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 under-utilized 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.
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-serviced 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
Confronting the Urban Housing Crisis in the Global South: Adequate, Secure, and Affordable Housing

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-serviced 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.

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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 public-sector- to 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.

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.

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

Housing is a fundamental need. A good home supplies physical and financial security, provides healthier living conditions, and encourages and empowers household members to seek more productive work opportunities. A stable home allows women and men to care for their children and provides a location for families and all generations to build and maintain the foundations of society. Approximately 100 countries explicitly mention the right to adequate housing in their national constitution and legislation, although this legislation is often inadequately institutionalized and not implemented at all levels of government.

In many rapidly urbanizing cities, today’s poor live in substandard housing, often on public and marginal lands. They may have access to economic opportunities in the city’s center or other locations but lack sufficient, secure, and affordable housing. Such housing is often insecure and low quality with limited access to services. As a result, people who live in such housing are less productive and less economically successful.

Many cities have attempted to solve the problem of low-quality housing, informal settlements, and slums by either incentivizing residents to move or forcibly relocating them to the urban periphery. This creates its own problems, which typically include an enlarged urban footprint, long commutes for residents, expensive and inadequate service delivery, and social costs that result from severely limited access to core urban services, livelihood possibilities, and social networks.

More than 880 million people were living in informal settlements in the global South in 2014, which represents about one-third of its urban population. As urbanization intensifies in Asia and Africa, and cities struggle to serve even larger populations, the challenge of providing adequate housing will only worsen. Some analysts estimate that the global affordable housing gap will grow from 330 million urban households in 2014 to 440 million by 2025, a more than 30 percent increase. Using a different measure of adequacy and affordability, over 1.6 billion people worldwide will lack affordable, legal housing.

For the past 30 years, policymakers at national and international levels have believed that the private sector would help solve this problem by building the right housing in the right place when given access to liquid capital and reduced regulation. That belief has proved unfounded. Instead, the world has seen a shortage of affordable and adequate housing options for low-income households and a concentration of construction activity in high-end housing, often with high vacancy rates. This has often led to sprawling low-density developments and unplanned neighborhoods that are not integrated into transportation networks or near livelihood options.

This working paper addresses the viability of approaches to providing secure and affordable shelter in the city’s center and in other well-serviced and well-connected locations. We argue that location and access to services matter. For most low-income groups, their residential location in terms of accessing jobs and labor markets is as important as, or even more important than, the quality of this housing. Links to service and social networks are key to families’ livelihood and welfare options. These options are often easiest to secure by building on existing settlements and communities, although they may also require rehabilitating run-down, vacant housing and under-utilized land, or using it for mixed-income populations. Regeneration is sometimes performed through in situ upgrading, where incremental improvements to existing structures are made. It is also sometimes accomplished through in situ redevelopment, where existing housing is demolished and new housing is built in the same location.

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MEETING CURRENT AND FUTURE HOUSING NEEDS: FRAMING THE CHALLENGE

How Many People Need Better Housing?

The scale of the housing challenge is immense. The urban population is expected to grow by about 2.5 billion people by 2050, and about 90 percent of this growth is expected to occur in Asia and Africa.¹³ The share of the population that is poor is growing in urban areas, compounding the pressure of population growth.¹⁴ As might be expected, problems are most acute in emerging and struggling cities, to use the categorization in Beard et al. (2016). However, the problem exists in cities of all types.¹⁵ Emerging cities are those that currently have low income but are expected to experience high income growth relative to population growth between 2015 and 2030. Struggling cities are those that currently have low income and are expected to experience low-income growth relative to population growth during the same period.

The informal housing sector is large and diverse. It accounts for up to 90 percent of urban housing in Ghana and 60 percent to 70 percent in Zambia.¹⁶ In Lima, 70 percent and in Caracas, 80 percent of new housing is informal.¹⁷ In Africa more than 56 percent of the urban population lives in slums, with youth constituting a majority of slum dwellers.¹⁸ In the Central African Republic, as much as 93 percent of the urban population lives in slums.¹⁹ UN-Habitat data show that India (24 percent, or 99 million) and China (25 percent, or 191 million) concentrate the highest numbers of people in slums.²⁰

Who Are the Under-Served?

In this paper, “housing conditions of the under-served” often, but not always, refers to people who live in informal settlements or slums.²¹ Satterthwaite explains why, despite its negative connotation, slum is often an appropriate term, given its use in the Millennium Development Goals and in many national upgrading programs. We also discuss less-than-adequate formal housing, which is inhabited by people who often extend beyond those traditionally considered poor.²²
The lack of consistent definitions of and data on housing adequacy, security, and affordability present a clear challenge. This obstacle has bedeviled the framing and analysis of both the extent of the problem and progress made. We will not propose a new measure. Rather, to address the three elements on which we focus, we rely on existing definitions that broadly consider what services people have access to and the quality of those services (adequacy); how assured they are of their ability to remain in a location (security); and what they can afford to pay (affordability). Thus, the relevant literature addresses a dwelling, the physical structure itself; connection to services such as water, power, and sewerage; and the area around the dwelling. While imprecise, the notions of adequacy, security, and affordability are context-specific and contested, and we seek to address what are clearly recognized as critical issues worldwide.23

In addition, this paper does not delve deeply into provision of these services, which will be addressed in other parts of the WRR. This paper merely notes that these services are critical to making housing meet its inhabitants’ needs. What is certain, however, is that adequacy, security, and affordability are key and must be considered together to truly address this challenge. Self-enumeration efforts, such as those described in Box 1, reflect the definitional and data challenge. Organizations whose members live in informal settlements seek to better capture and communicate the housing challenges they face.

To address housing and informal settlements, the international community translated aspirations into explicit targets known as the Millennium Development Goals (MDGs). Target 7d aims, “by 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.” This target was measured by indicator 7.10, “proportion of urban population living in slums.”24 Success was declared when the proportion of urban populations living in slums in developing regions fell from 39.4 percent in 2000 to 29.7 percent in 2014.25 However, the absolute number of slum dwellers increased globally, from 689 million in 1990, to 792 million in 2000, and 880 million in 2015 (see Figure 1).
Confronting the Urban Housing Crisis in the Global South: Adequate, Secure, and Affordable Housing

Even though some countries have significant legislative support for the right to adequate housing, many marginalized or disadvantaged citizens are unable to exercise that right because of resource scarcity, insufficient implementation capacity, lack of political will, and scaling challenges. Thus, they settle in low-quality dwellings that lack such core services as water piped into the house, solid waste collection, security, sanitation, and electricity. This problem can be especially severe for ethnic minorities, women, or those without a legal address.

Women in many countries are at a disadvantage when it comes to access to housing and property rights—acquiring and owning a house, plot, or flat, and/or getting a loan to build, extend, or improve their housing—as their rights are inextricably linked to male family members and marital status. Even in countries where housing and property legislation is gender neutral, cultural norms and the implementation and enforcement of these laws can restrict women's ability to exercise these rights, negatively restricting their access to housing. Improved legal frameworks around women's rights and land administration, such as the Tanzania Land Act of 1999, have increased women's right to housing. Opening up access to adequate housing to marginalized groups—even if this is limited to overturning existing or stopping new anti-poor legislation—requires inclusive legislative and regulatory frameworks. However, legislation cannot achieve this alone. Implementation, adequate resources, and a robust rule of law supported by political will are required as well.

Adequacy and security are also context-specific, with consistent data difficult to find. On one element of adequacy, for example, more than 50 percent of the urban population in South Asia and 40 percent in sub-Saharan Africa lack access to sanitation services, even with a definition that is contested. Lack of access to sanitation can reach extremes in slums. For example, there is one toilet for every 500 people in the slums of Nairobi, Kenya. There are similar challenges in terms of adequate access to other key services as well. Similarly, what is “secure” is contested and context-specific, but will be addressed in the “Prevalence of Housing Insecurity and Inadequacy” section of this paper.

Special challenges for women, migrants, and ethnic minorities

Migration and population growth are two major drivers of insufficiency in adequate, secure, and affordable housing, especially for those newly arrived to the city without appropriate identification and savings. Even though some countries have significant legislative support for the right to adequate housing, many marginalized or disadvantaged citizens are unable to exercise that right because of resource scarcity, insufficient implementation capacity, lack of political will, and scaling challenges. Thus, they settle in low-quality dwellings that lack such core services as water piped into the house, solid waste collection, security, sanitation, and electricity. This problem can be especially severe for ethnic minorities, women, or those without a legal address.

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Box 1 | Informal Settlements and Self-Enumeration around the World

A wide range of stakeholders from the public, private, and civil society sectors have worked to improve conditions in informal settlements around the world. They often begin by gathering better data. An alliance of organizations known as Shack/Slum Dwellers International (SDI) is one such group. SDI was not officially registered until 1996. The initial alliance consisted of the National Slum Dwellers Federation, a loose coalition of women’s slum and pavement-dwelling savings groups; Mahila Milan (“Women Together”); and the Society for the Promotion of Area Resource Centers, a local nongovernmental organization (NGO). These groups have organized community-led settlement enumeration and mapping since the early 1980s. In 1985 the alliance released its first census of pavement dwellers in Mumbai, titled We, the Invisible.

Peer-to-peer exchanges between women-led slum dweller communities throughout the global South spread this practice of self-enumeration and other organizing strategies (which would come to be known as SDI rituals) from India to South Africa, and later to over 450 cities in 30 countries. Enumerations take the form of community-managed censuses, surveys, community profiles, and settlement and service maps. They have remained a central tool for organizing slum communities and anchoring dialogue between communities and government. This achieves meaningful community participation in urban development agenda setting and implementation. Results include improved tenure security and access to basic services in informal settlements. Self-enumeration has proved time and again to be a critical tool for preventing and generating alternatives to eviction. SDI’s global efforts to support this work are housed within its Know Your City campaign.

As technological advances continue to spread to the developing world, this work is becoming more necessary and possible. SDI federations around the world are increasingly utilizing smartphones and tablet computers to gather and capture census, survey, and geographic information through specialized applications and programs. Global Positioning System (GPS) and geographic information system technology greatly facilitate accurate and timely on-the-ground mapping. This helps translate data and coordinates into settlement boundaries, structures, roads and pathways, and critical infrastructure like water sources and communal toilet blocks. Critically, SDI recognizes that data alone will not create change. Data lose their power unless used by organized communities to inform negotiations with cities and plan for the inclusive upgrade of settlements.

In Cuttack, a midsized city of just over 600,000 inhabitants in the Indian state of Odisha, a pilot project led largely by community groups and Mahila Milan provides valuable lessons on what a citywide enumeration process can look like, as well as the challenges faced in implementing that process. The project initially focused on creating settlement profiles; identifying the location and boundaries of communities, populations, structures, and infrastructure; and their experience with natural disasters, especially floods. Within the first two years, the project completed profiles for all of the city’s settlements—340 in total—and fully mapped more than 270 of these.

In Kenya’s capital, Nairobi, SDI, NGOs and community groups have provided technical support for savings schemes, infrastructure provision efforts, and informal settlement enumeration and upgrading projects over the past decade. As of 2010 these group-led settlement enumerations had mapped over 50,000 households in the city and were able to lobby the city’s water and sewerage company to provide convenient water sources throughout the city. In settlements like Huruma, Kibera, Mukuru, and Mathare—considered among the city’s largest informal settlements—residents were able to successfully challenge the city’s evictions and slum-clearance efforts and negotiate upgrading schemes with landlords.

Some of Nairobi’s largest informal settlements also serve as settings for other innovative mapping projects and organizations, such as the Spatial Collective and Map Kibera. While the former has focused largely on the Mathare Collective and Map Kibera, teams of community members and activists were able to map not only settlements’ general location and boundaries but also individual structures—homes, schools, places of worship, bars, roads, services and infrastructure, and dangerous areas. This knowledge can be used by informal settlements to advocate for better services as well as help cities and regions plan for them. The communities create, control, and own their data; the information is not someone else’s data points. When these initiatives are combined with strong organizational networks that engage with the media and local governments, they can provide evidence bases upon which to broaden and strengthen coalitions working to improve the lives of people in the settlements.
What Do We Mean by Housing and Shelter?

This paper explores options for improving the availability of adequate and affordable housing to the under-served. This requires differentiating elements that are often combined, such as the right to housing, access to secure and affordable housing, and legal ownership. It also involves recognizing the difference between aspirations (that may be supported by law) and on-the-ground realities. We use the term "housing" to refer to a combination of physical shelters (often referred to as housing units or dwellings), infrastructure services, and—ideally—public and green space, and a neighborhood or community that provides additional amenities. Formal housing is legally acknowledged and codified with contracts and relevant taxes and fees, while informal settlements include a wide range of unofficial, non-legal arrangements that can be either temporary or longer term. Informal settlements are sometimes but not always slums, while slums are a legal category in some countries. The international community also uses the term "slum" in international development and assistance negotiations and monitoring, and thus the term will be used when referring to numbers generated within that process. The United Nations defines "slum" as the "proportion of people living in households lacking at least one of the following five housing conditions: access to improved water; access to improved sanitation facilities; sufficient living area (not overcrowded); durable housing; and security of tenure."43

Figure 2 illustrates different housing conditions that are defined with respect to their characteristics of services and space,

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<tr>
<th>TYPOLOGY</th>
<th>STREET SHELTER</th>
<th>INFORMAL SETTLEMENTS</th>
<th>CONDOMINIUMS/CO-OPS</th>
<th>INDIVIDUAL HOMES</th>
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<td>Temporary</td>
<td>With No Services</td>
<td>Condominiums</td>
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<td></td>
<td>Long-Term</td>
<td>With Some Services</td>
<td>Co-ops</td>
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**Characteristics of Services and Space**

- Lower-Quality Infrastructure
- Higher-Quality Infrastructure
- Shared Space and Services
- Individual Space and Services

**Ownership**

- Private/Employer/Self
- Public
- Social/Collective
- Indigenous
- Contested
- Rental

**Finance**

- Self-Finance
- Subsidies
- Micro-Loans
- Vouchers
- Mortgages

Note: All types of housing conditions can range from short to long term. While not represented in the diagram, homelessness is an important issue in some cities in the global South. The dotted line indicates the variability of this characteristic across cities.

Source: Authors.
ownership status, and method of potential finance. While the table captures what many consider to be a natural progression toward home ownership, many people—especially those from lower socioeconomic groups—will not experience it in a linear fashion, if at all. Some people may remain lifelong renters, experiencing improvements in the quality or size of a dwelling, as well as the services available to them. Improvements, while desirable, rely on factors such as access to land, financial resources such as credit, legal tenure, and the inhabitant’s social relationships. It is also important to decouple the right to housing from ownership. While residents may be able to gain the legal right to occupy a space, they might not be able to own their home for a long time. In addition, the focus on titles and ownership does not adequately acknowledge the pivotal role played by the state and community support (through housing stock as well as access to land, credit, and services). Moreover, it misses the need to deal with the city’s dynamism in terms of people’s constant movement into, out of, and within it.

Evaluating Current Housing Policies and Initiatives

The rising number of people who lack adequate, secure, and affordable shelter demonstrates that existing housing is insufficient. But how should policy enable more, improved, and better-located housing? Supply-driven, mass-market, public, and private housing development failed to provide the quantity and quality of housing needed to adequately shelter and service urban citizens. Notwithstanding the arguments of some proponents of industrialized mass production—most notably, McKinsey’s 2014 affordable housing report—most analysts agree that this is not desirable, feasible, or financially possible, whether public or privately provided. Given the numbers involved, insufficient production means that a limited number of units will need to be somehow allocated, even if they are often low quality, do not correspond to family needs, and are poorly located. The application procedures often limit the participation of the poorest, who do not meet income requirements, lack required documentation, or may be the wrong gender to qualify. However, many countries continue to support mass private-sector housing development through policy and action at the national level; for example, Angola’s My Dream, My Home program; Brazil’s Minha Casa, Minha Vida (“My House, My Life”); and Ethiopia’s Integrated Housing Development Program. These and other such programs described in Buckley et al. (2016) are pursued, while policies that develop more participatory and enabling approaches to housing creation are ignored.

Sites-and-services approaches—which feature the provision of small serviced plots by authorities—were abandoned by the World Bank as failures, but recent work is reconsidering their usefulness. With a longer-term view, this approach is now seen as more successful than what is reflected in the literature. Peripheral developments that were criticized at the time have since become enveloped by growing cities and are vibrant, well-located communities that provide housing for middle-income groups.

The following sections of this paper focus on three issues central to the challenge of providing adequate, secure, and affordable housing for all:

▸ The prevalence of housing insecurity and inadequacy, which undermines the provision of housing and other services
▸ The overemphasis on home ownership, which excludes the poor
▸ Inappropriate land policies and regulations, which can push the poor to city peripheries

Other important issues—such as large-scale public social housing provision and housing finance—are treated within the frame of these three challenges. We also acknowledge the difficulty of addressing the housing crisis given the fact that using well-located and well-serviced land and buildings for affordable housing is highly contested and political. These three areas of focus were the result of consultations with experts and a literature review that used actionable and scalable solutions as selection criteria. For each of these problems, we evaluate relevant housing policies and initiatives, then identify and analyze a promising approach.
CONFRONTING THE HOUSING CHALLENGE ON THREE FRONTS

Three major challenges noted in the previous section are the proliferation of inadequate and insecure housing, the overemphasis on ownership in housing policy, and regressive policies and regulations that push the poor out of well-located and well-connected central locations. We now turn to three specific approaches that can help address these problems and improve access to secure and affordable housing. These approaches were selected using criteria of appropriateness of housing, scalability, links to livelihoods, dignity, cost, inclusiveness, and feasibility of implementation.

PROBLEM: The Prevalence of Housing Insecurity and Inadequacy

The unmet need for affordable and adequate housing leads directly to the proliferation of poorly served informal settlements. People who are unable to formally access housing find shelter as best they can.

It is important to note that informality in itself does not necessarily lead to insecurity; the evidence is mixed on the importance of legal title. In many cases full land titling has been expensive and difficult for government bureaucracies to manage, and secure use of land has sometimes been enough to provide the minimum necessary stability. Possibilities for interim occupancy rights (such as granting non-transferable short-term leases or protection) might be enough in some situations, while collective property rights or use of community land trusts might be more appropriate in others. Some experts propose rent-to-own schemes connected to longer-term, no-eviction guarantees. Freehold titles are more expensive and more valuable, but the lowest-income groups are forced to sell them when they face their first crisis. They end up worse off because they no longer have the asset or the housing provided by the home. In addition, the titling process often creates benefits for landlords while imposing hardship on tenants. It is also worth remembering that security is very context-specific, and the necessary components of security can vary, even within a country, depending on political and economic conditions. In some places an assurance of no eviction works; in others, one legal document may be needed, or several; for example, title, proof of tax payment, or proof of identity.

Government policies to address informal settlements have evolved over time (see Figure 3). Most recently, they have trended toward more holistic policies that have social-development and income-generation components. There is increasing consensus regarding certain necessary elements for success, including participation by slum dwellers and in situ upgrading rather than relocation. However, we also see a return to the construction of new homes, given their economic and political attractiveness in terms of producing politically useful photo opportunities rather than slow and often less tangible improvements.

Upgrading In Situ Is Preferable to Relocating

While some city officials talk about achieving “slum-free cities,” the policies enacted often work against slum dwellers by seeking to erase them and their communities from the city. This is not a solution. Such policies merely push these communities out of sight, often far outside the city to locations where they have poor connection to economic and social networks that can provide livelihood options.

We believe that informal settlements must be upgraded and expanded opportunities provided for their residents, in line with SDI’s call for “slum-friendly cities.” Relocating the informal settlement population to another, typically more distant, area has many disadvantages. First, relocation to areas in the peripheries breaks social networks, increases transportation costs, and reduces access to jobs and services provided by the city. Second, the cost of networked infrastructure that must cover longer distances and greater areas is much higher for the city. Finally, tearing down informal settlements without replacing them with well-located affordable housing actually decreases the supply of affordable and adequate housing. Nevertheless, we recognize that low- or medium-rise in situ redevelopment will not always be appropriate, given cultural practices, topography, economic geography, or finances. Government officials must be aware of what communities want in order to co-create sustainable solutions.

International consensus favors in situ upgrading over relocating residents unless there are environmental or safety concerns in the area of the informal settlement, or overwhelming public purpose considerations. A residential location model that contrasted results from an in situ slum upgrading program and a relocation program in Mumbai concluded that good location ensured access to jobs and was preferred over tenure security. For households relocated further away, beneficiaries showed...
MASS PUBLIC HOUSING CONSTRUCTION AND/OR NEW HOUSING FINANCE INSTITUTIONS

**Approach:** Public financing of low-cost housing in the form of publicly managed and owned multifamily developments. In many cases this involved the construction of high-rise buildings that were not well maintained and deteriorated over time. In many nations the number of units built was far below the targets. The failure of this approach (concentration of poverty, lack of resources for maintenance, bad targeting, high costs) led to other approaches with less direct government intervention (enabling approaches).

**Examples:** United States, United Kingdom, France, Russia (and Eastern Europe), Brazil, Colombia, Egypt, South Korea, and Tunisia

PUBLIC HOUSING PROGRAMS:

**Approach:** Many low- and middle-income nations launched ambitious public housing programs through new public housing agencies and sometimes new housing finance institutions, but most of these built far fewer units than the targets, and these were often not allocated to the urban poor. Unit costs were also usually much higher than planned.

**Examples:** Nigeria, Bangladesh, Indonesia, Philippines, Thailand, Kenya, Malaysia, Iraq, Jordan, India, Pakistan, Brazil, and Egypt

SLUM AVOIDANCE

**Approach:** Featured a combination of rural development that was meant to reduce migration to urban areas, slum clearance/bulldozing, and sometimes relocation.

**Examples:** China’s hukou system restricting migration to cities is one example. The apartheid system in South Africa also tried to do this. Another example is the bulldozing of informal settlements in some Latin American nations and elsewhere, usually by dictatorships. Yet another is massive informal settlement clearance in Seoul.

Sources: Authors, with invaluable input from David Satterthwaite, based on Freire and Hoornweg 2013; Buckley and Kalarickal 2006; UN-Habitat 2003; Stein and Vance 2008; Hardoy and Satterthwaite 1981; Hardoy and Satterthwaite 1989; Buckley et al. 2016.
### 1970s–Present

**SITES AND SERVICES**

**APPROACH:** Governments allocated land with minimal infrastructure to newcomers and encouraged them to construct their own dwellings over time. The main shortcoming of this approach was that given high land costs in urban areas, most sites-and-services projects were located on the then fringe, with lower land costs but poor access to labor markets.

**EXAMPLES:** Botswana, Burkina Faso, Colombia, El Salvador, Guatemala, India, Indonesia, Kenya, Peru, Philippines, Senegal, Tanzania, Sudan, and Tunisia

### 1970s–Present

**IN SITU UPGRADE**

**APPROACH:** Programs improved slum dwellers’ situation without moving them. Many of these projects were demonstration activities to show potential for being scaled up. Urban upgrading remains the predominant approach to dealing with informal encroachments. Shortcomings include high cost, lengthy implementation, and small scale (although these difficulties have been overcome in many instances). In many nations, upgrading programs for some settlements are combined with evictions for others.

**EXAMPLES:** Jakarta, Indonesia (Kampung Improvement Program began in 1969); Manila, Philippines; Thailand (Baan Mankong Program); Tunisia (large-scale upgrading); many city governments in Latin America (implementing large upgrading schemes)

### 1970s–Present

**ENABLING APPROACH:**

**APPROACH:** Good policies that provide alternatives to informal settlements, typically led by communities; feature participation/engagement with slum/shack dweller organizations/federations and the engagement of the private sector, with the government as facilitator. Cities were expected to remove obstacles that blocked access to urban land, such as inflexible zoning and regulations. To stimulate demand, up-front subsidies were used, especially to leverage savings or bank credit, and property rights became a high priority.

**EXAMPLES:** Chile (Quinta Monroy); Thailand (Urban Community Development Office and then Community Organizations Development Institute); Sri Lanka (Million Houses Program); Mexico (FONHAPO); Costa Rica (Housing Promotion Foundation); Karachi, Pakistan (Orangi Pilot Project); Namibia (changes in standards for plot sizes and infrastructure)

### 1970s–Present

**COMPREHENSIVE SLUM UPGRADE**

**APPROACH:** Programs combine a variety of infrastructure and social components:

- Community-driven programs: organized communities lead the design, financing, and implementation of in situ upgrading programs;
- National housing programs;
- Slum prevention: preventive planning and availability of new sites;
- Private finance;
- Land: removing bottlenecks for land supply for housing.

**EXAMPLES:** Favela Bairro, Brazil; Medellín, Colombia (Programa Urbano Integral); Argentina (PROMUEBA); El Salvador (FUNDASAL); Nicaragua (PRODEL)

### 1970s–Present

**RETURN TO LARGE, SUBSIDIZED “LOW-INCOME HOUSING” CONSTRUCTION AT SCALE:**

**APPROACH:** Again, these often are poorly located in peripheral locations and do not match low-income households’ needs, even when heavily subsidized.

**EXAMPLES:** Angola, Argentina, Brazil, Colombia, Ethiopia, India, and Mexico

### 1970s–Present

**FIGURE 3**

**EVALUATION**

**APPROACH:** Evaluation of the success of urban upgrading programs is almost nonexistent. Most projects focus on the number of sites, the number of families served, and sometimes the cost. There is little data to evaluate the long-term impact of upgrading programs. The lack of data makes it difficult to assess the effectiveness of these programs in improving the lives of slum dwellers.

**EXAMPLES:**...
improved welfare outcomes with the more limited improvement provided by the in situ program. An assessment of the Mexican program Iniciamos Tu Casa, which provided poor inhabitants with new houses located far from the city center, revealed that many participants had abandoned the houses just one year after the program started. Better housing conditions could not overcome poor access to services. These examples show that individual situations differ and require individual solutions, but moving people to the periphery, further from livelihood options, generally does not work.

Comprehensive Approaches Work Best

Comprehensive approaches, which usually encompass infrastructure upgrading plus social programs such as education and health, are better equipped to address informal settlement residents’ complex and varied needs. They also reinforce the idea that upgrading incorporates a whole range of services, space, and structures, and is not limited to the dwelling unit. Such approaches can also focus on neighborhoods and area-based place making and amenities.

The Favela Bairro (FB) program in Rio de Janeiro, Brazil, and the Kampung Improvement Program in Jakarta and Surabaya, Indonesia, are good examples of comprehensive approaches. The FB program particularly stands out as an example of a slum upgrade that provided right of use without full land tenure legalization. It built on the usucapião (adverse possession) as a legal instrument of the Brazilian constitution. It also included complementary improvements in education, health care, job access, and safety policies, all of which increased residents’ security of tenure.

Effective programs are consistent across different levels of government and across a range of topics, such as poverty, health, and education, as well as housing. National, state, and city strategies provide the frameworks and can provide synergies that can be adapted and driven locally through community participation. Many neighborhood upgrading projects take an integrated approach and feature a basket of social services for the area’s population, depending on local needs. These services might include social safety nets, employment, health care, training, educational opportunities, child care, activities for vulnerable youth, efforts to combat crime, and violence prevention. However, while communities work toward adopting comprehensive approaches, incremental programs and policies will often need to be pursued, ensuring that “comprehensive” does not become yet another obstacle.

Political and Institutional Support Is Essential

Programs that involve upgrading require active political will. This includes the ability and willingness to deal with complex issues such as land regulations, land ownership, zoning or planning standards, budget allocations, and policies and institutions that govern housing, public services, and infrastructure provision. In most countries these issues are the responsibility of local governments. Thus, both long-term will and an agile institutional structure—described in Mitlin et al. (2016) as vision, capacity, and commitment—are needed to allow different levels and entities of government to work together. These qualities can be difficult to achieve, as elected officials are typically constrained in what they can accomplish within their term limits. Community actors can play a key role in the creation of housing developments and ensuring that benefits are shared with current tenants. They can also participate in monitoring and evaluation throughout the process to capture early progress and create a feeling of positive change. Such actors provide institutional memory and continuity as well as bottom-up inputs. Examples where civic participation (through community-driven slum upgrading), institutional capacity, and political will have combined to produce innovative and effective affordable and adequate housing include a project in Pune, India, called Basic Services for the Urban Poor (see Box 2) and the Baan Mankong case in Thailand (see Box 3).
Access to housing is a major issue in rapidly urbanizing Indian cities and is increasingly critical for the almost 100 million Indians who live in slums. To address this situation, in 2005 the Indian government rolled out a program called Basic Services for the Urban Poor, which aimed to improve living conditions in slums. Despite its impressive design and considerable budget, the program’s outcomes did not result in improved living conditions for slum dwellers in many cases.

The program featured three methods of implementation: relocation to new sites with government-constructed mass housing and without community involvement, in situ slum upgrading without community participation, and redevelopment with community participation. Multiple evaluations and community assessments highlighted that projects with close community involvement were more likely to achieve the program’s goals. Projects without community participation mostly resulted in wasted effort and resources. Beneficiaries abandoned new facilities due to inadequate conditions, poor design, bad location, and high price.

When communities were forced to relocate and were not involved in planning, design, and implementation of upgrading, the new housing often did not match their needs.

Projects that responded to the community’s needs shied away from the “demolish and rebuild” approach. Rather, they closely considered the housing and infrastructure conditions of a particular settlement. In situ upgrading projects that featured a participatory, decentralized, and bottom-up approach were the most successful. Participatory projects not only yielded improved living conditions and more functional neighborhoods but also led to more engaged communities with high degrees of self-governance, which minimized dependence on government support and provided the organizational basis for addressing continued problems such as security, access to services, and continued links to livelihood options and social networks. Additionally, successful projects indicated that women’s involvement was key, as they are experienced managers who run households on meager budgets.

Pune’s in situ upgrading shows that participatory slum upgrading is possible, effective, and financially feasible. This project aimed to build a total of 4,000 units in Pune and upgrade 1,099 houses in their original location, with financing from national and state governments, municipalities, and participants. The concept was developed by the local government and implemented by NGOs in close collaboration with communities that were involved throughout the project cycle in surveying, financing, design, and construction. The community contributed to design selection and incorporated key elements of energy efficiency, flexibility, and quality of space. Lastly, the project provided participants with secure tenure—a legal claim to dwellings in which they had lived for decades—which enabled them to finally upgrade their homes. Pune was a success because civil society groups worked with governmental agencies that could complement their capacity within a shared vision.
Empowering the Poor to Be Leaders in Upgrading

As Boxes 2 and 3 show, participatory approaches for slum upgrading help make programs more sustainable. Slum upgrading requires the strong commitment and coordination of a variety of actors, including the city, the community, and families. Successful slum upgrading projects are in many cases bottom up, with communities proposing the area to be upgraded and implementing the project’s components. Successful upgrading is simply not possible without the community’s participation.

Box 3 | Baan Mankong Program, Community Organizations Development Institute, Thailand

The 1997 Asian financial crisis notwithstanding, the 1980s and 1990s marked a period of intense economic development and adjustment for Thailand, yielding strong gross domestic product (GDP) growth, an even greater rise in exports, and rapid urbanization. However, amid economic boom and bust, Thailand’s low-income urban population grew and experienced little socioeconomic mobility.

The spread of informal settlements highlighted the need for affordable housing, infrastructure, and appropriate planning. Scattered and small-scale upgrading and “land-sharing” projects attempted to address the needs of the country’s most vulnerable urban dwellers, but the projects produced few results. Meanwhile, tenure insecurity and a focus on relocation continually posed challenges and concerns.

Launched in 2003 by the Community Organizations Development Institute (CODI), the Baan Mankong Program built on the successful progress of the 1990s with community savings and lending, as well as network-building and community-managed housing initiatives. The program directs government-funded infrastructure subsidies and soft housing and land loans to poor communities that negotiate formal tenure and upgrade their housing and living environments according to comprehensive citywide upgrading plans. These plans are developed in collaboration with local governments and other local partners. With a strong emphasis on collective processes and citywide thinking, the projects are conceived to include all poor families in the community and in the city, even the most vulnerable. Although community architects and CODI staff provide technical assistance, the program taps the enormous development force that exists in Thailand’s poor communities and makes them anchors in creating long-term and comprehensive solutions to problems of land, housing, and service delivery. Moreover, a collective land title and a requirement that the community keep its land for at least 15 years help ensure that the housing benefits accrue to the poor. This also helps mitigate gentrification pressure that might exist in the event of individual ownership and the ability to quickly sell. By 2016, 1,903 poor communities in 345 cities had been fully upgraded under the program, and 101,224 poor families had secure land, decent houses, and healthy living environments.

Baan Mankong’s success provided a template for the Asian Coalition for Community Action (ACCA) program, which scaled up efforts to address many of the same challenges in cities throughout the region. A program of the Asian Coalition for Housing Rights, ACCA leverages an extensive network of communities, NGOs, and professionals to build on the experiences of community-led, collaborative, and citywide housing development and launch similar processes in cities around Asia, with small seed capital for housing and upgrading projects. By 2014 the ACCA program had reached 215 cities in 19 countries, and almost 400,000 households were engaged in projects.
Financially Sustainable Upgrading

Consideration must be given to the initial as well as the ongoing costs of upgrading to ensure affordability, based on the income of the relevant community, city, and country.\(^\text{84}\) We must also remember, however, that improvements to livelihood opportunities and assets spill over into the wider urban system and economy.\(^\text{85}\)

Much of the literature on housing finance in official development circles reflects the bias in favor of individual ownership through the formal market. This bias has limited exploration of traditional mortgages and their applicability to the poorest inhabitants of cities in the global South because of formal financial market requirements.\(^\text{86}\) In such cases, the under-served may turn to microfinance. While microfinance presents opportunities for those excluded from the formal financial sector because of their low and informal earnings, its limitations—including higher rates, smaller loans, and insufficient funds—limit the degree to which microfinance can be regarded as a complete, sufficient, and scalable solution.\(^\text{87}\) It remains a useful piece of the portfolio of financial approaches and instruments, but for upgrading, public spending is likely to be required, and not just at election time when votes are sought.\(^\text{88}\)

When traditional individual ownership financial instruments do not work, community titling is an alternative. It allows communities to absorb the shocks that often force individual owners to sell and lose housing both as a service (where one lives) and an asset. Other viable possibilities include community development funds; land trusts; sufficiently funded, well-targeted, and transparently implemented subsidies; remittances (in some settings); and creative combinations of interventions along the entire housing supply chain (such as in the construction and building material sectors).\(^\text{89}\) These interventions could include improved knowledge and availability of innovations such as new building techniques, targeted subsidies for efficient and long-lasting building materials, and community work organizations swapping skills across communities. Combinations such as the ABC model—ahorro (savings), bono (subsidy), and crédito (loan)—developed in Chile and adopted elsewhere in Latin America, present an example of package-targeted public subsidies with loans and family savings.\(^\text{90}\) No single answer is sufficient regarding how to finance affordable and adequate housing; rather, combinations of instruments are needed.

Communities must play a role in co-creating solutions, with governance structures providing authority and responsibility to capture knowledge and experience from often overlooked groups.

Workable Solutions that Scale

Many governments have been criticized because their slum upgrading programs were small and did not significantly reduce informal settlements. However, pilots have the advantage of being able to test innovative approaches. In fact, national programs such as Thailand’s Baan Mankong slum upgrading program emerged after smaller programs were scaled up.\(^\text{91}\) In many cases access to nationally funded programs allows financially strained cities to embark on upgrading programs that would not be possible without this financing.\(^\text{92}\) Different levels of government must work together—or at least not work against each other—to achieve scale.

Summary

Upgrading informal settlements requires a range of interventions that are consistent and an environment that views these settlements as potential opportunities rather than problems. The enabling factors of planning, governance, and financing play key roles, as does design. Planning processes must take into account the realities of informal settlements, not wish them away. While informal settlements are initially temporary, they typically become long lasting yet are often unrepresented on planning maps. Communities must play a role in co-creating solutions, with governance structures providing authority and responsibility to capture knowledge and experience from often overlooked groups. Creative finance and ownership structures need to play a role as well. Design that works given physical, social, and financial realities is also needed; specifically, designs that make use of limited space to allow for the needs of families, communities, and neighborhoods.
Home ownership has been encouraged the world over as a way to create assets.93 The process of creating personal assets has influenced how cities grow and how citizens accumulate wealth. Governments have influenced and supported individual home ownership through incentivizing policies and financing options. Creating personal assets makes good economic sense and is desired by many, regardless of their socioeconomic background.

However, policies that overemphasize home ownership implicitly penalize those who cannot benefit from them. Subsidies benefit people with regular and documented incomes, not the under-served or those who work in informal markets. Mortgage markets require documentary evidence of a job and income stability to successfully qualify candidates for loans, which are often explicitly or implicitly subsidized.94 Informal sector workers, often the poor, do not qualify. When families face economic difficulties, assets such as homes are often sold or leased to create additional revenue. This can result in poor families losing both their home and their asset.

The overemphasis on ownership also causes other policies to go unconsidered, ones that might promote more housing at all price levels and with different configurations.95 People who are not interested in or cannot afford a home or are looking for more flexible housing solutions need other options. Rental possibilities are often underdeveloped, especially in the formal housing market, which tends to focus on individual private homes for the highest income brackets.96 Cities could choose to embrace rental housing as a solution. They could improve the enabling environment for landlords, provide protections and mediation options for tenants and landlords, and foster a spectrum of rental housing options. In this way, it would be possible for cities to meet the housing needs of many more people, and in a wider range of locations, than if they focus merely on ownership.97

**Enabling Informal and Formal Renting**

A detailed evaluation of current and future demand is often beyond the capacity of municipal and even national governments. However, some understanding of current market demands and existing stock, as well as regulations, taxes, and subsidies that affect both supply and demand, will help minimize disincentives to providing rental housing.98

Official support for rental properties—for example, through an explicit rental policy backed by a source of financing—can dispel stigmas associated with renters while encouraging homeowners to become landlords.99 This attitudinal change can be difficult but is the foundation of a healthy rental market system that serves all segments of the population. In the lowest-income countries, this may be difficult both because of weak judicial systems and low and variable income streams. However, it is important for all countries to ensure that policies do not penalize renters or landlords.100 Traditional rent control policies typically distort markets, yet cities continue to search for effective policy levers.101

Cities need improved legal and contractual frameworks that support the rights of both tenants and landlords, reduce risks on both sides, and avoid bias against women or minority groups.102 Landlords face several risks, including uncertainty of returns on investment where rental markets are weak, fear that renters will not pay rent or will damage property, and the inability to evict unsatisfactory tenants. Meanwhile, tenants also face risks, including insecure tenure, unresponsive landlords, lack of or limited access to services, threat of unwarranted eviction, and exploitation.103 Simple protections to minimize these risks can include contracts, rental deposits, and screening processes. Co-signed, legal contracts set the terms and expectations for both parties and can be referenced in disputes. By providing simple contract templates that are supported by a system that can handle disputes, municipalities can potentially encourage landlords to enter the formal sector and clarify the responsibilities of both sides.
In cities where landlords and tenants lack legal recourse for rental disputes, or where the legal system is expensive or slow to hear such cases, alternative dispute resolution (ADR) methods offer a viable solution. Mediation or arbitration can restore or reinforce protections for renters and landlords. In South Africa the Rental Housing Tribunal serves in this capacity and provides additional services for both tenants and landlords, including legal counsel, property inspection, and eviction—all of which are offered at no cost. In Latin America the Center of Arbitration and Conciliation of the Bogotá Chamber of Commerce is an example of an ADR institution used in different legal contexts.

**Widening the Range of Rental Possibilities**

Promoting a range of rental housing options expands opportunities for more renters while testing which types of rentals best meet local demand. Options can include a land lease, renting an entire house or apartment, renting a room within a household, and even hot bedding (in which a bed space in a shared room is rented for a specific number of hours to sleep, typically 7 to 10 hours). It is also extremely important to recognize the many types of informal rentals and the variety of landlords and tenants who make up this market; doing so offers an accurate sense of current conditions, both supply and demand. The spectrum presented in Figure 2 captures some of this diversity, but individual markets often provide an even wider range of options.

One option is to use lump-sum rentals, which exist in many Asian countries, including Thailand, China, Taiwan, India, and Korea. Tenants pay a large up-front sum and then minimal or no monthly rent throughout the life of the lease. This option works in markets where renters are able to save large sums of money to cover the initial payment, where inflation is low, and where other financial savings options may be limited. Therefore, this solution will not work everywhere and is likely not feasible for the lowest-income groups.

Another option is cooperative housing, where tenants collectively purchase land and rent small plots within it. The Baan Mankong Program in Thailand (see Box 3), for example, requires tenants to rent land for a minimum of 15 years while paying off the community loan. Families unable to make payments can approach the cooperative body and request the ability to rent out a floor or room within the home to compensate for missing wages. Governments can incentivize the creation of cooperatives through loan subsidies and lower interest rates, as in Egypt, or through a more comprehensive effort that features smaller plot sizes, government support for more economically priced materials, and reduced bureaucratic delays. Collective land ownership generally makes it easier to provide common amenities and shared spaces that are often harder to provide in systems of more individualized ownership.

Rent-to-own initiatives, such as those found in Chandigarh, Lagos, the province of Antioquia in Colombia, and in Chile and Nicaragua, among other places, provide another hybrid option in which rental payments eventually lead to ownership. These are funded through a variety of structures, including innovative combinations of financial institutions (such as nonprofit pension funds, state banks, or government grants) or private banks and central or state government initiatives.

The next section discusses other options that feature creative or informal uses of property that expand the supply of affordable and adequate housing and involve the use of under-utilized land. An example that relates specifically to rentals is presented in Box 4.
South Africa’s Gauteng Province is taking a controversial approach to its housing shortage of 687,000 units. Gauteng, which includes the cities of Johannesburg and Tshwane, remains a destination for many seeking economic opportunity; it is estimated that 1.17 million people migrated to the area between 2011 and 2016. Despite South Africa’s expansive housing programs, many people are excluded from qualifying for support because they either lack citizenship, exceed maximum income requirements for subsidies, have difficulty proving dependents, or have received subsidized housing in the past. For those who do qualify, neither local nor provincial governments nor the private sector can keep pace with their demand.

One self-help response has been the construction of informal and illegal backyard rental units, known in some places as granny flats or accessory dwelling units. Many types of backyard rentals exist, often in the form of detached structures found behind primary residences. These are often made from a combination of materials, including wood, corrugated or sheet metal, plastic, cinderblock, brick, or concrete. Units are sometimes simply a room that has been added to the main residence. Some are prefabricated structures that are purchased in an easy-to-assemble or already assembled state, such as mobile homes. Still others are constructed from spare materials. In Gauteng Province, the majority of such landlord/tenant agreements involve the tenants paying rent and constructing the unit themselves.

In 2011 more than 712,000 households resided in backyard rentals across the province, with the greatest share found in Johannesburg. Backyard rentals have helped bridge the housing gap, as they provide housing to those who cannot otherwise afford formal market rents. However, they have been the subject of much criticism in South Africa and internationally. Units are often unregulated and in violation of building codes. They feature low-quality building materials that are flammable or nondurable and were constructed using nontraditional practices, which create a range of health and safety issues for tenants and the community. In addition to health and quality-of-life concerns, overcrowding also severely burdens infrastructure and service provision. Furthermore, because these arrangements take place outside of the formal market, limited protection exists for both tenants and landlords, increasing the potential for exploitation.

However, other studies underscore the multiple benefits of backyard rentals. These include, most notably, the significant contribution of well-located and affordable shelter in the absence of government subsidies. For example, tenants of backyard rentals often experience better access to services, including toilets and running water, than those in informal settlements. In general, relationships between tenants and landlords are favorable, renting provides landlords with supplemental income, and backyard rentals can help increase population density and make more efficient use of infrastructure.

Despite successfully providing more than 900,000 housing opportunities across the region over a 20-year period, in 2015 Gauteng Province, recognizing its growing inability to meet rising demand, embraced a pro-poor policy that formally encourages the backyard rental housing market. The policy attempts to address many potential shortcomings typically associated with unsuccessful policies that lack defined accountability and fail to embed strategies for monitoring and evaluating success and policy improvements. Instead, the Gauteng backyard rental policy explains the policy’s implications for each existing housing policy. It also contains clearly defined objectives; explicitly designates implementing agencies, institutional arrangements, and responsibilities; establishes a set of realistic policy principles and positions; and presents a plan for monitoring, evaluation, and policy review. Other potential strengths of the policy reside in the fact that it legalizes backyard rentals and brings associated security to renters and tenants, who no longer need fear the threat of forced eviction or demolition. This may result in the production of higher-quality backyard structures, as landlord and tenants will have more confidence to make better investments in building materials. Furthermore, the policy directs the provincial government to facilitate community education and broadens the scope of the provincial rental housing tribunal to include tenants and landlords of backyard rentals. Each effort is backed by a free, swift, and impartial litigation process, which conceivably builds stronger confidence in tenure security and improves the quality of living conditions. If this policy continues and expands, attention will need to be paid to sufficient infrastructure improvements that adequately service these larger and denser populations.
Avoiding Financial Bias

Property, income, capital gains taxes, and tax breaks such as mortgage interest deductions typically incentivize homeownership over renting and thus hinder both the supply of and demand for rental housing. High tax burdens can lead to tax evasion by landlords or prompt them to rent informally. Studies of Mexico between 1998 and 2004 found that 70 to 75 percent of landlords evaded income taxes on their rentals, contributing to an estimated 0.25 percent loss of GDP. Governments can reverse this trend by restructuring tax codes to incentivize renting and providing rental units. These could include removing or not introducing mortgage interest deductions, as has been done in Germany. Reforms could also include accelerating depreciation on building costs, lowering registration costs or stamp duties for registering rental agreements, or giving low-income tenants service tax exemptions for rentals.

Getting the Finance Right

Neither supply- nor demand-side subsidies alone are likely to be sufficient to resolve affordability challenges. Rental subsidies will probably be needed to make rentals affordable for the poorest. Housing vouchers tied to income, family size, and rent are useful for supporting affordable and adequate housing options on the demand side. Supply-side subsidies can include assistance with up-front costs such as construction or with long-term recurring costs such as operations and maintenance. While supply-side subsidies can be applied to large-scale rental property development, it is important to note that many landlords in the global South are small-scale and often among the under-served themselves. Cities should craft supply-side subsidies to target the needs of this group as well, with the hope that efforts will attract and help transition informal landlords into the formal market. Better access to microfinance might help expand supply as well. However, care must be taken to ensure that this does not reduce the supply of affordable housing to the poorest and merely inflate prices for all. Neither supply- nor demand-side solutions should be looked at in isolation. Rather, they should be seen as a coordinated effort to help make housing available to those who need the most assistance.

Summary

Encouraging rentals and reducing the financial and legal bias toward ownership works against equity, and thus 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 truly encourage a sufficient quantity of housing options, including rentals, under-utilized land will need to be developed, as discussed in the next section.

PROBLEM: Inappropriate Regulations and Policies Push the Poor Out of the City

APPROACH: Convert Under-utilized Inner-City Land and Buildings to Affordable Housing

Effectively utilizing scarce land is highly political, but it is a critical component of inclusive cities that have well-located, affordable, and adequate housing. Land management and urban expansion policies are central to resolving the housing challenge and are increasingly either part of or central to policies that address the issue. Housing provision is intrinsically linked to land use, and public land is one of the greatest potential sources of land available for housing the poor. Private land can be put to more economically efficient uses, and development typically results in the exclusion and marginalization of the poor and other disadvantaged groups. While technical in nature, government decisions on how to allocate, assemble, and manage land are political and competitive, with dispute and conflict management key elements of effective governance. Technical solutions are part of bridging the housing and land gap, but commitment from leaders is necessary to overcome institutional and governance barriers. However, as the approach to housing provision has moved from public supply (albeit insufficient compared to the need) to market-driven (insufficient in all segments, especially for the under-served), the political will of local and national governments to address the affordable and adequate housing needs of urban citizens has been lacking in most locales.

Cities require a two-pronged approach that deals simultaneously with the shortage of housing and neighborhood deficits and anticipates future demand on land by managing urban growth. Upgrading is not enough to keep up with urbanization trends; cities also need to unlock land supply in the right locations. While many cities, especially in Africa and Asia, face backlogs...
of urban neglect, new migrants, many of whom will be poor, will create new demands. Local governments therefore need to better manage future urban population growth by effectively carrying out basic land-use planning and more effectively mobilizing local resources. The private sector will also likely need to be involved. For example, setting aside basic rights-of-way for primary infrastructure before the population expands will reduce the costs of extending networks, while building transport connections ensures linkages to labor markets and expanded opportunities. This requires streamlined and transparent land acquisition laws and procedures. However, government resources, already insufficient, will need to be complemented by private-sector actions to meet the increased demand to house new urban residents. In addition to under-utilized land, cities often have under-utilized buildings.

There is a great deal of housing lying vacant in cities with serious urban housing shortages. Several large countries present cautionary tales of dramatic mismatches across segments. Analysts report that the national urban housing vacancy rate in China exceeded 22 percent in 2013, with 62 percent of home buyers buying for investment purposes. These vacancy rates plague cities of all sizes. In India the urban housing shortage is about 18.7 million houses, while official statistics show that 10.1 million houses out of a total stock of 110 million are either vacant or locked up. Over 56 percent of the housing shortage affects the economically weaker segments of the population, with 39 percent in lower-income groups. In Brazil the 2010 census reported more than 6 million empty homes, while the housing stock shortfall is 5.4 million, 85 percent of which is in urban areas.

Of course, there is no simple solution that calls for people who lack adequate housing to be moved directly into vacant housing. These houses are often investment properties and typically are not in the affordable range. However, efforts should be made to discourage speculation in high-end housing and to bring vacant units into the housing market. In the case of India, for example, even housing built for the under-served poor is lying empty. Unoccupied units account for 22 percent of the Jawaharlal Nehru National Urban Renewal Mission’s constructed units, while the smaller Rajiv Awas Yojana’s unoccupied units stand at an eye-popping 69 percent of total units available. Reasons for this are politically disputed but likely related to location, quality, and allocation processes.

Households and families come in all shapes and sizes, as do incomes. As a result, so must housing options. Housing must take account of household-based production and household consumption patterns and traditions, especially among those recently arrived from rural areas. Consideration must also be given to issues such as legal structures and traditions that guide inheritance and income available for housing payments. For example, women may be unable to inherit or own property, or they may be evicted from an extended family dwelling following a change in family structure such as the death of a father or husband. This requires thinking about segmented markets in real estate, land, and housing that account for differences that will be legally and culturally appropriate. As there likely will be regional, country, or even local and community differences in what will and will not work, there is no one-size-fits-all policy.

Reforming Building Regulations

These considerations require flexibility in applying building standards. The high standards that are used in formal, typically high-end, real estate market production are not necessarily appropriate for housing that is intended for low-income households. Different standards must be developed for housing units that will be affordable for poorer segments of the urban population. Basic health and safety standards must not be compromised, but biases toward high-end materials and design and luxuries (such as multi-car parking requirements) inflate prices. One innovative response to this situation can be seen in Windhoek, Namibia, which established a scale of development levels. The scale began with communal services and upgraded progressively over time to more formal standards, such as those related to individual household service provision, as income levels increased.

Reforming Land-Use Regulations

Reforming regulations and policies can help correct disincentives and remove obstacles that block the poor’s access to housing, land, services, and infrastructure markets. Reforms include incentivizing better use of land—for example, by ensuring that under-utilized or vacant land is taxed to provide incentives for development, including mixed-use structures. Inclusionary zoning is one such tool; it requires developers to keep a percentage of units affordable to lower-income households. Increasing floor area ratios overall will also bring the price of land down to make housing more affordable. While these approaches have
been applied in a wide range of developed countries—and are required in some, such as Spain and Ireland—there have been implementation challenges in the global South that involve issues of allocation, low quality, or noncompliance.¹⁴⁹

It is essential to eliminate land-use segregation. Using land in mixed-use and denser configurations can provide multiple benefits when affordable housing is included. Density allows land and infrastructure costs to be spread over a larger number of residents and businesses, although it does require more intensive infrastructure provision to meet needs, as well as clever designs that can accommodate more people. Mixed-use development can reduce the need to travel long distances if daily needs are available within walking distance. It also avoids additional financial and time costs associated with travel and reduces congestion. When mixed use is combined with clever fiscal reforms, it can incentivize regeneration and more intensive use, thus creating more possibilities for affordable housing.¹⁵⁰ Such reforms include development charges that are density and location sensitive, not merely focused on plot or structure size, and require the cost of development to be fully priced and incorporated.

Many places use density bonuses to generate revenue and increase housing density. In São Paulo, Brazil, the Fee for the Right to Build (Outorga Onerosa de Direito de Construir; OODC), enabled by the City Statute, allows additional housing density in exchange for a fee. São Paulo directs proceeds from the OODC to underdeveloped areas of the city. Between 20 and 30 percent of these funds are then supposed to be allocated to affordable housing.¹⁵¹ Box 5 addresses Brazil’s City Statute in more detail.

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**Box 5 | The City Statute: Brazil’s Constitutional Support of the Right to the City**

The right to the city, inspired by the philosophy of Henri Lefebvre, describes the right of all urban inhabitants to participate in shaping the city without regard to gender, ethnic background, or citizenship, and with respect for justice, democracy, and inclusion.¹⁵² Brazil’s 2001 City Statute is the first attempt to embed the right to the city in a legal framework that governs urban development and management, and builds on the chapter on urban policy in Brazil’s 1988 constitution.¹⁵³ The constitution itself is quite progressive; for example, it provides for usucapião (adverse possession) to regularize land occupation by the poor.¹⁵⁴

Through the City Statute, Brazil empowered citizens to actively participate in the development of their cities. It requires both public and private urban change agents to prioritize social and use value and function over exchange value, emphasizing land’s use and social purpose rather than its sale.¹⁵⁵ The right to the city has served as a flexible and meaningful mobilization campaign in Brazil (and elsewhere) and has brought focus to the right to housing as well. Promulgation of the City Statute followed 10 years of discussion and debate involving a broad range of actors, including NGOs, social and environmental movements, the private sector, and public-sector entities such as municipal, state, and federal institutions. The law adopts a national-level, holistic approach to urban development that gives priority to citizens and social functions. It pulls together previously disparate attempts at urban development programs such as urban planning, participatory planning, regularization of land holdings, urban management, and public-private partnerships.¹⁵⁶ It introduced new instruments that combine land management and fiscal resources. The City Statute created acceptance and recognition of new legal tenure titles and highlighted the social function of property.¹⁵⁷ It includes an instrument that allows a local government to increase the tax on empty land and underutilized buildings (Articles 5, 6, and 7).

The City Statute prioritizes social justice and equity in urban development, and the Ministry of Cities provides legitimacy and a space to pay attention to urban issues. However, implementation challenges and vested interests have meant that the City Statute has had less impact than originally hoped.¹⁵⁸ Some judges have ignored the statute and its principles in their rulings, and mechanisms for enforcing its legal framework are limited, which undermines its success.¹⁵⁹ To date, it is hard to measure any positive impact the City Statute has had on social equity. The urban status quo of significant inequality, exclusion, and market-led development has essentially blocked implementation of more substantial legislation and policies under the right to the city.¹⁶⁰
Using Innovative Land-Management Tools

In some areas it will be appropriate to consider innovative land-management tools such as land trusts or special zones. The city of São Paulo introduced special zones of social interest (ZEIS) in its 2002 master plan; the aim was to reactivate certain areas and stimulate production of affordable housing. However, ZEIS did not yield the desired results in the short run because of market conditions. The 2014 master plan increased the number of zones from four to five to expand the amount of land available for low-income housing. This change, combined with a progressive tax on vacant land implemented in 2015 and the GeoSampa website that provides new and updated data, has led additional land to be made available. Although it is still too early to see results in terms of increased social housing, the combination of instruments provides an example of the creative structures that will be needed.161

Community Land Trusts (CLTs) feature land that is purchased and retained for ongoing community use. Therefore, they remove the price of land from the cost of housing but require an original endowment to buy the land. Land ownership gives the CLT leverage to require that the housing be affordable. Community groups, philanthropists, or government organizations can provide the funds and oversee ongoing governance.162 CLTs are often not applicable to expensive inner-city locations because of high land costs, but they can be used to purchase land in areas ripe for revitalization, as discussed below.163 In Cochabamba, Bolivia, the case of the María Auxiliadora Community—a CLT established and run by women since 1999—offers some useful lessons. It now houses 420 families on community-owned property in the periurban area that cannot be sold for a profit, which keeps the housing affordable.164 The community has helped move collective land ownership, which is allowed under the Bolivian constitution, into the urban realm. Its unique governance structure rotates leadership among women in two-year terms, evicts men who engage in domestic violence, and provides community-managed support to families.165

Promoting Incremental Improvements

Incrementally improving housing allows residents to build on their existing units and promises to improve quality of housing and quality of life. It requires both technical and financial support that often can be provided by civil society and private-sector organizations. Such entities can provide technical assistance with legalizing existing settlements and providing advice on construction. Meanwhile, microcredit finance for housing and other more formal financial institutions might be needed to provide loans for land acquisition when land regularization is part of the process.166 However, incremental improvement can sometimes be inefficient, slow, and of low quality.167 In some cases, governments are reluctant to enable and facilitate these types of improvements. Without public-sector support, this solution is difficult to achieve. However, if governments are open to working with empowered communities and letting citizens lead the way, this approach can improve both informal communities and lower- and middle-income formal housing with minimal public spending.

An example of an incremental housing approach combined with a public housing program is Quinta Monroy in Iquique, Chile. It was launched under the Chile-Barrio Program, which echoes the sites-and-services approaches from the 1970s. This neighborhood began as an informal settlement. The government contracted Alejandro Aravena and his firm, ELEMENTAL, to rehouse the community without relocating residents to the urban peripheries.168 The firm was given a subsidy of US$7,500 per family that had to cover the construction of each house and pay for the land and service infrastructure for each lot. Through community participation and planning workshops, a creative solution emerged: the “half a good house” approach.169 Aravena built physical foundations, concrete walls and floors, stairs, and the kitchen and bathrooms, arranged in a row-house pattern—in theory, the half of a house that might be most difficult for a family to provide for itself. The insides were left largely unfinished with ample open space between each house, allowing families to incrementally develop, design, and build in the rest of the home over time. The designs also allowed for close to one-third of the plot’s land to be preserved as open, communal space, which gave shape to a once-labyrinthine settlement. Hailed as a success, the project ensured community members were neither alienated nor displaced, and property values reportedly exceeded $20,000 within the first year.170
Including Affordable Housing in Urban Regeneration Programs

Urban regeneration programs typically seek to revitalize run-down and depressed areas. While sometimes considered anti-poor because of the displacement that often occurs, these efforts offer a challenging yet untapped opportunity to incorporate mixed-income and mixed-use development. Johannesburg has used an urban development zone tax incentive to stimulate urban redevelopment that includes affordable housing by offering a higher depreciation rate over a shorter time for projects that include low-cost, high-density affordable housing. This area is ripe for continued work. It requires creative business models that combine land, fiscal incentives, financial structures, and community participation to ensure inclusive development.

Summary

Encouraging appropriate regulations that unlock land in the city requires consistency across the enablers of planning, governance, and financing, and regulatory reform broadly connects all three of the approaches presented in this paper. Planning processes must acknowledge the wide range of market segments, as seen in Figure 2, with different combinations of tenure, service provision, quality, and time frames. Governance structures must allow building standards and regulations that are appropriate for different income segments. This includes promoting incremental improvements in both informal and formal market segments and in efforts to regenerate buildings and districts. Doing so requires innovations in finance and design at all levels to provide options that are safe and attractive for the city as a whole. Financial incentives and taxes can be used creatively on both supply and demand sides, although this will often be challenging given the scale of the problem and its political economy. Well-structured urban expansion will also be required.

HOW ADEQUATE, SECURE, AND AFFORDABLE HOUSING BENEFITS THE CITY AS A WHOLE

The Role of Housing and Homes in Stimulating Economic Development

A home is more than just shelter. It is a center for family and provides individuals with a sense of community, personal identity, and self-worth. It also gives them an address, which is essential for job hunting, accessing infrastructure services, and receiving welfare benefits. For owners, including de facto owners of informal settlements, a home is often an investment, typically the largest a family will ever make in a long-lived asset, and thus represents a major milestone on the road to financial inclusion.

Housing provides opportunities to generate income at both the macro and micro levels. As a sector, it employs a lot of people and has strong multiplier effects through backward and forward linkages. Backward and forward linkages refers to consideration of inputs as well as outputs to production processes, such as materials, construction, real estate, and financing. On a micro level, a home can provide opportunities to generate and provide goods and services for a neighborhood either by providing for one’s own survival or through broader efforts to generate income. Home-based enterprises range from small-scale services such as beauty parlors or day care centers, to small-scale products like baked goods and street foods, to larger-scale enterprises such as garment work. Home-based production gives people flexibility and helps them avoid the need to travel to an external workplace. However, a good home also allows those who work outside of it to be more productive after a good night’s sleep and to concentrate on their work rather than on where they will sleep.
Informal settlements embody the opportunities and dynamism that cities offer. Yet they also highlight the failures of institutions that are unable or unwilling to provide the most basic services, such as water piped into the home, solid waste collection, sanitation, electricity, and security. Even though informal settlements concentrate poverty and lack of access to services, they are often economically vibrant and attract people who want to leave rural poverty behind. Today about 85 percent of the world’s new employment opportunities arise in the informal economy; many of these opportunities exist in informal settlements. This means that undocumented, variable, and irregular income streams must be addressed, given their prevalence as sources of payment for housing and services. In fact, this relationship between housing and economic and livelihood possibilities creates challenges to regularizing or upgrading these areas within the typical single-use and low-density zoning approaches most often used in cities.

Providing adequate housing for the under-served in good locations benefits a city in the following ways:

- **It improves living conditions and tenure security for the poor:** Upgrading informal settlements often provides an effective way to improve living conditions and tenure security for the urban poor at a very large scale.

- **It improves quality of life:** Adequate housing elevates the quality of life for residents and their communities—especially in the case of upgraded informal settlements—and the city as a whole, providing improved living conditions, health, safety, and security. Improved health benefits future generations as well as the broader city.

- **It fosters inclusion:** The city comprises all its entire population and their aspirations, not just the rich in good housing and the poor in dilapidated conditions. Upgrading run-down areas addresses long-standing problems that seriously affect under-served residents, such as illegality, barriers to services, and social protection for vulnerable groups such as women and children. It also gives representation and political voice to excluded groups and helps defuse the potential for civil unrest and subsequent crime.

- **It facilitates economic development and better connection to labor markets:** Housing that is close to labor markets and livelihood possibilities is key for connecting workers and jobs, attracting investment, and stimulating economic development. Upgrading housing accesses the typically untapped and unacknowledged skills and resources of slum dwellers who are searching for paths to increased productivity but are constrained by their marginality.

- **It focuses more attention on environmental issues:** Environmental issues deriving from land use impact both rich and poor. They involve reversing or preventing environmental degradation, such as improved sanitation, better solid waste management, and more efficient use of nonrenewable resources. This is especially relevant for the poor in informal settlements with insufficient services, as they are less able to move to safer locations or insulate themselves from environmental threats.

Adequate, secure, and affordable housing in well-located, low-risk locations brings other environmental benefits as well. The pressure to locate housing on high-risk, environmentally fragile land has high environmental costs. Makeshift housing precariously situated on hillsides or on or near dump sites regularly leads to landslide tragedies. Insufficient access to services such as electricity can lead to deforestation, if people view trees as readily available free or cheap fuel. Insufficient housing options drive migrants to destroy mangroves that provide vital ecosystem services and resilience. Providing affordable and adequate housing helps avoid this pressure, which improves the entire city’s safety, resilience, and environmental sustainability.

Adequate, secure, and affordable housing provides an entry point to a more sustainable city. Figure 4 below summarizes the challenges and our priority approaches. Better housing offers equitable access and supports both economic productivity and environmental quality in ways that are consistent with the WRR’s broader approach. All three are key to a more equal city.
Opportunities for Urban Transformation

If housing policy is to be truly transformative and address the challenges of the urban under-served, it must be viewed as part of a holistic approach to the city and not just another series of projects. In addition, we must acknowledge that the lowest-income groups typically need more than just a house to truly benefit from a home. An enabling and empowering environment includes relevant legal and institutional structures, financial incentives, and active neighborhood organizations that work with government authorities and the private sector to co-create solutions that work for all.

Civic engagement and participation in housing can work, but public and private authorities must be open to including non-experts in the process—and must truly listen to their suggestions and input.
While the challenges are daunting, the strength and history of housing struggles that serve as the first step for broader social movements provide strength and history. Working among community groups and in concert with local governments, citizens and communities can create more lasting and sustainable solutions to housing problems. Regional and national networks such as SDI or the Asian Coalition for Housing Rights can build on these relationships, and their work can lead to greater dissemination and scaling of housing innovations. Moreover, housing-based movements and innovations often spill over into the space of complementary required services and can form the basis for broader pro-poor social movements. Citizen engagement should be part of a formalized, institutionalized participatory approach that occurs in consultation and collaboration with all interested actors, reflecting the diverse range of the entire population.

Many actors recognize that various useful innovations have stemmed from communities themselves, not the technical experts. As a result, it is crucial to facilitate creative and active coalitions between the private sector, community groups, and local governments to generate practical solutions that are accessible to the poor. Successful examples include activities in Pune, India, and Baan Mankong, Thailand. However, citizen participation in housing development is often limited to transferring information and conducting poorly structured processes or events that allow for vested interests to manipulate the results; this leads to poorly designed industrially produced housing that lacks community input. Civic engagement and participation in housing can work, but public and private authorities must be open to including non-experts in the process—and must truly listen to their suggestions and input.

How can meaningful engagement be achieved? One way is to include communities in regular resource allocation, such as participatory budgeting. Another is to use shared data to arrive at a common vision and set of priorities. The Know Your City work done by SDI communities throughout the world, as well as other self-enumeration projects, can help produce these shared data. Another key element is financing. Joint funds for urban development with community and local authority inputs, and possibly resources from donors, provide a worthwhile model. This requires new agreements and arrangements between all sectors—public, private, and civil society—which in turn require deep trust and flexible regulations to unlock financial resources and creative structures.

The approaches explored in this paper—adopting participatory in situ upgrading of informal settlements, improving rental housing possibilities in all market segments, and finding better uses for under-utilized land and buildings—are just part of a sustainable and workable answer to the challenge of affordable and well-located housing. They address highly political and difficult issues. Rentals represent a mode of addressing the problem, while the other two approaches are outcome-based, but the problem requires interventions at different levels and from different angles. These solutions do not stand alone but rather feed into each other. Upgrading informal settlements often includes low-income rentals; incremental improvements to better utilize existing buildings and develop rental markets require changing zoning and building regulations; and supportive financial and regulatory incentives are needed to make them all work. The political challenges can be overwhelming and often defeat modest but robust solutions, as elections sometimes force a focus on quick fixes and photo-ready solutions that are ultimately unsustainable. Combinations of the approaches explored in this paper will be needed, in context-specific formats, in large numbers throughout the global South.

Moving the focus beyond buildings and infrastructure to connections between people and organized networks will move communities toward better housing for the under-served. It will also create better housing markets, better quality of life, more opportunities, and more economic activity—all of which strengthen communities and cities.
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