "bank" (Useche de Brill, 1990, 51). To date, however, this has had only very limited success. It is also important that land is purchased well in advance of being developed, so that prices more accurately reflect the real market level. Otherwise, prices tend to be "market false", speculation causing them to rise in anticipation of development taking place. This is only possible where the local authorities have access to accurate information on the land market, bringing us back once again to the need to strengthen municipal management and information





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#### A. Spatial planning and provision of serviced land

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##### e. Unserviced land

Although the provision of adequately-serviced land must obviously be the ultimate goal of shelter policy, this does make the costs of the exercise significantly higher. In order to reduce land costs to the poor, a number of governments have permitted unserviced land to be re-leased in official housing programmes. For example, in Bangkok resettlement schemes lots are generally unserviced. Temporary services are supplied by government and public institutions (water tankers, for example), but afterwards infrastructure is left to develop at a pace controlled by the community. Similarly, in the Incremental Development Scheme in Hyderabad, Pakistan, services are provided over the long-term on the basis of user charges, thus reducing considerably the cost of the initial lot (Baross and Van der Linden, 1990). This increases access among lower-income groups, though probably not the poorest who cannot afford even the cheapest unserviced plots.



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##### f. Cross subsidies

The general utility of cross subsidies is explored in [section III.B.4](#) , but it is worth noting here their potential role in increasing the supply of affordable land to the urban poor at no great cost to the state. In Tunisia, for example, one public agency buys and sells land at the market rate to middle-income groups, while another expropriates private land, or utilizes public land, to sell lots to poor families at below the market price (Hardoy and Satterthwaite, 1989, 131). The profits made from the first set of transactions are used to finance the subsidies required in the second set to bring land within the reach of the poor.



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#### g. Conclusion

In conclusion, the experience of initiating enabling strategies in the field of land supply to low-income groups has been disappointing. There have been some interesting experiments (such as land sharing and adjustment), but by and large government action has been negligible and ineffective. This is hardly surprising, given the complexity of land markets and the powerful interests that govern them. Ensuring an adequate supply of affordable land to the poor is perhaps the hardest task that faces the State in the implementation of the **GSS**. However, it is a task that must be accomplished if adequate shelter for all is to be achieved.

In order to do this, political will is the essential ingredient. When the new Administration of Corazon Aquino released over 600 hectares of public land to 37,400 households in Manila in 1987, it demonstrated that land could be made available given the right level of commitment (Hardoy and Satterthwaite, 1989, 122)" Governments elsewhere have had much the same experience: solutions are available, if the State wishes to use them" But this requires strong and concerted action to prevent speculation and to redistribute land to the poor. Here, governments are caught on the horns of a dilemma. The objective must be to ensure the development of a vigorous, pluralistic land market, enabling scarce public resources to be targeted to those most in need. This in turn requires security of tenure, the provision and upgrading of services, and the elimination of restrictive controls, standards and regulations. But the effect of such measures is to add value to land and housing and so stimulate their exchange on the market" Property-ownership may therefore become more concentrated over time, prices may rise, and access to land among the very poor may be reduced. The key issue in the land market is how to balance the need for regulation (to control speculation and monopoly pricing) with the need to provide "freedom to build" for the poor. As the conclusion to this report explains, there is no easy solution to this dilemma. The best way forward, however, is to bring as much land as possible on to the market so that prices fall and accessibility increases.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter III. Workable elements of enabling strategies: The changing role of the public sector

#### A. Spatial planning and provision of serviced land

#### 4. Provision and operation of infrastructure and services, privatization and involvement of community organizations

While it is reasonable to expect individual households to produce and improve their own housing, it is much more difficult for people to provide their own infrastructure and services, especially in the areas of electricity supply, drainage and sanitation. Effective infrastructural development requires high levels of initial capital investment, and coordination on a neighbourhood and city-wide level to ensure that service networks are efficiently developed, maintained, and paid for. Quite how they are paid for is a crucial and complex issue, and this is discussed in the next section on cost recovery. However, there is a clear role for government in assisting directly the development of effective services. This does not have to be government's role alone: as is noted below, private-sector companies may have a useful role to play, as do people themselves through their own community organizations and NGOs. Examples of this role are presented below and in section IV. As elsewhere in the GSS, the key is to find the most appropriate partnership between the different actors in the shelter process so that each works to its comparative advantage. In this respect it makes much more sense for the State to focus on providing things which people cannot provide for themselves (such as services), rather than on things which they can (such as housing).

Despite some real progress in the provision of infrastructure over the last 10 years, access to potable water, waterborne sewerage, efficient drainage systems, rubbish collection and all-weather roads remains low in the poorest settlements of the developing world. Since 1972, basic services have been provided to over 25 million people in India's major cities, with the largest programmes being undertaken in Bombay, Delhi, Calcutta and Hyderabad, but the scale of the shortfall remains daunting (Sundaram, 1990, 25). The Urban Basic Services Programme in India (which originated on a smaller scale as the Urban Community Development Programme in Hyderabad) has been rightly celebrated as a successful example of the enabling approach to shelter development in practice (see section IV). However, in the five years since the Urban Basic Services Programme was launched, there have been problems in scaling-up the approach at national level, and in ensuring long-term sustainability, a theme which is taken up in the next section of the report.

Similar problems have plagued government-sponsored infrastructural investments elsewhere. In Thailand, for example, the Government provides a subsidy of \$US 360 for each family involved in the Slum Upgrading Programme, to cover the costs of installing concrete walkways, drainage systems and rubbish collection (Boonyabanha, 1990, 18). Further subsidies come from the water and electricity authorities but, of course, the scale of the programme is limited. Basic service provision is even more rudimentary in Nigerian cities, where (except in the State of Lagos) the Government is directly responsible for infrastructural development. The Nigerian case study for this report goes so far as to say that service provision is "almost non-existent" in many low-income settlements (Odimuko, 1990, 51). As in the rest of Nigerian shelter policy, infrastructure is included in the review of housing strategies and that is currently underway.

Already, however, two interesting developments have taken place. One is the opening up to private-sector contractors of infrastructural works in Lagos State, and the other is the birth of the Nigerian Infrastructural Development Fund (IDF). The former is too recent a change to offer any useful

lessons, but the experience of IDF shows that financing infrastructural development through the commercial banking system is difficult where the risks of low cost-recovery are high. World Bank funds are channelled through the Federal Government to the commercial banks, which add in their own and the Government's contribution for on-lending to municipal authorities. The banks then supervise cost recovery and collection of loan repayments. However, long delays have occurred in the implementation of IDF, with many banks complaining that the risks they incur are not worthwhile (Odimuko, 1990, 75).

There are, however, other government-sponsored infrastructure programmes which have been more successful. A good example is the rural piped-water programme in Malawi, which has extended access to potable water from highland sources to villages at very low cost (Msukwa and Kandole, 1981). Subsidies were reduced in this case by ensuring a high degree of community participation in construction and maintenance. Similarly, the Bustee Improvement Programme undertaken in Calcutta during the last two decades built its approach around consultation and planning with *bustee* residents. Households were re-grouped around communal water and sanitation facilities which are then supposed to be maintained by them. Thus far, the programme has managed to provide basic services to at least two million people (Sundaram, 1990, 121).

Colombia has also developed some interesting ideas within the framework of the GSS to strengthen popular participation in service provision. Representation of users on the Boards of Directors of utility companies at municipal level in Colombia has already been noted as an interesting advance (Useche de Brill, 1990, 15). More significantly perhaps, the Aqueduct and Sewage Corporation of Bogotá has designed a number of systems which promote innovative partnerships between community organizations and the State in the construction of drainage networks. In some of these systems, the State provides construction materials and technical assistance, while the community provides the labour (as in the Malawi water programme cited above); in others, the community provides materials and labour, while the State supplies technical assistance; a third combination of roles sees the state providing labour and technical assistance and the community supplying the materials (Useche de Brill, 1990, 53).

The common theme in all these examples is popular participation. This theme has been taken still further by a number of pioneering community organizations and intermediary NGOs which have grappled effectively with the problems of service provision, albeit at a relatively small scale. In India, for example, an NGO named Sulabh International (formerly known as Sulabh Sauchalaya Sansthan, commonly referred to as Sulabh) has facilitated the construction of over 50,000 private two-pit water-seal latrines and many larger-scale public facilities in low-income settlements. Attempts to extend waterborne sewerage to low-income populations were abandoned when it became obvious that resource constraints would always militate against this. Urban environments in India are notoriously difficult to keep clean, with sanitation posing a particularly acute problem in very high-density settlements. Communal latrines have been tried by Sulabh, Streehitakarini (another NGO, based in Bombay) and other organizations with considerable success (ANUBHAV, 1985). Maintenance costs can be covered by charging for use, with exemptions for the most vulnerable groups (see [section III.A.4](#)).

The Orangi Pilot Project (OPP) in Pakistan offers further evidence of the potential of community organizations in developing effective sanitation systems at affordable cost. Unlike the Indian examples cited above, OPP has managed to assist slum residents to construct a waterborne sewerage network based on strong community action and organization in each section (or lane) in the settlement. Despite the fact that there was little central control of this process, no major technical problems occurred and the sections of the network built by each lane fitted together very well. Staff from the OPP office simply

provided technical advice and assistance, with credit for construction materials coming from commercial banks. By the end of 1988, 34,856 houses had been connected to the new network, out of a total target figure of 43,424 (Hasan, 1990, 225).

A final example of the value of participation in infrastructural development comes from tenant cooperatives in Bombay (Sundaram, 1990, 43), Mexico City (Connolly, 1987) and Bogotá (Useche de Brill, 1990, 69). In all three cases, cooperatives have taken on the role of maintaining services provided during inner-city rehabilitation programmes. These experiences provide much hope for the future among tenant families living in tenements, a sector of the low-income population that traditionally has been excluded from housing initiatives based on the enabling approach.

Community participation is not the same, of course, as privatization, so one should also consider the potential of the private sector in expanding affordable basic services. Some commentators (such as the World Bank) argue that access among the poor to services will be increased through privatization because efficiency gains will result in lower costs to the consumer. The example of SODECI, a private water company in the Côte d'Ivoire, is often cited as a demonstration of this theory (Stren and White, 1989). However, in reality the situation is never as simple as this. The privatization debate often ignores the fact that poor people already depend on private services, not out of choice but out of necessity, since no others are available. But many services require central coordination and investment, and special provisions, in order to make them accessible to the poorest. As pointed out below, there is always a necessary compromise to be struck between privatization gains, or cost recovery, and universal access. One recent World Bank report on Nigeria, for example, estimates that households in the town of Onitsha pay private water vendors the equivalent of over twice the costs of operating and maintaining a piped water system every year (Whittington and others, 1989). While the potential of private-sector involvement in service provision should always be assessed, experience shows that the particular character and constraints of infrastructural development require a more creative and complex partnership between all three sectors of the economy (private, household and State) working closely together. It is this sort of cooperation, along with participation by users in design, construction and maintenance, that underlies the success of the case studies highlighted above.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter III. Workable elements of enabling strategies: The changing role of the public sector

#### A. Spatial planning and provision of serviced land

##### 5. Mobilization of financial resources from users of services and infrastructure. cost-recovery and cross-subsidy possibilities in urban land development

A consistent theme of the enabling approach is sustainability, the need to facilitate shelter development processes which carry on effectively into the longer term without continuous inputs of resources from outside the community, municipality or society in question. This is the only way of conserving scarce resources, making shelter programme replicable, and promoting self-reliant development. In order to be sustainable, land and infrastructural development has to mobilize financial resources and other forms of support and commitment from users. These resources may be generated through cost recovery from users, or from cross-subsidies which levy different rates or charges according to income, land use or other factors. Experience demonstrates that there are two crucial problems which arise in this area: the first is that costs are often not recovered at all, denuding the availability of resources for investment in other settlements. Secondly, when costs are recovered effectively, this often reduces the accessibility of the service to those who need it most - the poorest. The key challenge posed by the **GSS** in the field of services (as in many other areas) is how to balance the need for cost recovery with the need to ensure access to adequate shelter for all.

As highlighted earlier in this report, many government- and World Bank-sponsored shelter programmes in the 1970s and early 1980s were not replicable because rates of cost recovery on land and services were so low. At the same time, rising land and property values which were stimulated by government investments in infrastructure have been captured by private landowners and often used for speculative purposes. In contrast, in Hong Kong and Singapore, the State has managed to capture these rising values itself, for re-investment in shelter (**UNCHS** (Habitat) 1990b, 18). Though the mechanisms used there may not be replicable elsewhere, the overall aim of sustainability is very important. Let us look, then, at how this goal has been addressed in different contexts over the last few years.



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### Chapter III. Workable elements of enabling strategies: The changing role of the public sector

#### A. Spatial planning and provision of serviced land

#### 5. Mobilization of financial resources from users of services and infrastructure. cost-recovery and cross-subsidy possibilities in urban land development

##### a. Cost recovery

Cost recovery takes many forms, but its principles are always the same: those who use a service should pay for it, or at least help substantially to pay for it. Security of tenure is often used as a *quid pro quo* for cost recovery in upgrading, rehabilitation and sites-and-services schemes. In the Indian Urban Community Development (Basic Services) the agreement on cost recovery is signed (Sundaram, 1990, 25). Housing, water, markets, shops and industry are all viable sources of user charges, but sanitation, drainage and roads are much less so. The actual success rate of these cost-recovery schemes is, however, very variable, partly because land-registration and information systems are inadequate, thus undermining the municipal tax and revenue base (Sundaram, 1990, 34). In addition, the surplus created by cost-recovery systems is often not re-invested in infrastructural development anyway because of weaknesses in municipal planning and budgeting (Sundaram, 1990, 41). Another innovative form of cost recovery in India is the use of domestic garbage to generate electric power through reprocessing waste material into briquettes (Sundaram, 1990, 42).

Echoing the fears of many other governments, Colombia's new Social Housing Policy states that "a privatization process at all costs may not be implemented in a young country such as (this)" (Useche de Brill, 1990, 52). Nevertheless, various methods of cost recovery have been tried. They include collecting contributions to the costs of investment through an "appreciation tax", as well as more conventional user-charges at municipal level (Useche de Brill, 1990, 55). The example of new partnerships between the State and community groups in extending the Bogotá drainage system was cited above; in this case, the costs of construction materials are charged on monthly consumption bills over the long term. In addition, the community's contribution in terms of labour reduces overall costs by around 67 per cent (Useche de Brill, 1990, 53). Similar systems operate in the Bangkok Slum Upgrading Programme, in which service provision is subsidized by the Government while participants have to pay the costs of connections to, and metering of, the water and electricity supply through monthly instalments (Boonyabancha, 1990, 18).

Although security of tenure is usually a pre-requisite for effective cost recovery, this is not always the case. For example, tenants living in the slums of Khulna in Bangladesh are prepared to pay higher rents after their services are upgraded, even though they remain tenants (Save the Children Fund, 1990). This and many other examples show that funds can be raised from low-income families if certain principles are followed. These criteria include participation by beneficiaries in deciding on and designing the services they want, and, of course, a basic minimum level of income. A major factor underlying the higher-than-usual success of cost recovery in Villa El Salvador in Lima is genuine participation at all stages of the shelter process, in contrast to other schemes such as Dandora in Nairobi and the Lusaka Upgrading Programme, where people were allowed to participate in costs and construction, but not in decision-making (Moser, 1989a). Not surprisingly, rates of cost recovery in these two cases were very



low. However, one should also bear in mind that it is unrealistic to expect the same community organization or NGO both to collect user-charges and to press the interests of the community in the wider arena. There is a conflict of interest and purpose here, with the NGO being expected to act as "financial policeman" and source of solidarity at the same time (peat tie, 1990, 1). This rarely, if ever, works.

Privatization can also be an effective way of improving cost recovery, though (see below) this has other costs. In Onitsha (Nigeria), for example, private water vendors supply twice as much water as the public sector but manage to collect 24 times the revenue during the dry season, and 10 times as much during the rains (Whittington and others, 1989). Efficiency gains of this sort are not impossible in the public sector, but they are difficult to attain given the weaknesses characteristic of much local government in developing countries.



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#### b. Cross subsidies

Flat-rate charges for services are inequitable because they take no account of differences in income. Cross subsidies, however, deliberately set out to ensure that higher-income groups, or more profitable land uses, pay more for infrastructure. The surplus this creates is then used to subsidize consumption at lower cost by the poor. The net cost to government of an efficient system of cross subsidies should be zero.

Cross subsidies can be implemented in many different ways. Sometimes, commercial and industrial users are charged higher rates to offset subsidies to residential consumers, specifically low-income households. For example, the New Omdurman Committee for Upgrading Services in Khartoum managed to raise over LSd 1. 44 million in three years from business licences and tolls, and then re-invested this money in the development of infrastructure (Ahmad, 1989). Similarly, upgrading programmes funded by the World Bank in India charge more on commercial lots in order to subsidize the price of residential lots for low-income households (Sundaram, 1990, 37). The City and Industrial Corporation of New Bombay (CIDCO) charges a range of prices according to land use, so that social uses (such as low-income housing and community facilities) are charged below the market price while commercial uses are charged above it (Sundaram, 1990, 43). More recently, night-shelters built for pavement-dwellers and itinerant labourers in Delhi (and soon to be extended to other major cities in India) devote a portion of their floor area to commercial uses. Rent from these commercial tenants is then used to subsidize the costs of maintaining the shelter, though not by very much. Users themselves also pay a small charge for using the water and sanitation facilities provided by the shelter (Sundaram, 1990, 124).

Bangkok has a similar system, in which the National Housing Authority charges higher water, electricity and other rates to commercial and industrial users than to the poor, though the extent of these cross subsidies is limited (Boonyabancha, 1990, 19). Colombia, too, has adopted a system whereby public-service charges vary according to the "socio-economic stratification" of the settlement concerned (Useche de Brill, 1990, 55). The case of the Aguablanca Programme analysed in section IV is also interesting, in that long-maturing loans to residents were made to cover the costs of land, shelter and services combined. Repayments on these loans were then used in the short term for re-investment in new infrastructure (Useche de Brill, 1990, 55).

Alternatively, cross subsidies can be implemented through the operation of the land market. The most obvious example of this approach is land-sharing, which has already been described in earlier sections of this report. In Bangkok land-sharing schemes, landowners are generally "encouraged" to sell to the residents at between 25 per cent and 33 per cent of the market price; in turn, they can reap considerable profits from the redevelopment and sale of the remaining portion of the land

(Boonyabancha, 1990, 19). Integrated land development schemes such as Rohini in Delhi illustrate a simpler approach. Here, smaller lots destined for low-income groups are simply priced below cost, while those earmarked for higher-income groups are priced at a profit to ensure the overall viability of the project (Sundaram, 1990, 54). The example of Tunisia has already been cited: here, public agencies purchase and sell land at cost to middle-income groups in order to subsidize land sales among the poor. This increases the supply of land to low-income groups at little extra cost to the Government (Hardoy and Satterthwaite, 1989, 131).

A final method of ensuring cross-subsidization is by charging differential interest rates on loans. For example, India's Housing and Urban Development Corporation (**HUDCO**) graduates interest rates according to the monthly repayment capacity of the target group (Sundaram, 1990, 43).



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#### c. Conclusion

While all these are interesting examples of the potential of cost recovery and cross subsidies, the scale of their success thus far has been fairly limited. One particular problem lies in protecting the very poorest families from the damaging effects of being excluded from access to services because of their inability to pay user-charges. The only way to do this is by exempting certain categories of user from the charge, or subsidizing the charge to a much greater extent. For example, both Sulabh and the night-shelters for pavement-dwellers in India exempt the "elderly, indigent and handicapped" from payment. They also exempt all women from charges, though this is for social and cultural as well as economic reasons (Sundaram, 1990, 124). It is more difficult to ensure universal access under privatization, since here commercial criteria are paramount. The effects of privatization on services, therefore, need to be carefully monitored. After all, if people are excluded from access to basic services such as water or health, then the service itself is not fulfilling its objectives and needs to be changed.

Balancing cost recovery with equity and access for all is a dilemma which is central to the **GSS**. Experience thus far suggests that the following conditions are essential if the right balance is to be found. First and foremost, people will not pay for services they do not want or find inadequate. There must be a strong link between cost and quality. Secondly, cost recovery is generally easier where there is a high level of participation by users at all stages of the process: decision, design, construction and maintenance. This is a confirmation of the old adage "no taxation without representation"! Thirdly, cost recovery and cross-subsidies cannot work where local government and public agencies are weak. They are relatively complex schemes which require effective administration if they are not to be manipulated or usurped. Finally, better land, property and income information and registration systems are needed so that cost recovery can be enforced and cross-subsidies properly targeted. Otherwise the only people who end up receiving subsidies may be the better-off.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter III. Workable elements of enabling strategies: The changing role of the public sector

#### A. Spatial planning and provision of serviced land

##### 6. Recognition and utilization of informal land markets ways of integrating them into formal procedures

In earlier sections of this report, the gradual integration of informal settlements into the wider housing market was noted. This process of "commercialization" is an almost universal process, though its scale and character vary from country to country and from city to city. Sometimes it is a de facto rather than de jure process, as in the case of Colombia's illegal subdivisions, with land and property being exchanged on the market but without fully satisfying legal regulations. In many other cases, commercialization of informal land markets is a more formal process which comes about as a result of deliberate policy decisions on the part of government, most obviously through the recognition of tenure security as part of urban upgrading programmes. Recognition of this kind is increasingly common in many developing-country cities, for example in Colombia where the new Urban Reform Law regards physical occupancy as sufficient to secure rights to service provision in settlements established on an illegal basis prior to the adoption of the Law (Useche de Brill, 1990, 56).

Insofar as recognition of informal settlements and the granting of security of tenure act as an incentive to private and household-sector activities in the shelter process, this is clearly a welcome trend and something which the **GSS** seeks to encourage. People will not add value to their land and property unless they can be sure they can remain on it, or sell it, at a later date. Besides security of tenure there are various other ways of integrating informal markets into the formal sector, and these have been examined in previous sections of the report: more appropriate planning standards, service provision with cost recovery and so on.

However, integration and commercialization are a mixed blessing. Unplanned shelter development allows the poor to reap the gains of rising land and property values themselves, gradually and over the long term. Once informal settlements have been legalized and property begins to be exchanged on the open market, speculative pressures increase and there is a greater risk that rising land values will be captured by a smaller number of larger-scale, wealthier landowners (Baross and Van der Linden, 1990, 57). This is one reason why many governments (in India, for example) are reluctant to invite large-scale private-sector companies to participate in the low-income housing process (Sundaram, 1990, 41). Only in Haryana has the State Government licensed private land development under certain conditions (Sundaram, 1990, 41). The displacement of tenants and the very poor during the process of upgrading in informal settlements is a classic example of what can happen if insufficient account is taken of the effects on the poor of the process of commercialization, and the rising land and property prices that accompany it (Amis and Lloyd, 1990).

In addition, the size of the informal land market varies considerably from one city to another. In cities where renting predominates among the urban poor (as in Bangkok or in many cities of West Africa), it is quite small. Hence, the potential costs and benefits of integrating informal land markets into the formal sector have to be carefully weighed so that measures can be adopted to minimize the dangers that can occur. Most importantly, a sufficient quantity of land has to be released on to (integrated into)

the market, so as to maintain a proper balance between supply and demand. This reduces the risk that poorer households will be driven out by speculative pressures.



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#### A. Spatial planning and provision of serviced land

##### 7. Conclusion

Spatial planning and the provision of serviced land represent perhaps the greatest challenge to the implementation of the GSS. This is also the area in which governments have probably been least successful over the past 20 years. There are some encouraging signs that these bottlenecks are being removed, but only on a small scale and in a highly-localized fashion. These successes have been documented above, in the strengthening of municipal government, greater public participation in decision-making, more appropriate planning standards, innovative methods of expanding the supply of land to low-income groups, the involvement of community groups and NGOs in infrastructural development, and achieving sustainability through cost recovery and cross-subsidies.

However, fundamental dilemmas remain, most importantly how to ensure an adequate supply of serviced land to the poor in systems with few resources and weak administration, and in markets which have an inbuilt tendency towards speculation and monopoly control. Unless this dilemma is resolved, it will not be possible to implement other components of the enabling approach with any degree of success.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter III. Workable elements of enabling strategies: The changing role of the public sector

#### B. Financing of housing

##### 1. Efforts to stimulate savings for housing

Housing finance is a critical input into the shelter process, though not so critical as land, given that poor people can improve their dwellings over time with minimal external financial input. Like land, however, housing finance is also an extremely difficult area to reform and improve. This is because finance will not be made available unless a reasonable rate of return can be guaranteed, and this is often difficult in the case of low-income shelter, where margins are low and investments are realized over long periods of time. All successful housing-finance systems have to reconcile three partially-conflicting objectives: affordability to borrowers (and especially of course, to low-income borrowers), viability to lenders (financial institutions, public agencies and others), and resource mobilization for the expansion of the sector or economy as a whole (Renaud, 1984). Although these objectives can be reconciled, they often pull in opposite directions and one ends up dominating over the others. Hence, one finds affordable housing-finance systems which are not sustainable (viable); and viable systems which are not affordable, at least to the poorest groups. Once again, the challenge posed by the GSS is to find ways of balancing these different needs and objectives in a mutually-supportive manner.

One obvious way of increasing the supply of housing finance is to stimulate household savings, either generally (in the hope that they will be devoted to housing) or via savings schemes linked specifically to the shelter sector. Poor people the world over are always saving money to improve their dwellings, but, of course, they save in very small amounts and at irregular intervals. The problem is that formal savings and housing-finance mechanisms fail to support the efforts of the poor because they are not geared to the low and unstable financial capacity of low-income groups. This will be a recurring theme throughout this section. Although the Colombian case study for this report concludes that "domestic savings are not traditional" (Useche de Brill, 1990, 56) due to low incomes and high inflation rates, this is a rather restrictive way of looking at the savings issue. It may apply to peoples' propensity to save in the formal financial system, but not to their ability and willingness to invest incrementally and creatively the little that they do have to save.

Given these inherent problems in poor economies, what can be done to stimulate savings in housing? The early years of experience in initiating the enabling approach to shelter development have thrown up some interesting lessons in this respect. Colombia has one of the most sophisticated savings and housing systems in the developing world, though it tends to be used only by the better-off. Since the system was established in 1972 it has handled around \$US 1.54 billion in resources and now has close to five million savers (Useche de Brill, 1990, 56). It is based on the indexation of savings to preserve positive interest rates (the so-called UP AC system) in specialized housing and savings funds, which lend these resources for investment in shelter for middle- and higher-income groups. These funds have little impact on the shelter situation of the poor because it is impossible to guarantee the necessary rates of return to investors if savings are invested in low-cost housing. These specialized housing and savings institutions are backed up by other components of the system, such as the National Savings Fund (which administers retirement benefits to mortgage market in Colombia (Useche de Brill, 1990, 57). There is



also a separate fund for rural housing - the Agrarian Fund - but this has suffered from competition from urban-based savings institutions. Its share of overall savings declined from 48 per cent in 1970 to 7.8 per cent in 1989 (Useche de Brill, 1990, 57).

India has less experience in the field of housing finance and a less well-developed system for linking savings with housing. This is partly because it has such a thriving capital market for investment in commerce and industry, where returns are higher. Nevertheless, the National Housing Bank (established in 1988) and the Housing Finance Development Corporation are both trying to stimulate the flow of savings to shelter. In March, 1989, the National Housing Bank launched a Home Loan Account Scheme to provide guaranteed loans linked to contractual deposits. It attracted over 200,000 accounts in the first year of operation (Sundaram, 1990, 53). The Indian Government has also announced some recent tax concessions on savings and loans in the housing finance sector (Sundaram, 1990, 75).

In Nigeria, the draft National Housing Policy currently awaiting ratification incorporates a mandatory home savings scheme for workers earning more than 300,000 naira. It envisages workers paying 2.5 per cent of their monthly salary into the scheme at 4 per cent interest. After a specified length of time, the accumulated savings can be used to secure a housing loan or be taken out as retirement benefits (Odimuko, 1990, 53). The manipulation of interest rates to encourage investment in shelter is considered below in [section B.3](#). Individual savings for housing among the poor in Thailand are "rare" according to the country case study (Boonyabanha, 1990, 23), but there have been an increasing number of "group savings" initiatives recently among slum communities in Bangkok. These schemes are managed by local NGOs and cooperatives which encourage small amounts of savings to be pooled at irregular intervals. Since these are fairly informal institutions they are considered in more detail in [section B.6](#) below. However, the amount saved in them is usually too small for investment in land or housing. Consequently, the organizations involved are attempting to consolidate the different schemes into a single "Housing Fund" (Boonyabanha, 1990, 23).

Most countries have a housing and savings system similar to those described above, though their scale, complexity and effectiveness vary greatly. For obvious reasons however, such institutions find it very difficult to mobilize the savings of the poor, or to lend funds to them for shelter production and improvement. They are restricted almost entirely to formal-sector workers who can save on a regular basis, and channel these funds to formal-sector housing where returns are greatest. There may, therefore, be some effect on the shelter position of the poor through a reduction in pressures on the housing market as a whole, making it less likely that middle-income groups will have to "capture" housing meant for the poorest. Because of this, and their effect on middle- and higher-income shelter provision, such savings systems should be encouraged. For the poor, however, they are of marginal significance.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter III. Workable elements of enabling strategies: The changing role of the public sector

#### B. Financing of housing

##### 2. Development of local housing finance institutions shifting roles of central finance organizations

The history and efficacy of formal-sector housing-finance institutions was touched on in the previous section. Generally, they have not been able to reach the poor, either as borrowers or as savers. Their performance even among the better-off has been very variable, often inefficient, and usually small-scale. The **GSS** calls for a much greater effort on the part of housing-finance institutions in order to channel more funds, more efficiently, to the shelter process. There are many ways this can be done, some of which are examined in sections to come. This section discusses the range and nature of local housing-finance institutions, and at the links which exist between them.

To take the case of Colombia first, the housing and savings system described above has been able to channel funds from a variety of sources, through a wide range of channels, both public and private. In addition to the various savings institutions already mentioned, the Central Mortgage Bank (**BCH**) plays a key role in facilitating the flow of finance to middle- and high-cost housing. The Land Credit Institute (**ICT**) deals more directly with lower-cost housing programmes at municipal level, though its role is currently undergoing revision. In theory, **BCH** and **ICT** must allocate at least 50 per cent and 80 per cent of their respective resources to financing dwellings with a sale price not exceeding the value of 110 to 135 monthly minimum wages (depending on the agency) (Useche de Brill, 1990, 38). The draft Social Housing Plan currently under discussion also proposes the creation of a "guarantee fund" to finance "community programmes" funded out of 1 per cent of the subsidy raised by the State from taxation (Useche de Brill, 1990, 10). These funds would be channelled through INURBE, the new name for the **ICT**. Colombia has traditionally raised revenue for shelter production from the fiscal system, particularly the IVA or sales tax on cement. Approximately 50 per cent of the total sales tax yield is directed to municipal authorities for housing and infrastructural development (Useche de Brill, 1990, 43).

More recently there have been calls for a new tax - the Socio-Economic Stratification Tax - on the assessed value of properties classified as middle- and high-income in major municipalities (Useche de Brill, 1990, 39). However, despite many years of channelling tax revenues and savings to the shelter sector, "it is practically impossible to evaluate the accomplishments attained by these institutions" (Useche de Brill, 1990, 58).

In India, the most interesting recent development in the field of housing finance has been the creation of the National Housing Bank (**NHB**) and Housing Finance Development Corporation (**HFDC**). **NHB** was established in 1988 to promote and regulate housing-finance institutions nationally and to mobilize resources for housing on a larger scale.

It is too early to evaluate its effectiveness in achieving these goals. **HDFC** was set up in 1978 and is regarded (at least by the World Bank and the Indian Government) as a "model of market-oriented co-operation" (Sundaram, 1990, 56). "Market-oriented" is the operative word here, since the **HDFC** lends only to middle- and higher-income housing, plus a very small proportion to lower-cost shelter. The

bulk of the urban poor do not have access to its loans (Sundaram, 1990, 56). Nevertheless, as a housing-finance institution per se it has been very successful, managing to attract funds from a wide range of institutions (and increasingly from individuals too), becoming highly profitable, and serving as a model for other similar schemes elsewhere (Sundaram, 1990, 134).

Up until 1976, Nigeria had only one institution specializing in housing finance - the Nigerian Building Society. As elsewhere, this was a small and fairly exclusive institution channelling funds to the better-off (Odimuko, 1990, 53). In 1977, the Nigerian Government established the Federal Mortgage Bank in an effort to expand the supply of housing finance in the country. However, this has not been able to reach the poor either (Odimuko, 1990, 54), and so a further change in the system has been proposed, creating anew two-tier structure. The Federal Mortgage Bank will provide the first tier of this system, while the second level will be made up of a wider range of institutions, including building societies, credit unions, housing associations and cooperatives (Odimuko, 1990, 54). These primary institutions will have to mobilize savings and channel funds at the local level, while the Federal Mortgage Bank oversees and supervises the system as a whole. It will be interesting to chart the progress and impact of the new system as it unfolds over the next few years.

In Thailand, formal housing finance administered by the Government Housing Bank was fairly small in scale and inefficient up until the mid-1980s. Since then, however, mortgage finance has taken off in dramatic fashion, fuelled by a high level of economic growth in Thailand and the increasing availability of local savings for investment. Mortgage lending expanded by 43 per cent in 1989, as compared with an annual average of 16.4 per cent between 1982 and 1986 (Boonyabancha, 1990, 21). Even so, lending to shelter production by the commercial banking sector far outweighs the capacity of the Government Housing Bank. Again, this is a result of the high level of resources available to the banking system in a rapidly-growing economy such as Thailand. The easy availability of housing finance has been a crucial factor in the housing-market boom experienced by Bangkok over the last 10 years. However, little of this finance was made available to low-income groups: nearly all was channelled into middle- and high-income housing, or into speculative land purchases which fuelled rapid land price increases and made it more difficult for poor families to find affordable land. Beyond a small number of credit unions, there are no housing finance institutions in Thailand which serve the poor - hence the growth of informal institutions described in [section B.6](#).

In all the cases described above, it has proved very difficult for local housing-finance institutions to reach the urban poor. Some of these institutions (particularly the **HDFC** in India and the Government Housing Bank in Thailand) have been successful in channelling significant funds to the middle- and high-income housing markets, and this is an important achievement. They, and the Colombian housing-finance system, have also demonstrated a variety of new and innovative partnerships in housing finance between the private sector and the State. For the poor, however, other stronger and more creative action is necessary.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter III. Workable elements of enabling strategies: The changing role of the public sector

#### B. Financing of housing

##### 3. Incentives for investing in housing; e.g. tax relief for housing producers, housing savings, etc.

In order to encourage savings and investment in housing it is necessary to make this an attractive alternative in relation to other forms of investment. Tax and other incentives can be powerful instruments, but can also lead to large revenue losses if not properly managed. Deductions for tax purposes need to be limited so as to balance government revenue with investment incentives. Otherwise the government's own role in facilitating shelter provision and improvement will be damaged through a decline in the resources available.

Governments have a number of options open to them if they attempt to do this. A wide range of tax and other incentives exists in India, including tax relief on housing-loan repayments from employers and housing-finance institutions, exemption from capital gains if assets are invested in property, tax exemption of up to 40 per cent of the gross profits from activities involving the financing and construction of houses, and tax benefits on rental income (Sundaram, 1990, 75).

In Thailand, the Government encourages commercial banks to make loans for housing by providing incentives such as "capital adequacy allowances" for home loan assets (Boonyabancha, 1990, 22). In addition, interest rates on savings and investments are determined by the market rather than by the State, and various forms of tax relief are available to those (especially middle-income groups) who invest in housing. However, interest rates on housing loans are generally pegged at one or two per cent below the market rate (Boonyabancha, 1990, 24). Hong Kong has a similar measure, the Home Loan Purchase Scheme, which provides interest-free loans to tenants who are prepared to buy property on the open market (Fong, 1989). Nigeria's draft National Housing Policy specifies four types of tax incentive related to the housing sector: exemption of housing loans from taxation, exemption of shelter from capital gains tax, tax incentives for housing built by employers, and lower personal taxation on rents (Odumuko, 1990, 61). In Turkey, new housing units are given a grace period of five years before real-estate tax has to be paid.

These kinds of tax relief, interest-rate adjustments and many other variants are commonplace in housing-finance systems throughout the world. To those who have access to them (mainly middle- and higher-income homeowners), they are very beneficial. The position of tenants is usually much worse, since they rarely have access to similar incentives and are considerably worse-off as a result. For governments, such incentives are a useful way of stimulating investment in the formal housing market but their effects on speculation in the land and property markets, and on government revenue, need to be carefully monitored. For the poor, such measures are much less relevant, since they apply only to salaried workers and to the formal housing-finance market to which few low-income families have access. While incentives are important in the expansion of housing finance overall, their role at present is limited largely to facilitating the development of adequate housing for the better-off.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter III. Workable elements of enabling strategies: The changing role of the public sector

#### B. Financing of housing

##### 4. Promotion of access by low-income groups to housing finance

As has been noted many times in the previous sections of this report, it is very difficult for low-income groups to gain access to formal systems of housing finance. There are two groups of reasons for this: first, poor people have certain economic characteristics which make it inherently more difficult for them to secure loans; their incomes are low and unstable, and they usually have little to offer in the way of collateral. Secondly, formal housing finance institutions are not geared up to respond to these characteristics in a positive and creative way. Even if they could circumvent normal rules and regulations, so the argument goes, the rates of return on loans to the poor would not justify the investment in terms of time, effort and administration. Therefore, poor people have no alternative but to rely on their own resources or to have recourse to informal sources of finance (see [section B.6](#)). A key objective of the **GSS** is to remove this bottleneck by promoting access to housing finance among the poor. Although there are few successful examples of this being done, one or two experiments are worth mentioning. They are further explored in the next three sections.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter III. Workable elements of enabling strategies: The changing role of the public sector

#### B. Financing of housing

#### 4. Promotion of access by low-income groups to housing finance

##### a. Easing regulations on collateral

Since lack of collateral is often the major barrier to access to loans, housing-finance institutions should be more flexible in accepting the kinds of assets typically owned by the poor. Land is an obvious example, though clearly lack of secure tenure will always be a serious problem here. Recently the Government of Thailand refused to accept slum land as collateral in applications to the Community Mortgage Scheme launched during the International Year of Shelter for the Homeless (see below). Instead, applicants had to obtain guarantees from NGOs or other individuals, thus restricting the reach of the Scheme (Boonyabanha, 1990, 25). People can apply for loans to the Government Housing Bank and the Government Savings Bank without collateral, provided that they have been regular savers in the relevant institution for at least two years prior to the application (Boonyabanha, 1990, 24). In India, security in the form of gold or jewellery (which most poor families have from their dowries) is allowed in some lending programmes (Sundaram, 1990, 54). Another way of easing collateral restrictions is by allowing groups of poor people to pool their assets and apply for loans as a cooperative or credit union. The draft National Housing Policy in Nigeria recognizes collective guarantees by cooperatives in applications to the mortgage system (Odimuko, 1990, 63).



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter III. Workable elements of enabling strategies: The changing role of the public sector

#### B. Financing of housing

#### 4. Promotion of access by low-income groups to housing finance

##### b. Lowering interest rates

When faced with lack of access to housing finance, it is tempting to argue rather simplistically for a lowering of interest rates in order to make loans affordable. As was shown in [section III.A.5](#), this sometimes takes the form of a cross subsidy whereby higher-income groups pay higher interest rates than lower-income borrowers. The draft National Housing Policy in Nigeria, for example, includes provision for low-interest loans to the poor through a National Housing Fund. It also proposes to reduce interest rates on transfers from the Federal Mortgage Bank to the primary societies (Odimuko, 1990, 63).

In reality, the scope for subsidizing interest rates on any significant scale is extremely limited, and makes no sense anyway in terms of the formal financial sector. It is also interesting to note that interest rates are often much less of a barrier to the poor than one might think. Many NGOs, credit unions and cooperatives charge market interest rates or even slightly above (see [section B.8](#)), and still manage to achieve high repayment rates, often through group rather than individual savings. This is the case, for example, with the Self-Employed Women's Association (SEWA) in India, and with the Grameen Bank and the Rural Advancement Committee in Bangladesh. While this is clearly a sensible strategy in terms of financial discipline and the sustainability of the programme, it does make it more difficult for the very poorest families to borrow.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter III. Workable elements of enabling strategies: The changing role of the public sector

#### B. Financing of housing

##### 4. Promotion of access by low-income groups to housing finance

##### c. Flexible repayment schedules

Given the unstable and irregular (though not necessarily low) incomes of most poor households, rigid repayment schedules which require a specific amount each month are inevitably a constraint. One way around this problem is to allow informal-sector workers to adjust loan repayments to their profits, which may be more readily available in six-monthly or yearly tranches. The Indian Government has already authorized graduated repayments of loans for housing to the commercial banks (Sundaram, 1990, 54).





## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter III. Workable elements of enabling strategies: The changing role of the public sector

#### B. Financing of housing

##### 4. Promotion of access by low-income groups to housing finance

##### d. Earmarking of funds for low-income groups

Another useful mechanism to improve access to housing finance among the poor is to earmark a proportion of funds released into the system for distribution to a particular target group. In India, for example, government authorities have decided recently to earmark 1.5 per cent of all incremental deposits in the commercial banking sector to housing (30 per cent going to individual households), though the target group is not specified in terms of income level (Sundaram, 1990, 54).



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### Chapter III. Workable elements of enabling strategies: The changing role of the public sector

#### B. Financing of housing

##### 4. Promotion of access by low-income groups to housing finance

##### e. Special funds

Special funds launched with the specific needs of the poor in mind provide another variant on the concept of earmarking. Thailand has developed two such funds. The first, started in 1987 to coincide with **IYSH**, was a "revolving" fund of \$US 4.7 million to help households evicted from the slums of central Bangkok. Most was spent on buying land outside the city for resettlement, but this was very far from the places-of-work for most of the recipients (Boonyabancha, 1990, 25). Part of the fund was used to initiate a Community Mortgage Scheme to enable the Government to purchase slum land on behalf of the occupants, who then repay the cost of the lot over the long term. A second, similar fund was announced in 1990, this time for \$US 10 million. These are small sums, but the concept itself is an interesting one. As noted above, the operation of the funds was not helped by the Government's decision to require guarantees on the loans from third-parties rather than the recipients themselves.



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### Chapter III. Workable elements of enabling strategies: The changing role of the public sector

#### B. Financing of housing

##### 4. Promotion of access by low-income groups to housing finance

##### f. The role of NGOs and cooperatives

As is explained in [section B.6](#) , NGOs and cooperatives have certain inherent advantages when it comes to promoting access to housing finance among the poor. They are more flexible and in closer touch with the needs and capacity to pay of their clients. Inner city cooperatives played a major role in linking the residents of rehabilitated tenements in Bombay to the formal housing-finance system (Sundaram, 1990, 50).



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### Chapter III. Workable elements of enabling strategies: The changing role of the public sector

#### B. Financing of housing

##### 4. Promotion of access by low-income groups to housing finance

##### g. Catalysing household investment

Very often, small amounts of cash or credit are all that is needed to unlock the potential of low-income builders. In the Slum Upgrading Programme in Hyderabad, India, for example, government provided small, initial subsidies in the form of construction materials and cash in order to galvanize subsequent contributions from the community (Sundaram, 1990, 65). Once low-income households are given help to overcome initial barriers to financing of shelter improvements, they are in a much healthier position to carry them on into the future. The same technique was used in rehabilitating rental tenements in Bombay, a scheme which is described in detail in section IV.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter III. Workable elements of enabling strategies: The changing role of the public sector

#### B. Financing of housing

#### 4. Promotion of access by low-income groups to housing finance

#### h. Conclusion

All these are interesting innovations, and well-worth pursuing within the framework of the **GSS**. However, the overall picture remains gloomy, with formal housing finance remaining firmly out of reach for most low-income households in the developing world. This is certainly true in Thailand (Boonyabancha, 1990, 23), Nigeria (Odimuko, 1990, 55) and Colombia (Useche de Brill, 1990, 63). Perhaps the most obvious lesson to be learned from the last few years is that action and intervention on a much larger scale is required to make any impact on the housing-finance system. There is probably no alternative to the large-scale provision of public-sector funds (or funds from the international community and multilateral institutions) through the housing-finance system, either directly or through banks and housing-finance institutions. This is beginning to be done in other areas of development finance: in agriculture and rural credit generally, for example, where large supplies of long-term funds are placed with institutions like the Grameen Bank in Bangladesh. There is no reason why it cannot be done in the field of housing, though, of course, countries undergoing severe economic difficulties are unlikely to be able to find the necessary resources themselves. If this does happen, it is equally important that such funds are geared specifically to the needs of the poor. This means flexibility and long repayment schedules, but does not mean subsidized interest rates or inefficient loan recovery. Given the availability of funds in sufficient quantities, and proper administration, there is no reason why housing finance cannot be utilized efficiently by the urban poor.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter III. Workable elements of enabling strategies: The changing role of the public sector

#### B. Financing of housing

#### 5. Improvement of efficiency informal housing-finance systems, flexibility in housing loans and possibilities to involve informal settlements

##### a. Improved efficiency

By and large, official housing agencies are cumbersome and bureaucratic, and often out of touch with those they aim to serve. Their efficiency can be increased in one of two ways: lower costs, and/or reducing bureaucracy. In India, many attempts have been made to cut through the "red tape" that encloses agencies like HUDCO, and indeed performance has improved. HUDCO now provides for differential interest rates and repayment periods according to income (Sundaram, 1990, 10). In general, however, cumbersome administrative and applications procedures, and rigid amortization schedules, work against these changes (Sundaram, 1990, 51). The Colombian Government (through the Banking Comptroller) has also tried to improve the efficiency of the housing-finance system by cutting costs, simultaneously squeezing administrative margins among financial intermediaries while preserving the supply of funds to borrowers (Useche de Brill, 1990, 63). Efficiency can also be improved by closer targeting of subsidies (if they exist) to those who really need them, and by improving research on the conditions of borrowers in order to reduce delinquency in loan repayments. In Colombia these measures are being implemented in the largest State housing agencies, including ICT (Useche de Brill, 1990, 65).



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### Chapter III. Workable elements of enabling strategies: The changing role of the public sector

#### B. Financing of housing

#### 5. Improvement of efficiency informal housing-finance systems, flexibility in housing loans and possibilities to involve informal settlements

##### b. Improved flexibility

One of the most obvious ways of improving access among low-income groups to housing finance is by giving loans for things which poor people actually want! Given the conditions of most of the urban poor in third-world cities, it is most unlikely that they will want (realistically) to buy completed dwellings; they are far more likely to want finance to purchase land, or building materials with which to upgrade their homes. It is very important, therefore, that loans are made available to cover these sorts of purchases. Some of the Urban Community Development Programmes in India (especially Hyderabad) have tried to do this by linking upgrading with productive activities, such as small-enterprise development, income-generation, and vocational training (Sundaram, 1990, 50). In this way, assistance is given to people to generate their own funds for the upgrading process rather than always relying on outside resources. The integration of physical and economic development in this way is an interesting and important area for the future, given the need to ensure sustainability in the shelter process and support the development of economic capacity among the poor.

In Colombia, loans from the housing-finance system are not limited to the purchase of dwellings, although in practice (because they tend to go to middle- and higher-income borrowers) other uses are rare. However, some of the State agencies (such as the ICT) have financed upgrading works, at least since 1986 (Useche de Brill, 1990, 66). NGOs like the Social Foundation also do this, though on a much smaller scale (Useche de Brill, 1990, 66). Since 1975, the housing and savings funds have also given loans towards the renovation, repair and subdivision of existing shelters, though the size of these loans is smaller than those made for house purchases (Useche de Brill, 1990, 67). Nigeria's draft National Housing Policy aims to encourage mortgage institutions to make smaller loans to low-income groups (Odimuko, 1990, 67). Under the recent Nigerian States Urban Development Programme, loans were made (from World Bank funds) for repair and renovation of existing dwellings, as well as land for new construction (Odimuko, 1990, 67).



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter III. Workable elements of enabling strategies: The changing role of the public sector

#### B. Financing of housing

5. Improvement of efficiency informal housing-finance systems, flexibility in housing loans and possibilities to involve informal settlements

#### c. Involvement of informal settlements informal housing finance

For reasons given in earlier sections of this report, it is rare for low-income households to gain access to formal housing finance. They lack the necessary collateral and economic stability. However, there are examples of links between informal settlements and formal housing finance, usually through an intermediary such as an **NGO** or cooperative which acts as guarantor. Some successful examples of this kind of activity are described below in [section B.6](#) . Lending small amounts of money or materials to catalyse household activity in upgrading schemes (as in India) is another example of a successful linkage between government, community and financial institutions. The Aguablanca programme described in detail in section IV demonstrates a similar approach. In this case, finance for basic services was provided from the Inter-American Development Bank through the Colombian Central Mortgage Bank (**BCH**) (Useche de Brill, 1990, 96). It has to be admitted, however, that none of these innovations has made much of an impact on access to housing finance among the urban poor.

The People's Bank of Nigeria seems to have made some progress towards this goal, offering small loans to informal-sector entrepreneurs without demanding collateral (Odimuko, 1990, 69). Guarantees are provided collectively, as in the case of the cooperatives described below.





## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter III. Workable elements of enabling strategies: The changing role of the public sector

#### B. Financing of housing

##### 6. Informal and community housing-finance institutions to reach those excluded by formal agencies

The message of this section of the report is that formal housing-finance institutions have consistently failed to deliver funds to low-income families. In the words of the Indian country case study, "by and large, the urban poor have to depend on their own sources or what can be borrowed in the unorganised market" (Sundaram, 1990, 20). Sundaram estimates that up to 85 per cent of all housing finance in India comes from informal sources (Sundaram, 1990, 51). In many cases, of course, formal and informal finance is mixed together, borrowers filling in whatever they cannot obtain formally by recourse to family, friends or their own savings. While one hopes that access to the formal sector will improve over time as the experiments noted above take root and develop, informal institutions are likely to dominate lending to the urban poor for some time to come. While these institutions are informal, they are not small, at least in aggregate. A colossal amount of human, physical and financial capital has been invested in incremental development by the poor themselves over the last 30 years.

Indigenous credit and savings institutions abound in both urban and rural areas of developing countries, and have done for centuries. There are well-developed networks of savings clubs, moneylenders and more specialized institutions in many low-income communities, as well as formal and informal links among family and friends which supply help in times of need. In addition to promoting access to formal housing-finance institutions, government and other agencies should also work with these indigenous institutions in order to strengthen their capacity, improve their efficiency, and curb some of their excesses. Often, the terms and conditions offered by moneylenders are far in excess of those set by the market. This is particularly so in the case of interest rates, which can reach 10 or 20 per cent per month in many areas of Asia. Lack of access to formal housing finance can be exploited by moneylenders because there is often no alternative source of loans.

In many urban areas of India one finds informal credit associations of low-income households called *vishi* (Sundaram, 1990, 68). These associations are organized on the basis of location, community, or ethnic background, or at the workplace. Each member contributes a fixed sum every month and in return receives a loan on a rota basis or at the discretion of other members. Around one quarter of these loans are used for housing purposes (Sundaram, 1990, 69). Similar savings clubs exist in many other countries, though more often in rural than in urban areas, and often for consumption rather than investment loans. The draft National Housing Policy in Nigeria explicitly aims to strengthen local thrift, credit and mutual finance associations in order to finance rural housing, although thus far these institutions have not been involved in financing shelter improvements (Odimuko, 1990, 71).

Informal finance in Thailand has taken on a more commercial set of characteristics, being dominated by small businesses and moneylenders (some of whom are fairly large-scale operators). Indeed, this is now a major sector of financial activity in Bangkok (Boonyabancha, 1990, 24). The other side of the story in Thailand is the emergence of NGOs as financial intermediaries in informal settlements. For example, NGOs have implemented a building materials loan scheme in three recent resettlement

projects in Bangkok (Klong Toey, Suwanprasis and Onnut) which persuaded participants to start saving one or two years prior to resettlement. By the time of the move, they had enough money to purchase an initial stock of materials (Boonyabancha, 1990, 28). Small-scale savings-and-loan schemes are a common area of **NGO** activity. The example of the Social Foundation in Colombia has already been mentioned, and the authorities in Colombia do provide special tax exemptions to other similar organizations whose profits are used for "social housing" (Useche de Brill, 1990, 68).

India and Bangladesh are particularly rich in effective **NGOs** which play a significant role in providing housing finance. The example of the Self-Employed Women's Association (**SEWA**) founded in Ahmedabad by Ela Bhatt is well-known (Sundaram, 1990, 65). **SEWA** has managed to finance small businesses, training, housing and other activities among low-income women because it is well-administered, has a solid financial base (now with its own bank), and is structured to permit a high degree of participation by its members in decision-making. This engenders a sense of responsibility and accountability among members, ensures a high repayment rate, and helps to prevent corruption and misuse of resources.

**NGOs** in Bangladesh such as **BRAC** (Bangladesh Rural Advancement Committee) and the Grameen Bank work predominantly in rural areas, though there is no reason why their methods could not be adopted in cities too. They have achieved remarkable success in lending money even to very poor (landless) households, with a repayment rate of over 95 per cent (Fuglesang and Chandler, 1986). Again, the factors underlying this success include tight administration (with above-market interest rates and enforced savings), group organization (with new loans being conditional on repayment by other members of the group), and a high degree of popular participation in the affairs of the scheme. The use of peer pressure to encourage repayment is a consistent feature of many informal credit schemes.

**NGOs** and community-based institutions have some obvious advantages over the formal housing-finance sector in terms of informal finance. They are usually flexible and well-rooted in local realities, and have first-hand knowledge of the economic situation of their members and borrowers. Bureaucracy is kept to a minimum and they are ideally placed to act as intermediaries between low-income families and formal institutions. They exemplify the kind of conditions required if loans are to be made available to the poor: able to lend in small amounts and at irregular intervals, when money is really needed; simple application and processing procedures; flexible repayment; but always with market interest rates (in order to ensure a continuous supply of funds). The major problem of informal housing-finance institutions is that of scale. With the exception of the Grameen Bank cited above, such schemes are invariably small in size and find it difficult to grow without losing their special characteristics. This is a general problem with **NGOs** which is taken up in [section C.7](#). It is not inevitable, however, and it is up to **NGOs** and governments to work together in a common search for more creative partnerships which combine the traditional advantages of both. This would be a major contribution to the successful implementation of the **GSS**.



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### Chapter III. Workable elements of enabling strategies: The changing role of the public sector

#### B. Financing of housing

##### 7. Financing of rental housing production

The recent report of a United Nations Expert Group on Rental Housing (UNCHS (Habitat), 1990b) estimates that over 40 per cent of the world's urban population live in some form of rented accommodation. In many cities, the majority of the poor are tenants (Edwards, 1990). Yet, few governments and public agencies have recognized the policy implications of this fact by developing strategies to facilitate the development of the rental sector of the housing market. Ten years ago, little was known about the characteristics of tenants and rental housing among the urban poor, but (particularly in the last five years) a great deal of information has been collected. What remains is to translate this information into action. Even the GSS, though it acknowledges the importance of the rental sector, fails to give it due prominence within the framework of the enabling approach.

There are many reasons for this. Some governments still harbour an ideological suspicion about private renting, fearing the development of large-scale landlordism and the negative effects this can bring with it. The self-help debate of the last two decades has focused almost exclusively on the home-ownership sector (legal or illegal), without realising that the enabling approach can also apply to the low-income rental market (see below). The goal of homeownership for all, rather than enabling people to choose from a wider range of housing alternatives, has been a powerful motivating force in official housing policy for many years. In addition, public-sector rental schemes have had very limited success in most countries, generating housing which is unattractive to residents and uneconomic to the State (Edwards, 1989). Investors in the private sector have also been unwilling to develop housing for rent because returns are often limited, partly due to the effects of rent control.

Despite these objections, it is important to recognize that rental housing does provide a useful, viable and acceptable housing alternative so long as certain criteria are met. Some poor families, and many more middle- and higher-income households, prefer to rent rather than to buy, and there is no reason to discourage them from doing so. They value the flexibility of renting and often wish to invest in small businesses or in rural land and housing rather than purchase a home in the city. This is particularly the case in Africa, especially West Africa (Edwards, 1990). However, the majority of low-income tenants would prefer to own a home if they could afford to do so. For them, renting is a secondary housing alternative, but in the absence of anything more suitable still provides adequate accommodation within their means. The inability of land and financial markets to supply these commodities in adequate quantities at an affordable level means that low-income groups will continue to be excluded from access to home-ownership for some time to come. The considerable difficulties of using private markets to increase the supply of land and finance to the poor were acknowledged in earlier sections of this report. While this remains the case, it makes good sense (within the framework of the GSS) to promote the development of low-cost rental housing.

However, there are exceptions to this rule. In highly-constricted housing markets (such as Nairobi and Bombay), supply and demand for both ownership and rental housing tends to produce much greater

pressures on prices and quality. Rents often rise in relation to real wages, physical quality deteriorates, and the ownership of rental properties becomes highly concentrated. Formal and informal links among landlords often conspire to push rents even higher on an organized basis (Gilderbloom and Appelbaum, 1988). This has been best-documented in the case of Nairobi (Amis, 1989). It is these conditions which inform the popular image of renting as exploitative and undesirable. The only way to prevent such conditions from developing is to ensure the existence and expansion of a thriving household rental sector; rental housing, in other words, which is developed by low-income owners.

It is now an acknowledged fact that the bulk of affordable rental opportunities in most developing-country cities are provided by low-income homeowners, in their own houses, in informal settlements (Edwards, 1989). As these settlements grow and evolve over time, a rental market invariably develops as "owners" (often even without security of tenure) begin to let one or two rooms on their lot. Evidence from numerous case studies shows that these rental markets are highly fluid; they are usually unregulated by legislation and official controls, and so eviction is common. However, tenants can usually find rooms elsewhere and rent levels are generally kept within affordable boundaries. Of course, not all rental accommodation is supplied by the household sector. Rental tenements are common in the centre of many older cities (such as Bombay and Mexico City), and fulfil a useful function in housing particular social groups and those who need to live close to their place of work in the inner city. Within the rental market as a whole, however, tenements usually constitute only a small proportion of rental opportunities.

This brief summary of low-income rental markets provides essential background for any discussion of the financing of rental-housing production. As will be clear from the previous discussion, the most useful form of financing is to facilitate the development of self-help housing, since this automatically stimulates the supply of potential rental housing in the longer run. Governments (unless they are rich in resources, such as in Hong Kong) cannot produce affordable rental housing in the quantities required, and to try to do so, in any case, is a misuse of scarce resources. The private sector generally steers clear of the low-income rental sector because returns are inadequate (except in the cases of highly-constricted markets cited above). Thus, only the household sector can provide rental accommodation to the poor in sufficient quantity and at the right price. If they are able to do so, poor people will create their own rental market at the same time as building housing for themselves and their families, at a lower cost and a higher standard than any other sector. This is the essence of the enabling approach to renting. Small-scale landlordism is the best way in which to reduce supply constraints in the rental market, but of course for this strategy to work poor families must have access to the inputs they need to develop their housing. Financing rental housing therefore means financing land and construction materials to low-income owners. It is vital that governments adopt an integrated approach to low-cost housing development by recognizing the interdependence of ownership and renting.

Hence, the most important action governments can take to stimulate the rental market is to facilitate access to low-cost home-ownership. This may seem a paradox, but is obvious when one considers that most rental opportunities for the poor are provided by low-income home-owners. The easier it is to gain access to ownership, the lower the demand will be for renting and the higher the supply of potential accommodation for rent. Owners will benefit from ownership itself and from rental income if they let part of their properties; tenants will benefit from lower rents and a higher quality of housing born out of more choice and greater competition. This takes us back to the earlier discussion of land, finance, and planning standards, and forward to later sections of this report on support to self-help initiatives, techniques and construction materials.

However, there are some more specific actions that can and should be taken to stimulate the rental sector. Some of these measures have already been considered during the earlier discussion of the legal and regulatory framework governing the shelter sector. Obviously, within the enabling approach it is

important to remove or at least manage controls on rents, and building and planning standards which discriminate against rental housing. Recent measures in some Indian states include exemptions from rent control for periods of 5 to 10 years on new constructions, provision for periodic revision of rents, and exclusion from control of rented property above a specified rateable value (Sundaram, 1990, 59). These steps will certainly help, and are part of an emerging consensus on rent control which sees gradual relaxation as the sensible way forward (Malpezzi, 1990). Colombian rent controls have rarely been effective anyway, at least in the informal shelter sector, and there are no controls to speak of in Thailand. Rent control has, however, never been a very significant deterrent to landlordism among the poor, because so few tenancies are legally registered.

More positive and creative measures to increase the supply of finance to rental housing production and improvement are comparatively rare because of the reluctance noted earlier of governments to become involved in this sector of the market. In Colombia, although there is no explicit Government policy on renting there have been a number of indirect endorsements in the form of measures such as the *Plan Terrazas* implemented by the Central Mortgage Bank (BCH). This plan provides finance to those who wish to add an extra storey to their dwellings, specifically intended for letting. It is, however, a "very slow process" (Useche de Brill, 1990, 69) and has had only a limited impact on the supply of rental accommodation in quantitative terms.

The upgrading of city-centre rental tenements has also been a feature of innovative housing policy over the last few years. These schemes vary considerably in their detail: some, such as in Bombay and Mexico City, involve the transfer of titles from landlord to tenant via cooperative structures, or the resettlement of the tenants in new areas completely (see section IV). In Bogotá, a Colombian NGO arranged a credit line from BCH to acquire a large number of tenements in two historic sections of the city - Egipto and La Candelaria. These were then renovated and handed back to the original tenants at the same rent (Useche de Brill, 1990, 70). An interesting feature of the scheme was that collateral for the credit line was provided by interest accruing on donations to the NGO in question, an imaginative move by both NGO and the State body (the Central Mortgage Bank) involved. This particular scheme is due for expansion under the new social housing policy.

Currently, the production of rental housing in Nigeria is heavily dominated by the private sector, government production of flats and houses having all but ceased (Odumuko, 1990, 72). The draft National Housing Policy, awaiting final ratification at Federal level in Nigeria, aims to facilitate an even greater role for the private sector by increasing the flow of housing finance for rental construction and conversion, expanding the provision of tied rented housing by employers, and promoting a larger role for government and state agencies in the sector as a whole (Odumuko, 1990, 70). However, as with other aspects of Nigerian housing policy, these intentions remain untested. Indonesia has also committed itself explicitly to facilitating the expansion of the rental sector as part of the GSS, under its current Five-Year Development Plan (1989-1994). A recent analysis of rental housing in Indonesia recommends that the State provide credit for investment in rental housing and channels this to "small developers" (Hoffman and others, 1990). In order to facilitate access to this new credit line, loans should be available in small amounts, short maturities, simple application procedures and through community-based institutions. Interestingly, however, the same study recognizes that even on these terms, credit directed specifically at the construction of housing for rent would probably not be very attractive to low-income homeowners, who look at landlordism as a very informal and sporadic activity, even though they provide over 80 per cent of all low-income housing in Indonesian cities (Hoffman and others, 1990, 5. 1). This confirms a point made earlier in this section, that housing finance to low-income families should be directed at the purchase of land and building materials for owner-occupation, rather than to landlords per se. The key is to facilitate the indirect expansion of the low-cost rental market by making it easier to buy land and build a home. At some point in the future, part or all of this home may be let. This is a far more effective and

efficient way of utilizing scarce resources than subsidizing the efforts of large-scale landlords and developers.

In conclusion, the provision of finance directly to producers of rental housing is an important task, but should not take priority over more fundamental issues, particularly how to improve support to the efforts of members of the household sector to build and improve their own dwellings. If this is done, then a low-cost rental market will develop on its own. The job of governments is, therefore, to withdraw from the direct production of housing for rent, concentrating instead on support and stimulation of the household and private rental markets. Of these two, the private sector is important in providing rented accommodation to middle- and higher-income groups, while the household sector is the key to expanding the supply of reasonable and affordable rental housing to the urban poor. In order to accomplish this task, governments need to remove any biases against renting that exist in urban planning standards and other measures that affect the ability of the poor to adapt their homes for letting. The supply of housing finance to rental-housing developers needs to be improved, and legal controls on rent levels relaxed. More importantly, however, governments need to facilitate access to home-ownership among the poor.

Overall, what is needed is an "enabling" approach to rental housing as well as to home-ownership. More accurately, the two sectors need to be considered together in order to maximize the range of housing choices available to individuals. They will then be able to choose the most appropriate form of accommodation to suit their needs, and many, at least will choose to rent or share rather than to buy. The best way to do this is by ensuring an adequate supply of land and finance to those who want it, especially the poor. Given the right support, they will develop their own rental market as effectively as they develop their own housing overall. It is the poor themselves who are the most appropriate landlords of the future. While there is some evidence that the importance of rental housing is being taken to heart by an increasing number of governments and official agencies (and certainly by the international community, the World Bank and **UNCHS** (Habitat)), there remains a huge gap in housing policy in relation to renting. This is another aspect of the **GSS** that requires more urgent attention.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter III. Workable elements of enabling strategies: The changing role of the public sector

#### B. Financing of housing

##### 8. Financing of producers of housing and inputs for housing production

Although the proportion of construction costs taken up by building materials varies considerably even from household to household, it is always a significant amount. One estimate from urban India puts the figure at between 65 per cent and 75 percent of the total cost of the dwelling (Sundaram, 1990, 66). Clearly, any measure which reduces the costs of construction materials (see [section C.3](#)) or finances their purchase at lower long-term cost will increase access to low-income housing. One needs to bear in mind, however, the resourcefulness of poor people in finding their own materials, often free-of-charge, rather than relying on the official market.

Recent experience in India is especially interesting in this regard. Here, **HUDCO** (the Housing and Urban Development Corporation) is providing loans to small producers of materials, especially brickmakers. Innovative building materials such as stabilized mud blocks, flyash bricks, ferrocement components and cellulose concrete blocks are marketed in public housing programmes. These and other materials are being developed under the aegis of the new Building Materials and Technology Promotion Council (**BMTPC**), which is extending links with other official bodies so that new materials can be used more easily. For example, the Department of Power has permitted the supply of flyash for use in construction materials of various kinds (Sundaram, 1990, 60).

In India also, building materials are often supplied in the form of credit instead of cash. This helps to prevent mis-utilization and ensures that housing finance is used for the purpose it is intended for (Sundaram, 1990, 67). Financing of private-sector housing producers (who supply over 80 per cent of formal housing in Indian cities) is much less well-developed, forcing these producers to rely on more expensive informal sources and thereby increasing costs to the final consumer. Larger producers find it easier to obtain loans from the formal financial system because they can provide collateral and take out larger amounts. This enables them to purchase larger lots and to build up supplies of construction materials, in contrast to smaller-scale producers who lose out in the same process (Sundaram, 1990, 62). Nevertheless, many housing producers are willing to pay interest rates above the market rate, since demand for housing from the burgeoning Indian middle-class is so high (Sundaram, 1990, 63).

Most of the official shelter agencies in Colombia provide some financial assistance to producers of housing and of building materials, though the scale of this assistance is never great. The Land Credit Institute (**ICT**) lends to developers through co-financing or "P3" programmes, while the Central Mortgage Bank (**BCH**) and Housing and Savings Funds (**CAVs**) have similar schemes. However, resources are often delivered late to the developers because of liquidity constraints in these institutions (Useche de Brill, 1990, 11). The Colombian Government (at least between 1982 and 1986) also experimented with support to small-scale production of building materials, financing entrepreneurs to set up small businesses within low-income settlements. Since these producers are based in the settlement they can offer lower prices to consumers, and low-income builders can obtain the materials they need much more easily (Useche de Brill, 1990, 72). The recent policy of economic liberalization in Colombia ("economic

opening") has also facilitated the supply of imported building materials by reducing tariff barriers (Useche de Brill, 1990, 72).

A different approach has been tried in Bangkok, where NGOs have successfully managed small savings-and-loan schemes for construction materials within low-income settlements. In this case, the resources of the community itself are used to bulk-purchase supplies of the necessary materials, which are then made available to savers rather than providing them with cash. As in other similar schemes, the end result is to reduce the price of essential materials to the poor (Boonyabancha, 1990, 28).

Overall, however, there have been few attempts directly to finance inputs for housing production, at least among the poor. As usual, they are left to their own devices, to informal sources of finance and to materials discarded by others. Perhaps the most promising of the experiments described briefly above are those which facilitate the development of materials production within low-income settlements. These hold out the promise of greater access at lower cost, and are further explored in [section C.3](#).





## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter III. Workable elements of enabling strategies: The changing role of the public sector

#### B. Financing of housing

##### 9. Financing of housing cooperatives

Cooperatives of many different kinds have developed rapidly in developing countries over the last 20 years. Though they are more common in fields such as agriculture and marketing, they are also playing an increasingly important role in the shelter process. Some examples of this role are given in [section C.7](#), which looks in detail at the role of **NGOs**. This section of the report confines itself specifically to the financing and financial activities of cooperatives.

Like other **NGOs**, cooperatives can perform a very useful function in terms of mediating between individuals and higher levels of the housing-finance system. As has been made clear above, it is very difficult for low-income individuals to gain access to formal housing finance of any kind, forcing them to rely on (often more expensive) informal sources. Cooperatives can help to bridge this gap by representing their members to financial institutions, acting as guarantors (using collective assets) and channelling loans to individuals. This has been achieved with some success in India, where the National Cooperative Housing Federation (**NCHF**) has been charged with the production of 1 million dwelling units between 1990 and 1995, to be co-financed by government and the cooperatives themselves (Sundaram, 1990, 56). This would involve a commitment of (Rs. 20 billion) in housing finance by the state. In fact there are many different types of housing cooperatives in India, some of which have little to do with the needs of the poor. By March of 1988, there were over 41,000 separate housing cooperatives in India with more than three million members (Sundaram, 1990, 78). Primary societies are of five kinds: tenant ownership, tenant co-partnership, house mortgage, house building, and occupant-tenant (Sundaram, 1990, 60), and draw their funds from apex cooperative societies. In turn, the apex societies draw funds from state and national governments, **HUDCO** and other financial institutions. **HUDCO** also lends directly to the primary societies (Sundaram, 1990, 61). Many housing cooperatives in India are made up of formal-sector or government employees, and play a vital role in producing housing for middle- and lower-middle income groups. Of more relevance to the very poor are the innovative inner-city cooperative schemes described in detail in section IV. Here (principally in Bombay), the cooperative again acts as middleman, but for a much poorer segment of the population, channelling finance to the renovation of tenements and the upgrading of services from the state, public agencies and even from banks (Sundaram, 1989).

Housing cooperatives in Colombia exist on a smaller scale than in India, but play a significant role nonetheless. Under the previous Presidency, special regulations were created to channel financial resources to cooperatives from financial institutions such as the housing and savings funds (**CAVs**), making it easier for members to apply for loans without having to provide collateral individually (Useche de Brill, 1990, 73). The Central Mortgage Bank (**BCH**) now runs a similar scheme, providing technical assistance also in terms of loan disbursement and administration. **ICT** has improved on this programme by offering credit to cooperatives at lower interest rates (Useche de Brill, 1990, 74). Financing of cooperatives by public agencies looks set to increase still further under President Gaviria's new Social Housing Policy.

Channelling finance to cooperatives (particularly if their members are from low-income groups) does, however, require considerable effort and assistance from the public sector. This is demonstrated by the experience of both Colombia and India, neither of which would have been successful if cooperatives had simply been allowed to fend for themselves on the private financial markets. Instead, public shelter agencies have acted as intermediaries to ensure that funds flow in the right direction. Contrast this with the experience of Thailand, where up until now only three housing cooperatives have been registered in the whole of Bangkok (Boonyabancha, 1990, 25). While cooperatives still form only a small proportion of housing producers in most countries, they do have distinct advantages over other forms of organization in channelling support to low-income groups. By pooling their assets (and sometimes their labour), individuals can gain access to housing finance and construction materials much more easily. At the same time, financial institutions are more willing to lend to cooperatives because the risks of default are lower and greater collateral is available. Channelling more finance to housing cooperatives remains, therefore, an important component of the enabling approach for the future.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter III. Workable elements of enabling strategies: The changing role of the public sector

#### B. Financing of housing

##### 10. Conclusion

In terms of the financing of housing, especially low-income housing, the overall conclusion to be drawn from the initial experience of the **GSS** described above is largely a disappointing one. While there have been isolated successes, such as the financing of housing cooperatives in India, the emergence of decentralized housing-finance institutions in many countries, and numerous special measures aimed at improving access among the poor, this access remains limited. Indeed, many of the successes of housing finance over the last few years have been among the middle- and higher-income groups (such as the Housing Finance Development Corporation in India), where purchasing power is obviously higher, collateral is available, and risks of default are lower. For the poor, there remains little alternative but to rely on one's own resources or to use informal sources of finance.

There are obvious reasons for the continued existence of this situation. As with the land market, it is extremely difficult for governments to ensure an increasing supply of financial resources to low-income groups from the formal sector. This is because formal housing-finance institutions have their own mandate and rationale which rarely permits them to lend to the poor. Returns are inadequate to cover costs, and risks are too high. The only way around this impasse seems to be for government (backed up by international agencies and financial bodies) to release very large amounts of long-term capital on to the housing-finance market and to ensure that financial institutions do lend this money to the poor. Experience demonstrates that this task will be made easier if public agencies are involved as intermediaries (as in the Colombian and Indian modes), if housing cooperatives act on behalf of groups of the poor (reducing costs and risks to the financial institution concerned), and if a more imaginative approach is taken by the formal sector to collateral and graduated repayment. This includes acceptance of slum land and housing, and other assets of the poor like jewellery, as security; flexible repayment phased in with the income-earning capacity of informal-sector workers; and the financing of land and building materials as well as housing.

Equally, there is potential in expanding the role of informal housing finance institutions and **NGO** savings-and-credit schemes. These schemes have demonstrated that poor people (even those without tangible assets) can be reached by credit if certain criteria are adhered to. Chief among these criteria are participation by beneficiaries in all aspects of the scheme, peer pressure to encourage repayment of loans, group lending, and a sound financial base. Another crucial lesson is that poor people can and will pay market or above-market interest rates, as they have done for centuries with local moneylenders. This rule should be enforced wherever possible (and it should be possible in all but the of funds remains available for further lending. If this is not done, such programmes are simply not sustainable. The future of the enabling approach to housing finance lies in facilitating the development and expansion of all these sectors (public, private and informal) and in making it easier for poor people to utilize whichever is most convenient.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter III. Workable elements of enabling strategies: The changing role of the public sector

#### C. Shelter production and improvement

##### 1. Shelter production by public organizations: evaluation of special programmes

Thus far, this report has focused on recent experience with initiating enabling strategies in facilitating inputs into the shelter process - land, finance, services, materials and so on. This is a critical area for action, but of course the next stage of the process, during which inputs are transformed into outputs (shelter), is equally important. If government action is misdirected at the production stage, then the shelter process will be considerably constrained. There are many different actors involved in shelter production, and the key objective as defined by the **GSS** is to marry their efforts together in such a way as to achieve the optimum contribution of each.

Experience demonstrates very clearly that, unless exceptional circumstances apply, direct production of housing by the State is never an efficient use of scarce resources. This is made quite explicit in the **GSS**. The reasons underlying this conclusion are fairly obvious: standardized units, built by using industrial methods and administered by government, are expensive to produce and unattractive to the poor. For the same level of resources, many more dwellings can be produced by people themselves, suited to their own varying needs and preferences. Although it has taken some time for this lesson to sink in, few governments now devote significant resources and energy to the direct production of housing, at least for low-income groups.

In Thailand, for example, public-sector housing contributed only 640 units to the overall housing stock in 1988, and 2500 in 1990. Compare this to the total number of employees working for the National Housing Authority which produced these units - 2000! (Boonyabancha, 1990, 26). The Slum Upgrading Programme in Bangkok only covers between 4000 and 5000 dwellings per annum, while the Government has rarely made a significant impact on the supply of serviced land either. Only during the period 1979-1982 did this happen, when 12,000 lots were made available in government-sponsored sites-and-services schemes (Boonyabancha, 1990, 26). Although these were "government projects", they should more accurately be described as "aided self-help", and so are included under [section C.4](#) below. The basic point to be made is that Thailand has always relied on the private and household sectors in the production of housing.

Nigeria has a similar tale to tell. Here, commitment to the role of the State in shelter production has a long history, being enshrined in successive National Development Plans up to the military coup of 1983. However, although ambitious construction targets were set, they were never achieved. Only around 20 per cent of the planned output of "low-cost" units under the Federal Low-Cost Housing Programme were actually built during the period 1980-1983 (Odimuko, 1990, 19). The country case study for this report concludes that "the very low level of output had little or no impact on the overall shelter needs of the masses nationally" (Odimuko, 1990, 19). Heavy State investment in housing was suspended by the new Administration after 1983, with the emphasis shifting firmly to the private and household sector under the draft National Housing Policy currently awaiting ratification. This policy re-orientates the role of the State in housing production very clearly within the framework established by the **GSS**, with

government seen as a facilitator (of the efforts of others) rather than as producer.

Public agencies such as the Central Mortgage Bank (BCH) and Land Credit Institute (ICT) have for long played a central role in the production of housing in Colombia. Although they have all but withdrawn from producing housing directly, they do manage substantial programmes which channel government resources to private contractors (and sometimes community groups).

During the 1970s, and to a lesser extent the following decade too, ICT and BCH sponsored large-scale housing developments for middle-income groups and formal-sector workers. The "Cities-Within-the-City" concept was particularly popular, most recently exemplified by the 7500 units of Ciudadela El Tunal in Bogotá (Useche de Brill, 1990, 75). State agencies have made a significant contribution to the middle-income housing stock in Colombia, and sometimes at a lower cost to the consumer than might otherwise have been the case (Useche de Brill, 1990, 75). Their contribution to the housing stock overall, and to the housing of the poor in particular, has never been very great (Useche de Brill, 1990, 75). It is therefore encouraging that their role is currently being re-defined within the enabling approach to facilitate private and household-sector construction. Whether they are really able to do this effectively is a question for the future.

There has also been a general move away from a direct role for the public sector in India, though the Housing and Urban Development Corporation (HUDCO) does still manage shelter developments for formal-sector workers and government employees. It is interesting that by law, HUDCO has to reserve between 5 per cent and 15 per cent of lots in each project for "low-income groups" (Sundaram, 1990, 27). More significant from the point of view of the enabling approach are the steps taken by government in India to address directly the shelter needs of some of the most vulnerable groups in society. Pavement-dwellers in Delhi need to remain on or near to the pavement because this is where they earn their living - as street hawkers, rickshaw drivers and so on. The Indian Government has launched an innovative programme to construct night-shelters for all pavement-dwellers, complete with basic services. A small charge is made for the use of the shelter and the services (with exemptions for women, the elderly and the indigent), to cover maintenance costs. The scheme is shortly to be initiated in other metropolitan areas (Sundaram, 1990, 77).

There are other examples of this kind of intervention too. Using loans from HUDCO, the Ministries of Labour and of Textiles are undertaking special programmes to provide housing for *bidi* (cigarette) workers and for weavers. These are traditionally very low-wage occupations with extremely poor conditions of work. Single women at work are another vulnerable target group, and they are taking part in another scheme financed by HUDCO for the production of condominiums specifically for working women (Sundaram, 1990, 77). The example of tenant cooperatives in the *chawls* (rental tenements) of Bombay has already been mentioned, and is explored as a case study in section IV. All these are illustrations of a new and more sensible role for government in producing, or helping to produce, shelter for particular target groups. It is these groups, including the poorest, pavement-dwellers, inner-city tenement-dwellers and single mothers, who face the most difficulty in the private and household housing markets. Rather than competing with private and household producers, governments should instead restrict their role in the production of housing to the needs of specific vulnerable groups who are not provided for by any other sector. This is an effective use of scarce resources and brings immediate shelter benefits to the very poor.

For most governments, using public-sector resources to protect the most vulnerable groups is a much more sensible strategy than mass-production of housing for all. It is worthwhile remembering that the conditions which allowed Singapore, Hong Kong to invest so heavily in direct shelter production are simply not replicable in other economies. The level of resources available to the State is vastly higher there than in the rest of the developing world, land was overwhelmingly government-owned, target

populations were relatively small, and an efficient and well-supported administrative system was in place ( **UNCHS** (Habitat), 1990b). Even in Hong Kong, recent developments show that the role of the public sector in housing production is declining: private-sector resources are increasingly utilized, and public-sector tenants are being encouraged to purchase housing on the private market under the new Home Loan Purchase Scheme (Fong, 1989). Hence, India's early and tentative experience in re-directing public-sector efforts in the field of housing production towards the specific needs of the very poor might well offer a model for the future.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter III. Workable elements of enabling strategies: The changing role of the public sector

#### C. Shelter production and improvement

##### 2. Support to the development of appropriate construction techniques, particularly for low-cost housing production

As poor people have demonstrated consistently, it is possible to build and improve a perfectly adequate dwelling with minimal technical expertise in the construction industry. Much more important than technical expertise and standardized construction techniques is the freedom to use whatever technique is most appropriate, given the needs and resources of the family concerned. This may be construction by the occupants themselves, use of other family members and friends, employment of small contractors, or (more usually) a combination of all three. Any mixture of materials may be used, depending on what is available and affordable at the time. Official support for the development and dissemination of new ways of building at low cost is important, but there are far more significant bottlenecks in the shelter process that need to be removed.

Having said that, it is obvious that there is always room for improvement in the techniques used to construct higher-quality dwellings at lower unit cost. The Building Materials Technology Promotion Council (**BMTPC**) in India is a good example of many similar institutions which have sprung up over the last few years in an effort to improve low-cost construction techniques and components. **BMTPC** aims to identify and promote proven new technologies through research, networking and experimentation. Its prime links are with the network of building centres being established across India with government support. These centres are designed to propagate low-cost innovations in construction techniques and materials, to impart training in construction-related trades, and to disseminate information on all aspects of the shelter process (Sundaram, 1990, 7). Reference has already been made to official support in India to the use of flyash in low-cost construction, and other new materials are considered in the next section of this report.

Similar experiments are taking place around the world, often using the same basic range of innovations. Soil-cement blocks, fibre-cement roofing sheets, and strengthened bricks are increasingly common. Prefabricated components are also being tested (for example by **SENA**, the National Apprentice Service, in Colombia), but these are perhaps less useful to the poor given the lower flexibility and adaptive capacity of standardized materials (Useche de Brill, 1990, 76). The major area of such activity in Nigeria has been to encourage the replacement of concrete blocks with burned bricks, though the new National Housing Policy does recommend the establishment of a National Building Research Institute in order to make a more concerted effort to support the development of more efficient techniques (Odimuko, 1990, 74).

Perhaps the most significant aspect of these institutions from the viewpoint of the poor is their contribution to more appropriate training of skilled artisans in construction-related trades. As was pointed out above, low-income families may choose many different strategies in the construction of their dwellings. Sometimes all the skills and labour are provided by the household itself. More often, some skilled labour is hired from outside, though usually from within the same settlement and network of

contacts. Skills which are most in demand include carpentry, bricklaying and ironwork. It is vital, therefore, that such skills are made available in adequate quantities in a way which is accessible to the poor. The best way of doing this is to locate skilled artisans in low-income settlements, and institutions such as the building centres in India and **SENA** in Colombia that have very useful roles to play in this respect. Training in the basic skills of carpentry, masonry and so on are obviously essential, but it is equally important that trainees gain knowledge of new, low-cost building techniques, appropriate tools they can make and repair themselves, and information about experiments that are being carried out in their fields of work. It is always difficult for people at the grassroots level to have access to information on what is going on elsewhere in the same city, let alone in other cities and countries. Central institutions therefore have a role in collecting and disseminating information to those who would otherwise not have access to it.





## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter III. Workable elements of enabling strategies: The changing role of the public sector

#### C. Shelter production and improvement

##### 3. Support to the development of building-materials production, particularly indigenous materials

One recent estimate from India calculates that building materials account for 65 to 70 per cent of the total costs of construction (Sundaram, 1990, 7). It is not clear what this figure refers to, since many materials used by the poor are not bought on the commercial market, but rather gathered from rubbish tips, scrapyards and building sites. Whatever the precise figure, however, materials do constitute a significant input into the building process, and any measure to reduce their cost and to improve their quality is obviously welcome.

Most construction materials used by the poor are indigenous to the local area, and are usually produced by small-scale entrepreneurs and family businesses. For example, the entire brick production of India (some 232 billion bricks per annum) comes from what Sundaram calls the "unorganised" sector (Sundaram, 1990, 92). The requirements of these producers need to be addressed and their efforts supported. People need to be able to obtain licences for raw materials and fuel quickly and cheaply; they need affordable credit; they need advice and support with marketing; and they need technical assistance to improve technology and productivity. The Indian Government is attempting to provide all of these forms of support to private brick-producers (Sundaram, 1990, 92). The case of the Department of Power in India has already been cited, with permission being granted to use flyash in building components. Building centres and the Building Materials Technology Promotion Council are also playing a steadily-increasing role in the development and dissemination of new materials.

Elsewhere there has been less progress on this front. The country case studies for Nigeria, Thailand and Colombia have little of interest to report, beyond the experience of **SENA** in training and information work, and some small-scale experiments with bamboo and soil-cement (Useche de Brill, 1990, 79). In the Philippines there has been a considerable degree of interest in the experience of building materials banks, whereby low-cost construction materials are stockpiled in low-income settlements to facilitate their supply. Human Settlements of Zambia (**HUZA**) operates a similar scheme in Lusaka, developing reinforced soil-cement blocks, fibre-cement roofing sheets (using sisal), solar heating and cooking technology, and other innovations in a number of upgraded compounds in the city (Turner, B., 1988). Generally, however, these innovations have had only a limited take-up by the population of the settlements concerned. This reflects an important lesson of experience in the field of indigenous building materials: poor people will continue to use the cheapest materials available and will not adopt new innovations unless there is a distinct advantage in using them. The most successful indigenous building materials have been soil-cement blocks and burned bricks, since these are the most essential components of a dwelling. Almost as important are roofing sheets, and this is an area where success has been less impressive. Although fibre-cement can be cheaper than asbestos or corrugated iron, it is comparatively heavy and sometimes weathers poorly. Development of cheaper and stronger alternatives to traditional (i.e., commercially-produced) roofing materials should be a priority over the next few years. Otherwise, people will continue to resort to thatching, waste materials, or (if they can afford them) asbestos and corrugated iron.

The alternative to developing indigenous building materials is simply to expand the supply of industrially-produced alternatives at a price poor people can afford. Given the costs of producing these materials, this is very difficult to do, but more support of the kind being given to brick-producers in India would produce considerable dividends. Otherwise, the poor will continue to rely on their own resources and make the best of whatever limited range of building materials lies within their grasp.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter III. Workable elements of enabling strategies: The changing role of the public sector

#### C. Shelter production and improvement

##### 4. Support to small-scale housing producers and to the "informal" sector

A central theme running through the **GSS** is the crucial role of poor people themselves in producing and improving their own housing. Time and again, poor people have shown that, given the chance, they can create housing at lower cost and higher quality than either public or private sectors. Much of this housing is self-built, but the contributions of skilled artisans, small contractors and producers in the informal sector are also important. A key role for government within the enabling approach is to support these producers so that they can generate as much housing as possible.

Thus far, governments have usually approached this task through housing projects - upgrading (in which layout and services are improved *in situ*), resettlement, sites-and-services schemes (both involving relocation to new land, usually already provided with basic infrastructure) and of inner-city slums. An important lesson of the last two decades of official support to "self-help" is that the "project approach" has serious disadvantages. What is really needed is support to the process of self-help wherever it is taking place, independently of particular projects administered by government or public agencies. This conclusion falls naturally within the context of the **GSS**, which emphasizes the need to free the poor to get on with things, outside the constraints of official housing projects. The experience of some of the more innovative upgrading and resettlement programmes is examined in detail in section IV. Past experience with official support to informal-sector activity in the shelter process can be summarized as follows.

Affordability criteria were often set at too high a level, with the result that some households in upgrading and sites-and-services schemes failed to repay their loans or cover their service charges. This entailed enormous subsidies on the part of the project sponsors (governments, and behind them, the World Bank) and made these projects non-replicable. Further, programmes were often infiltrated by higher-income groups in search of cheaper housing or property to hold for speculative purposes. This encouraged many of the poorest households (i.e., those unable to afford higher rents charged in upgraded dwellings) to leave the settlements, selling out to the better-off. A rental market quickly developed in most housing programmes anyway as many of the original occupants moved out. Inappropriate planning standards made it more difficult for poorer families to build and improve their housing in the new projects. Poor management and administration led to severe delays in the allocation of lots and provision of services. Settlements were often located far away from the city centre and from other sources of employment for their inhabitants. Participation by members of the community was generally limited, especially in design and decision-making. Sites-and-services schemes were found to be much more expensive per capita than upgraded or rehabilitated settlements, and much more costly in real terms than was originally thought. This was partly because much less use was made of self-help labour than had been anticipated (Keare and Parris, 1982; Sundaram, 1990, 84-86).

In many countries, this "first generation" of assisted self-help housing programmes has given way to a more refined approach which takes into account the disappointments and weaknesses of earlier programmes. Initiatives such as the Slum Upgrading Programme in India, the Million Homes Programme

in Sri Lanka (now extended to a million-and-a-half). Aguablanca in Cali, and some resettlement schemes in Bangkok, suggest that the lessons of the past are being heeded, although the predominant approach is still project- rather than process-oriented (see section IV). The emerging role of CBOs, NGOs and cooperatives as facilitators of self-help construction is another encouraging trend, which is analysed in later sections. The role of these structures at settlement level removes the need for government itself to "administer" the housing process and enables people and their own institutions to do this for themselves. *In-situ* upgrading, both of inner-city slums and rental tenements, and peripheral informal settlements, is gradually taking precedence over planned sites-and-services schemes. Subsidies are being reduced as more appropriate affordability criteria are developed and steps taken to prevent speculative purchases and "downward filtering" of higher-income households into low-income settlements. New partnerships are being developed between government, the private sector, NGOs and the people themselves, so that each plays the role for which it is best suited. These are all welcome trends, though their cumulative effect is still fairly minor.

In moving still further towards support for self-help as a process rather than a series of unconnected projects, governments need to pull back from a direct role in administration to facilitate housing inputs on a much larger scale. This role has already been explored in earlier sections of this report. It involves boosting the supply of land and housing finance, removing inappropriate standards and bureaucratic procedures, legalizing tenure in informal settlements, and promoting cheaper building materials and construction techniques. People will then implement and direct their own "projects" with support from government and public agencies, rather than participating in projects designed and implemented by government, with all the problems this entails.

One option which has received little attention thus far is the stimulation of informal-sector producers who work on a larger scale than the individual dwelling but on a much smaller scale than the private sector. A recent report on housing in Indonesia recommends the provision of small amounts of credit to such producers in order to stimulate construction of low-cost rental housing (Hoffman and others, 1990). This is an interesting idea, though perhaps one with limited potential, given the ability and willingness of the poor to produce housing for themselves rather than purchase it from developers, however small in scale. There is no reason to facilitate commercialization of shelter production unless the household sector is unable to function effectively. First priority must therefore go to supporting the popular housing effort.



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#### C. Shelter production and improvement

##### 5. Support to self-help efforts by local organizations. housing cooperatives and community groups

Most of the discussion in this report of the role of **NGOs** and **CBOs** in the shelter process is reserved for [section C.7](#). The role of such groups in the actual production of housing is quite limited. **NGOs** have distinct advantages over other structures in terms of facilitating and acting as mediators, but they have no distinctive competence in terms of housing production. When they do take on the role of builders themselves, they begin to suffer from exactly the same problems as governments, becoming slow and bureaucratic, and taking initiative away from people at the grassroots. As the **GSS** implies, construction should be left to the poor themselves, and to the private sector in the case of housing for higher-income groups. The role of **NGOs** lies in other directions.

The example of the cooperative movement in India has already been cited. With over 41,000 primary societies and 3 million members, the cooperative sector in India constitutes a major social and economic movement. Many of these societies are made up of middle-income members, while others have little to do with housing. Nevertheless, housing-related cooperatives have some important successes to their credit. A well-known example is the rehabilitation of inner-city rental tenements in Bombay by tenant cooperatives, which is described in detail in section IV. Here, residents were able to return to their original accommodation after rehabilitation, rather than being resettled to peripheral locations (in contrast to much of the Bangkok experience). The cooperatives acted as intermediaries in terms of credit, advice and organization (Sundaram, 1989).

In Colombia, there are over 40,000 community action councils mobilizing more than 7 million people, mostly in rural areas. Although the main role of these councils is not the production of housing, they have carried out over 700 shelter programmes covering 100,000 dwelling units (Useche de Brill, 1990, 81). Under new proposals for integral community self-management, it is proposed that new functions be devolved to community action councils, including supervision of basic infrastructure, education, economic development, and participation in the political process (Useche de Brill, 1990, 81). To this end, the Colombian Government and shelter agencies like **ICT** and **BCH** are supporting the strengthening of the councils, other community organizations, and cooperatives, with financial and technical advice (Useche de Brill, 1990, 82). One problem that still faces the community action councils in Colombia and similar institutions in other countries is the extent to which they are really representative of, and controlled by, the poor, rather than being semi-official agents of the State at local level. Community organizations can only play their role effectively if they are genuinely independent of political factions and accountable to their members.

Group action and activity by the urban poor in the shelter process has a number of distinct advantages over action by individuals. Groups can ensure that the needs and interests of the poorest and most vulnerable individuals are addressed rather than ignored, and they can help to reduce the risks of commercialization in housing when individuals sell their property to speculators and higher-income families. For example, communal or cooperative tenure helps to preserve the identity and solidarity of the

community concerned by limiting possibilities for individual sales. This was a distinctive feature of the Klong Toey upgrading programme in Bangkok, but was absent from an otherwise similar programme in Mexico City (the Guerrero Cooperative) which suffered as a consequence (Turner, B., 1988). The success of group credit schemes highlighted in [section\\_III.B.6](#) is another example of the value of communal as opposed to individual action. As is explored in detail below, the role of community groups in the implementation of the **GSS** is critical.



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#### C. Shelter production and improvement

##### 6. Contributions of the private sector to stimulating low-income housing development

At the outset of this discussion, it is important to clarify the distinction between the household sector and the private sector in the shelter process. The private sector consists of producers organized for profit; the household sector (or what is sometimes referred to as the "third sector") refers to individual families whose prime purpose is the construction, improvement and use of their own dwellings (Turner, B., 1988). Though these two sectors sometimes overlap, generally they have very different characteristics and, therefore, different roles in the shelter process.

Given that the prime motivation of the private sector is profit-maximization, it is not surprising that it has played little role in housing for the urban poor. Rates of return on construction which would be affordable for low-income groups are usually too low to draw forward private-sector investment. This is not always the case: in highly-constrained housing markets such as Nairobi, rental housing for the poor becomes extremely profitable and begins to attract large-scale capital (Amis, 1989). Generally, however, this is not the case and landlordism remains a small-scale and informal affair (Edwards, 1990). When it does occur it is not something to be encouraged, because the housing produced is more expensive and less satisfactory to low-income families than either self-help home-ownership or renting in the household sector. Increasing private-sector activity in the low-income housing market, which is a natural accompaniment to the process of commercialization highlighted earlier in this report, tends to drive prices up and leads to the increasing concentration of property-ownership. This in turn denies poor families themselves of the opportunity to earn rental income and closes off access to affordable home-ownership. The case of Bangkok is a good example of this process at work, with most poor families living without security of tenure in rental slums, most land having been purchased by speculators and large-scale private landlords.

Of course, this does not mean that the private sector has no role in the shelter process. Its role at higher levels of income is paramount, given the scarcity of government resources in most developing countries and the inadvisability of spending these resources on the production of housing for middle- and higher-income groups. Unless the private sector is able to function effectively in producing housing for rental and purchase at the higher end of the market, middle-income households will begin to look for accommodation in low-income settlements, especially sites-and-services schemes.

This process of "downward filtering" has been well documented the world over. It is essential, therefore, that Government facilitates the supply of land and housing finance in sufficient quantities to private-sector developers. This is largely a matter of adopting the correct macroeconomic policies (on interest rates, for example), and removing restrictive controls on the profitability of private-sector activity (such as rent control).

There are, however, a number of examples of government and the private sector working together to expand the supply of low-income housing. Perhaps the most obvious of these is land-sharing, of the

sort practised in Colombia, India and Thailand. Here, private landowners are allowed to develop part of their properties for highly-lucrative uses on condition that they sell the remainder at below market price to low-income residents (see [section III.A.3](#) ). In similar fashion, guidelines issued by the Indian Government under the Urban Land (Ceiling and Regulation) Act (**ULCRA**) permit landowners to develop 50 per cent of the vacant lots they own for commercial, industrial, or high-income residential purposes, handing over the other half to public agencies for low-income housing (Sundaram, 1990, 96). In some states, private developers can also develop public land and hand over the completed units to public-sector agencies, for use by low-income groups. This has been tried with some success in Lucknow (Sundaram, 1990, 96). The State of Haryana is unique in licensing private housing developers on a larger scale, again on condition that a small proportion of the units created are destined for low-income families. Delhi has tried a similar scheme, but on a much smaller scale. Both have had "doubtful" benefits for the poor: the amount of affordable housing produced is tiny, and often open to misappropriation (Sundaram, 1990, 96). An innovative variant on the usual theme of land-sharing is illustrated by the experience of rental housing in Bombay, where private landlords have been allowed to rebuild rental property on condition that the original tenants are allowed back to live there. The extra space that is created during redevelopment can be devoted to more profitable (usually commercial) uses (Sundaram, 1990, 96).

The only example of full-scale private-sector development in the low-income housing market comes from Uttar Pradesh, where a company named ELDECO develops serviced lots for poor families, with graduated loan repayments on highly flexible terms. Apparently, this scheme has been successful and is being replicated elsewhere in the state (see Baross and Van der Linden, 1990, 333). The ELDECO experience is interesting in that it shows, perhaps, that the private sector can play a viable role even at low levels of income. It deserves closer attention to find out just how successful it has been, who it has reached, and how it has been able to operate effectively where others have failed.

A more conventional use of private-sector developers is as contractors in public-sector housing programmes. Colombia, through agencies such as **ICT** and **BCH**, has some experience here, though mostly among middle-income groups and government employees. Small amounts of capital from the UPAC (indexed savings) system described in [section III.B.1](#) were made available to private-sector developers on condition that the units built were for low-income groups. New proposals introduced recently will enable **ICT** to open tenders for housing projects to private contractors. Although the effect of these measures on the poor is unlikely to be great (since the output of the programmes concerned will be priced out of their reach), they may make a difference to the supply of housing at higher levels of income (Useche de Brill, 1990, 82).

In conclusion, the stimulation of the private sector forms an important component of the enabling approach. The impact of this sector is felt primarily among middle- and higher-income groups, but this in turn can have a significant "knock-on" effect among the poor by reducing downward pressures on the bottom end of the housing market. It is, therefore, up to governments to ensure that the activities of the private sector are not penalized. In addition, there is some scope for collaboration between public, private and household sectors in the development of low-income housing, via land-sharing and land-adjustment schemes of various kinds. As the experience of ELDECO shows in Uttar Pradesh, there may also be potential in wholesale shelter development by private-sector companies for the urban poor. It is, however, more likely that the household sector will continue to play an overwhelmingly dominant role in the shelter process at the lowest levels of income. The prime task of government is to facilitate this process.





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#### C. Shelter production and improvement

##### 7. The role of NGOs in supporting shelter production

As has already been stated, NGOs have a very major role in the enabling approach to shelter overall, but a minor role in the actual production of housing. Indeed, shelter production is probably their least important and effective role. This is simply because NGOs have no comparative advantage over people themselves in producing housing quickly, flexibly and cheaply. NGOs do, however, have distinctive advantages over both the public and the private sectors in other aspects of shelter delivery and improvement, and they can do things that people themselves find it difficult or impossible to do for themselves. Support for the role of NGOs has expanded rapidly in recent years, and this is reflected in the GSS where they are awarded a major part to play. There is, however, a relatively uncritical attitude towards NGOs on the part of many commentators and a consequent failure to take a hard look at their strengths and weaknesses. In reality, NGOs have problems as well as advantages and their experience needs to be properly evaluated, just as with other actors in the shelter process.

There is also a tendency to lump together different types of organization under the rubric of "NGO" when in fact they often have little in common. There is a huge variety in the NGO world and a wide range of roles. These roles need to be separated and analysed, each in turn. Perhaps the first distinction to be drawn lies between community-based organizations (CBOs) and non-governmental organizations (NGOs). CBOs are associations of the poor, not for the poor. They are made up of poor people themselves and take action on their behalf, represent them, and fight for their interests. Examples include housing cooperatives, popular housing federations, credit-and-savings clubs, and community action councils. NGOs need not be made up of poor people. More often, they are staffed by middle-class activists who take action to facilitate the activities of CBOs, and individuals. A further distinction should be drawn between local (national) NGOs and international NGOs. National NGOs usually carry out the work of facilitating and supporting the efforts of the poor in the field; international NGOs usually support the work of national NGOs through funding, information, training and other activities. Occasionally, they may also become directly operational themselves (for example, in emergency housing programmes). Examples of national NGOs in the shelter process include Human Settlements of Zambia (HUZA), CENVI in Mexico City, and SPARC in Bombay (Turner, B., 1988). International NGOs involved in supporting shelter-related activities include OXFAM, Save the Children Fund, and Homeless International.

All these organizations have different characteristics and different roles to play. The thread that links them together is that they facilitate, in some way, the involvement of people in the shelter process. Strong and effective action at grassroots level rarely happens spontaneously, or wholly by itself. To be effective, people must organize, and effective organization requires resources, training and management. By far the most important facilitators in this respect are the CBOs which form the basic building blocks of popular action in the shelter process. Without them, NGOs at national and international levels would not be able to play their roles effectively. CBOs are essential in organizing poor people, representing them to government and local authorities, and fighting for their rights. NGOs are better at facilitating the supply of inputs into the popular housing process, mediating between people and the wider political system,

networking and information-dissemination. It will be useful to examine recent progress in the development of each of these roles in turn.



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###### a. Organization and representation

Perhaps the most basic value of **CBOs** lies in their ability to bring people together in order to achieve collective goals. This is essential because there are many aspects of the shelter process that cannot be carried out effectively by individuals. Obtaining security of tenure, resisting eviction, and developing basic services are obvious examples of this sort of action. In order to make progress in securing improvements in the wider environment, people must come together, agree a common agenda and decide on a course of action to which they all subscribe. Without a strong community organization, it is not possible for shelter improvement to take place equitably and effectively in the settlement as a whole.

However, the form taken by this process, and the precise roles played by **CBOs**, vary considerably. In many cases the **CBO** acts on behalf of its members in negotiations with landlords, State agencies and government authorities. For example, the Ruamjai Samakki Resettlement Project in Bangkok shows how concerted action by a well-organized community can achieve a much better "deal" for poor people in terms of their shelter options (Niyom and others, 1990). Here, a group of slum tenants faced with eviction by their landlord organized themselves into a legally-registered cooperative. The cooperative successfully pressurized the landlord into raising the amount of compensation he was prepared to pay from Baht 10,000 to Baht 25,000 per family, sought out land suitable for resettlement, and (in only 22 days) had successfully undertaken all the legal work necessary to purchase land in the new area (Niyom and others, 1990, 14). More lobbying forced the municipal government to grant legal title over the resettlement area in the name of the cooperative, which also administered all aspects of the layout and servicing of the new site.

The case of Ganeshnagar in the Indian city of Pune is somewhat similar. In this case, tenants organized themselves to confront their landlord and successfully persuaded him to sell to them the properties in which they lived. The tenants' organization replanned the settlement they lived in and then lobbied the municipal government, again successfully, to provide them with basic services (Turner, B., 1988). In Bombay, cooperatives have accumulated considerable experience in arranging the transfer of legal titles from private landlords to former tenants, in both inner-city tenements and rental shantytowns. An example of this approach is documented in section IV. Here, strong community action is essential because it makes little sense to rehabilitate only part of a tenement or relocate one section of a rental shantytown. Equally, individual tenants acting on their own are not strong enough to represent their case effectively to powerful landlords. In addition to cooperatives, tenants in India have formed their own associations to fight for their rights, as have slum-dwellers as a whole (Sundaram, 1990, 99). Similar federations exist in Colombia and Mexico, and their role in national lobbying and policy discussions is detailed below. The Zone One Tondo Organization (**ZOTO**) in Manila is another famous example of successful popular organization in the shelter sector. **ZOTO** is a federation of over 100 **CBOs** in the Tondo area of the city, which joined together to halt government plans to redevelop the area, and

persuaded the authorities to launch a large-scale upgrading programme, liaising directly with the World Bank on finance in the process (Salmen and Eaves, 1989). Much of the success of the Villa El Salvador programme in Lima can be traced to the strength and dynamism of CUAVES, the organization which represented the interests of the community in constant dialogue with the municipal authorities (Turner, B., 1988).

These examples could be multiplied many times around the world. They demonstrate that strong community organization is an essential component of the enabling approach, without which effective shelter improvement cannot occur. If the community does not organize itself, it is extremely difficult to generate the collective action which is essential for success in negotiations with landlords or government authorities. This function cannot be carried out for people or "on their behalf"; it has to be controlled by them, and for this reason the process of grassroots organization cannot effectively be carried out by intermediary NGOs. This is why CBOs are so important. It also brings into focus the role of the overall political environment, and particularly the response of the State, in shaping popular action. The recent upsurge in NGO activity in Bangkok's slum communities could not have occurred had it not been for wider political developments which permitted the development of greater popular democracy and political participation. In terms of the enabling approach these wider developments are critical, since to a large extent they determine how far people and their institutions are allowed to participate in their own development.



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##### b. Mediation and facilitation

Although community action is a necessary condition for shelter improvement, it is rarely a sufficient one. It is often difficult for **CBOs** acting on their own to carry out all the tasks required for settlement-improvement. These include gaining access to housing finance and construction materials, designing and developing basic infrastructure, and having the legal knowledge and experience to negotiate successfully over security of tenure, planning standards, land purchase and registration, and so on. It is common, therefore, for **CBOs** to act in partnership with intermediary **NGOs** who can bring with them the skills and experience required to supplement the efforts of the community organization. This role - that of the intermediary, facilitator and adviser - is perhaps the best-known role for **NGOs** in the shelter process.

There at least 2000 **NGOs** involved in the housing sector in India (Sundaram, 1990, 104), a country which is particularly rich in **NGO** experience. Many, if not most, of these **NGOs** act in some way as intermediaries and facilitators. For example, **SPARC** (the Society for the Promotion of Area Resource Centres) has a high reputation for its innovative work among women pavement-dwellers on the streets of Bombay. **SPARC** developed a training programme for women to help them plan and design their own resettlement process. They assisted in the formation of community committees and facilitated visits to nearby housing projects, as well as to possible sites for resettlement. **SPARC** encouraged people to save regularly for the future purchase of land and building materials, and helped women to design dwellings adapted to their particular needs. As the Indian case study for this report concludes, **SPARC** successfully enabled women to "plan for shelter provision in the given context of a housing market which they could not change" (Sundaram, 1990, 110). Other similar examples from India include the Rural Housing Programme in the state of Kerala, in which more than 300 separate **NGOs** participated as intermediaries and facilitators (Sundaram, 1990, 117), and **SEWA**, the Self-Employed Women's Association highlighted in the earlier discussion of **NGOs** and housing finance (see [section III.B.6](#)). **SEWA** not only provides access to credit for its members, but it also gives advice on small-business development and marketing, health and nutrition, and housing (Sundaram, 1990, 129). Streehitakarini in Bombay provides similarly integrated advice and help, with the focus on health care, sanitation, organization and the transfer of tenure from the municipality to tenants' cooperatives (ANUBHAV, 1985).

Some **NGOs** specialize in facilitating particular areas of work. The example of Sulabh has already been mentioned in relation to the development of low-cost sanitation in urban areas in India. This is one of the most difficult areas of the shelter process to address, but despite the enormous scale and sensitivity of the problem, Sulabh has achieved remarkable results. Thus far, it has helped households to construct over 50,000 individual latrines and many hundreds of communal facilities at a very high standard of quality, cleanliness and maintenance (Sundaram, 1990, 122). The Orangi Pilot Project in Pakistan has also been highly successful in enabling poor families to develop a water-borne sewerage system in informal settlements in Karachi (Hasan, 1990). COOPIBO, a Belgian **NGO**, concentrates on developing

appropriate building materials, particularly low-cost alternatives to Portland cement (Turner, B., 1988). Other **NGOs**, such as COFAMILIAR and CAMACOL in Colombia, specialize in providing training related to shelter development, including small-business development and health (Useche de Brill, 1990, 85).

A further key role for **NGOs** in the shelter process lies in mediating between people and their institutions, and higher levels of the political and financial system, in order to facilitate the supply of essential inputs into the popular housing process. The success of the Ruamjai Samakki Resettlement Programme in Bangkok, cited earlier, would not have been possible without the help provided to the **CBO** concerned by a number of local **NGOs**. The Human Settlements Foundation helped in laying out the resettlement area, while other organizations linked people with credit facilities and the purchase of materials. In another Bangkok resettlement scheme (Klong Toey), **NGOs** managed a community savings programme for two years prior to the move, during which time residents were able to save enough money to cover the cost of purchasing an initial supply of construction materials (Boonyabancha, 1990, 28). The Aguablanca programme in Cali, Colombia, described in detail in section IV incorporates a similar role for **NGOs** in facilitating training in construction techniques and small-business development (Useche de Brill, 1990, 101). FUNDASAL in San Salvador mediates between the State and low-income communities, helping squatters to secure legal tenure to their land and basic services such as water and electricity (Stein, 1989). CENVI, in Mexico City, helps the residents of inner-city rental tenements to form cooperatives and then gain access to land and credit for self-construction (Connolly, 1987).

Indeed, there are **NGOs** who specialize in every aspect of the shelter process. The examples given here are meant simply to reflect the sheer scale and variety of **NGO** action in developing-country cities. What links these organizations together is their role in supporting and facilitating the efforts of **CBOs** in securing the inputs and information they need to play their role effectively. This is often what **NGOs** do best.



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##### c. Participation in policy and decision-making

In addition to their roles at the settlement level, NGOs also have an important part to play in ensuring that the voice of the poor is heard in discussions and decisions over shelter policy at municipal and national levels. This helps to make shelter policy more relevant and effective in meeting the real needs of the poor. This role is often performed most effectively by federations of popular organizations, which can represent the interests of hundreds of thousands of poor people. The National Campaign on Housing Rights has had an important impact on official shelter policy in India, helping to make the new National Housing Policy more responsive to grassroots needs (and more attuned to the enabling approach of the GSS) (Sundaram, 1990, 98). In Colombia there are four popular housing federations (Construyamos, FEDEVIVIENDA, CENAPROV and CENPAVI), which together make up CONAVIP, the National Council of Popular Housing Organizations (Useche de Brill, 1990, 84). CONAVIP has developed an effective voice in discussions over national housing policy, and is a leading player in the current drafting of the new policy on social housing. The strength of these federations is an important factor behind the latest moves in Colombia to enhance popular participation in local government. The creation of municipal housing funds with representation of CBOs and NGOs on the Board of Directors represents a real step forward in attempts to "create ... a municipal instrument that guarantees the permanent enforcement of the popular housing policy and that responds to the needs of the poorest" (Useche de Brill, 1990, 84).

CONAMUP, the National Coordinating Body of Mexican Popular Movements plays a similar role in Mexico. Established in 1980, CONAMUP is a federation of grassroots groups, community organizations and NGOs representing over 1 million people. It campaigns and lobbies government on land and other issues and provides finance and technical support to member organizations. CONAMUP also took part in recent municipal elections in Mexico, winning power in a number of locations. The access this gives it to the national political process is clearly going to be important to the future development of popular housing in the country. From a network of housing organizations, a powerful social movement has been born. The Mexican Government itself has played an important role in the development of CONAMUP, through the financial support it offers to NGOs in the shelter sector via FONHAPO, the National Fund for Popular Housing (Moctezuma, 1990).

A rather different type of influence, but invaluable nonetheless, has been exerted by SPARC, the Indian NGO described above. SPARC undertook a series of "action research" programmes among residents in Dhairavi, a slum community in Bombay once reckoned to be the largest slum in Asia! In 1986, the municipal government in Bombay evolved a redevelopment plan for Dhairavi, which SPARC helped residents to interpret and comment on. During the process, a number of serious errors were revealed in the plan concerning settlement size and layout, and the likely costs of resettlement. SPARC pointed these errors out to the authorities, and the plan was changed (SPARC, 1990). NGOs in Thailand have also been heavily involved in campaigns and lobbying of the Government in order to achieve changes in shelter policy (Boonyabanha, 1990, 28).

On an international level, NGOs such as Homeless International in the United Kingdom and the Habitat International Coalition (HIC) have helped to disseminate new ideas about shelter deriving specifically from the GSS. The initial impetus to global networking of this kind was provided by the International Year of Shelter for the Homeless in 1987, and since then HIC has developed into a network of over 200 shelter-related NGOs from 50 countries (Turner, B., 1988). The role of NGOs in raising public awareness of shelter issues, networking, research and training has always been extremely important. These roles are further explored in section D below.





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##### d. Demonstration projects

A final role for NGOs plays to one of their greatest traditional strengths: innovation. NGOs are generally flexible and responsive to changing needs. They are good at searching out new ideas, experimenting with new approaches to problems, and taking risks, things which government agencies often find difficult. NGOs have been responsible for many of the innovations documented in this report, including land-sharing in Bangkok, low-cost sanitation in India and Pakistan, and all forms of upgrading, rehabilitation and sites-and-services schemes. Perhaps their weakness lies in documenting the lessons of these experiences, and in scaling-up innovations to higher levels. These weaknesses are discussed below.



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##### e. Conclusion

In conclusion, **CBOs** and **NGOs** play an increasingly important role in facilitating shelter provision and improvement throughout the world. Their role in mediating between local and central levels of the system (i.e., between people and the state) is vital in managing potential conflict over resources and power. Their role in facilitating popular organization, shelter inputs, and the effective implementation of the self-help housing process, is crucial to the success of the enabling approach overall. **NGOs** have a proven track record in innovation and new ideas; they are responsible for an enormous variety of training, information and other forms of support; and they are increasingly articulate in representing the voices of the poor in local and national decisions over housing policy. **CBOs** are more important than intermediary **NGOs** in the longer term, because the latter cannot work without the former. But neither can **CBOs** operate effectively without some external support from **NGOs**.

In John Turner's words, the major value of **NGOs** lies in the "leverage" they can exert over various aspects of the shelter process, multiplying the impact of community efforts and disseminating successful experiences from neighbourhood to neighbourhood. **NGOs** possess four intrinsic advantages over both public and private sectors: they are much more effective in mediation, communication, co-ordination and networking (Turner, J., 1988). This is undoubtedly true, but it is worth bearing in mind some of the less successful aspects of **NGO** approaches so that our expectations of what they can do remain realistic. **NGOs** have found it notoriously difficult to scale-up their efforts and innovations beyond the level of a single neighbourhood or (in rare occasions) city, though there are one or two exceptions to this rule, such as the Grameen Bank and **BRAC** in Bangladesh, and to a lesser extent **SEWA** and Sulabh in India. In evidence of this problem, one can cite the limited impact of land-sharing in Bangkok, the work of **SPARC** in Bombay, and many other localized **NGO** efforts. **NGO** federations such as **CONAVIP** and **CONAMUP** are laudable, but their impact at national level has been mainly symbolic and rhetorical. What remains is to spread the impact of **NGO** approaches in practice throughout the shelter sector, including government planners and decision-makers.

For what has to be scaled up are not **NGO** projects themselves but the approach of **NGOs**, with its hallmarks of flexibility, innovation, participation and communication with people. As [section III.D.4](#) makes clear, it is these characteristics which will determine the successful implementation of the enabling approach. This has not been helped by the tendency of many **NGO** evaluations to emphasize the successes of the **NGO** approach while failing to examine their weaknesses in equal depth. As described above, **NGOs** do indeed have many strengths, but severe difficulties remain in areas such as scaling-up, reaching the poorest, sustainability and impact. Public and government support for **NGOs** in the shelter process will be strengthened by a more critical approach to the sharing of experiences. The lessons learned from these evaluations can then be fed into more effective **NGO** action in the future.

Finally, it is clear that governments have a critical role to play in facilitating the development of

CBOs and NGOs in the shelter process. As the experience of Thailand demonstrates, NGOs rise and fall according to the degree of manoeuvre that is made available to them in the wider political system. In all societies, there is a clear relationship between open democracy, popular participation and the development of a thriving voluntary sector. It is up to governments, therefore, to create the political space within which NGOs and CBOs can strengthen their contribution to the GSS. If this is not done, it is highly unlikely that the enabling approach to shelter will take root.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter III. Workable elements of enabling strategies: The changing role of the public sector

#### C. Shelter production and improvement

##### 8. Conclusion

There is a good deal of evidence from around the world that governments are heeding the advice of the **GSS** and withdrawing from a direct role in the production of shelter. It is less clear that governments, **NGOs**, the private sector and people themselves have yet adjusted to their new roles in promoting the enabling approach to housing. This is natural, given the transitional nature of housing policy in most countries and the youth of the **GSS** itself. Most governments are still oriented more towards supporting self-help housing projects, rather than facilitating the process of self-help housing. This is a crucial distinction. In the years to come,

priority should be given to increasing support to all aspects of self-help housing among the poor (building materials, construction techniques, **NGOs** and **CBOs**), and to promoting the role of the private sector in producing shelter for the better off. The role of governments in this process will be different, but still central. Without strong support and intervention from the State, it is unlikely that self-help efforts will flourish.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter III. Workable elements of enabling strategies: The changing role of the public sector

#### D. Mobilization of human resources in the shelter sector

##### 1. Public awareness of shelter issues

Increasing public awareness of shelter issues is vital to the success of the **GSS** because the enabling approach depends for its success on widespread popular support and participation. This is unlikely to be forthcoming if different actors in the shelter process are unaware of the provisions of the **GSS**, or misunderstand its intent. Clearly, the new roles required from public, private and household sectors if the **GSS** is to work have to be clearly understood by all three if anyone is to be effective. In addition, the enabling approach represents a substantial departure from conventional housing policy which will be difficult for some to grasp and/or accept.

There is, of course, no shortage around the world of awareness on shelter issues per se. Given the scale of global housing needs and the severity of the situation in individual slums and shantytowns, it would be impossible not to be aware of the dimensions of the problem. Rising land and property prices, mortgage interest rates and so on bring home to everyone the importance of housing policy in daily life. Indeed, one of the reasons given in the country case study for Thailand for the increasing awareness there of shelter issues is precisely the rapid rise in speculation and land prices during the housing-finance boom of the last few years (Boonyabanha, 1990, 28). More important, but much less certain, is that people at all levels and in all sectors are aware of the potential solutions to these problems embodied in the **GSS**. This is essential if people are to act effectively to promote the enabling framework. However, it would be unrealistic to expect widespread knowledge of the **GSS**, let alone widespread commitment to its ideals, to have developed in such a short space of time.

Nevertheless, many countries have made a concerted effort to develop new housing policies based on the enabling approach with greater participation by different actors and interests in the housing market. This was the conclusion of section II of this report. Increasing participation in the decision-making process over shelter is one of the most effective ways of raising awareness. The recent experience of India is particularly encouraging in this regard, with a wide range of **NGOs**, cooperatives, professional associations and levels of government all involved in discussions leading to the new National Housing Policy (Sundaram, 1990, 97). Nigeria, Colombia and Indonesia have experimented with a similar process, though on a less ambitious scale. Direct involvement of this sort is greatly to be encouraged, because it brings into contact with each other different actors and interests within the shelter process, helping to generate a common understanding of, and commitment to, the ideals of the **GSS**.

Of course, it is difficult to achieve this level of understanding, and in reality significant differences on shelter policy remain. In India these differences express themselves most clearly around land policy, the involvement of the private sector, and the role of the State (Sundaram, 1990, 97). Some groups of shelter professionals (particularly engineers) remain sceptical about the possibilities of dweller-control in the housing process, and this has largely to be tackled through training and education (see [section III.D.4](#) below). In Nigeria the situation is more acute, with the country case study reporting "an almost total neglect or inactivity in the enlargement of public awareness of shelter issues" (Odimuko, 1990, 79).

NGOs have played an extremely important role in enlarging public awareness of shelter issues over the past five years, perhaps being even more influential than governments. Individual organizations such as SPARC, HUZA, CENVI and many others mentioned in [section III.C.7](#) have had a localized impact, but more important have been the activities of larger-scale federations and networks of shelter NGOs on the national and international levels. In many countries, housing NGOs and community groups have organized themselves into strong and influential social movements, able to lobby and pressurize government and public agencies and developing effective access to the media. For example, the National Campaign for Housing Rights in India has led the debate in favour of a "Bill of Rights on Housing" enshrined in the National Constitution (Sundaram, 1990, 98). The National Co-operative Housing Federation represents to government the interests of the local cooperative societies, while there are similar umbrella bodies for tenants and slum-dwellers. Professional interest groups such as the Institutes of Architects, Town Planners, and Engineers also have a significant voice (Sundaram, 1990, 99). In Nigeria too, professional institutions such as the Town Planners and Estate Surveyors and Valuers, are becoming increasingly active and vocal in the emerging policy debate (Odimuko, 1990, 82). A particularly interesting recent innovation is the concept of the "Habitat School", which is described under [section III.D.4](#).

Colombia and Mexico also have powerful popular housing federations which have made a major contribution to raising public awareness of low-income housing issues in their respective countries. As [section III.C.7](#) made clear, CENPAVI (in Colombia) and CONAMUP (in Mexico) play a growing role in representing the interests of the urban poor on the national stage, contributing greatly to the public debate on shelter issues in the process. Thailand too has a number of people's housing federations (three in Bangkok alone) which focus on campaigns relating to the problems and capabilities of the urban poor (Boonyabancha, 1990, 28). At the international level, the group of shelter-related NGOs which coalesced around the International Year for Shelter of the Homeless in 1987 played an enormous role in educating public opinion about housing, and specifically about the potential of the enabling approach. The Habitat International Coalition (HIC) has become a powerful advocate of the GSS and has worked closely with schools and colleges across the world in an effort to get shelter issues into the regular curriculum. Some success has been achieved here, especially in Western European schools, but the impetus created by IYSH has proved difficult to sustain.

Governments too have played their part, with resources being invested in a wide range of public agencies devoted to research and information on shelter issues. In India, the Maharashtra Housing Authority runs a Shelter Guidance Centre for providing information to the public on housing programmes, building procedures and regulations, construction materials and techniques, and housing rights (Sundaram, 1990, 98). This idea is spreading to other states too. CINVA (the Inter-American Housing and Planning Centre) was established in Bogotá as long ago as 1951 to provide a continental coordinating mechanism for documentation and information-exchange on shelter issues. It has recently been joined in Colombia by HABITEC, the Latin American and Caribbean Centre for the Exchange and Promotion of Technologies for Human Settlements, formed specifically to push forward research and information initiatives in the field of appropriate, low-cost construction techniques, materials and approaches. (Useche de Brill, 1990, 87). Nigeria is a more recent entrant into this field, but the draft National Housing Policy currently awaiting ratification does contain a proposal to establish a National Building Research Centre to carry forward similar initiatives in the national context. Much of the finance required to establish and maintain national resource centres such as these has come from international and bilateral donors, especially UNCHS (Habitat). Further investments are critical if public awareness is to be increased in the future.

Finally, one should not underestimate the role of the media in raising public awareness of shelter issues. *The Guardian*, Nigeria's largest national daily newspaper, carries regular features on housing issues, as do many newspapers, radio and television stations elsewhere (Odimuko, 1990, 81). Given

their ability to reach a very wide audience, the value of the popular media in spreading information and fostering commitment to the **GSS** is enormous. Thus far, this resource has not really been tapped effectively.

In conclusion, a great deal has been accomplished over the last few years in increasing public awareness of shelter issues in general, and of the value of the enabling approach in particular. While levels of awareness vary greatly by country and interest group, a good start has been made. The increasing involvement of a broad range of interest groups in policy-making on shelter issues, and the growing role of national and international **NGOs**, are particularly encouraging developments. As the Nigerian case study puts it, there is "a growing coalition" of forces in support of the enabling approach. What remains is to translate this awareness into practical action in support of the **GSS**. Naturally, this will take time, and it will be an incremental and fragmented process. It is, however, essential to the long-term success of the **GSS**.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter III. Workable elements of enabling strategies: The changing role of the public sector

#### D. Mobilization of human resources in the shelter sector

##### 2. Availability of information on capacities of government agencies, the private sector, and NGOs

If, as required by the enabling approach, each of the different actors in the shelter process are to make their "optimum" contribution, then the level of information in the system must be very high. People need to know which agency does what, how to secure the inputs they need, and where to go to obtain the right sort of advice. Only then can individuals and groups make effective, informed choices and decisions about housing production and improvement. In reality this is very difficult to achieve, because housing markets (especially those in developing countries) operate very imperfectly and always on the basis of limited information. It is rare for any kind of information to be accurate and accessible on a universal basis, whether it is information on land or house prices, rental vacancies, informal-sector construction, or simply the functions of the plethora of official and semi-official agencies usually involved in the shelter process (see the case of Colombia, for example, detailed in section II.3). This is clearly a barrier to the successful implementation of the **GSS**.

The provision of information is weak also because the administrative capacity required to collect, analyse and disseminate data is lacking. In India, state housing agencies rarely file reports on their activities (Sundaram, 1990, 100). The draft National Housing Policy in Nigeria does not even include a section on information needs (Odimuko, 1990, 84), while the situation in Thailand is more complex. Here, information on the private sector is abundant because of the size and dynamism of this area of the housing market, but State agencies and **NGOs** are much less organized (Boonyabanha, 1990, 29). Colombia has a more sophisticated system for information collection and dissemination on housing, due partly to the existence of coordinating centres like **CINVA** and **HABITEC** which were mentioned in [section III.D.1](#). In addition, **CENAC** (the National Construction Information Centre) has been active for many years in research, information and training, publishing over 250 studies related to the shelter sector and training more than 9000 housing professionals (Useche de Brill, 1990, 87). **NGOs** such as FEDEVIVIENDA and Construyamos have also been active in disseminating information on the popular sector, including innovations in building materials and a database of successful housing projects (Useche de Brill, 1990, 88). The Colombian Central Mortgage Bank (**BCH**) has developed a municipal information system called INFORUM, launched in 1987. This is an interesting attempt to construct a computerized database of social and economic information which can be used for forecasting and modelling purposes (Useche de Brill, 1990, 87).

In many respects, it is not so much the quantity as the quality of information that is the problem. Statistics are often collected but are inaccurate (for example, in census data and informal-sector construction estimates). Information exists but is inaccessible to those who need it (the poorest groups, for example). Figures in current use are out-of-date and misleading. In this respect, **NGOs** can play a useful role in channelling relevant information to low-income families who do not have access to the data they need from any other source. Because **NGOs** are ideally placed to mediate between people and institutions, they can ensure that accurate information on popular construction is fed upwards, and that effective information on land, planning regulations, construction materials and legislation is fed downwards



to those who need it. This is the role played in India by NGOs such as SPARC in Bombay, which assists pavement-dwellers to improve their shelter by providing information, advice and training on alternative housing opportunities. Resettlement projects in Bangkok are also greatly helped by NGOs which provide information on vacant land elsewhere in the city.

Perhaps the most serious defect in most shelter information systems is the paucity of information on land and property registration. As [section III.A.5](#) made clear, efficient registration is a pre-requisite for cost recovery, sustainable service provision and municipal revenue-generation. Yet informal-sector construction (which accounts for a very large proportion of all housing in many developing-country cities) is rarely registered with the local authorities. In India, for example, "unauthorized" construction which takes place without seeking building permission is estimated to represent more than 25 per cent of total annual housing output (Sundaram, 1990, 101). This is a gap which has to be filled, though again it requires a level of administrative efficiency which is beyond the resource capacity of many of the poorest economies.

There are, then, some clear priorities for the future in terms of improving the collection and dissemination of information in the shelter process. First, land and property registration procedures have to be improved and extended. Secondly, information on who does what in the housing market needs to be coordinated more effectively and disseminated at the right time to those who need it. A centralized coordinating body is important if this is to happen, but equally necessary are decentralized institutions which can make information accessible to the poor. India's shelter guidance centres and NGOs such as Construyamos in Colombia are beginning to play a key role in this respect. Finally, the accuracy and timeliness of information has to be improved so that decision-makers have reliable census material, neighbourhood maps, and other forms of information required for the planning process.



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### Chapter III. Workable elements of enabling strategies: The changing role of the public sector

#### D. Mobilization of human resources in the shelter sector

##### 3. Training programmes on alternative shelter provision options for the groups in need of housing

The crucial importance of training in the shelter process has already been touched on at different points in the text of this report. Although low-income builders are well-capable of producing and extending their housing without formal training, skills are required to facilitate this process more effectively. The importance of making carpentry, bricklaying and other basic construction skills available on a larger scale within informal settlements was stressed in [section III.C.2](#). Other skills are also required - in organization and motivation, participatory research and planning, communications, the use of innovative building techniques and materials, and so on. Training is an essential component in strengthening the capacity of different actors in the shelter process to play their roles effectively.

Perhaps the most obvious form of training that is required for low-income groups is training in basic, low-cost construction techniques. These skills can be used by people in building their own dwellings, and also supplied to others in the market who are able to pay for hired labour. This is extremely common even in very low-income settlements. It is essential that an adequate supply of skilled artisans is made available to the poor. Most government-sponsored housing programmes include some sort of training component in construction skills. In India, for example, the building centres that are coming on-stream in a number of cities include artisanal training as a key part of their activities (Sundaram, 1990, 64). Vocational and technical training is common in most State educational systems, though it can often be rather elitist in terms of access among poor students.

Traditionally, NGOs have also played a significant role in training, especially of carpenters, metalworkers and brick-layers. Human Settlements of Zambia (HUZA), for example, has set up training centres in a number of low-income settlements in Lusaka (Turner, B., 1988). PROCO (the Foundation for the Promotion of the Community and the Upgrading of the Habitat) in Bogotá has played a similar role, being hired by the Central Mortgage Bank to provide on-site training and technical assistance to builders engaged on the Terrace Plan described in [section III.B.7](#), which attempts to encourage the construction of housing for rent (Useche de Brill, 1990, 88). Though these are small-scale efforts, the demand for basic construction skills is fairly quickly exhausted and so there is no need for an endless supply of carpenters and bricklayers. Indeed, vocational training schemes have often foundered precisely because too many graduates have been trained in the same small range of skills.

Equally (and perhaps more) important to the success of the enabling approach to shelter is training of low-income families and their community organizations in the wider skills required for mobilization and communal action. This kind of training has been essential to the success of upgrading, rehabilitation and resettlement programmes around the world. For example, the Urban Community Development Programme in Hyderabad and Vishakhapatnam, India, is often seen as a major success story in low-income housing (see section IV), and much of its success can be attributed to a high level of community involvement in all stages of design and implementation. This would have been impossible without the particular kind and intensity of training practised in the project in the form of group

discussions, identification and analysis of problems and constraints, communications skills and mobilization (Sundaram, 1990, 102). These components are applied to a wide range of specific activities, including health and education as well as housing and construction. They are organized by the Regional Centre for Urban and Environmental Studies in Hyderabad, in the form of short courses for community organizers and neighbourhood activists (Sundaram, 1990, 102). As is stressed in the next section of this report in relation to housing professionals, training in the "problem-solving approach" is essential to the success of any shelter initiative, because it strengthens the capacity of those involved (in this case the poor themselves) to plan, analyse and evaluate problems and opportunities in a critical fashion. Without these skills, and the self-confidence and awareness to use them, the creative potential of the household sector cannot be properly harnessed. NGOs around the world have specialized in providing this sort of training for many years, and have become extremely effective at it. FEDEVIVIENDA and Construyamos in Colombia, HUZA in Zambia, FUNDASAL in El Salvador, are just three examples of this approach at work (Turner, B., 1988).

Another form of training which can be extremely effective takes the form of networking, experience-sharing and study tours to successful projects. This is obviously a less formal and more practical form of training, which depends for its success on direct observation of innovative approaches and strategies. When organized properly, exchanges of this sort can be much more beneficial to low-income families and community groups than formal training courses. For example, leaders from the Manangkasila and Senki land-sharing projects in Bangkok have recently hosted many visiting groups from elsewhere in the city who have wanted to learn more about the experience of this kind of development (Boonyabanha, 1990, 29). Study tours also form part of the Urban Community Development Programme in India cited above (Sundaram, 1990, 102). These exchanges are often organized informally by the communities concerned, and can be a very powerful way of building solidarity and disseminating successful innovations in the low-income shelter process. They should be further encouraged by governments, NGOs and international agencies.

Despite these successes and innovations, it remains the case that the poor themselves are often excluded from the training they need to increase their contribution to the shelter process. Training expenditure is directed overwhelmingly to housing professionals and higher-income groups. As the next section makes clear, training for these sectors is indeed critical, but unless poor people and their institutions are also included it is unlikely to be very effective. For the future implementation of the GSS, therefore, it is vital that more effort is put into expanding and improving training for the poor themselves in areas such as construction skills, community organization and participatory planning, and exchange visits of various kinds.



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### Chapter III. Workable elements of enabling strategies: The changing role of the public sector

#### D. Mobilization of human resources in the shelter sector

##### 4. Training programmes for government agencies and the private sector

In many ways, the **GSS** represents a break with the past. This is particularly so in relation to the role of the State, and of the agencies and professionals involved in housing activities. If the enabling approach is to work effectively, government has to stand back from direct production and instead facilitate the contributions of other actors. This requires different skills and attitudes on the part of bureaucrats, administrators and professionals, aimed at supporting the efforts, resources and knowledge of the private and household sectors rather than imposing inappropriate views and models. Given the traditional "top-down" focus of much, if not most professional training in the shelter sector, this is very difficult to achieve. In general, civil servants, architects, planners and other key personnel are trained to feel that they "know best", their job being to pass on instructions and solutions from higher to lower levels of the decision-making hierarchy. Not surprisingly, by the time these instructions reach the grassroots level they are often irrelevant and inappropriate to local realities, acting as a barrier to effective action rather than a support. The **GSS** turns this approach on its head by placing the responsibility for decisions and action on low-income families, **CBOs**, **NGOs** and the private sector. In the enabling approach, government and professionals are there to facilitate, rather than to direct, the efforts of the poor. A new sense of humility is required so that professionals are able and willing to listen to and learn from poor people, no longer seeing themselves as the "guardians of all wisdom". But changes of attitude and approach at such a deep level take many years to develop and nurture, and are always subject to delays and setbacks caused by opposition from vested interests and sheer inertia. Nevertheless, a start has been made in this crucial area of work.

To achieve the attitudes and skills required by the enabling approach, changes have to be introduced at levels of training and education. Formal curricula governing shelter-related professions in colleges and universities are a prime target here. The Indian Government has already committed itself to such changes in engineering, architecture and technical education, with the objective of re-orienting professional training to "promote architecture relevant to the Indian lifestyle and the needs of the community, and to create awareness about innovative housing policies" (Sundaram, 1990, 8). Changes such as these in basic curricula are essential so that new attitudes and approaches begin to be imbibed at the early stages of professional training. If this is not done, it is much more difficult to retrain people when they are older.

It is equally important that new training courses, curricula and institutions are developed in order to meet the needs of the **GSS**. In Colombia, the Central Mortgage Bank, **CENAC** (the National Construction Information Centre) and **SENA** (the National Apprenticeship Service) have initiated new courses for government and private-sector housing officials on programme design and management. In an effort to spread the philosophy of the **GSS** more widely (Useche de Brill. 1990. 89). **SENA**, in particular, has forged some creative training links with community groups and private institutions covering construction materials, techniques, design, infrastructure and financing (Useche de Brill. 1990. 89). The creation of **UNCEVI** (the Central Housing Unit) at central government level has also helped to

coordinate training efforts in support of the enabling approach (Useche de Brill. 1990. 86). Nigeria seems to be moving in a similar direction under the draft new National Housing Policy. specific provision being made to channel resources to the training of private contractors in project management. to restructure the apprenticeship system and expand vocational training in shelter-related trades. and to ensure that all cooperative colleges in the country offer training programmes for housing co-operatives (Odimuko. 1990. 87). Recently. the National Directorate for Food. Roads and Rural Infrastructure undertook to train a group of people from each local government area in building and management skills. encouraging them to return to their villages afterwards (Odimuko. 1990. 87).

India has a larger and more sophisticated training system coordinated by the Ministry of Urban Development, with the help of HUDCO (the Housing and Urban Development Corporation). India produces over 11,000 new shelter professionals every year, most of whom are civil engineers. This has always been the case, so that existing national, state and municipal housing agencies have come to be dominated by engineers trained in conventional building design and construction skills (Sundaram, 1990, 103). This makes these agencies particularly resistant to change. In order to correct this imbalance, the Government intends to increase the output of architects and planners and to ensure that all shelter professionals (engineers included) receive training related to the enabling approach. New courses have been started in a number of University Schools of Planning and Architecture, and the Government has responded favourably to the idea of setting up Habitat Schools (Sundaram, 1990, 104). The Habitat School is a particularly interesting innovation in that it attempts to combine training in the traditional technical skills of the builder and planner, with the "social development knowledge of the facilitator, with particular reference to the needs of low-income settlements" (Sundaram, 1990, 104). This is particularly important in view of the need cited earlier in this section to build up the "facilitating" skills of housing professionals so as to balance their technical knowledge. Such skills make it more likely that professionals will use their technical training effectively and appropriately in practice. It is no exaggeration to say that in the enabling approach, every professional has to be a community development worker as well.

Despite these encouraging moves, the Indian case study concludes that overall, "few implementing agencies or training institutions have so far developed a human settlements perspective" in their work (Sundaram, 1990, 105). The majority of courses still exclude skills basic to the GSS such as community development, finance and urban economics. This has led to calls in India's new National Housing Policy to restructure the training system so as to place greater emphasis on neglected areas (Sundaram, 1990, 106). The lead agency in this process is the Human Settlements Management Institute (HSMI) under HUDCO. Indeed, HSMI has already made a significant start in promoting new forms of training based on field experience in the well-known Slum Upgrading Programme (see section IV). The influence of the Institute is also being extended throughout the South Asian region as part of a networking exercise, in collaboration with the Institute for Housing Studies in Rotterdam (Sundaram, 1990, 106).

More important at the local level is the decentralization of new forms of training to state and municipal institutions. Some housing agencies (like the Maharashtra Housing Authority) have developed their own in-house training capacity. Others, like the Regional Centre for Urban Studies (RCUS) in Hyderabad, act as nodal centres for the development and dissemination of innovative training materials. Within the context of the Slum Upgrading Programme in Hyderabad, Vishakhapatnam, Indore, Vijayawada and Calcutta, RCUS has evolved some interesting training programmes for municipal-level engineers, community-development staff and project workers. Like the proposed Habitat Schools mentioned earlier, these courses cover communication skills, project planning and inter-agency coordination as well as more traditional areas such as service-provision and construction techniques (Sundaram, 1990, 1~).

The role of international assistance in encouraging the development of innovative training has been very important. As noted above, **HSMI** in India has developed a creative partnership with the Institute for Housing Studies in Rotterdam, as have other regional training centres around the world. Similar partnerships include the Centre for Housing Studies in Dar-es-Salaam and (at least up until the mid-1980s) the National Housing Authority in Thailand. **UNCHS** (Habitat) and **DANIDA** (the Danish International Development Authority) have been in the forefront of training shelter professionals in the developing world with a specific emphasis on the enabling approach. Most multilateral and bilateral donors do now see training as a key area for assistance. For example, the British Overseas Development Administration (**ODA**) provided over 250 places to shelter professionals from developing countries in United Kingdom colleges and universities during 1989-1990 (**ODA**, 1990). The Urban Management Programme, a collaborative project financed by **ODA**, **UNCHS** (Habitat), **UNDP** and the World Bank, aims to research more effective systems of city management and train those responsible at municipal level (**ODA**, 1990, 2. 18). These and other examples point the way for closer international cooperation around training related to the **GSS** in the future. If effective approaches are to be spread beyond the municipal and national levels, this form of international networking is vital. However, one should bear in mind that the key task is to strengthen training institutions in the third world, not to bring increasing numbers of professionals to the developed countries.

In conclusion, an increasing number of training institutions around the world are re-orienting their activities toward the requirements of the enabling approach. As a result, more and more architects, planners, engineers and administrators are equipped to play their roles as facilitators within national shelter strategies. However, it is very early days as yet and it is perhaps necessary to sound a note of caution here. Many countries (such as Thailand and Nigeria) still lack national training centres empowered to coordinate training around the **GSS**. Even in countries such as India and Colombia, where training institutions are stronger, their impact remains limited. As Sundaram concludes, **HSMI** and other training organizations in India have thus far had only a limited effect in changing "attitudes and activities among implementing agencies" (Sundaram, 1990, 107). This is partly because links between training and implementation are still weak.

A further problem is that training has overwhelmingly been concentrated on higher-level functionaries, to the exclusion of fieldworkers (Sundaram, 1990, 107). This deprives the vital "front-line" staff of the skills and attitudes they need to work effectively at community level. Indeed, there have been instances in which the reverse has applied: lower-level staff have been successfully oriented to the enabling approach but senior management has not. This happened in Bombay where only the Community Development Wing of the municipal authority received training (Sundaram, 1989). In turn, this made it more difficult to implement the enabling approach because community development staff were being over-ruled by managers with a much more traditional approach to their work. Hence the vital importance of training all levels and sections of the implementing agency. The focus should be on institutional rather than individual training so that trainees are able to use their skills and knowledge in real-work situations.

The most important component of these new forms of training is flexibility - the ability and willingness to adapt advice and models to local realities, and to resist the imposition of inappropriate solutions from the top down. This requires an attitude of problem-solving and creative thought so that people at all levels are free to develop new ideas and approaches to old problems. It is not possible for government and private agency personnel to facilitate the efforts of other actors in the shelter process unless they themselves have these attitudes and skills.

Finally, one area of training that is conspicuous by its absence is training in the techniques and methods of strategic planning in relation to the housing sector. The **GSS** recommends that each country prepares a strategic plan to govern implementation of the enabling approach, but thus far few have done

so. This makes implementation much more difficult, a theme which is raised in more detail in the concluding section of this report.



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#### D. Mobilization of human resources in the shelter sector

##### 5. The involvement of women and their organizations

The GSS makes it clear that the needs and interests of women must be taken into account explicitly at all stages and in all aspects of the shelter process. This represents another welcome break with the past, when housing policy was by-and-large "gender-blind" and decision-making generally excluded women from power. Policy-makers consistently failed to recognize the enormous and distinctive contribution made by women to shelter production and improvement. In consequence, policies were often ineffective, inappropriate, and even damaging to the interests of women.

"Gender-aware planning" takes account of the varying needs and roles of men and women in different societies, and builds these differences into planning policy and practice. Unlike men, women have a reproductive role as well as a role in production and in the wider community. Shelter policy has usually focused only on women's reproductive role and has therefore ignored their contribution to the production and improvement of housing, to income-generation and enterprise-development, and to community organization and action. In reality, women have distinctive shelter and other needs which follow from the "triple role" outlined above (Moser and Peake, 1987). Their economic role is tied more closely to their reproductive role because women cannot travel so far or so often to work, this being precluded by childcare responsibilities. Resettlement therefore affects women to a greater extent than men: Moser and Peake (1987, 21) quote the example of the relocation of squatters in Delhi during 1975-1977, when female employment fell by 27 per cent and male employment by only 5 per cent as a result of the move. In addition, women often have lower incomes than men and cannot afford loan or service repayments tied to "average" income levels. Lower incomes may exclude female-headed households from entry into housing programmes, as in the Dandora Programme in Nairobi or the Profilurb project in Brazil, and even if they are eligible, women often face additional hurdles in the construction stage of the project due to lower labour-availability (Moser and Peake, 1987). This is not always the case however: sometimes female-headed households are more effective producers of housing than men (Chant, 1985). The point to be emphasized is that women have particular needs in relation to the shelter process which must be taken into account if they are to make their optimum contribution to the production and improvement of housing.

The most critical issue facing women in settlement planning is security of tenure independent of male kin, but the location and pattern of public services is also important (women being the prime users). Other factors include access to housing finance, training in construction skills traditionally regarded as "male", and the actual design of the dwelling (to ensure that the layout and size dovetail with women's triple role) (Moser 1989b).

Following Caroline Moser (1989b), the most useful distinction to be drawn in relation to gender and housing lies between "practical" and "strategic" gender needs. Practical gender needs arise from women's "concrete position within the sexual division of labour", and relate to the need to integrate work and homeplace, provide adequate childcare facilities, fuel and labour-efficient stoves, have access to



basic services nearby, and so on. Strategic gender needs arise out of the "subordination of women and require social and cultural changes to address them" (Moser 1989b, 1803). They include prejudice and discrimination in planning, land-allocation and credit-provision; exclusion from decision-making; and opposition to policy changes among men. This distinction between practical and strategic gender needs should be borne in mind throughout the discussion that follows.

Thus far, initial efforts to address the needs of women within the enabling strategy have focused on practical rather than strategic needs. Such efforts include special housing projects aimed at particular groups of women, such as single working mothers, female construction workers, and female pavement-dwellers in India. HUDCO finances a small programme to build condominia for working mothers, while a number of NGOs are active in upgrading the living conditions of female construction workers and their children (Sundaram, 1990, 8). For example, mobile crèches have trained hundreds of women in basic health, education and childcare and assisted them to manage crèches on building sites in Delhi, Bombay and Calcutta (Sundaram, 1990, 110). Sulabh consults specifically with women before providing help with latrines, and exempt women from charges levied at communal facilities (Sundaram, 1990, 122). The example of SEWA, the Self-Employed Women's Association, has already been extensively cited. SEWA has been particularly successful in providing affordable credit to low-income women to initiate and expand small businesses (Sundaram, 1990, 129). This has greatly strengthened their economic independence.

Similar programmes have been in operation in Colombia for many years, most notably the Children's Homes Well-being Programme run by the Family Welfare Institute (ICBF), which finances the provision of childcare facilities in low-income settlements (Useche de Brill, 1990, 22). During the four years of the Barco Administration, over 750,000 children benefited under the programme (Useche de Brill, 1990, 91). Crèche supervisors (called community mothers) are trained and paid by the Government, and can use their wages to upgrade their homes (where the crèche is sited). Working mothers can leave their children in the crèche during the day and maintain their incomes more effectively as a result. Community mothers can also obtain loans for upgrading, with repayments being deducted from their wages. Thus far, over 20,000 have benefited in this way, an imaginative way of promoting shelter improvement and childcare facilities simultaneously (Useche de Brill, 1990, 91). In Nigeria, the Better Life for Rural Dwellers Programme mobilizes women in the fields of health and education (Odimuko, 1990, 88).

There are, however, other examples which link together practical and strategic gender needs more effectively. The case of SPARC (the Society for the Promotion of Area Resource Centres) in Bombay has already been cited in a number of contexts, and is further explored in section IV. SPARC is unusual in that the NGO actively involved women at all stages of the resettlement process, ensuring that they had adequate access to information, training and technical assistance so that they could make effective decisions for themselves (Sundaram, 1990, 108). SPARC arranged study visits for groups of women to nearby projects and housing professionals, and helped them to develop savings-and-credit programmes to purchase construction materials. The women themselves designed their own houses so that they could tailor the dwelling to fit their needs. They also evolved their own "laws" to combat discrimination in the existing systems of land allocation and tenure security. SEWA has also been remarkably successful in this regard, building up a powerful lobby at national level in favour of women's interests, with the ultimate objective of achieving changes in legislation and the Indian Constitution (Moser, 1989b). It is important to recognize that SEWA achieved this level of strength by organizing initially around practical issues such as credit and education.

Women are also becoming more involved in NGOs and community organizations active in the shelter field. In Colombia, for example, Construyamos (one of the national popular housing federations) is

encouraging the development of women's committees (that is, committees made up of women) in "self-managed" communities (Useche de Brill, 1990, 90). The underlying goal of the programme is to develop skills and self-confidence among women so that they can participate more effectively in local planning and decision-making. India has gone a step further by setting as a goal a minimum level of representation (30 per cent) for women in all elected bodies at municipal, state and national levels (Sundaram, 1990, 99). This form of "positive discrimination" is probably essential if women's strategic needs are to be taken seriously. Otherwise, the tendency (among systems and institutions dominated by men) is to "filter out" women from the decision-making process on which real change depends. Nigeria too has established a National Commission for Women's Affairs at the Federal level to promote the interests of women throughout society (Odumuko, 1990, 88). This is a significant initiative, but it should be borne in mind that integrating female representatives into wider structures is usually more effective in the long term than creating separate institutions which can be more easily marginalized.

However, in the short term, strong women's groups are probably essential in the process of confidence-building, training and skills acquisition which is a pre-requisite for effective action later on in structures which traditionally have excluded women from participation. Groups of women organized around savings-and-credit, childcare, literacy, health and so on are an increasingly common feature of most low-income settlements, and can play a significant role in improving the shelter environment. In Bangkok, for example, women from 10 slum communities have recently come together to work on a range of activities including savings, income-generation and mobilization against eviction (Boonyabanha, 1990, 30). Groups of women are also beginning to organize themselves on a larger scale, and to network and exchange experiences at national and even international levels. With help from Homeless International, a United Kingdom-based NGO specializing in shelter programmes, women in Colombia and India have embarked on a systematic sharing of ideas and solutions on shelter issues across the world (ODA, 1990, 2. 10).

Improved access to training, especially in areas traditionally reserved for men, is also vital. In Kingston, Jamaica, the Women's Construction Collective trains young women in construction skills and then supports them in finding jobs, or setting up their own small businesses, after graduation (Turner, B., 1988). The contributions of NGOs such as SPARC, SEWA and Construyamos in terms of training have already been mentioned. More important than these special programmes, however, is equal access for women to existing training programmes run by government and private institutions. It is here that less progress has been made, particularly in professions such as architecture and engineering. Of course, access on this scale depends very much on social and cultural attitudes generally, and these attitudes are slow to change. The same problem is visible from even a cursory examination of access to land and housing finance, areas in which women find it very difficult to make progress unless they are part of a special programme designed specifically to meet their needs. Unequal access is still a feature of most of the general land and credit programmes examined in earlier sections of this report. The strategic gender needs of women will only be met if these systems are altered to permit equal access for women and men, and this will be a very long process in most societies. Nevertheless, the successful implementation of the enabling approach requires that it is achieved.

In conclusion, it has proved fairly easy over the last few years to meet many of the practical gender needs of women in the shelter process. Childcare and education facilities such as crèches, maternal and child health programmes, income-generation and employment programmes, and other activities have expanded greatly. However, less progress has been made in promoting the strategic needs of women. This is not surprising, given the subordinate position of women worldwide and the difficulty of reversing centuries of discrimination and inequality. There has, however, been some progress in the fields of access to land, finance and tenure security, in representation and participation in policy and decision-making bodies, and in the legal arena. In many cases, the most successful organizations have been those which

have initiated their activities around practical gender needs (such as health and service-provision), but which "have been able to utilize concerns such as these as a means to reach strategic gender needs identified by women in particular socio-economic contexts" (Moser, 1989b, 1817).

This gradual progression from practical to strategic needs is less threatening to men, and therefore stands more chance of success. However, these successes have by and large been isolated, and the challenge remains of integrating the interests and needs of women into the shelter process within the framework provided by the **GSS**. The best way to do this is by utilizing gender-aware planning models throughout the policy and planning process. This requires training and awareness-raising among all those involved in making decisions over shelter. at every level.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter III. Workable elements of enabling strategies: The changing role of the public sector

#### D. Mobilization of human resources in the shelter sector

##### 6. Conclusion

The mobilization of human resources in the shelter sector is a neglected area, but also one which is absolutely vital to the successful implementation of the enabling approach. Ultimately, the **GSS** depends on people, and on their attitudes and approach to shelter issues. If these attitudes remain embedded in prejudice and rigid ideas of top-down planning, the enabling approach will stand little chance of success. What is required is a wholesale change of attitudes on the part of all those involved in making decisions over shelter policy and practice. Therefore, the importance of training, of information-dissemination, and of equal access and involvement among men and women, cannot be overstated. During the first two years of the **GSS** there have been encouraging signs that these lessons are being heeded, particularly in relation to the need to re-orient shelter-related training and education toward the skills of the facilitator required by the enabling approach. There has been less progress in the crucial area of women's involvement, though there are signs that this too is beginning to change. What remains is to spread the influence of these early, though rather isolated, successes throughout the shelter process at national and international levels.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### **Chapter IV. In-depth assessment of particularly successful activities with the enabling strategies in the shelter sector**

Many examples of successful innovation and experimentation in the shelter process have been described in brief throughout this report. It is now time to explore in more depth the most significant of these developments, in order to identify their strengths, weaknesses, and potential for replication. Rather than list activities by country or city, examples below are grouped together in similar fields so that their general features can be analysed more easily. At this point, it is worth restressing that there are no "magic formulas" in the **GSS** and no solutions which are universally applicable. The hallmark of the enabling approach is flexibility: the ability always to adapt to local circumstances and the needs, preferences, and capacities of groups and individuals. This means that examples of particularly successful activities in the shelter sector must always be considered within the local social, economic, political and cultural context. Nevertheless, there are some common themes which emerge from the first few years of experimentation with the enabling approach.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter IV. In-depth assessment of particularly successful activities with the enabling strategies in the shelter sector

#### A. *In-situ* upgrading

Given the opportunity, most low-income families will prefer to improve their existing shelter environment rather than being moved elsewhere. Resettlement schemes (considered below in [section IV.G](#)) often result in losses of satisfaction, income and employment as people are relocated far from work, friends, services and so on. Although *in-situ* upgrading is not always possible, especially where land is privately-owned and land values are rising rapidly, it should always be the first option to be explored. The defects of earlier upgrading programmes, such as unsustainability and their negative impact on the poorest, were highlighted in earlier sections of this report. More recent attempts at shelter improvement *in situ* have met with greater success. There are many examples throughout the world of a more thoughtful and realistic approach to upgrading based on the principles of the enabling approach, though most of these began before the formal ratification of the **GSS** in 1988. They demonstrate that upgrading can be remarkably effective if certain criteria are adhered to.

Although there are many other case studies of upgrading in practice, the following conclusions are based particularly on the recent experience of three: the Urban Community Development Programme in India, the Aguablanca upgrading programme in Cali, Colombia, and the Slum Upgrading Programme in Bangkok. All three signified a major shift in attitudes among policy-makers towards seeing poor people as a productive resource, rather than as a "problem". The key to successful upgrading therefore lay in utilizing this resource to best advantage, supporting it where necessary and facilitating links with the public and private sectors in order to develop the optimum framework for mutual support. Each programme aimed at enabling residents to remain where they were, though the Aguablanca project also contained a sites-and-services component and all three resettled a small number of families whose dwellings were destroyed to make way for infrastructure. Nevertheless, people were left to construct and improve their own housing while the local authorities provided assistance to these efforts in the form of credit, construction materials and services. The role of the State was very much that of a facilitator. Families were allowed to choose the form of building which suited them best, some opting for self-help, others for hired labour, and most for a mixture of the two. Many (especially in Bangkok and Cali) decided to work together in groups on communal and cooperative construction. Supervision of housing and infrastructural development was often delegated to the community and their representatives, while participation in discussion, design and decision-making was high. This ensured that the programmes were relevant to the needs of those who were supposed to benefit from them, and gave the community a stronger stake in ensuring that they worked. Government made sure that security of tenure was forthcoming, an essential pre-requisite to successful upgrading, and concentrated on removing barriers to popular action such as restrictive bureaucracy and inappropriate building and planning standards. In Cali, for example, construction norms were extremely flexible, with the community itself deciding on many standards such as paved or unpaved roads. Lot sizes and the layout of dwellings were not standardized, and a wide variety of designs were developed.

Furthermore, new relationships between public, private and household sectors were essential to overcome the problems experienced in upgrading during the past. In the Indian experience (which started

in Hyderabad and broadened into the National Urban Basic Services Programme in 1985), a stronger partnership was formed between local authorities and slum-dwellers, in which each played a distinctive role attuned to their strengths. The Community Development Departments of the municipalities concerned played an overall coordinating role at the city level in ensuring that spatial planning needs were adhered to and that inputs to self-help efforts were made available in the right place and at the right time. People themselves carried out most of the construction and improvement work, ran ancillary activities built into the programme, and liaised through representative structures with the authorities on key decisions. In Hyderabad, for example, there are over 300 voluntary workers from the upgraded settlements (mostly women) who run programmes in training, health, education, child welfare, credit and housing assistance. Each section of the settlements elects its own committee to liaise directly with the Community Development Wing of the municipal council (Sundaram, 1990, 112).

It was also realized that strong, coherent action by local government was essential to the success of the upgrading effort. The Aguablanca programme in Cali worked because it had the active and continuous support of all six Mayors responsible for different parts of the project area. A deliberate decision was made by the State to develop an integrated urban development plan specifying that rising land values throughout the city should be used to improve the local environment rather than be cornered by speculators (Useche de Brill, 1990, 94). Coordination among the plethora of shelter-related agencies in Colombia was strengthened through a signed agreement to work together for a common goal, the functions of each agency being clearly specified in advance (Useche de Brill, 1990, 95). Training was provided by public institutions and NGOs; technical assistance came from local universities; finance for housing and infrastructure through the Central Mortgage Bank (BCH); and overall coordination was provided by the municipalities concerned. For the first time ever in an "informal" settlement, BCH opened savings banks *in situ* to promote access to the formal housing finance system among the urban poor (Useche de Brill, 1990, 98).

In India, the coordinating agency (the Community Development Wing) was relocated directly under the office of the Municipal Commissioner, giving it greater authority, a substantial degree of autonomy, and a much wider brief (Sundaram, 1990, 112). This allowed the state to be more responsive to the needs of the community, even if these needs fell outside what had traditionally been regarded as "shelter-related". Hence, over 160 activities have now been incorporated into the upgrading programme, ranging from housing finance and advice to child welfare and community health. As the experience of India and Colombia shows, without strong, integrated municipal action it is impossible to generate the proper framework within which the resources of the household and private sectors can be utilized to greatest effect.

Efficient administration was also important from the viewpoint of sustainability. Subsidies from central Government were minimized in the Aguablanca programme by ensuring that upgraded properties were registered accurately. This made it possible to levy the relevant public service charges and tie the settlements into the municipal revenue base (Useche de Brill, 1990, 99). There were, however, some hidden subsidies in the form of training and technical assistance provided free-of-charge. something which also occurred in the Indian and Thailand programmes. Sustainability in Aguablanca was also encouraged by paying explicit attention to income-generation and small-enterprise development as an integral component of the upgrading process. Support and advice to entrepreneurs was provided by the Carvajal Foundation, a Colombian NGO specializing in this field. This shows how important it is to generate strong links between the processes of economic development and shelter development. the one not working effectively in isolation from the other. The long-term sustainability of the Urban Basic Services Programme in India has been criticized for just this reason (ODA, 1990). Not only was economic development neglected, but inadequate resources were made available to the municipality for maintenance purposes. No effort was made to involve slum residents in maintenance work, a basic error

in terms of the sustainability of the programme (ODA, 1989).

There have, however, been failures as well as successes in these upgrading efforts. Weaknesses in terms of sustainability have already been mentioned. Equally serious is their tendency to exclude the very poor and to drive out the most vulnerable groups to accommodation elsewhere. According to the recent evaluation of the Aguablanca programme, only 50 per cent of the target group were actually reached. Thirty per cent of beneficiaries had household incomes higher than the target level, while 20 per cent fell beneath it (Useche de Brill, 1990, 99). As is explored in more detail below, there is always a danger that the drive for sustainability and cost recovery will lead to the exclusion of the poorest residents unless special measures are adopted. There have also been problems in scaling-up the successes of the programmes at city and national levels. Although the Aguablanca project is large by Colombian standards it still involved only three settlements, and has not thus far been replicated in other cities. In India, the Slum Upgrading Programme has managed to reach the entire slum population of Hyderabad (over 400,000 people) and has now been extended to Vishakhapatnam and Indore. There has, however, been much more emphasis on infrastructural improvements compared to social and community development (ODA, 1990). It is these social and economic developments which are crucial both to scaling-up and to sustainability.

Nevertheless, the experiences explored briefly above have by-and-large been positive, with many useful lessons being learned. As the Indian case study for this report puts it, they show the "possibility of moulding a conventional bureaucratically-oriented municipal system to respond flexibly to the needs of the community ... and to build linkages with community organizations and NGOs by assuming the coordinating role at city level" (Sundaram, 1990, 115). This requires extensive training and commitment on the part of staff at all levels, but if it can be done it does generate long-term changes in attitudes and approaches which are essential if the enabling approach is to be sustained. In Thailand, for example, the Slum Upgrading Programme (although now on a small scale) persuaded the Government to support the efforts of NGOs and community groups, generated a commitment to address the needs of those who were threatened with eviction, and facilitated later experiments in areas such as land-sharing and resettlement (Boonyabanha, 1990, 31). In this process, the role of poor people and their organizations in securing access to housing inputs (especially land and finance) was legitimized to an extent unknown prior to the launch of the upgrading programme.

In addition to these fundamental changes in official attitudes, recent experience with upgrading has demonstrated that the role of facilitator envisaged for government in the GSS is perfectly feasible given adequate commitment, training, and organizational adaptation. This requires new structures for coordination and decision-making, greater participation by the communities concerned, and a clearer division of responsibility among the different actors in the shelter process, especially among the various state agencies involved.





## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter IV. In-depth assessment of particularly successful activities with the enabling strategies in the shelter sector

#### B. Resettlement

Upgrading is usually a cheaper and more satisfactory alternative than relocation, but in some circumstances it is less of an option. Where land is owned privately and cannot be expropriated, or where alternative land uses are necessary in terms of the overall functioning of the city, resettlement is the obvious solution. This is particularly so in the case of centrally-located land, which is more valuable and therefore subject to greater pressures for redevelopment. Although there are good reasons for preserving low-income housing in the city centre (which are examined in [section IV.D](#) under "Inner-city rehabilitation") it is rare that poor families are able to withstand commercial pressures to redevelop the area. Resettlement then becomes the logical alternative, and if carried out with due regard for the principles of the enabling approach, it can be extremely successful.

As in the case of upgrading, resettlement works best where continuity of support from the State (to guarantee an adequate supply of housing inputs and coordinate support structures) combines with a highly-organized community able to take control of the building process. Rising land values in urban Thailand have forced many low-income residents to leave inner-city slums when landlords decide to sell or redevelop the area concerned (the case of land-sharing is different, and is considered below). However, by organizing themselves and establishing new relationships with government, NGOs and private-sector institutions, poor families can ensure that they secure the best possible alternative shelter option in a new location. The case of Ruamjai Samakki, a resettlement programme in Bangkok, illustrates this principle very well. Here, with help from local NGOs, the community was able to exert sufficient pressure on their landlord to secure adequate compensation, refusing to accept his initial offer of Baht 10,000 and finally agreeing on a figure of Baht 25,000 per household. These sums were channelled through the National Housing Authority (a nice example of the facilitating role of government stressed throughout the GSS) and went a considerable way towards covering the purchase of land in the resettlement area (Niyom and others, 1990, 14). Community representatives then searched for and found a number of alternative locations for resettlement, and the community as a whole decided which one to accept. This allowed them to match their own needs (in terms of costs, proximity to employment, services and so on) to the characteristics of each site. At the new site, assistance in laying out plots was provided by another NGO (the Human Settlements Foundation), while the National Housing Authority helped (albeit with some delays) to register the land and to provide a temporary water supply. Families were allowed to build their dwellings using whatever materials, techniques and labour components they wished, and there was complete freedom in design and layout (Niyom and others, 1990, 32). Almost 75 per cent of the community completed their new dwellings (or at least a core shelter) within a month of their arrival, and remarkably, the process of resettlement was accomplished in a mere 22 days from the time that people were notified of their eviction orders (Niyom and others, 1990, 21). Such speed of action is only possible where the community is highly-organized and enjoys a supportive relationship with local government and NGOs.

Further pressure from the community was required to obtain legal registration for their properties, without which there was little hope of securing basic services and facilities such as schools. In all stages of

the resettlement process, this pressure was exerted through a cooperative formed by the residents to represent them in negotiations over land, finance, services and so on. Title to the new land was placed in the name of the cooperative, not in the names of individuals, and this helped to reduce the danger of residents selling out to higher-income families and to speculators. The cooperative also acted as a conduit for funds from the National Security and Finance Company, a private institution which agreed to provide finance at nine per cent interest to help each family to purchase building materials (Niyom and others, 1990, 40). Land costs were covered by compensation payments from the landlord, but the purchase price was reduced by agreeing to move on to the lots without any basic services. A temporary water supply was provided by State and NGO agencies, and the residents were content to see infrastructure develop slowly over time so that costs could be absorbed more easily. Although these costs are to be subsidized by government and foreign assistance, residents must pay for the installation of water and electricity meters, and mains connections. In overall terms, therefore, subsidies remained very low. Over 38 per cent of total project costs were covered by the community in cash or kind; 30.5 per cent by compensation from the landlord; 19.6 per cent from NGOs and international organizations; and only 12.7 per cent from government. This represents a major achievement in terms of long-term sustainability and is far more impressive than earlier sites-and-services projects which contained insupportable levels of subsidy.

The Ruamjai Samakki project is a particularly clear example of the enabling approach to resettlement in action, but there are others too. For example, the Incremental Development Scheme, designed by the Hyderabad Development Authority in Pakistan, has also managed to provide land to the very poor at a price they can afford. Initial payments are maintained at very low levels, and, as in Bangkok, the price of the lot is reduced by selling land without services. Infrastructure is provided over time and in return for timely payment of user charges (from those who can afford them). Speculation and upward filtering (the takeover of land by higher-income groups) is minimized by ensuring that sufficient lots are supplied to meet demand (by far the best way of doing this), and by handing over legal registration documents (security of tenure) only after the dwelling has been occupied by the family that built it (Baross and Van der Linden, 1990).

The Indian Government tried a similar approach to resettlement in Pune, Maharashtra. Here, residents of city-centre slums were taken to alternative sites prior to the move in order to build up trust and confidence in the intentions of the local authority. Land was acquired through compulsory purchase, with compensation being paid to the landowners quickly and efficiently. Shelter standards in the resettlement area were much more flexible than in other sites-and-services schemes, and higher residential densities were permitted. This lowered costs to the consumer and generated a higher quantity and quality of housing. Households were encouraged to build by providing them with a judicious mix of loans and subsidies, the loans being provided by the Bank of Maharashtra, the first time a commercial bank in India had agreed to involve itself in a settlement of this kind. Those who moved were also exempted by the State from the payment of stamp duty (Sundaram, 1990, 127).

Programmes such as Ruamjai Samakki in Bangkok, the Incremental Development Programme in Hyderabad, and resettlement in Pune, demonstrate that the failings of earlier sites and services schemes have been recognized and are being rectified within the framework of the GSS. On the positive side, costs and subsidies have been greatly reduced through adequate compensation, the provision of land without immediate services, and a much higher level of involvement and commitment from the community. Strong community organization (often through cooperatives) has been essential in this respect, as has the assistance provided by NGOs in terms of mediation between State and community, and in terms of facilitating the supply of shelter inputs, technical assistance, and awareness-raising. At the same time, such a high degree of success would not have been possible if government (at different levels) had not shown considerable flexibility in terms of planning standards, service provision, security of tenure and technical

assistance. Their support was essential. New partnerships with the private sector, especially in the provision of affordable credit, have also proved to be a key to success. These examples show that the new partnerships called for by the enabling approach are beginning to take shape on the ground.

On the less positive side, it is true that resettlement schemes (as in upgrading) often exclude the poorest households, who cannot afford the costs of the move (especially land and credit). It is they, and especially tenants, who are unable to find new accommodation after they have been evicted, though of course they may secure rented housing elsewhere. In addition, relocation at a distance from the original settlement imposes costs for everybody. Journey-to-work times are increased and people may lose their jobs altogether, particularly if (like street-sellers and rickshaw-pullers) they need to live at or near to their customers. In the Ruamjai Samakki project, for example, almost 40 per cent of those involved said that their economic position had "worsened" as a result of the move. This resulted from a combination of three factors: loss of income from work during the move and the building phase itself, increased expenditure on housing in the longer term, and rising unemployment (loss of the previous job) (Niyom and others, 1990, 45). Nevertheless, the overall level of satisfaction expressed with the resettlement process remains high. Clearly, where upgrading *in situ* is not an option, resettlement, properly organized, can be a workable alternative.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter IV. In-depth assessment of particularly successful activities with the enabling strategies in the shelter sector

#### C. Shelter improvement without tenure security

One of the key ingredients in the success of both upgrading and resettlement programmes is always security of tenure. Without this people are unwilling to invest much in the improvement of their dwellings and the wider environment in which they live. Wherever possible, therefore, security of tenure needs to be granted early on. However, there are situations in which this is impossible, at least in the short term. The most obvious examples of this are pavement-dwellers (who cannot be granted tenure for obvious reasons), and tenants of private landlords, living both in rental tenements and rental shantytowns. Rehabilitation of tenements presents issues and problems of its own, and these are the subject of the following section of the report. Resettlement and land-sharing may provide options for some, but for many millions of the urban poor in South and South-East Asia particularly, access to these alternatives is highly restricted. What, then, can be done within the framework of the enabling approach to improve shelter provision among the very poor, who face profound insecurity of tenure in the long term?

Rental slums are particularly common in India and Bangladesh, and both countries have developed some interesting approaches to what is a very difficult problem. The example of Khulna in Bangladesh has already been cited. Here, the British NGO, Save the Children Fund, has been assisting tenants in rental slums to improve their environment for many years, without tackling the issue of tenure security. For obvious reasons, this issue is extremely sensitive, and has a high profile among local landlords and politicians, who are often linked closely together. The approach of the Save the Children Fund has been to assist tenants to do as much as possible inside and outside their dwellings to improve the living environment. This has concentrated on health and nutrition, education and childcare, income generation and group employment, savings and credit, and community organization. A great deal of success has been achieved in these areas, with (for example) infant mortality rates being halved in the last 10 years and access to clean water and sanitation dramatically improved. However, little headway has been made in terms of upgrading the fabric of individual dwellings, and this is unlikely to happen unless the issue of tenancy itself is tackled.

Calcutta's Bustee Improvement Programme is a more ambitious example of the same approach. Starting in the early 1970s, this effort has thus far improved environmental conditions for over 2 million people, without attempting to change the complex tenure arrangements in force in the *bustees* (Sundaram, 1990, 117). As in the Khulna project (and the Kampung Improvement Programme in Indonesia), the focus in Calcutta was on improving access to basic services. The first step was to constitute committees in the *bustees* made up of representatives from the community, who were able to liaise with both government authorities and landlords. Environmental improvement plans developed by the Calcutta Metropolitan Development Authority are discussed with the committees first in order to check out their relevance and appropriateness. Services are then developed in a way which (at least in theory) ensures access and maintenance by the community, with huts being relocated around water-points and latrines (Sundaram, 1990, 119). Supplementary feeding, primary health care and pre-school education have also been integrated into the improvement programme. More recently, support for economic activities among tenants has been stepped up in the form of credit and technical assistance to

informal-sector enterprise, especially among women.

Re-emphasizing the economic dimension of the programme in this way came in part from a realization that infrastructural and health improvements were unsustainable without rising incomes. By the mid-1980s, it was obvious that services were poorly maintained because of the inability and/or unwillingness of either the municipality or the community to take them over. Sustainability is a particularly difficult goal in rental slums because tenants are not prepared to spend money on services which may be denied them at any moment as a result of eviction. Landlords are often unconcerned also, though evidence from Khulna in Bangladesh shows that tenants are prepared to pay higher rents if they are provided with better services. The approach taken in Calcutta in the face of this difficult problem was to re-estimate the costs and revenue involved and cover the shortfalls identified from subventions by the State (Sundaram, 1990, 120). User charges have also been levied on *bustee* dwellers themselves, though given their very low incomes and insecurity of tenure these services are unlikely ever to be self-financing.

Pavement-dwellers constitute an extreme example of those for whom security of tenure is unlikely to become a reality, but (especially in major Indian cities) they are a sizeable minority. These families need to be located near to the city centre because they depend for their jobs and incomes on access to customers in the streets, shops and hotels of the area. Although other cities are now following suit, the Delhi Development Authority was the first to develop the idea of night-shelters for pavement-dwellers as an innovative solution to their distinctive shelter needs: Nightshelters are simple buildings which provide space for sleeping, along with basic facilities for washing and sanitation. Users are charged a small fee (Re 1 per night) for the use of these facilities, and the shelters are also used for developmental activities in health, literacy and other areas. At present, there are 13 night-shelters in Delhi, and there are plans to extend the programme so that it covers the entire population on the streets (Sundaram, 1990, 124). Part of the building and maintenance costs of the shelters are covered by user charges and the rental of part of the building to commercial users. However, as in the case of other programmes aimed at the very poor, a substantial subsidy from the State is inevitable.

These examples demonstrate that significant shelter improvements are possible with very poor families even when security of tenure is absent. Where political and economic factors make it difficult to make progress on occupancy rights, attention switches to the wider urban environment and the need to improve basic services, especially in water, sanitation, health and education. So long as tenants are allowed to participate in decision-making over the development and siting of services, lasting improvements are possible. One should also note that successful initiatives like the Bustee Upgrading Programme take an integrated approach to the whole range of problems faced by low-income tenants, rather than singling out one or two issues alone for attention. Problems, of course, remain. Evidence from the Bustee Upgrading Programme in Calcutta shows that some of the poorest tenants were driven out of the settlements by higher rents, after services had been upgraded (Werlin, 1987), an experience which was, however, not replicated in the similar project in Khulna cited above. Perhaps more disappointing than this has been the sustainability of these initiatives. This is hampered not only by inbuilt constraints (such as low incomes and lack of occupancy rights) but also by administrative and financial problems at municipal level, which have led to severe problems in maintenance. Given the economic and tenure position of slum tenants, some level of subsidy in the provision of basic infrastructure is probably essential. At such low levels of income there are clear limits to the capacity of poor people themselves to improve their own environment, a constraint that applies with even more force to tenants. Forceful intervention by government is usually required to mitigate these constraints, as in the case of pavement-dwellers in Delhi.



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#### D. Inner-city rehabilitation

Low-income tenants living in the inner city are more vulnerable to commercial pressures because of the high and rising value of centrally-located land in most urban areas. This makes rental tenements attractive propositions for redevelopment. At the same time, tenants want to preserve their central location which provides easy access to employment and (usually) cheap accommodation. The conflict of interests provoked by this situation is very difficult to resolve, but recent experience (particularly in Bombay and Mexico City) shows that it can be done, given commitment and imagination. As in other areas of the **GSS**, what are needed are flexibility and new forms of partnership between the different actors in the shelter process: public, private and household.

The earthquake which shook Mexico City in 1985 destroyed a substantial proportion of rental tenements in the centre of the city. This provided an unexpected opportunity to try out new forms of organization and tenure arrangements, based on the public purchase of land, transfer of tenure from landlords to tenants, and physical upgrading of the area (**UNCHS** (Habitat), 1990b). Some tenants opted for relocation outside the city centre, but many managed to secure the right to stay where they were and to participate in the reconstruction of their dwellings. The most common organizational vehicle used in this process was the housing cooperative, which greatly strengthened people's ability to lobby for their interests in the face of commercial pressures, and made it easier for individuals to gain access to credit (Connolly, 1987).

Housing cooperatives were also fundamental to the success of inner-city rehabilitation in Bombay, a process which has been documented in detail by Sundaram (1989a; 1990, 129-133). Here, rental tenements (called *chawls*) were built in substantial numbers prior to 1940 to house the workforce of nearby textile factories. The physical condition of these structures has deteriorated consistently, though they still provide a valuable source of accommodation for those who need to live in central locations. The municipal authorities in Bombay have adopted an imaginative approach to rehabilitating these tenements, or rebuilding them completely if they have deteriorated beyond a certain level. In cases of reconstruction, the State acquires the property from the landlord at compensation valued at 100 times the average monthly gross income (Sundaram, 1990, 131). Tenants are housed in temporary accommodation while the buildings are reconstructed, returning as tenants of the Municipal Housing Board. Far more common, however, are repairs to existing tenements carried out by landlords and tenants themselves, working in partnership with the local authorities, and often utilizing private-sector finance.

Perhaps the most interesting aspect of the Bombay scheme is the possibility it offers for tenants to obtain title to their properties as members of a housing cooperative. Where 70 per cent or more of tenants in a building apply for transfer of title, the municipal authorities are bound to acquire the property from the landlord in return for payment of compensation. They assist the cooperatives to secure finance for the repairs to their dwellings, and provide technical and architectural guidance. Thus far, residents in over 50,000 tenements in Bombay have been offered the option of hire-purchase at the original cost of construction minus 20 per cent (to cover the costs of repairs), on condition that they join a

cooperative to manage the process of rehabilitation (Sundaram, 1990, 23). Different cooperatives in the same area are also encouraged to join together to manage public services across large areas of the city. The cooperatives can borrow from commercial banks in order to cover the costs of repairs, and the Maharashtra State Government has amended cooperative law in order to permit recovery of dues from members. This helps to ensure the viability of the whole scheme. Occupants of the property who do not join the cooperative pay a proportionate cost of the repairs recovered through higher rents.

This is a very innovative approach which builds on the resources and skills of low-income tenants themselves. However, it is not without its problems. Sundaram reports a "disappointing response" overall from tenants to the scheme, partly because permission to re-sell the property was not given by the local authorities. This removed a substantial incentive to participate, while also helping to prevent speculation (Sundaram, 1989a, 132). There are also substantial problems in terms of the sustainability of the programme. Large subsidies are involved at present because higher rental payments (or hire-purchase payments) do not cover the actual cost of the repairs undertaken (Sundaram, 1990, 132). In addition, the number of cooperatives taking on responsibility for maintenance of their properties is fairly small; in many cases the local authorities still carry this responsibility, but are unable to fulfil it effectively.

In similar schemes elsewhere, rehabilitation of the inner city has had a much more damaging effect on the poorest residents. For example, in the Hafsia Quarter Project in Tunisia, the physical fabric and economy of the city-centre has been successfully regenerated, but new housing thus created has all been purchased by higher-income families. The original residents have been pushed out to irregular settlements on the urban periphery (UNCHS (Habitat), 1990b). This is inevitable given the attractiveness of centrally-located land and housing for commercial and high-income residential uses. Despite the problems of sustainability and participation described above, the beauty of the approaches used in Bombay and Mexico City is that they empower the original residents to upgrade their properties *in situ*. Changing the relationship between landlords, tenants and the state is essential if this is to happen. The formation of tenants' cooperatives with official encouragement and support is a good example of the new relationships among public, private and household sectors which underpins the GSS.



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#### E. Land-sharing

Much has been written already about the potential of land sharing as an innovative approach to securing land for the urban poor. As [section III.A.3](#) made clear, the early experience of land-sharing (particularly in Bangkok) has indeed been successful in transferring title from landlords to tenants, albeit on a small scale. Land-sharing has distinctive attractions for both landowner and tenant: it releases part of the land for lucrative redevelopment while at the same time providing security of tenure for the poor. Any intervention which satisfies the interests of competing groups in this way is bound to have a greater chance of success. Apart from compulsory purchase by the State (which has its own disadvantages), few other alternatives present themselves in highly-competitive housing markets such as Bangkok. As an imaginative response to the constraints on housing provision posed by private landownership in the city centre, land-sharing certainly deserves further investigation and experimentation.

There are, however, certain less positive aspects to this approach which have to be addressed if it is to be replicated on a wider scale. Land-sharing is difficult to operate: it requires long negotiations between landlord, tenants and local authorities over compensation and other terms and conditions, which slow down the process considerably. It is worth remembering that only four or five such schemes have been put together even in Bangkok, where the approach was pioneered. In addition, land-sharing is unworkable in certain circumstances - for example, where lots are too small to divide satisfactorily, or where development costs are too high for the tenants even at subsidized prices (Sheng, 1989). Landowners sometimes profit excessively from land-sharing arrangements and steps need to be taken to ensure that more of the surplus created by redevelopment is channelled to the occupants (Urban Edge, 1983). There is also a tendency for speculation in land to increase in the newly-acquired residential area, which retains its locational attractions and in which land and housing continue to be exchanged. This is what happened in the Klong Toey land-sharing project in Bangkok (Turner, B., 1988, 80). Finally, not all the original tenants of the area obtain or retain accommodation in the area. The poorest are often pushed out as prices rise (Sheng, 1989).

Nevertheless, land-sharing remains an interesting innovation with substantial potential for wider use. In a field such as land supply where successes are comparatively rare, this is one avenue that merits further investigation.





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#### F. Infrastructure and basic services

Generally, land is more of a priority for low-income families than services. Obviously, land can be developed without infrastructure, but not vice versa. Most poor builders are prepared to see services develop over time in return for lowering the price of the lot itself. This was one advantage of providing access to unserviced land in the resettlement schemes described above. Clearly, however, services are important in the longer term in relation to the health and productivity of the population. Improvement of basic services (especially sanitation) is also extremely difficult in the crowded environments characteristic of developing-country cities. There are huge practical problems involved in upgrading services in pre-existing settlements, while the provision of infrastructure on vacant land is expensive and, as already pointed out, raises the costs of the lot. Nevertheless, there are some examples of successful approaches in both situations which merit further exploration.

One such experience is the Infrastructure Development Fund (IDF) evolved by the Federal Government in Nigeria. IDF is basically a way of creating "a pool of long-term loan funds to assist State and Local Government in ... co-financing urban infrastructure" (Odimuko, 1990, 95). The Federal Government plays a facilitating role in this process, receiving funds (constituting 75 per cent of the total) from the World Bank and passing these along to commercial banks. The banks then add their own contribution (10 per cent), and on-lend to State and local authority infrastructure projects which provide the balance of the total costs themselves (15 percent). The most interesting aspect of IDF (distinguishing it from infrastructural programmes during the 1970s) is that commercial banks play the key role in supervising the activities of the borrower, collecting repayments, and bearing the risk. This is an innovative new role for the private sector in an area (service provision) which had previously been very limited. Since the IDF programme was initiated in 1987, a number of experimental programmes have been launched in the States of Benue, Gongola and Ondo. In all of these projects, new partnerships have been forged at State and local levels among government agencies, private banks, consultants and contractors (Odimuko, 1990, 99).

However, IDF has run into a number of difficulties which need to be resolved quickly if the approach is to be taken up on a larger scale. Long delays have been experienced in project implementation: for example, it took two years in Benue State to initiate construction after signing the loan agreement (Odimuko, 1990, 96). In part, this can be attributed to inexperience among the participating institutions, but the state governments have also been reluctant to come up with their share of the total funding, being held back by weaknesses in their revenue base, and by administrative problems (Odimuko, 1990, 100). The banks themselves are concerned that the risks they are expected to carry are simply too high to justify their participation in IDF, a particularly serious problem given that the World Bank is expecting them to increase their contribution to the scheme from 10 per cent to 80 per cent over time (Odimuko, 1990, 101). If this element of IDF fails to come to fruition, it will not be sustainable. World Bank evaluations have identified contributions to infrastructural investments by private banks of over N 250 million since 1985 outside IDF, and cite this as evidence of their future commitment and ability to increase still further the flow of funds to service provision. The Nigerian case study for this

report paints a more sanguine picture, asking for much more time before any conclusions are drawn. Whatever the precise shape of the scheme in future, however, **IDF** already represents an interesting experiment within the framework of the **GSS**, in channelling more private-sector investment to infrastructural development.

At the other end of the spectrum, a number of **NGOs** and community groups have successfully developed approaches to service provision which do not rely on heavy external investments. Given the shortage of resources available to most developing-country governments and the unattractiveness of infrastructural development among the urban poor to the private sector (returns, realistically, being low in comparison with alternative investments), these approaches hold out much hope for the future. Two examples of this kind of activity have already been cited in this report: Sulabh in India, and the Orangi Pilot Project in Pakistan. There are others too, but these are the best-documented cases and therefore serve as a useful basis for comparison. Sulabh has grown from very modest beginnings 20 years ago to become a major force for change today. Its approach is based on a pragmatic recognition that resource constraints rule out the extension of the sewerage system to every household. As an alternative, therefore, Sulabh has developed a two-pit, water-seal, pour-flush latrine which can be built very cheaply by low-income families next to their homes (Sundaram, 1990, 121). Finance is provided in loans and subsidies from the municipality involved, with Sulabh (an **NGO**) facilitating the process with technical advice and loan supervision. Thus far, over 50,000 private latrines have been completed (Sundaram, 1990, 122).

Since private latrines may be too expensive for the very poor and/or inappropriate in high-density settlements, Sulabh have also developed public latrines which can serve large numbers of people at low cost. Users pay a small charge for the latrine, but women, the aged and the destitute are exempted. Maintenance costs are recovered from these charges so that the system is sustainable. As in many other successful experiments within the framework of the enabling approach, Sulabh illustrates the potential for cooperation which exists among **NGOs**, people, and government. It also demonstrates that poor people are prepared to pay for services, if they are properly maintained. Since sustainability in the programme is high, it can be replicated at city and national level, a good example (and quite a rare one) of an **NGO** approach going to scale (Sundaram, 1990, 122).

The Orangi Pilot Project (**OPP**) in Pakistan took a rather different approach to the same problem. Although also an **NGO** inspired by charismatic leadership, **OPP** opted for a waterborne sewerage system constructed and maintained by the residents of low-income settlements themselves (Hasan, 1990). The level of community involvement here was much higher than in Sulabh's work, with small groups of households (lanes) being consulted right from the start about the nature of the scheme and the amount of work involved. Despite minimal technical training and central coordination, these small groups managed to build a settlement-wide drainage system which was well-adapted to local conditions. **OPP** staff provided assistance with community organization, construction techniques and finance. As with Sulabh, this is not an insignificant **NGO** success. It has already benefited over 35,000 households and is being extended to other settlements in Karachi such as Baldia (Turner, B., 1988).

As these experiences demonstrate, sustainable infrastructural development is possible given a high degree of commitment and participation on the part of beneficiaries in all stages of the programme. Participation in cost recovery is crucial to sustainability, but it does not work unless people actually want the services and unless the services they receive come up to the desired levels of quality. This is why **NGOs** such as Sulabh and the Orangi Pilot Project have been so successful, and why earlier attempts sponsored by governments and the World Bank in sites-and-services and upgrading schemes have failed. But, of course, **NGO** and community participation on its own is insufficient to guarantee success on a very large scale. Much more financial assistance is needed to spread the early successes of **NGO** work

to the rest of the low-income population, and it is here that governments and the private sector have a crucial role to play. The experience of the Infrastructure Development Fund in Nigeria is important, not so much in itself but as a signpost of a more creative and supportive partnership between different actors in the shelter process, that may develop more widely in the future. While the poor themselves can build water and sanitation systems, and even pay for them over time, they need financial help to initiate the process. Increasingly, this is going to have to come from the private sector or from international sources, with government at different levels providing the framework through which these funds are distributed and regulated.



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#### G. National policy-making

Shelter policy cannot be effective or relevant unless it emerges from a proper dialogue at all levels among those whose interests it affects. One of the most important early achievements of attempts to initiate the enabling approach lies in broadening the basis on which shelter policy is developed. This is crucial if more effective policies are to be evolved. Given the youth of the **GSS**, it is not surprising that many of the countries that have tried to incorporate a wider range of actors and interests in a policy dialogue have done so imperfectly, or have not yet completed the process. This is certainly true of Nigeria and Colombia, though less so perhaps of India and Indonesia, among others.

Indeed, the country case study for Nigeria concludes that the country has "a basically enabling housing policy which has not been implemented" (Odimuko, 1990, 90). Having received a draft National Housing Policy from civil servants in 1985, the Federal Government in Nigeria subjected its conclusions to public debate involving the private sector, universities, trade unions and professional bodies, as well as local and state governments. These deliberations were brought together in a national workshop hosted by the Ministry of Works and Housing in 1988, which then made its recommendations on the final shape of the Policy to the Armed Forces Ruling Council. The final ratification of the document is now awaited (Odimuko, 1990, 93).

Colombia and India have had similar experiences. The new Social Housing Policy in Colombia emerged from a series of consultations among a wide range of interest groups, including **NGOs** and community groups representing the poor. India's new National Housing Policy was also subjected to a vigorous public debate before being finalized. The point about these examples is not, of course, that the policies thus developed will be perfect, but that they do stand a much greater chance of being successful because they enjoy a broader base of support and have been tailored more closely to practical realities on the ground. All embody the objectives and principles enshrined in the enabling approach to shelter development. Equally, all three examples demonstrate the importance of political support at the highest levels if new policies are to be adopted.



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#### H. Shelter production

Central government's withdrawal from the direct production of housing in most countries is an encouraging sign that the lessons enshrined in the **GSS** are being heeded. The most creative role for government in shelter provision and improvement lies in encouraging the process of housing production, rather than in housing projects per se. The implications of this fundamental change in approach have been explored throughout this report: they lie in facilitating the supply of inputs into the shelter process and in forging new partnerships with the private and household sectors in shelter production. Naturally, these new partnerships are as yet imperfectly formed in practice, but there are many examples which point the way for the future.

These examples range from government support to innovative experiments in construction technology and building materials, right the way through to large-scale involvement of **NGOs**, cooperatives and private companies in the construction of dwellings for the poor. India's Building Materials and Technology Promotion Council and decentralized building centres may well provide a model for other countries to follow, while **SENA** in Colombia has carried out innovative new work in the field of construction-related training and education.

The example of the cooperative movement in India has been cited at many points in this report to show how important such institutions can be in the shelter process. With over 3 million members, the movement is now a significant contributor to the national housing stock (though not to the very poor). A similar example comes from Turkey, where Kent Koop (the Union of Batikent Housing Cooperatives) has built well over 40,000 dwelling units in Ankara since its foundation in 1979. Although these units are destined mainly for salaried workers, Kent Koop has demonstrated that public and private-sector cooperation in shelter production can be a powerful and successful combination. It exemplifies the new partnership between different sectors which is called for in the enabling approach. Here, responsibility for land appropriation and public utilities rests with the Municipality of Ankara. The Central Government supplies health and education services, while the cooperatives themselves take on the responsibility for housing production, organization and finance.

Other countries are experimenting successfully with similar partnerships between public and private sectors. Private companies in India (like ELDECO in Uttar Pradesh and others in Haryana) have managed to build housing with official encouragement which is within reach of at least some low-income families. There are similar examples from the Philippines, where the Government has recently allowed private companies to maintain housing projects as well as to build them. This leads to higher levels of quality and sustainability, and to greater satisfaction all round. While such initiatives will never replace the efforts of poor people themselves in constructing their own housing, they are notable achievements within the context of the **GSS**.



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### Chapter IV. In-depth assessment of particularly successful activities with the enabling strategies in the shelter sector

#### I. Conclusion

A large number of innovations have been described in this section of the report which may well be replicable on a larger scale. Most of these particularly successful experiences have underlying similarities which help to clarify what it is that underpins the enabling approach from one situation to another. These common themes are further explored in the concluding section of this report, but it is worth noting the most important of them here.

- (a) Political continuity and support for the enabling approach is vital if it is to take root. The early experiences of Nigeria and Thailand in particular show that wider economic and political trends such as liberalization and democratization are crucial to the development of the **GSS**.
- (b) The most effective role for governments (except where the interests of the very poor are at stake) lies in facilitating the efforts of other actors in the shelter process to make their optimum contribution. This means withdrawing from shelter projects and concentrating instead on the process of shelter development.
- (c) Strong, integrated municipal authorities are essential if the enabling approach is to work effectively. Coherent local government is needed to set the framework within which the private and household sectors, and **NGOs**, can interact.
- (d) A high level of participation by beneficiaries is vital to the success of the enabling approach. This means participation in decisions over design and implementation as well as in construction and cost recovery. All of the examples described above show that without genuine participation it is almost impossible to develop effective, sustainable approaches to shelter issues.
- (e) New partnerships are always evident in successful strategies. These may be partnerships between government and the private sector (as in the Infrastructure Development Fund), between government and the poor (as in upgrading, resettlement and rehabilitation programmes), or between all three (the most likely and effective combination).
- (f) **NGOs** play a key role in mediating between people, government and the private sector, and in facilitating the supply of inputs into the housing process. Sulabh in service provision, Save the Children Fund in the slums of Khulna, the Human Settlements Foundation in Bangkok, and thousands of other **NGOs** have been crucial to the success of many early attempts to put the enabling approach into practice.
- (g) Training in the attitudes and principles of the **GSS** is absolutely essential if new approaches are to succeed. The implementation of the approach obviously depends on people. This is as true for government officials coordinating an upgrading programme as it is for policy-makers carrying forward the dialogue at national level.

- (h) Reducing input costs is vital to the poor, especially in the land market. Land sharing, the provision of unserviced land, and the introduction of greater flexibility in planning standards are all good ways of doing this.
- (i) *In-situ* assistance is nearly always better than resettlement. It is often cheaper and certainly more satisfactory to those involved. Land-sharing in Bangkok, inner-city rehabilitation in Bombay, and slum upgrading in Hyderabad, all demonstrate the advantages of this approach. If *in-situ* assistance is impossible, then programmes such as Ruamjai Samakki in Thailand point the way to effective resettlement elsewhere.

Taken together, these experiences show that progress within the framework of the **GSS** is always possible, whatever the constraints. With or without tenure security; in the inner city or the urban periphery; in upgrading or resettlement programmes; and even with the very poor, much can be done, if the principles outlined above are adhered to. However, there are also themes and experiences which are conspicuous by their absence from the list of successes described above. Many of these otherwise successful approaches have either failed to reach the poor or have damaged their interests, forcing them to move to less satisfactory housing. This was the case with land sharing in Bangkok, the *bustees* of Calcutta, inner-city rehabilitation in Tunisia, and many upgrading and resettlement programmes. Inadequate attention has been paid to the interests of women and to tenants. There has been much less progress in the key areas of land supply and housing finance, where even supposedly "successful" innovations such as the Housing Development Finance Corporation in India have largely by-passed the urban poor (Sundaram, 1990, 135).

More significant, perhaps, is that it has proved difficult to scale up these early successes to a citywide and national level. Perhaps this is inevitable, given the experimental nature of the programmes identified. There are good reasons underlying this problem, which are explored in the next section of the report. Although initiatives such as the Slum Upgrading Programme and Sulabh in India, the Infrastructure Development Fund in Nigeria, land-sharing and resettlement in Thailand, and Aguablanca in Colombia, are full of interest for the future and certainly not insignificant in quantitative terms, what remains is to replicate their approach on a much larger scale.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter V. Observations and conclusions on how to identify and improve workable elements of enabling strategies in the shelter sector

The watchword of the **GSS** is flexibility: flexibility to adapt to local circumstances, respond to different housing preferences, deal with problems as they arise, and above all, to enable poor people themselves to express their desires and utilize their own resources in the shelter process. It would be of little value, therefore, to generalize too much or to try to identify universally-applicable "solutions" to housing problems. These solutions have to be developed in accordance with local circumstances and not to any outside "blueprint". There are, however, some basic principles of the enabling approach which hold true consistently from one situation to another. It is these general principles which this report has tried to identify and to illustrate using real case studies. It is now time to bring these principles together in order to identify what it is that underpins successful implementation of the **GSS**. Even so, it has to be kept in mind that the outcome of any process or activity is always, to a considerable extent, uncertain.





## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter V. Observations and conclusions on how to identify and improve workable elements of enabling strategies in the shelter sector

#### A. General progress

At the most general level, it is true to say that a reasonable start has been made in many countries in initiating the enabling approach to housing recommended by the **GSS**. National housing policies have been re-oriented and an increasing number of governments are adopting the role of "facilitator" rather than "producer". **NGOs**, cooperatives and community groups have been recognized as key actors in the shelter process and they are forging innovative partnerships with the State at local and higher levels. The most valuable resource in the shelter process - people themselves - are gradually being encouraged to extend their contribution by the removal of inappropriate building and planning standards, legal controls, the granting of legal tenure, and a shift in policy away from eradication towards upgrading, rehabilitation and resettlement. Training and institutional development are being refocused to reflect the philosophy of the enabling approach. At the level of general policy, there is an emerging consensus that the **GSS** represents the only viable way forward if adequate housing is to be made accessible to all.

However, and not surprisingly, there has been less progress in the most complex and difficult areas of the shelter process: land and finance. This report has documented some useful experiences in each of these areas, but these do not seem to represent a real change in relation to land and housing-finance policy. Access to these crucial shelter inputs remains restricted for low-income groups in nearly all the cities of the world. While this continues to be the case, successful implementation of the **GSS** will remain a distant goal. Much greater government intervention is required to facilitate the supply of inputs into the housing process, a theme which is taken up below. Overall, then, most governments find themselves in a transitional stage in housing policy, somewhere between the old emphasis on production and direction and the new enabling approach of the **GSS**. That is why one continues to find elements of both approaches played out in policy and practice at national and municipal levels. Given the radical nature of the enabling approach and the time it takes for any significant policy change to filter through the system, this is entirely predictable and gives no great cause for concern. It will take many years for the **GSS** to become the "new orthodoxy" in practice as well as in principle. This is especially true for countries (such as Nigeria) which are only just formulating new national housing policies, and for others (such as Thailand) which have yet to formalize their commitment to the **GSS** in an official policy sense. Thus, it is very early days yet. At this point in time, any conclusions must be very preliminary. Future monitoring reports will, to be sure, be much more certain about the impact of the **GSS** and barriers to its implementation.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter V. Observations and conclusions on how to identify and improve workable elements of enabling strategies in the shelter sector

#### B. The importance of political support

One common theme which emerges from all the examples cited in this report is the crucial importance of overall political and economic factors in the success of the enabling approach. This shows itself in a number of different ways. First, sustained political will is an essential ingredient in the success of any major policy change. To be effective, the **GSS** has to be supported at the highest levels of government over successive administrations. Of course, support at lower levels of the system is essential too, but this is unlikely to be effective unless it is backed up from the top. The support of Central Government in India and Colombia, and of the Federal Government in Nigeria, has been vital in the development of new and more appropriate national housing strategies in these countries. From the Sixth National Development Plan onwards, Indian housing policy has reflected the enabling role of government, though some municipal authorities (such as Delhi) continue to devote some of their resources to direct production of housing (Sundaram, 1990, 143). In Colombia, continuity of support for the **GSS** has been essential in the consolidation of the enabling approach as official policy (Useche de Brill, 1990, 104). Nigeria's draft National Housing Policy is the outcome of a long process of consultation and debate stretching over at least two administrations, which would not have survived had there not been an underlying political commitment to change in the shelter sector (Odimuko, 1990, 94). As Struyk concluded in an earlier assessment of the enabling approach, "the successful implementing of a strategy generally depends crucially on the degree of support developed for it during its development and sustained into the action phase" (Struyk, 1990, 321). This, he adds, is what distinguishes the success of Zimbabwe and Jamaica in initiating the **GSS**, from the less positive experience and commitment of some other governments.

Political and economic factors are also crucial in setting the overall framework within which housing action takes place. For example, Thailand's more liberal approach to low-income housing development over the last few years is linked very clearly to the general process of democratization that has occurred in the country. The switch from eviction to upgrading and resettlement, experiments in land-sharing, and the emergence of **NGOs** and community groups in the shelter sector, cannot be divorced from the underlying trend to greater popular participation in the political process which has been a feature of Thailand in recent years. The effects of another general trend - market liberalization - are explored below, but it is clear that sustained economic growth is essential if adequate resources for shelter production and improvement are to be made available in the private and household sectors, and if government is to administer the framework of the **GSS** effectively. One of the factors underlying India's comparative success in developing new approaches to housing issues lies in the fact that the Government has access to substantial economic and human resources. Experience demonstrates, however, that neither political democratization nor economic growth are sufficient conditions on their own for the successful implementation of the **GSS**. What is required is a combination of both.

In Colombia, greater commitment to the **GSS** has gone hand-in-hand with a more general commitment to political decentralization and citizen participation in the country's affairs. The strengthening of municipal authority cited in [section II.C](#) as a vital component of the enabling approach could not have

happened outside of a wider move towards greater democracy in Colombia. Public participation in the development of the new Social Housing Policy is a reflection of a general trend towards greater popular participation in the current reform of the National Constitution (Useche de Brill, 1990, 104). As McAuslan has written, effective shelter policies require an "efficient, liberal, open, pluralist, literate, economically-successful and egalitarian society" (McAuslan, 1985, 66). Leaving aside the fact that such a society exists nowhere in the world, it is at least obvious that the enabling approach cannot be successfully implemented without a substantial commitment to democracy and pluralism in society at large. The response of many military and civilian-authoritarian administrations in eradicating slums and squatter settlements is a case in point.

Thirdly, many of the innovations identified in this report depend for their success on social, cultural and other conditions which cannot be replicated. Land-sharing, for example, has been successful (at least on a small scale) in Bangkok because of the particular combination in Thai society of a culture which favours compromise (between landlord, State and tenant), a relatively open democracy, and a high degree of public landownership (to facilitate resettlement) (Hardoy and Satterthwaite, 1989, 124). As the Thailand case study for this report concludes, "workable elements of enabling strategies will be more successful if they are compatible with deeper social, political, economic and cultural elements of the country in which they are implemented" (Boonyabancha, 1990, 33). This highlights once again the need for flexibility in the **GSS** and the difficulty of generalizing about successful experiences over space and time.

One generalization which does hold true, however, is that shelter policy can never be divorced from the wider political, social, economic and cultural frameworks within which it is formulated and implemented. The broader orientation of governments on social, political and economic issues (such as democratization, participation and economic liberalization) is therefore a crucial question facing the success of the enabling approach. While there are many technical issues facing the implementation of the **GSS**, the approach it represents also raises profound political and economic questions which must be answered. Significant improvements in shelter cannot be secured by manipulating the housing market alone.



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#### C. Intervention versus liberalization

The case studies presented in this report also highlight an underlying dilemma in shelter policy which runs right the way through the **GSS**. This is the dilemma of intervention versus liberalization. In order to work effectively, the enabling approach requires that different actors in the shelter process are free to utilize their energies, talents and resources to maximum effect. This means granting secure tenure to the poor, removing restrictive legal and bureaucratic controls on housing production, and providing greater incentives to private and household-sector investment. However, the effect of these measures is simultaneously to add value to land and housing and so stimulate their exchange on the private market. This process, called commercialization, is a worldwide phenomenon. Inevitably, commercialization makes investment in land and housing more attractive to large-scale capital.

Unless supply constraints are vigorously attacked, there is a danger that property-ownership will become more highly concentrated, prices may rise, and the poorest families may find it more difficult to gain access to the kind of housing they want. In any market, choice is a positive function of income, and for the very poor there is often no choice in housing at all (Edwards, 1982). Deregulating land and housing markets which already operate imperfectly is therefore a tricky business. If attempted without adequate safeguards to protect the poor, it can reduce, rather than improve, the range of choices available to them, in direct contravention of the goals of the **GSS**. Unless government takes the necessary action, liberalization of housing markets may not produce the beneficial results to the poor which are expected of it. Thus, although liberalization is a necessary condition for the success of the **GSS**, it is by no means a sufficient one.

To illustrate this dilemma, take the case of Bangkok. Here, "free" markets have been a feature of the national political economy for many years. There has been a huge increase in the supply of housing finance, and private-sector housing activity is very widespread. At the same time, housing conditions for the urban poor continue to give great cause for concern. All slum-dwellers in the city are currently under the potential threat of eviction and over 24,000 families are actually being threatened at the moment (Niyom and others, 1990, 1). Land prices have risen very rapidly, fuelled by speculation and re-development for commercial and high-income residential purposes. Most poor families remain unprotected by the law, lacking tenure security and vulnerable to the actions of landlords and others for whom profit is the prime motivation. Those instances where people have been able to secure better housing for themselves (as in the case of land-sharing and resettlement described in [section III.A.3](#)) have succeeded only because the Government has been prepared to intervene in the private market in order to guarantee access to land, legal tenure and other inputs. Leaving the market to its own devices when it already (and inevitably) operates very imperfectly is a surefire recipe for failure in relation to the **GSS**.

There are many other examples of the damage which can be inflicted by unrestrained commercialization on the housing choices of the poor (Amis and Lloyd, 1990). At the level of the individual settlement, upgrading often drives out those who cannot afford the costs imposed by higher housing standards and service charges. The poorest tenants lose out as rents rise, and there is an inbuilt

tendency towards speculation as land values increase. The redevelopment of inner-city tenement areas under commercial pressures deprives the poor of housing close to informal-sector employment (Sundaram, 1989). At a more general level, housing markets which are highly constrained (as in Nairobi or Bombay) always exhibit shelter conditions which are less satisfactory for the poor than those in which access to land and housing is more fluid (as, for example in Lusaka, Hyderabad or Bogotá) (Edwards, 1990). Wherever the supply of housing inputs falls behind demand, access to home-ownership declines and more and more low-income families are forced into rented accommodation. If these supply constraints continue to grow, conditions in the rental market deteriorate as rents increase, housing quality falls, residential densities rise, and property-ownership becomes more concentrated. This has been well-documented in Nairobi, though there is evidence there that there are inbuilt constraints to the continued rise in rents beyond a certain level (UNCHS (Habitat), 1990b). Of course, no city exhibits a free market in land or housing: the point to recognize is that government intervention is essential if imperfect markets are to operate as efficiently as possible.

This is particularly evident in the case of land and housing finance, markets which are particularly prone to imperfections such as monopoly control and speculation because of their inherent characteristics (Walters, 1983). Governments have long realized the need for some sort of "social control" over land markets but have consistently failed to act on the scale required to make land available to all those who need it. This was the conclusion of section III.A. In the past, "social control" has been identified solely with compulsory acquisition. As the experience of the Urban Land (Ceiling and Regulation) Act in India demonstrates, such measures impose costs of their own, and are rarely effective in facilitating the supply of land to the poor (Sundaram, 1990, 149). Now, under the aegis of the GSS, negotiated compensation, land-sharing and other more flexible instruments are increasingly being used to ensure that speculation is held in check and that private land is brought on to the market. This opens up a wider range of alternatives to governments, including *in situ* upgrading (where land is not subject to pressures for redevelopment), resettlement (where upgrading is impossible), and the provision of infrastructure (in cases where security of tenure is not an option anyway) (Sundaram, 1990, 150). An increasing number of governments are adopting this threefold approach, but underlying all three has to be a willingness on the part of the State to resist speculative pressures and ensure the flow of land to the poor. While there are indications that this basic lesson has been taken to heart, action is required on a much larger scale.

Housing finance tells a similar story. Section III.B concluded that the most promising way forward in terms of credit for housing was probably to release long-term funds on to the market in much greater quantities than has previously been the case, and to ensure that disbursement procedures for these funds do not work against the poor. This means government intervention to encourage private banks and other institutions to modify their credit regulations, in order to accommodate the income characteristics of low-income groups. The experience of small-scale credit programmes such as SEWA in India and the Grameen Bank in Bangladesh shows that even very poor households can afford to pay market interest rates if the loan is administered flexibly. But, as in the case of the land market, it is unrealistic to expect the private sector to take these steps on its own initiative. Speculative pressures and the profitability of lending for higher-income housing production make this unlikely, as the Thai experience shows. Even specialist housing-finance institutions such as the Housing Development Finance Corporation in India find it difficult to make large quantities of credit available to the poor, if loan criteria are dictated solely by market conditions.

To sum up, there is a potential conflict built into the enabling approach between the need for liberalization ("freedom to build", private-sector incentives and so on), and the need for regulation (to correct market imperfections, curb speculation, and ensure an adequate supply of housing inputs to low-income groups). This is a particular illustration of the more general dilemma facing all economies which aim to be both equitable and efficient. Historically, markets have been good at allocating scarce

resources, but much less successful in promoting equal access, especially where incomes are unequally distributed. It is, therefore, not surprising that early attempts to initiate the enabling approach to housing have come up against the same problem.

If government errs too far in the direction of *laissez faire*, the housing options of the poor will not improve substantially because they will be excluded from access to essential inputs, especially land and finance. Thailand is a good example of this kind of situation. If the State intervenes too heavily, incentives to private and household-sector production will decline, so reducing the quantity and quality of housing made available. Nigeria illustrates this situation well. At a sectoral level, it has proved very difficult to balance viability with accessibility in the land and finance markets, in cost recovery, and in rent control. In all these areas, there is a very fine balance to be struck between liberalization and intervention, and this balance will vary from one situation to another. It is no exaggeration to say that the successful implementation of the **GSS** in the future depends on the ability of governments to find and maintain this balance over time. Very few governments, if any, have thus far been able to do this.

However, experience does suggest that the best way forward is to concentrate on easing supply constraints on housing inputs, so that land and housing markets and popular action can operate more efficiently. When this is done, accessibility constraints nearly always decline. Examples of this kind of State action include land banking, the Infrastructure Development Fund in Nigeria, the Housing Development Finance Corporation in India, and the Incremental Development Scheme in Pakistan. All these interventions aim to reduce the dangers of speculation and other market "imperfections" by greatly expanding the supply of land, finance and other inputs to the housing process. A related principle is that interventions stand more chance of succeeding if they meet the interests of different (and often competing) groups in the housing market. For example, land-sharing works because it provides benefits to both landlords and tenants.

These conclusions are a useful corrective to the simplistic view which equates the enabling approach with "less government", or even "no government at all". There are, after all, different interpretations of "liberalization". Some commentators see this process primarily in terms of empowering poor people to control their own environment; others see the focus as maximizing the role of the private sector, unfettered by government regulations. The experience of the last few years clearly shows that the enabling approach requires a different form of State intervention, but a more forceful role in certain key areas. The land and financial markets are the most important of these areas. As President Gaviria of Colombia has put it, "before dismantling the state, the fundamental step to be taken is to (ensure) that its action is effective" (Useche de Brill, 1990, 52).



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#### D. Exclusion of the poorest

As the previous section made clear, one of the consequences of commercialization in the land and housing markets is often to exclude the very poor from access to housing inputs and programmes. This has been documented time and time again, at the level of individual settlements, and more broadly across cities, societies and economies. An integral component of the enabling approach is that it applies (or should apply) to the poorest households as well as to the better-off. Early experience in implementing the **GSS** demonstrates that in practice, this remains exceptionally difficult to achieve, particularly if the State fails to intervene sufficiently strongly on behalf of the most vulnerable.

In fact, very few of the successful experiences identified in section IV of this report managed to involve and include the poorest people in their activities and benefits. Upgrading, land-sharing, rehabilitation and resettlement often have negative effects on the ability of very poor families to remain when shelter and the environment are improved and commercialized. To pick out four of the many examples cited in the text of this report, only 50 per cent of residents of the Aguablanca programme in Cali came from the target income groups; the poorest tenants were driven out by rising rents in the Calcutta Bustee Improvement Programme; inner-city dwellers in the Hafsia Quarter of Tunis were priced out of the market during the rehabilitation programme there; while the land-sharing schemes in Bangkok have also tended to exclude the poorest from the upgraded settlement.

Similarly, official housing-finance institutions find it extremely difficult to reach households with minimal assets and collateral. Only 7 per cent of loans from the Nigerian Federal Mortgage Bank go to "Low-income" applicants, while the Indian Housing Development Finance Corporation (dynamic and viable as it is) has never managed to reach the poor. Cost-recovery schemes have found from experience that exemptions have to be made to enable the most vulnerable households to gain access to services. Even community groups and cooperatives are often made up of the better-off.

Those cases in which the very poor have benefited have come about only through deliberate action on the part of the State or the community concerned, usually in the form of direct subsidies and special assistance. The new National Housing Policy in India puts this well in "going beyond the enabling strategy to delineate the role of provider for government, to take care of the needs of the poorest and most vulnerable sections who cannot secure affordable shelter in the present system and need direct state help, in the form of land, housing inputs and employment opportunities" (Sundaram, 1990, 146). In other words, there is probably no solution other than direct assistance from government for those who cannot (or are unlikely to) be reached even by the enabling approach. The Indian Government has taken a lead here in pursuing programmes like the night-shelters for pavement-dwellers in Delhi, provision of services for tenants in the *bustees* of Calcutta, and exemption from user-charges for the elderly and indigent in infrastructural development programmes such as Sulabh.

Of course, this is not an argument for abandoning the enabling approach just because people are very poor. The search must go on for ways of making housing inputs accessible to all, however difficult

this may be in practice. The success of **NGO** programmes in fields as diverse as credit (**SEWA** and the Grameen Bank), service provision (the Orangi Pilot Project), and resettlement (Ruamjai Samakki) demonstrate that there is always scope for involving the poorest if the programme is sufficiently flexible and responsive. It does, however, underscore the responsibility of the State to intervene more forcefully on behalf of those who cannot participate in enabling strategies because of absolute shortages of skills and resources.





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#### E. Scaling-up and sustainability

While there have been some successes in the initiation of the enabling approach, it is probably true to say that they remain the exception rather than the rule. This is not necessarily a criticism of these early attempts, given the size of the task they face and the comparative youth of the **GSS**. Nevertheless, it is important to be realistic about the amount of progress that has been made. It has, in fact, proved very difficult to scale up the impact and coverage of these early successes beyond the level of an individual settlement, city or special programme. For example, the Aguablanca Project in Cali covered only three settlements, while the Slum Upgrading Programme in Nigeria less than 70,000 households. There are good reasons for this. The difficulty of replicating experiences that are tied to particular social, economic, political and cultural conditions has already been mentioned, for example in relation to land-sharing in Bangkok. In addition, governments and **NGOs** still tend to focus on projects instead of processes, and this makes it more difficult to spread the impact of policy changes at higher levels. Changes at the level of the housing system (for example, in legal and regulatory frameworks, land and financial policy) have far more impact than successful experiences in the upgrading or relocation of particular settlements, or in special shelter programmes which depend on high external inputs (such as the Urban Basic Services Programme in India).

There are other barriers to scaling-up too: it has proved difficult to generate genuine popular participation on a large scale and over time (a point taken up below), and this makes interventions less sustainable. Local government often lacks the capacity to maintain more effective policies in the long term (another point taken up below). Special projects require an input of resources, time and energy which is simply not available on a larger scale, a problem which besets many **NGO** initiatives across the world (Turner, B., 1988), as well as government-sponsored programmes such as the Indian Urban Community Development Programme.

The key issue here is sustainability, the ability of programmes and policies to carry on with minimum external inputs after initial assistance has been withdrawn. The most important elements in sustainable shelter development are popular participation (so that people "own" the process and are committed to making it work themselves), financial self-sufficiency (through cost recovery, user-charges, and microeconomic development), and administrative capacity (at all levels, so that programmes and policies can be implemented efficiently over time). As is detailed below, some progress has been made in all these areas over the last few years. In terms of finance alone, the large amounts of money collected as registration fees in new settlements, and in user-charges from new services, show that the scope for mobilizing household savings is enormous (Sundaram, 1990, 151). What remains to be done is to build into the implementation of the enabling approach the conditions required for sustainable development into the future. This will make efforts at scaling-up much easier.



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#### F. The role and capacity of the State

Strengthening the ability of municipal government to play the role of facilitator in the GSS has already proved to be a critical factor in the success of the enabling approach. While central government commitment to the GSS is essential, this by itself can do little to guarantee the success of local initiatives. The municipality has a key role to play in mediating between the conflicting interests of people and capital, private and household sectors, use and exchange-value in land and housing. Unless the local authorities are strong, well-resourced, efficient, flexible and accountable, they will be unable to promote the right frameworks within which the household and private sectors can play their roles. This is difficult even in relatively well-resourced economies such as India, where, for example, Delhi and Bombay have been unable to promote orderly urban development despite the existence of a comprehensive Master Plan, a well-trained bureaucracy, and access to at least some level of resources (Sundaram, 1990, 39). In the much poorer economies of sub-Saharan Africa this task is much more difficult. Recent structural adjustment programmes have often made the position worse by reducing government expenditure in the shelter sector, particularly from local government administration. In all cities, a much stronger resource base is essential to support sustainable and efficient services and administration. This is why better land and property information systems are so important in maximizing the supply of revenue to the local state.

Experience has shown that integrated municipal government tends to be more effective (and certainly more sustainable) than a multiplicity of specialized agencies, each working separately from the rest and duplicating scarce resources and a skilled workforce. Colombia has suffered for many years from poor coordination among public agencies involved in the shelter sector, and its housing record has been adversely affected by this. The recent establishment of a Directorate-General of Urban Development and Social Housing in Bogotá is a welcome sign that the Colombian Government is addressing this problem by redefining and clarifying institutional goals and responsibilities (Useche de Brill, 1990, 105). The number of State agencies involved in the shelter process has been dramatically reduced, and in the Aguablanca Programme in Cali there was a signed agreement between all of them which laid out clearly their respective responsibilities. Political decentralization and greater citizen participation in local government and public agencies have also been a feature of Colombia in the last few years.

The Indian experience is more complex, with both integrated local government (as in Calcutta), and fragmented specialized agencies (as in Bombay) facing problems. Nevertheless, successful enabling initiatives in urban India (such as inner-city rehabilitation in Bombay and Urban Community Development in Hyderabad) have usually taken place against the backdrop of strong, integrated municipal action. In Hyderabad, this was achieved by making the implementing agency (the Community Development Wing) directly accountable to the Municipal Commissioner, and by investing heavily in staff training and human-resource development.

In addition to adequate resources, municipal government needs a bureaucracy trained in the skills and attitudes of the enabling approach. A good deal of progress has been made in this area, especially in

India. However, too much training has been restricted to particular sections of the bureaucracy (such as the Community Development Wing of the Municipality in Indian cities), or to lower levels of the hierarchy. In future, training should cover institutions as a whole, rather than individuals. Otherwise, there is little chance that people will be able to put their new skills into practice (Useche de Brill, 1990, 106). However, the **GSS** implies a radical refocusing of official attitudes which does not come easily to those trained to carry out orders handed down from higher levels in the hierarchy. The enabling approach requires an attitude of flexibility and problem-solving on the part of officialdom so that innovation and new ideas are encouraged. It requires a sense of humility among bureaucrats so that they are able to listen to, learn from, and work with, poor people. These attitudes are much more important than money when it comes to implementing successful approaches to shelter problems. The innovative work of local authorities in the Indian Urban Community Development Programme is a good example of what can be achieved with commitment and imagination. However, official attitudes are inevitably entrenched, and this limits the coverage of these new approaches. As the Indian case study for this report concludes, the new attitudes have "yet to become conventional wisdom among so-called professionals" (Sundaram, 1990, 153). This process is bound to take a very long time. In the meantime, official rhetoric concerning the enabling approach will continue to outweigh practical implementation. This points to the need for greater internalization of the approach and the principles on which it is based, and for greater operationalization of these principles in practice.

Of course, successful implementation of the **GSS** depends on the right role being adopted by the State, as well as its ability to play this role effectively. Certainly, most governments have moved away from the direct production of housing over the last five years, even those (like Nigeria and Colombia) which have a long tradition in this area. The alternative role for government defined in the **GSS** is that of the "facilitator". Many of the experiences analysed in this report are beginning to show what this means in practice. For example, when the residents of Ruamjai Samakki in Bangkok moved to their new location, the Government provided temporary services and (eventually) legal tenure. In Bombay, the local authorities took temporary control of inner-city tenements during the process of repair and rehabilitation, handing them back to tenants' cooperatives for ownership and maintenance. Upgrading programmes such as Aguablanca in Cali and the Urban Basic Services scheme in India maximized private and household initiative within a framework (of infrastructure and legal norms) set by the State. These examples show how effective government can be when it retreats from the production of housing to concentrate on the legal and regulatory framework within which popular action can be most effective.

New partnerships between public, private and household sectors are an essential component of this new approach to shelter. Land-sharing and resettlement programmes in Bangkok, inner-city rehabilitation in Bombay, upgrading in Colombia and infrastructural development in Nigeria, show that more creative relationships between different actors in the housing market do pay dividends. In the case of Aguablanca, the Central Mortgage Bank (**BCH**) opened a branch in an informal settlement for the first time ever. Credit for resettlement in Pune, India, was provided by the Bank of Maharashtra. Nigeria's Infrastructure Development Fund is intended to operate almost entirely through the commercial banking system. In nearly every innovative experience, one finds new and closer links being forged among people, **CBOs**, **NGOs**, private-sector institutions and government. Acting together, much more can be achieved in this way than by relying on one set of actors alone. Each sector has strengths and weaknesses which can be set against one another, so that the "whole is greater than the parts".



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#### G. Popular participation

All the successful experiences documented in this report have two further characteristics in common: they embody a high level of popular participation at all stages and levels, and they make creative use of the advantages and strengths of **NGOs**, **CBOs** and cooperatives. Indeed, if there is one theme which recurs more often than any other, it is participation. It is very important here to distinguish between participation as a method of achieving goals set by outsiders, and participation as a vehicle for empowering poor people to take more control over their lives. Participation of the former kind may achieve results in the short term, but it is not sustainable and quickly falls prey to divisions within the community and exploitation by outside forces. This was the case, for example, in the upgrading and sites-and-services schemes of the 1970s, which encouraged participation in cost recovery and some aspects of settlement planning, but failed to develop a role for the community in decision-making. As a result, cost recovery collapsed. It is most important, therefore, for meaningful participation to be built into all stages and aspects of the shelter process, from policymaking on the national stage, to the choice of lots in a resettlement scheme at the opposite end of the spectrum. This renders policy and programmes more relevant to people's needs, more accessible to the poorest, and more sustainable in the long term.

Substantial progress has been made in this direction under the aegis of the **GSS**, though in all cases it is dependent on developments in the wider political scene such as democratization and decentralization. Popular participation in policy-making is now well-entrenched in Colombia, Nigeria and India; it is a distinguishing feature of successful shelter programmes at city level such as the Urban Community Development Programme in India, land-sharing and resettlement in Thailand, upgrading in Colombia, and rehabilitation in central Bombay. It is the key to cost-effective and sustainable service provision in the Orangi Pilot Project in Pakistan and Sulabh in India. And it is the central feature of successful attempts to provide affordable housing finance to the poor, such as **SEWA** in India and the Grameen Bank in Bangladesh.

However, people cannot do everything on their own, and need assistance in their dealings with the wider system. This is where the mediating and facilitating role of **NGOs** becomes vital. **NGOs** are ideally placed to act as intermediaries between the grassroots on the one hand, and the public and private sectors on the other. They can facilitate the supply of housing inputs to the household sector, and can help poor people to represent themselves effectively in essential negotiations over land, tenure, services and so on. In almost every successful case study examined in this report one can find one or more **NGOs**, **CBOs** or cooperatives at work in some aspect of the programme. It is therefore of paramount importance that government encourages the development of innovative roles for **NGOs** and does not oppose or restrict their activities.



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#### H. Gender- and tenure-aware planning

Amidst these positive experiences, there are two areas which give particular cause for concern. These are the involvement of women in the shelter process, and the weakness of official policy toward rental housing. The two issues are treated together here because both should ideally flow through all aspects of shelter policy and practice as ever-present themes. In reality, they have become segregated as "special issues" and have suffered accordingly. Although some official attempts have been made to develop policies toward the rental sector, by-and-large this remains a neglected area of the **GSS**. The experience of Bombay and Mexico City in rehabilitating rental tenements is noteworthy, but elsewhere the only aspect of rental housing policy that has been considered has usually been rent control. As [section III.B.7](#) made clear, rent control (or the lack of it) is no substitute for a proper policy on rental housing which ensures that official encouragement is given to the development of the private and household rental sectors. What is needed is an awareness of the potential of rental housing in all decisions over housing policy, so that possible disincentives can be removed within a framework which offers as much protection to tenants as possible. The best way to do this is to facilitate access to home-ownership, thereby relieving pressures in the housing market and ensuring that cheap rental accommodation continues to be made available in the homes of the poor. Rental-housing policy should be a priority within the **GSS** over the next few years.

Although the theory of "gender-aware planning" is well-developed, it has yet to make much of an impact on shelter policy and practice around the world. Following the distinction made in [section III.D.5](#), some progress has been made in integrating the practical gender needs of women into housing strategies, but much less movement has occurred on their strategic gender needs. The role of women in shelter production and improvement, their intimate relationships with the location of employment and services, and their need for energy-efficient technologies, health and child welfare have been recognized in some housing programmes - the Aguablanca project in Colombia, for example. However, women remain under-represented in decision-making bodies and are often excluded from access to housing inputs. It is these strategic gender needs which need urgent attention in the implementation of the enabling approach. Otherwise, there is a danger that the true potential of the household sector (male and female) will not be successfully exploited. Action at a political level is necessary to ensure that women gain access to decision-making in the arena of housing policy. In this respect, the recent decision of the Indian Government to reserve at least 30 per cent of places on all representative bodies for women, is a welcome sign of high-level commitment.



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#### I. Information, planning and evaluation

Networking, and the sharing of information and experience on shelter policy, have grown rapidly over the last few years, at local, national and international levels. This is crucial if successful approaches are to be taken up on a wider scale. There is, however, a need for more work to be done with low-income communities to identify constraints to the enabling approach at the local level. Participatory or action research is the most effective tool to be used in this respect, though few government officials are trained to use it. As Turner has written, "top priority must be given to identifying transferable, adaptable community-building methods and tools, the means by which the principles of enablement can be put into practice and become better understood" (Turner, J., 1989, 180). At a more formal level, more research needs to be done to quantify the costs and benefits of each policy measure. Those whose benefits exceed their costs can be strengthened and enforced; while others should be modified or removed completely.

The **GSS** stresses the need for governments to identify the obstacles which stand in the way of shelter production and improvement, specify the actors responsible for removing them, and outline the actions required to do so (**UNCHS** (Habitat), 1990a, 50). This requires closer monitoring and evaluation of successes and failures in three key areas:

- (a) The definition of the goals of shelter policy and the process of formulating strategies.
- (b) Institutional reorganization, and review of the legal, regulatory and financial frameworks which govern the shelter sector.
- (c) The output of housing and infrastructure, access to housing inputs, special programmes to meet the needs of vulnerable groups (especially women and the poorest), participation and the role of **NGOs**.

In short, what is required from each government is a proper strategic plan for implementing the **GSS**, year-by-year. This strategic plan should clarify the goals of the enabling approach, layout the strategies required to reach these goals, and specify the resources needed and the responsibilities of each set of actors in implementing the strategies listed. At present, official commitment to the **GSS** exists in the form of general housing policies at the national level. These general policies provide an excellent starting point for the elaboration of practical action plans, but they are not a substitute for such plans themselves. Consequently, there is a danger that high-level commitments will not be carried through into practice. To ensure that this does not happen, a detailed strategic plan which links tasks to a set timeframe and division of responsibilities, is essential.

Strategic planning is essential in situations (such as the **GSS**) where changes in approach make it more difficult to implement housing policy. The **GSS** is, as an earlier evaluation puts it, "technically and politically demanding" (Struyk, 1990, 322). Given the radical nature of the enabling approach, and the size of the task confronting governments in poorly-resourced economies, this is perhaps something of an understatement. The international community has a clear responsibility to support governments in their

attempts to re-orient their shelter efforts, through the provision of adequate economic resources and technical assistance.



## Evaluation of Experience with Initiating Enabling Shelter Strategies



### Chapter V. Observations and conclusions on how to identify and improve workable elements of enabling strategies in the shelter sector

#### J. Conclusions

A number of observations have been made in this concluding section concerning priorities for the future. The **GSS** has been in operation for just two years and the information base concerning its early experience is only just developing. In addition, conditions vary so much from one city to the next that any general recommendations are bound to be inappropriate for much of the world. In these circumstances it is tempting simply to re-affirm the pressing need to implement the **GSS**, as the only strategy capable of securing adequate shelter for all in the foreseeable future. The principles of the enabling approach remain sound; what is needed now is greater commitment on the part of all the actors in the shelter process to put these principles into practice. Nevertheless, some basic observations can be made in relation to future monitoring, evaluation, and the identification of successful experiences:

- (a) All governments should elaborate a proper strategic plan for implementing the **GSS**, complete with a timeframe, sectoral priorities, clear strategies, and a list of the resources required. This should be an integral part of a national shelter strategy.
- (b) Progress in implementing these plans should be monitored at the national level on an annual basis, and internationally at regular intervals. Priority should be given to identifying innovative experiences, and to sharing these experiences across national boundaries.
- (c) At a sectoral level, much more attention needs to be paid to monitoring and evaluation in the areas of land and housing finance, since these are the most difficult of all.
- (d) The shelter planning process must take into account the needs and interests of women, the very poor, and tenants, at every stage. These are not "special interest groups" requiring added attention: rather, their needs must be integrated in the planning process as a matter of course.

The goal of the **GSS** is to ensure that every family has access to a decent home at a price it can afford. The strategy to accomplish this goal is to provide a framework within which individual citizens can exercise their choice, and secure what they need. The experiences reviewed in this report demonstrate that both the goal and the strategy of the enabling approach are achievable in practice, given adequate commitment and imagination on the part of all involved. This is the inspiration, and the challenge, for the future.