

TOWARDS A MORE EQUAL CITY

# Confronting the Urban Housing Crisis in the Global South: Adequate, Secure, and Affordable Housing

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## ABOUT THIS WORLD RESOURCES REPORT

This is the second working paper in a series of working papers that comprise the *World Resources Report: Towards a More Equal City*. It will be followed by other working papers on energy, housing, transportation, water and urban expansion. To obtain the full version of this paper, other working papers, and to view supporting materials please visit [www.citiesforall.org](http://www.citiesforall.org).

## FUNDERS

We deeply appreciate the following donors for their generous financial support:

United Kingdom Department for International Development  
Stephen M. Ross Philanthropies  
Denmark Ministry of Foreign Affairs  
Ireland Department of Foreign Affairs and Trade  
Netherlands Ministry of Foreign Affairs  
Swedish International Development Cooperation Agency  
United Nations Development Programme

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Suggested Citation: King, R., M. Orloff, T. Virsilas, and T. Pande. 2017. "Confronting the Urban Housing Crisis in the Global South: Adequate, Secure, and Affordable Housing." Working Paper. Washington, DC: World Resources Institute. Available online at: [www.citiesforall.org](http://www.citiesforall.org).

## EXECUTIVE SUMMARY

### Highlights

- ▶ There is an acute lack of well-located urban housing that is adequate, secure, and affordable. The global affordable housing gap is currently estimated at 330 million urban households and is forecast to grow by more than 30 percent to 440 million households, or 1.6 billion people, by 2025.
- ▶ This paper defines three key challenges to providing adequate, secure, and affordable housing in the global South: the growth of informal or substandard settlements, the overemphasis on home ownership, and inappropriate policies or laws that push the poor out of the city.
- ▶ The paper presents a new approach to analyzing housing options. It moves beyond the formal/informal, public/private, and individual/collective dichotomies to consider a spectrum of options that combine different elements of ownership, space, services, and finance.
- ▶ The paper proposes three scalable approaches to addressing these challenges: adopting in situ participatory upgrading of informal settlements, promoting rental housing, and converting underutilized urban land to affordable housing.
- ▶ Addressing the challenge of adequate, secure, and affordable housing within and around the city is essential to enhancing equity, economic productivity, and environmental sustainability of the city.



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## Introduction

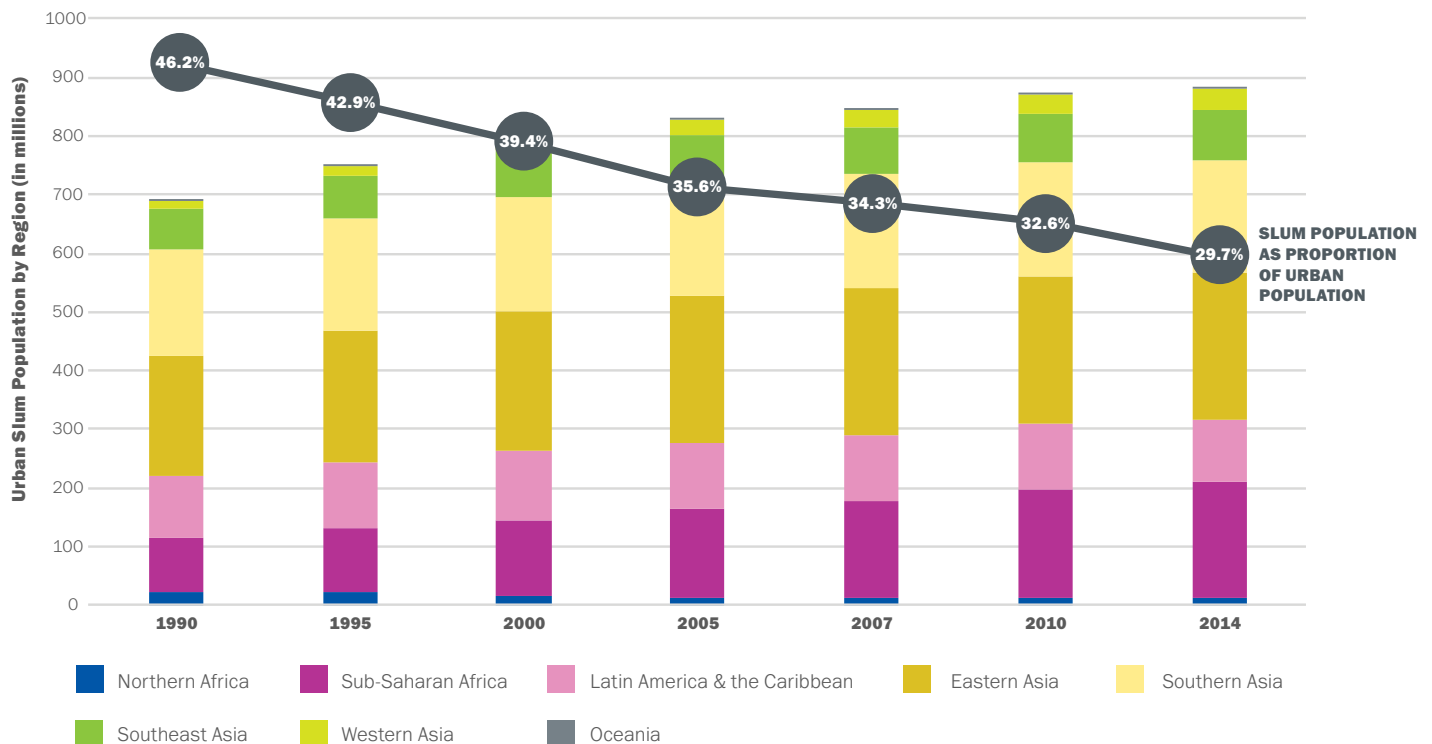
**Good housing is fundamental to physical and financial security, economic productivity, healthy communities, and human well-being—but the housing gap is huge and growing.** Today about one-third of the urban population in the global South lives in informal settlements, where they tend to lack access to basic services such as electricity, running water, or sanitation. The global affordable housing gap is estimated at 330 million urban households, and this number is forecast to grow by more than 30 percent by 2025 to 440 million households, or 1.6 billion people. Many cities have attempted to solve the problem by encouraging or forcing residents to relocate to the urban periphery, but this approach has often created its own problems as people are cut off from social networks and access to employment opportunities.

**Addressing the challenge of adequate, secure, and affordable housing within and around the city is essential to enhancing equity, economic productivity, and environmental sustainability of the city.** This translates to improved quality of life and greater equality of opportunity, thus producing a

more dynamic and just city. Failure to sufficiently provide services such as water, transportation, solid waste collection, and sewerage facilities threatens the health of all urban citizens, especially the poor, and also reduces business activities. If sufficient affordable shelter options are not available in well-served locations, greater proportions of the poor will be forced to live in peripheral areas far from infrastructure, social networks, and existing jobs, and will endure long travel times and additional expenses. Policies and community-based initiatives that lead to better-quality, more secure, and more affordable housing for the under-served will contribute to a better city for all.

**The international community has established targets to reduce slums and ensure access to adequate, secure, and affordable housing—but success has been mixed.** The proportion of the urban population living in slums in developing regions decreased between 1990 and 2014, but the absolute number of slum dwellers rose by 28 percent over the same period (see Figure ES-1). Lack of consistent housing definitions and data across countries presents many analytical difficulties, and

Figure ES-1 | **Absolute increase in urban slum population while the proportion of slum population declines by region**



Source: Estimates from Habitat III Policy Unit 10 2016; UN-Habitat 2015.

commonly cited numbers tend to underestimate the problem both quantitatively and qualitatively. A further challenge is that, even in countries where the right to housing is supported by legislation, women, ethnic minorities, migrants, and other disadvantaged groups are unable to exercise that right. They find themselves in low-quality shelter with minimal facilities or without any kind of permanent accommodation.

**How should cities enable more, improved, and better-located housing possibilities?** Housing involves complicated legal systems and overlapping markets for land, buildings, finance, and services like water, electricity, and sewerage. Housing is further complicated by the fact that formal and informal arrangements, levels of government, and cultural traditions may not be consistent across ethnic groups. Public and private sectors must work together despite the fact that they have inconsistent time frames and goals. This creates a challenging political context for progress over time. Innovative approaches in governance, finance, and urban planning will be required to provide the quantity and quality of housing needed to serve current populations and the wave of urbanization that is to come.

## About This Paper

This working paper is part of the larger World Resources Report (WRR) *Towards a More Equal City*, which considers sustainability to be composed of three interrelated spheres: the economy, the environment, and equity. The WRR uses access to equitable urban services as an entry point for examining whether meeting the needs of the under-served can improve the other two dimensions of sustainability. This paper is based on primary and secondary data analysis, a review of existing research, and extensive expert and stakeholder engagement. It explores the case for ensuring the availability of adequate, secure, and affordable housing in well-served locations in the global South, as well as barriers to its provision. We focus on actionable approaches that have shown success in multiple locations in the global South, though we acknowledge that other approaches exist and should also be explored. We also examine the key enabling factors—governance, finance, and planning—that are needed to transform the current housing shortage, applying them to each issue. Our goal is to inform urban change agents—government policymakers at all levels of government, civil society organizations and citizens, and the private sector—about housing challenges and ways to address them. Addressing the housing crisis is difficult and highly political, and it will require creative partnerships and coalitions of urban change agents and communities. Yet such an undertaking is essential to achieving a more equal city.

*Addressing the challenge of secure and affordable housing within and around the city is essential to enhancing equity, economic productivity, and environmental sustainability.*

## Confronting the Housing Challenge

**This paper focuses on three issues central to the challenge of providing adequate and affordable housing for all.** For each issue, we evaluate relevant housing policies and initiatives and provide examples of successes and failures. We then analyze specific approaches that could help address each issue. Our analysis takes into account the appropriateness of housing that is provided, scalability, feasibility of implementation, and links to other challenges, such as livelihoods, dignity, inclusiveness, and cost. Other important issues, such as housing finance and large-scale public provision of housing, are addressed only within the frame of our selected issues.

**Issue #1: The growth of under-serviced, substandard, and insecure housing that is disconnected from livelihood options.** The unmet need for adequate and affordable housing leads directly to the proliferation of poorly served informal settlements, as people who are unable to access housing formally find shelter as best they can. Too often, policy approaches to informal settlements have involved clearing slums and relocating residents to areas far from the city center. We propose that informal settlements be upgraded to provide expanded opportunities for those who live in them. Increasingly, the international consensus favors in situ upgrading over relocating residents, unless there are environmental, safety, or strong public purpose concerns.

**Issue #2: The overemphasis on home ownership, which excludes the poor.** Home ownership creates both shelter and a financial asset, but it is not an option for the very poor or those who lack the documentation to qualify for mortgages or subsidies. We propose that cities develop improved legal and contractual frameworks that support the rights of both tenants and landlords, reduce risks on both sides, and avoid bias against women and minority groups. A wide range of rental possibilities

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exists, which should be exploited to expand the availability of rental homes. Subsidies and other regulations should be crafted to maximize impact while minimizing market distortions.

**Issue #3: Inappropriate land policies and regulations, which can push the poor to city peripheries.** Land management and urban expansion policies are central to resolving the housing challenge, and public land is one of the greatest potential sources of land available for housing the poor. However, as housing provision has increasingly moved from private-sector-driven approaches, the market has favored higher-end housing at the expense of housing for lower-income residents. We propose reforming both land use and building regulations to encourage the conversion of under-utilized land and buildings in the inner city to affordable housing. Upgrading informal settlements will not be enough to keep pace with current and future housing demand. Innovative land-management tools must be deployed to unlock the potential of these idle resources.

## Conclusions and Recommendations

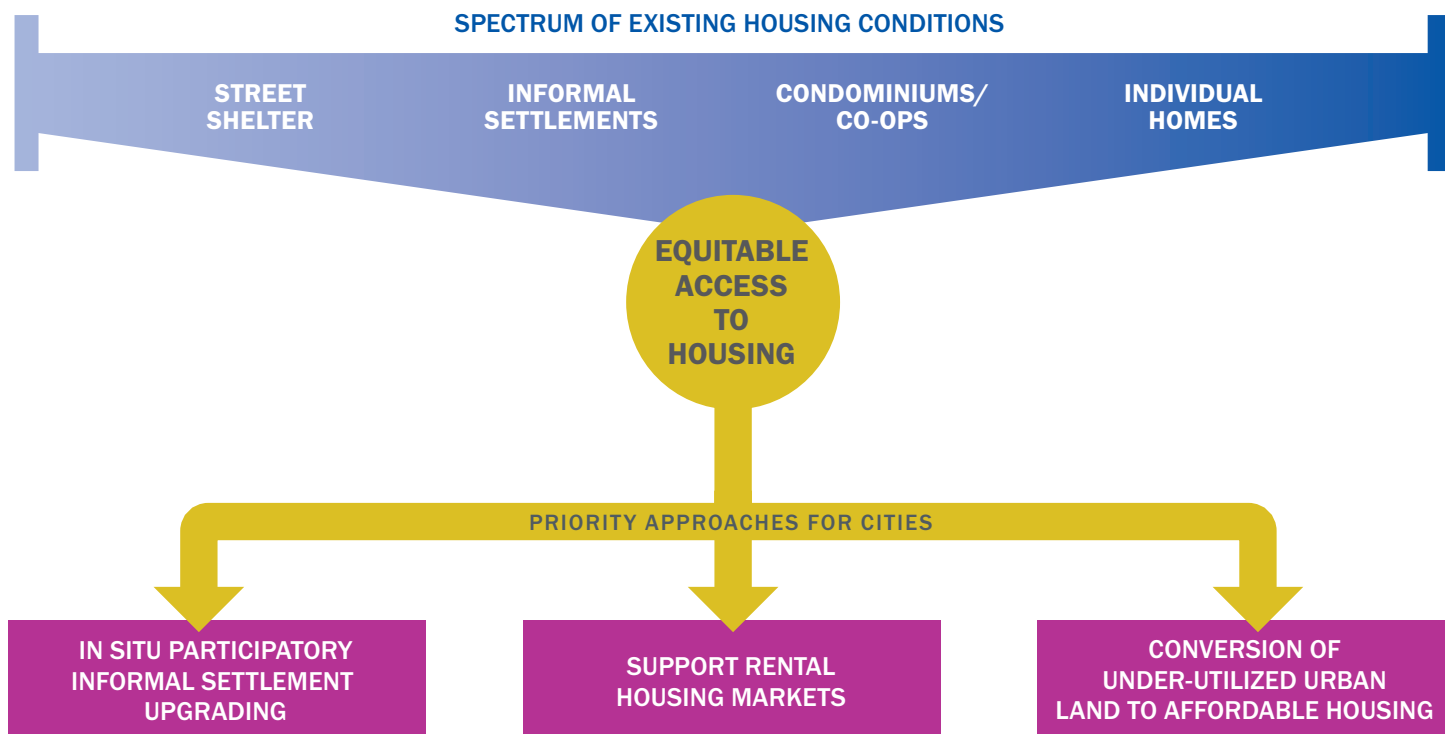
**Recommended Approach #1: Adopt participatory in situ upgrading of informal settlements.** Upgrading informal settlements requires viewing them as potential opportunities rather than problems. Successful programs are participatory, comprehensive, and financially sustainable, and they feature co-created solutions that tap community knowledge and insight. Upgrading programs typically finance services and amenities, improve shelter, and secure occupancy rights. Evidence shows that in situ upgrading is preferred over relocation programs except where there are location-based risks or an overwhelming, offsetting public purpose. Creative finance and ownership structures need to play a role, as does design that incorporates physical, social, and financial realities. Good designs make excellent use of limited space to meet the needs of families, communities, and neighborhoods.

*Adequate, secure, and affordable housing must be considered part of what defines a successful city.*

**Recommended Approach #2: Support rentals, especially in affordable market segments.** Encouraging rentals and reducing the financial and legal bias toward ownership requires governments to acknowledge the wide range of rental possibilities in both informal and formal markets. Financial bias toward ownership works against equity. Therefore, a pro-equity approach would feature subsidies that are well structured on both demand and supply sides to avoid distortions that work against the under-served. To meet increased housing demands, cities can support rental housing for tenants of different income levels by creating formal rental policies, improving legal frameworks to support the rights of both tenants and landlords, avoiding financial biases that prioritize home ownership over renting, and providing well-structured supply- and demand-side subsidies to incentivize home rentals. A wide range of rental housing possibilities must be considered to make rental housing affordable for all income levels; this can include lump-sum rentals and cooperative housing.

**Recommended Approach #3: Convert under-utilized inner-city land and buildings to affordable housing.** Instead of pushing the poor out, cities should incentivize the conversion of under-utilized, well-located urban land to affordable housing development. Realistic regulations and standards—including allowing for incremental housing improvements and construction—are essential, as are straightforward and easy-to-understand planning processes, zoning rules, and building codes. Planning processes must acknowledge the wide range of market segments, with different combinations of tenure, service provision, quality, and time frames. Community ownership should be explored, along with other creative combinations of financing and governance structures with which to revitalize and regenerate land, buildings, and districts. Financial incentives and taxes on both the supply and demand sides must be considered, although political economy concerns will not make this easy. To generate resources and provide incentives to produce or convert space to affordable housing, under-utilized land and buildings can be taxed at higher rates than more productive spaces. Finally, we must acknowledge that well-structured urban expansion is likely to be required to generate options at sufficient scale.

Figure ES-2 | **Priority approaches for equitable access to housing**



**These three approaches are all connected to each other, and when successfully applied they should raise living standards for the whole city.** For example, legally accepting and promoting incremental improvements (part of the third approach) can improve and expand rental options and improve quality of life for those who live in informal settlements and in inadequate formal housing. Moreover, they should be part of a holistic housing strategy that ensures connections to vital services—including transport—that is connected to a broader vision of a city that works for all (see Figure ES-2).

Adequate, secure, and affordable housing must be considered part of what defines a successful city. However, within a growing, dynamic city, market responses often exacerbate the challenge. Growth often leads to gentrification, which increases the value of the land and the cost of housing. This benefits a city by increasing tax revenues, which is one notion of success, though it can also lead to displacement and less inclusion. This challenge is unresolved in this paper and requires further research and analysis.