

Land for Housing Urban Poor People

Disclaimer

This is a draft of the Quick Guide on Approaches to Low-income housing. It was prepared by Mr. Michael Mattingly.

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Introduction

You will need to do something about land. As you can see around you, the living conditions of poor people are not good. The difficulty of obtaining land for their housing is a major part of the problem.

Because the role that land plays in housing poor people is complex, you will never know everything that would allow you to make the best decisions. However, the messages in this booklet should alert you to the discussions that you need to conduct with experts and with colleagues. The messages should introduce you to points that need more explanation. If you cannot obtain the explanations that you require, you will at least be able to judge better the risks you might be taking and the achievements that might result.

A rule or a practice applied somewhere else or at another time will not work for you without changes; it may not work at all. Consequently, this booklet aims to raise your awareness of critical questions about what has been tried, the changes needed to suit your circumstances, and the likely outcome. The messages should also make you cautious about too easily following advice that is given you. A moment of reflection can be very worthwhile, or perhaps a second opinion.

To find your way around this booklet, use the indices provided at the end. Even when you are familiar with the booklet's layout, you may miss a relevant point that is earmarked by the indices.

When dealing with housing for poor people, it is often good to distinguish the land used by housing from the house itself. A house can be owned by someone who does not own the land on which it lies. This is a source of some difficulties. Moreover, the process through which use of land is obtained can be very different than that through which a house is created, so this process needs to be understood for itself. Perhaps most important is the fact that land plays a crucial role in the provision of shelter.

Because very nearly all housing requires land underneath it, obtaining some right to use this land is essential, before the process of building a shelter can begin. Obtaining land, therefore, is the first challenge that has to be faced, and the cost usually makes it a big one.

Poor people have great difficulty obtaining land for housing that does not have significant disadvantages. One way they have overcome some difficulties is to invade land that is vacant. You can help them do better. However, you can also make things worse for them, sometimes by trying to help. Surprisingly, you may find that you can improve the housing choices of poor people by improving the access to land of others who are not poor but who will build housing for them.

What you may not know about actions and policies regarding land that might better secure land for housing poor people can be found in the sections entitled *Land Policy*, *Techniques*, *Managing Public Land*, *Working With Others*, and *Tactics*. However, to use well the contents of those sections, you will need to understand the information in *Land for Housing* and *Buying and Selling Land*.

Land for Housing

<p>1. Land costs are a large portion of total housing costs, so use land carefully. But remember it is the cost of land per unit of housing that matters.</p>
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The lower the cost of a dwelling unit, the higher the proportion of total housing cost that is due to land. This land portion can be as much as 50% for some houses of poor people. This means that land costs alone can make a housing unit unaffordable to many who have little income.

There are various ways to use land more efficiently and thus keep costs down. Some of these are discussed in Messages 2, 4 and 19. When a house is on a small plot, the land cost for it is also relatively small. When a building contains several dwelling units, they all can share the expense of the piece of land on which it sits.

It is always tempting to locate low income housing in places where the land prices are low. This can be a mistake, as discussed in Message 3. Prices are low for reasons that make the location difficult to use for housing, so there will be other costs to pay. Yet, there are times when poor people will prefer to pay these other costs.

Of course, public land can be used, and this seems to cost nothing. Yet public land does have a price it would obtain, if it were sold or rented on the market. This price indicates the cost of using for housing an equivalent piece of land bought in the market. Another way of looking at it is that, if a piece of public land were sold, the funds obtained could finance more services, such as water provision, or other benefits to poor people. This opportunity is lost if the land is used instead for housing low-income people. Therefore, using public land does cost something, and if that cost is not passed on to the users of the dwelling units, the users are given a subsidy. This is not necessarily good or bad, yet you should be aware of the implications of subsidising, some of which are discussed under Messages 23, 24 and 25.

If the public land is already occupied, there are very large additional costs, some of which are out-of-pocket. These are the expenses of relocating to other places – often sites also owned by government – those who are using the land.

2. Understand that good site planning makes important differences in terms of the cost of land per unit of housing, costs of servicing, and the quality of the living environment.

You may think this is a matter to leave entirely to the technical people, but do not. See that questions are asked that may lead to much more efficient use of available land, as well as lowering the costs of installing services and of registering plots with government. What is done with - and on - land at the most detailed level matters significantly for housing in terms of its cost and the satisfaction it provides to its users. Therefore, you should be alert to the possibilities for important impacts, such as the following.

One of the most effective ways to reduce land costs per housing is to increase the density of housing units. This can be done by using small plot sizes. Perhaps there is good reason to use sizes that are even smaller than is permitted by current regulations (see Message 19). A similar result can be obtained when there is more than one unit of housing on a plot, all of them on the ground or in a building having several floors. Then the same piece of land is shared by all, and so are the costs of that piece of land. Ideally, the plot shape chosen should permit the arrangements of space inside and outside the house that are customarily used by the likely occupants, including arrangements that provide privacy and air circulation. This will probably not be possible to achieve on a small plot having proportions that use land efficiently, so compromise will be necessary.

The proportions of a plot can make a substantial difference in the amount of land needed for a housing scheme. The greatest effect is on the quantity of land taken by roads. For example, a length of road giving access to plots that are each square in shape can serve roughly 1.4 times as many rectangular plots of the same size that have the side on road $\frac{1}{2}$ the length of the depth. Less land for roads means more land for housing at the same overall land cost. It also means lower costs for construction of the roads and for the services that normally are placed in roads: water pipes, drains, electricity lines, etc. Moreover, if housing plots are given road frontage on more than one side, this wastes land and uselessly raises service network installation costs.

Plots will be faster and less costly to survey if they have straight sides and if they are arranged in rows in which boundaries continue as straight lines from one plot to another, whenever this is possible.

A grid of roads serving four-sided plots usually makes most efficient use of land (and minimises service network costs at the same time). However, where the ground slopes strongly, this will not work, for some roads will be too steep. Moreover, like anyone else, poor people may find the resulting arrangement too regimented and therefore unattractive or worse – suggestive of a refugee camp or the like.

The widths of the road reserves need particular attention in relation to their functions. If a road serves only a few plots, it does not have to be as wide as one serving many plots or as one that collects traffic from a number of other roads. Again, the result can provide more housing plots for the same overall land cost, and reduce road construction costs (the most expensive by far of the service infrastructure costs). If they are acceptable to the future residents and to the local government, short cul-de-sacs reduce road space significantly. So does the use of footpaths instead of roads in some cases. School sites, playgrounds and other large plots for community facilities may not require road frontages except for access. Any additional frontage given them might be more efficiently used for houses.

Yet these opportunities for efficient use of land for housing and for efficient infrastructure provision need to be used judiciously. Even poor people can eventually obtain the use of cars, so there needs to be space for parking in the road that will not block emergency vehicles. If these are not already suitable located nearby, areas need to be carved out from the start for schools, health facilities, playgrounds, and other open spaces. These facilities are essential for a good living environment, even though the land used and the buildings constructed will add to the overall housing costs. Places for them will be much more expensive later on or altogether impossible to find.

In short, the details of a layout design can make a substantial difference in the cost of land per dwelling unit and therefore the affordability of housing to poor people, whether they rent or own. At the same time, it can make a substantial difference in the quality of life enjoyed by residents. A skilled designer can provide a good balance of both.

3. If cheap land is chosen for housing poor people, it may never be good for housing them.

The land is probably cheap because it is not a good location for housing. As explained in Message 1, the price reflects the demand for land. If land for housing is low priced, there is a good chance that it does not have qualities that would make it a good for housing, so few people want it for this purpose. It is not actually cheap, then, for it has costs that must be paid in other ways. On the one hand, it may be far from jobs, so that there are transport costs to be paid daily or a fatiguing walk that cuts into productivity. Or it is far from service networks and community facilities, meaning that connections must be made, if they are at all feasible, and facilities constructed (see Message 4 below). On the other hand, it may be in an unhealthy or dangerous situation. If the site is badly drained or low lying near rivers or water bodies, it may be liable to flooding. If the slope of the land is too much, there is the danger of a landslide that will sweep houses away. Excessive noise from activities adjoining the site, such as from a factory or heavily trafficked road, are more than just a nuisance, for they can significantly affect health after a time. Moreover, the factory could produce polluting gases or there could be the like of chemical storage tanks nearby that can produce a disaster.

There may be other costs of poor siting. Septic tanks and pit latrines will work badly or not at all if the soil is not porous. The more the land slopes, the more difficult it is to construct foundations, and more expensive. The soil may be a kind that destroys ordinary foundations because it shrinks and expands according to the level of rainfall. The ground may have a rock layer near the surface that prevents the laying of water pipes or the digging of drains, septic tanks or pit latrines. Even home-based small scale enterprises can suffer because using apparently cheap land can place them far from the city populations that would buy their goods and services.

Being poor means having less money and other resources with which to overcome these costs.

4. When locating housing for poor people, especially keep in mind the location of service mains and community facilities and the costs of extending them or of building them.

Good housing is more than just a roof and walls. The roads, water pipes, electricity wires and drains that are needed cannot be used until they can be connected to the main lines of the city. If these connections have to be long, they could add expenses that poor people simply cannot afford. These are some of the hidden costs of land that seems to be cheap. Although roads are especially expensive to construct to a good standard, all infrastructure of this large size is very costly. There are few ways to build these connections incrementally, as can be done with service networks within the housing area. A shared water standpipe can in time be replaced by individual house connections, but the large diameter water main extended to the site will have to be installed with a capacity to satisfy not only all who live in the new housing site but also those who will eventually populate the adjoining areas.

Do not forget the needs for playing fields, schools, meeting halls, health centres and all the other facilities for community life and national development. If they are not within reach of a proposed housing area (and have a spare capacities that can accommodate the new users), they will have to be built and paid for.

Correcting a badly located housing scheme for its lack of service and community facilities is, first of all, a matter of costs that must be financed. There are very large expenses to be paid before they can be passed on to buyers or renters. Because poor people cannot afford all of the costs involved, along with their other housing costs, it usually falls upon government (and often local government) to finance the extensions of roads, water mains, etc. and the creation of community facilities. Yet governments (especially local administrations) everywhere are finding it difficult to provide these service network extensions and facilities. Consequently, these services will take a good deal of time to put into place. Inhabitants of new schemes far from existing community facilities and possible network connections have suffered delays of years; in some cases, such schemes have simply been unable to attract or hold new inhabitants for lack of service and community facilities.

5. Know about land rights and the different forms they can take. Learn their different advantages and disadvantages.

Many qualities of land can be “held” or “possessed”. These land rights define the tenure of the land. They can be rights of “renting” (which includes leasing) as well as rights of “owning”. There are rights to occupy land and use it, to do so for a certain length of time, to sell or lease all other rights or to pass them to an heir. These are the ones that most often are important. Rights can be held by a group, communally, as well as by an individual. Different combinations of rights can be held for different parcels of land. For example, a lease to an individual of 20 years duration that is not transferable on a plot that must be used for housing is very different from a freehold title giving to a cooperative forever the use of the land for any purpose and the right to sell or rent the whole or any part. Note that a government can take away certain of these rights in the public interest, such as when it forbids a plot to be used for a particular purpose that might be dangerous beyond the plot’s boundaries.

Such rights of possession (i. e. tenure) can be called weak if another individual or group might be able to take possession of them against the will of the holder. The risks of weak tenure are one reason why land prices tend to be lower in informal markets, as noted in Message 3. The risk of losing possession exists because there are not strong institutions standing behind some or all of the rights that are held. For instance, a group that invades and occupies the vacant plot of a private landowner may have only its own solidarity to rely upon when the landowner tries to push them off. In contrast to this, a government’s capability to defend land rights once they are

registered in an official way can greatly reduce the threat of another taking possession.

At this moment in history, the weak claims to land of many poor people are resulting in great hardship for them. Private landowners and government agencies alike have been evicting poor people from large areas of cities in order to rebuild on their home sites for activities that better fulfil the economic potential of the location of the lands involved. Sometimes the use of force in these evictions is not obvious because they appear to be achieved by offering alternative housing opportunities. Poor people may agree to relocate, even when they are unwilling to move and/or when the alternatives seem to promise a reduction in their quality of living, because they stand to lose everything if they do not agree.

There are other major disadvantages to weak tenure. It has been observed that people who believe their tenure is strong are more likely to invest their time, efforts and money in improving whatever shelter is on the land. If they want to borrow money for this or for financing a business, a strong claim to land can be crucial to obtaining a bank loan.

The balance of costs and benefits that are associated with a particular bundle of land rights and the strength with which they are held can be especially crucial to poor people because they have fewer resources with which to bear the costs. Message 12 provides an illustration of this balance for a full bundle that is officially registered with government, showing how it can be difficult for poor people to benefit from this combination.

Buying and Selling Land for Housing

6. Understand how land markets work. They will affect very much what you try to do. At the same time, your actions can change markets so that there are surprising knock-on consequences for poor people.

Land that is suitable for housing always has a value that can be bought or sold, whether it is publicly or privately owned. This value can even be marketed by those who are not the owners of the land, such as when a lease held by one party is transferred to another in exchange for money. Market forces will determine who can use a parcel of land and the cost of that land, except when government delivers public land directly to users. Yet even public land, once it is allocated, can be traded in markets, which is often done. Messages 12, 23, and 25 have something to say about this possibility.

Consequently, actions to secure land for housing poor people will be subject to market forces. Knowledge of markets makes it possible to anticipate some of their effects. Actions can be planned that are more likely to hit their targets and do so at the costs that are expected.

Some basic principles of markets need to be understood, especially those of supply, demand and prices.

Regarding the supply of land for housing you should be aware that:

- Land is not part of a market's supply until it is offered for sale. Although land is not being used, the owner may refuse to place it on the market in the hope its value will rise (i.e. speculation), or simply because money is not needed (i.e. banking of capital), or for some other reason.

- Different supplies of land can be distinguished that correspond to different demands for land. Land parcels become grouped together according to some similarities, such as size or location, and are supplied to separate markets (more about this in Message 7).
- Government policies can affect the land supplies. For example, where housing is not permitted by land use controls, landowners there will be discouraged from supplying land to markets to which buyers go for plots they can use for housing without violating laws of government. Also, planning regulations that do not permit small sized plots can limit supplies to some markets. See Messages 16 and 19.

The demand for land for housing has aspects that you may not know.

- Just the normal growth of a city's existing population can create a large demand, even if there is little migration from rural areas.
- There will be significant differences in the demands of people. Usually the buyer's wealth will be the most important factor. Those who are poor do not have enough money with which to buy all the land qualities they can want and still be able to make essential purchases. So, they will tend to demand plots that are different from those demanded by more wealthy buyers. Often this is a difference of size, the services provided and the security of the tenure provided (see Messages 7 and 8).
- The demand in a market is usually made larger by speculators and investors who want land for the value they expect it to have in the future. When a city's population is growing quickly, it is highly likely that government and markets cannot provide land fast enough to meet the demand. As a result, prices are bound to rise and speculators and investors are taking little risk. This is one reason why there can be so much investment in land.
- There will be little or no demand for a particular piece of rural land for urban purposes until the supply is used up of other pieces that are closer to the jobs and services of the city or town. Nevertheless, some speculators may be willing to buy distant land at rural prices in the hope that it can eventually be sold in an urban market

Prices are determined by the exchanges of offers between buyers and sellers and the negotiations that follow. In any particular market, when the supply of land decreases in relation to demand, or the demand increases relative to the supply, the price at which a unit of land will sell tends to rise. When there is not enough in a given market for all those wishing to purchase land, buyers will offer the highest prices they can afford. Consequently, those with the most money to spend will get the land. Moreover, they will have paid higher prices than if the supply had been bigger or the demand had been less.

There are sellers who are not willing to sell below a certain price, especially speculators or investors. Even though no one buys what they offer, they will hope to obtain this price in the future. One result is that there can appear to be plenty of vacant land available, yet poor people cannot obtain enough land at an affordable price.

When deciding policy or action to take, it can be very helpful to apply the principles outlined above. This should give you a better picture of what might happen if your decision is carried out. A way to do this is to ask these questions about the policy or action

- What is it likely to do to the supply of land for housing low-income people?
- What is it likely to do to the demand for such land?

- What impact might it have on the links between other land markets – discussed under Message 7 – and those used by low-income people (including informal and well as formal markets)?
- What is likely to be the ultimate effect on the prices of land and therefore on the abilities of poor people to obtain land for housing themselves?
- What is the likely effect of price changes on the abilities of others to obtain land on which they can build housing to rent to poor people?

7. Recognise that there are different markets – informal as well as formal; low income and high income – and that they are all linked.

Land may be traded in an informal market because the seller may not hold rights to it that are recognised by the laws of a country's government. This can happen if land is occupied by someone (often called a squatter) who has not obtained the permission of the owner registered with government. It can also happen if the land was obtained through a traditional or customary system of giving land which is not recognised by the government. Also, informal markets may sell land for which permission has not been obtained from government for its use for housing, as required by land use control laws. Or the land may be broken into plots that are smaller than are permitted. Or the plots may have been public land allocated by government on condition that they are not sold to someone else. In the last three examples, some aspect of what is sold is not in accord with government laws and could be declared illegal. There are many cities and towns where most land used for low cost housing is traded in informal markets.

Important differences in demand and corresponding differences in supply create land markets that can be distinguished from one another. Poor people cannot afford what they find among the supplies in markets used by high-income or middle-income buyers. They tend to go to markets in which plots are sold that are small, not well provided with services, and are not fully legal in the eyes of the government. Sellers who believe the qualities of their plots justify high prices will not put them on offer in markets for low-income buyers. Even if they cannot find buyers in higher income markets, they may expect a buyer to arrive eventually, as noted in Message 6.

However, when sellers realise there are buyers willing to pay more than they first imagined, they will quickly move their lands to higher income markets. So land intended for low-income buyers, but having qualities for which others will pay higher prices, will swiftly be moved to higher income markets. There, it will be out of the reach of low income buyers.

The links between different markets can produce unexpected results. For example, if middle income households find that supplies of land at prices they wish to pay are not adequate, some of them will search in a cheaper market. There they will add to the demand and make the average price go up because they have more money to spend. Any demand from poor people that is unsatisfied because of these newcomers might then move to an even cheaper market, adding to pressures on the supplies there and raising prices. Ultimately, the number of poor people who cannot obtain any land at all might be increased. Surprisingly, in circumstances of this kind, an improvement in the supplies of land for middle income housing could help low income households obtain land.

8. Formal land markets usually do not provide land cheaply enough or fast enough for poor people.

Most poor households obtain land for housing themselves from informal markets. The prices tend to be lower than in formal markets. People who can afford to pay more usually choose to buy land that is officially registered in government records with a clearly identified owner or that is not violating land use controls or of the conditions of a lease regarding transfer of ownership. That way they can feel more certain that the plot's boundaries will not ever be disputed or that their ownership will not later be challenged by other persons or by government. If there is a challenge, they expect that the government will back them. So poor people take risks buying from informal markets in order to pay a price that they can more easily afford.

The price may also be lower because the owner has invested little in it. Housing land sold in informal markets characteristically lacks good quality service networks and facilities. This usually suits better the preferences of poor people, who have to make a hard choice between what they need and what they can afford. They seem to follow a strategy of accepting poor services as the start in order to obtain some land rights. Afterwards, they will accept incremental improvements of services as and when they are affordable.

When government offers public land directly to people because they cannot afford what is available in formal markets, poor people may nevertheless continue to use informal markets because land can be obtained faster this way than from government. The procedures for obtaining land directly from government are often so complicated and time-consuming (not to mention, expensive and corrupt) that they cannot satisfy the urgent requirements of those demanding low-cost housing plots.

Although informal land markets may have advantages for low-income households, there are reasons why they may not be desirable. Firstly, if ownership is not registered with government, land can be difficult to tax, because neither the person to be charged is clearly known nor the size of the plot which may determine the tax. Secondly, as noted above, land for low-income housing sold in informal markets is usually poorly provided with services, such as piped water, toilets, drains, and roads. Moreover, its site planning may not allow for efficient and effective installation of better facilities at some future date. Worse, the land may be in a bad, even dangerous location (as discussed in Message 3). And never forget that the risks are very real that those housed on informally sold land may someday be moved off of it by another party who claims ownership or by government (see Message 12 for more discussion of informality).

To eliminate informal land markets, you must eliminate the causes of them. These are the inadequacy of the supplies of land in the formal markets, the formal market prices that are not affordable to low-income people, and the failures in government systems of land allocation for low-income housing. In other words, if low-income families in urgent need of housing could obtain it fast enough and at an affordable cost, they would not need to seek land from informal markets. Unfortunately, it has been extremely difficult even to reduce these causes. For this reason, it can be more sensible for a government to tolerate informal land markets, at least in the short term, in order that they continue to provide what formal markets fail to deliver. A government may even choose to support informal markets in ways that improve what they do for low-income households, while reducing some of the problems that informal markets create. These possibilities are discussed more in Messages 11, 12, 13, 31 and 32.

9. Understand how the purchase of land is financed, whether by individuals and land development companies or by government.

For poor people, paying for land may be the hardest aspect of housing themselves. A house can be built in stages, but right to use a piece of land has to be obtained all at once and is expensive.

Daily requirements take nearly all of the money of poor people, so it is impossible to save the large amounts needed to buy land sold in formal markets or to pay back large loans. No one will give them large loans anyway, for they cannot provide the down payment /deposit that banks or the land developer require and they have nothing to offer as security for a large loan. Moreover, they may not be able to make regular payments. Usually the best poor people can do is to irregularly borrow small amounts for short periods of time. While this can be good enough for constructing a house bit by bit, it often is not sufficient for purchasing the right to use a piece of land, even though some informal land sellers will accept payment in irregular instalments. Consequently, most of the poorest have no choice but to rent housing (the land implication are discussed in Message 28). All things considered, it is not surprising that poor people sometimes occupy vacant land without the permission of the owners.

Companies or entrepreneurs need to have much large amounts of money to buy the land which they then subdivide into many individual parcels to sell or rent in markets, with or without housing units. Almost always they will have to borrow these large sums. There may not be local sources of large loans. Even if there is an adequately developed banking system, there will be others wanting to borrow from it for factories, shops, and professional offices. Banks and other such lenders need to be convinced that projects are likely to succeed before they will give loans. In the resulting competition for loans, housing land developers may not be very successful, especially if their projects look more risky than other proposals made to banks. This can restrict very much the abilities of some of them to purchase land in markets for low income rental housing and for other to subdivide and resupply to markets as small plots for poor people.

10. Understand how a land developer is motivated and how the developer's profit motives, in particular, are satisfied.

Most housing for poor people is not created by government. Instead, individuals, groups or private sector firms obtain land and build for themselves and/or for others. Because these private sector land developers often have a big role in low income housing provision, it is important to understand how they operate. With this knowledge you can negotiate better with them and help them do more with land to produce low income housing. You can also understand better why poor people have to use informal land markets.

These firms and entrepreneurs enter a market to buy land because they expect to ultimately make a profit. To do this, there must be enough income left after all the costs have been paid to provide an incentive to the entrepreneur. This incentive motivates the firm or entrepreneur to provide plots or houses. However, if there is another project proposal that offers a greater profit, it is the other proposal that will be attempted, if all other things are equal. But they may not be equal in at least one important way. There may be higher risks that the alternative may not achieve the amount of sales that are projected. So, for example, a land developer may see that buying cheaper land in an informal market could produce more sales profit but choose to buy from a formal market in order to avoid any responsibility for acting illegally.

Consequently, if preliminary calculations show that the land purchased cannot be resold as smaller plots (or cannot be developed with low income rental housing) for enough money to pay the costs, provide a reasonable profit, and repay the loan with interest, the company or entrepreneur would be very foolish to go ahead with the project. This is usually the case when a land developer considers trying to resell or rent land with or without houses in formal markets. The prices poor people are willing to pay will not provide enough in return for the necessary expenditures and expectations of profit, so developers supply little that low income people can afford.

These factors of motivation also matter very much when government wishes to work in partnership with the private sector or to impose policies on it. When the entrepreneur or company is asked in negotiations to do what will make the projected sales less, or the estimated risk more, than in an alternative project, there is no logical response except to refuse or to break off the dialogue. Similarly, when attempts are made to implement land policies that make the projected sales less or the estimated risk more than in an alternative enterprise, the private sector entrepreneur may no longer engage in providing land for low income housing through formal markets.

Land Policy

11. Look for ways to support what poor people are doing to get lands for themselves. They often can do it better than you.

The vast majority of poor people are housing themselves. Consequently, they probably know more than you about the circumstances that they face and about ways to cope with them. Even though you may be trying to change these circumstances, there will be opportunities to help poor people to help themselves.

Learn what they are doing that could work better with your support. For example, better service infrastructure may be easier to install someday if you give them technical advice about site planning. Or their institutions for land dispute settlement might be stronger if you offer some of government's expertise.

Also learn what activities of government are making life difficult for them while achieving little else. For example, you might decide to give official agreement after-the-fact to a use of land for housing that was never approved, when you know that, in reality, government action will never be taken to terminate this use.

Messages 14, 16, 18, 19 and 31 have more to say about the possibilities

12. The costs of formalising land tenure can be greater than all of the benefits, especially the costs to poor people.

Achieving official registration of each housing plot that is in accord with the law – and thus providing the occupant with a title deed – has been a widely recommended intervention to protect poor people from eviction from the lands on which they live (mentioned in Messages 5 and 13). This involves transferring the officially registered rights from the landowner to the occupant of the plot, usually in return for payment. If a private landowner is involved, these rights have to be purchased before they can be transferred. If new plots have been created by subdivision of a registered land holding, each must be surveyed in an officially recognised manner before they can individually be registered. The result is the “formalisation” of land rights that were

informal. The benefits and disadvantages of this form of tenure need to be compared to those of alternatives.

Achieving official registration has been seen as a means to:

- free households from threats of losing their shelter and their chief financial asset. Although there are other institutions able to back up claims to land in certain circumstances, government protection of the land rights of an individual may be the strongest in most cases, especially in the long term. See Message 5. Yet government itself sometimes evicts people holding rights that are officially registered, such as when it carries out redevelopment schemes.
- encourage a household to invest in its housing unit, its site, and its neighbourhood by reducing the risk of eviction from the land. Moreover, if the improvements include the construction of extra rooms to be rented out, there will be additions to the supply of units in rental housing markets. However, there is considerable evidence that households will invest without officially registered rights. It is a matter of confidence. Alternative tenure systems, such as those based upon customary land delivery procedures (see Message 13), can also give them this confidence. So will signs from government that it has accepted illegal occupation or use of land, such as when it improves service networks in informal settlements.
- give to lending institutions the confidence to provide credit that can be used by the owner for housing improvements or for engaging in small scale business or manufacturing. However, lending institutions are known to give credit in cases where a borrower cannot provide a formal title deed to be held as security. Usually this is because the borrower can show receipt of a regular income, which indicates an ability to make regular repayments. In fact, a bank may see no advantage in holding a land title as loan security. Because only other poor people without funds will want to buy it, there may be no market demand for the land at a cash value sufficient to cover the loan plus the administrative costs of repossession and sale.
- enable local government to tax the properties of citizens who are not paying for its services. However, some local governments have invented ways to tax land-based property without surveys and formal registration of them. These usually involve a process of identifying housing units with their current occupants and administering a standard tax on each unit.
- compel an urban local government to provide service infrastructure as is its duty to officially registered plots, in cases where the needs of a poor community are being neglected or ignored. However, officials as well as activists in communities and in civil society organisations have successfully used other reasons – such as humanitarian concerns or the fear of widespread health threats or of social strife – to achieve service facilities for poor communities with informal land tenure. The basic cause for overlooking poor communities is usually government's inability to finance the costs of installing services that it cannot recover from poor people. This deficiency may actually be made greater if government has to first finance some of the costs of the formalisation of land tenure before it can attempt to provide services.

At the same time, there are possible negative consequences to be taken into account.

- Landlords renting to poor people may raise the rents in order to pay the costs of formalisation or because they are prompted to make improvements that move their units into higher income sub-markets. Renters will then have less to spend on other necessities and feel pressures to move out. Moving also has financial and social costs for them, when it separates family and neighbours who were mutually supportive. In addition, when they look for replacement housing, those

driven out can add upward pressure on rents in low-cost markets, as they search for alternative accommodation.

- For low income owner-occupiers, the cost of official registration can create a substantial and long term financial burden that can reduce the capacity to deal with shocks and block expenditures that households may prefer, such as on education, health or business expansion. Market forces will create opportunities to sell and move out. For example, after official registration, a plot can be sold in formal markets where it can fetch much higher prices than the total of the original price plus the cost of formalisation. Consequently, a low income owner needing money badly will be tempted to sell such land and return to informal markets for another parcel of lower cost. The result: this household again occupies land that is threatened by risk and lacking services, despite the efforts of government. In the process, the demand for land was increased in the informal markets, possibly raising prices there.

Benefits and costs, such as those outlined here for a particular set of conditions of tenure, can apply to bundles with other mixes of rights and backed by other institutions than government. For a particular case, the advantages and disadvantages must be explored by policy makers if interventions are to have their intended effects.

13. Learn to live with various forms of tenure – not just that provided by the State

Poor people have reasons to obtain forms of tenure (rights to the qualities of land, as explained in Message 5) that are not in accord with the laws of government (see Messages 7 and 8). It is difficult to remove the causes. At least in the short term, therefore, governments seem to have little choice but to accept that other forms of tenure exist because they work for poor people.

These other forms may have a legitimacy to those holding them that is not immediately obvious. Poor people can trust in their claims to land even when they are not officially recognised by government. What they need to believe is that an unfair claim against their rights is not likely to be won. Obtaining land through channels that recall familiar customary or traditional ways of doing this can give them this confidence, probably because they expect their clan, family or group, or even their neighbours, to back them up if someone else tries to take possession of their land. So can the witnessing of their purchases by third parties and the existence of local institutions for settling disputes that are respected, even though the plots are not officially surveyed and recorded.

Since investment in improvements, borrowing, the payment of land taxes, and provision of service facilities have all been found to be possible with other forms of tenure (as discussed under Message 12), official recognition by government may not have much to offer in these terms. Thousands of poor people have said as much by not choosing to obtain government titles for their plots in several countries where they have the option, apparently because the cost to them of surveying and administration is not worth the added benefit.

Yet, currently a great many poor people are being evicted from the lands they occupy and pushed into even greater conditions of hardship, as noted in Message 5. An urgent response to the threat of more evictions is clearly needed. Despite its advantages, that of bringing them bringing them fully into the government tenure

system (discussed in Message 12.) has its limitations, not the least of which is that government agencies are carrying out some of the evictions.

It may be a better strategy to work with the principal actors in other tenure systems, as suggested in Message 31, while trying to remove some of the needs for these tenure systems, as suggested in Messages 14, 16, 17, 19, 28, 29, 30, 31 and 32. When circumstances change, poor people holding land under alternative tenure systems may find that official systems have advantages to them that are worth the costs. Time may also bring some of them greater wealth with which to pay for advantages that were always worth the cost but unaffordable.

Such a strategy can offer those who hold informal land rights certain aspects of official tenure that may be advantageous (such as official surveying and registration of group ownership of a large site that allows individual members, when they wish it, to officially register their separate plots). It can strengthen beneficial institutions of parallel systems (such as by providing technical advice on the documentation of land transactions or to dispute settlement). It can seek cooperation in planning for better service provision (such as by assisting in the design of the layout of a housing area). Possibilities are discussed further in Message 31. As some governments have done, such a strategy can acknowledge the legitimacy the delivery of land to users by customary systems and offer processes for integrating the results with the government system (for instance, a process for plots to be officially registered).

14. Seek changes to land markets that might improve low cost housing provision.

You can affect land price using your understanding of informal and formal markets. To begin with, try to increase the information that is generally available about both kinds of markets, even before you consider what to do about supply and demand. The amount and quality of information available to buyers and sellers is very important in the negotiations that settle prices. A buyer who has a picture of the balance between supply and demand and who knows the prices paid by other buyers for similar land can do better. Consequently, steps taken to improve the available information can strengthen the position of buyers who are weak. Low income buyers are usually weak. They will have less money to spend on land than those buyers who are investing (banking their savings) in land or those speculating. They will probably have less than those who want land on which to build rental housing.

Information about land prices can be published regularly in popular newspapers. It can even be posted on the notice boards of the local government offices that are the most decentralised into neighbourhoods. To obtain this information, land markets will have to be identified and their operations understood. Links will have to be formed with land agents and with neighbourhood organisations who can report on current prices.

You will have a hard time reducing the demand for urban land for housing. Only the most authoritarian governments have succeeded in slowing urban population growth through strong birth control measures and the control of migration. In rare cases, speculators have been successfully discouraged by taxation of the market value which is added to land by shortages of supply. However, there is hardly ever sufficient political support for creating the legislation required. Moreover, there is some evidence that too much discouragement of speculators can stifle private sector initiatives to supply plots. Yet, when government sells or leases public land directly to those who use it for housing (which is not done through a market), the recipients will

no longer need to demand land from a market. The same can happen if government builds housing which it then rents or sells to poor people. Those households have no need to demand land while they are satisfied with their shelter.

Nevertheless, government can mistakenly carry out actions that actually increase rather than decrease the demand for land for low income housing. The most obvious of these has always been strongly criticised for its damage, yet it continues to be practiced. This is the destruction of existing low income housing and eviction of its occupants, often seen by officials as the removal of slums or as the redevelopment of areas that have unrealised economic potential. Those left homeless have no choice but to search in markets for other accommodation, and that accommodation requires land. Should any of them be receive replacement housing that is not as satisfactory or is too expensive for them, they may soon give it up and again become part of the market demand.

Many well-intentioned housing projects have resulted in unexpected additions to market demand because those meant to benefit could not, in the end, afford the costs of improvements that were passed on to them. This happens to those who rent as well as those who own. Slum-upgrading schemes or sites and service projects can have this effect.

Consequently, it can be better to look for ways to improve the supplies of land to markets, rather than to try to reduce demand. Currently, several strategies are often suggested:

- Promote more efficient use of land for housing. This has the effect of increasing the supplies in markets. Improving site planning (see Message 2) and increasing housing densities (see Message 19) are effective steps to take.
- Change land use policies that unjustifiably restrict the supply. Increasing the amount of land on which low income housing is permitted may allow more land to be offered for sale for housing, as mentioned in Messages 1 and 16. The same can be said of a reduction in the minimum permitted housing plot size or in another regulation that does not permit the density of housing units to be higher, which is discussed in Message 19.
- Extend main infrastructure networks (e.g. large roads and water pipes) to the nearest vacant land suitable for housing. In this way, land can be made ready to be sold for housing use. Moreover, if owners are immediately asked to pay their share of the costs for the roads, water pipes, drains, etc. that are extended to their lands, they will be even more encouraged to put their lands up for sale in order to pay these costs. Unfortunately, extending service infrastructure will require up-front financing that will be substantial and difficult to obtain. Also, see the warning of Message 4 about extending too far.
- Tax vacant lands that already have access to services. Their owners can be pushed to place them on the market (or to build houses on them first) if they are taxed at a rate significantly higher than any existing normal tax. However, if landowners in general are a strong political force in local government, it will be difficult to put into effect a special tax like this.

There are others you may hear about that in practice have not been able to increase supplies for poor people. Three of these worth mentioning are:

- Limit maximum holdings of individuals. Laws are created that, in theory, forbid individuals to own any more than a reasonable amount of land (e.g. what is

needed for personal use). This could stop suitable land for housing from being kept off the market for speculative or investment reasons. In practice, laws of this kind in India, Sri Lanka, and Nepal have proved exceedingly difficult to actually implement, so they not produced significant additions to market supplies. In fact, some land was probably kept off the market for decades by the slow prosecution of court cases.

- Urban land readjustment or land pooling, which is described in Message 21. The result can be an addition to market supplies of land for housing. Yet, it can be difficult to produce plots for low income housing in this way. Most of the plots it creates will be supplied to formal land markets at asking prices which poor people cannot afford. Some of these may, nevertheless, be developed with low-cost rental housing
- Improvement of registration and titling. If land rights, the holders of them, and the piece of land to which they apply are all more clearly and firmly established, it is possible for a great many more plots to be placed on what are called “formal” land markets (identified in Message 7). This needs some more description of the complexities involved. Through these actions, many of the risks are removed that prevent plots from satisfying the demands of buyers who go to formal markets. However, these plots will no longer be offered for sale in “informal” markets, those that are especially used by poor households. See Message 12 for a more thorough discussion of the very important issues surrounding this strategy.

15. It is very unlikely that you can stop land prices throughout a city from rising. If you try, it is more likely you will waste resources and the land prices for low income housing will rise anyway.

Attempts to halt a rise in urban land prices have almost always failed. The root causes of a rise are to be found in forces that operate on a scale much larger than that of the resources that governments are willing to dedicate continuously to the issue. These forces include fast growing urban populations, slow land delivery systems, and the attractiveness of land to speculators and to savers. (See Message 6 on land markets.) It has been impossible to legislate against price rises; the actual prices paid in land transactions are too easily disguised or hidden. Land banking (see Message 23) is a very risky way to attempt control of land market supplies. Also, it permanently ties-up very large amounts of public capital for long periods of time. Urban population growth cannot be held back in the short term in order to weaken land demand, and reducing population growth in the long term may be bad for economic growth.

Instead, in these circumstances, it may be wiser to ensure that actions of government do not needlessly push up prices, while seeking improvements to the effectiveness of all markets – both informal and formal – that may reduce the rates at which prices grow. Messages 14, 31 and 32 suggest where efforts might be directed.

16. Learn the practical limits of safeguarding land for low income housing through land use controls.

Land use control that is guided by planning has demonstrated little capacity to secure land for housing poor people. In the first place, planning controls are passive; they come into effect only when others take the initiative. Consequently, simply designating certain areas of a city or town for housing does not cause it to be constructed. Then, if a proposal for low income housing is approved, there are not

mechanisms to ensure that any housing is actually occupied by poor people. An exception may be that, by requiring the plots to be very small as mentioned in Message 19, higher income users will be repulsed.

It is possible for land use control policy, instead, to encourage higher prices in formal markets and increase the use of informal ones, as mentioned in Message 6. The areas designated for housing, or the number of plots into which they can be subdivided, will set a limit on the legal supply of housing land. This may not be enough for the existing demand, increasing the use for housing by poor people of land and plot sizes that have not been approved by government. Message 19 discusses the effects of density controls in particular.

Guided by planning policy, land use controls also require standards of site layout, of building form and construction, and of service infrastructure and facilities. Standards that are too costly to satisfy can remove the opportunities for profit that motivate formal private sector to build for households with incomes below a certain level (see Message 10). These costs can make plots and the houses on them too expensive for poor households.

Consequently, it can be a help to low income people if the policies and standards for land development that lie behind land use controls are carefully reviewed for opportunities to balance better the public interests served by controls against the difficulties they actually create in practice for housing poor people. Many urban land management experts believe that the use of more realistic land planning and development regulations would significantly increase the amount of housing that low income people could obtain through formal markets. Even so, you cannot downgrade land development standards without jeopardising public health and safety. Achieving a good balance requires making some very hard choices.

In any case, land use controls are used to negotiate benefits for poor people. Permission to use land for housing can be given to a land developer on condition that a certain fraction of a project is devoted to low income housing. Unfortunately, the quantities obtained can never be very large in relation to the need, as discussed in Message 20. Moreover, this tactic cannot be used if land use controls are poorly implemented, for then government has nothing with which to bargain.

17. Try to make it easier to finance the purchase of land for low income housing.

For different reasons, both land developers and poor people themselves can face barriers to the credit they need for buying land (see Messages 9 and 10). The competition with those wanting loans for other purposes can be avoided if there are sources dedicated to lending for investment in housing. National governments have created funds for housing investment that have been successful in doing this. Private sector initiatives have created housing banks, many of them built around individuals pooling their savings in an institution that lends to its members for the purchase or improvement of housing and the land for it. Government can encourage the formation of these and strengthen them with enabling legislation, with favourable tax treatment, and by guaranteeing the loans they obtain from capital markets in order to build their assets.

With respect to the poorer households in particular, government can support the creation of savings groups and of lending networks to which they can connect. Lending to groups has been found to be feasible even for conventional banks, when

– among other things – borrowers are given training in loan management, group members are self-selected and thus responsible to one another, and a sequence of loans is given, each contingent upon repayment of the previous. Poor people tend to find this approach better fits their needs for a series of small loans that do not require down payments or the surrendering of assets as security and for flexibility in the timing of repayments. Providing the lessons of experience and some technical support can be helpful to these groups and networks. Strong support can be given by the guarantees of repayment that government can give to the lenders in capital markets who fund the institutions that lend, it turn, to the groups.

18. Recognise that women’s rights to land for housing may need to be equalised.

In any city or town, a large proportion of those who are poorest will be women, maybe the majority. Women often face special barriers to obtaining land for housing because they are prevented by social custom from holding rights to land. Despite laws specifically forbidding such discrimination, in practice women’s rights can be ignored. This most easily happens when land is not transferred through a market, such as when it is inherited or allocated by government. It can also happen when government (or a social group, when land has been bought in an informal market) fails to defend a woman’s legitimate claim to land against a counter claim. Steps can be taken to bring practice closer to what the State has acknowledged as just. One is for government to more actively defend women’s land rights through critical reviews of its own procedures regarding land. Others are to create mechanisms to hear appeals, to provide advice to low income women, and to disseminate to the public information about the equality of rights and about mechanisms of State support for them.

Taking such steps can improve the security of housing enjoyed by a very large number of the poorest households. They can give the women heading these households more confidence not only to invest in better quality housing but also to the use this housing land as the base for more income generation.

Techniques

19. Seek high densities in order to reduce the cost per dwelling. This can also make land less attractive to those who would use it for housing people who are not poor.

High densities of housing share the cost of land among more households. They also reduce the costs per housing unit of roads, water pipes, drains and the like. Consequently, land use control policies that permit high densities can bring down overall housing costs. Sometimes this can make affordable to poor households those expensive locations that are close to jobs, shops, and good public services.

However, a policy that permits high density use of land will not, by itself, cause the construction of housing that is low income. A good location will also be desirable to others with more money. Even land that is not well located will be used for higher income housing, if the current supply of well-located plots are not enough for the demand. However, the smaller a parcel of land, the less appealing it is to any household. Poor families will often be more willing to trade plot size for the ability to be well-located, because they have little choice. Consequently, a policy that demands – rather than permits – high densities (for example, very small plots) can

sometimes protect an area against its use for anything other than low-income housing.

A house occupies a plot, so land for housing is essentially bought and sold in terms of plots. The smaller the minimum plot size permitted by regulations, the more plots a given area of land can supply to a land market. For example, changing the minimum permitted plot size from 150 m² to 50 m² could supply nearly three times as many plots to the land market from the same site although more space may have to be taken by roads. So permitting high densities can permit larger land supplies.

When is a density too high? This is mainly a matter of what the inhabitants find acceptable. There are cases where a structure that houses more than one family sits upon a plot of less than 30 square meters. A good guide to what is possible in a particular city or town is that which low income people choose for themselves from informal markets because this will reflect what they can afford.

Of course, there are costs as well as benefits associated with high densities. At some point as densities rise, there begins to be a significant reduction in the quality of life, if steps are not taken. High densities are often blamed for creating areas where there are more people than can be provided for by the service infrastructure. It is reasonable to assume that people do not wish to be without adequate services, and therefore that they accept this situation because they can nevertheless satisfy their most urgent demands. Consequently, it is probably more fitting to conclude that plans for the housing area could have been more realistic about the size of the population that was likely to occupy it. Or that government has not found a way to provide adequate facilities. Despite high densities, those with enough wealth can buy the inside floor space and levels of services, and even access to open space somewhere else, that will keep them comfortable. Poor people cannot, and they will depend upon others to provide them with what is missing.

20. Recognise that conditions attached to planning approval can only provide a fraction of the low income housing that is needed.

Throughout the world now, it is the practice of governments to give permission for the construction of private sector housing on the condition that a portion of the site is built with low-income shelter of good quality, as mentioned at the end of Message 16. The amount is negotiated, but the land developer will not be willing to provide more than his/her expected investment return will allow. Otherwise, the developer will abandon the project and search elsewhere for a better financial return. See Message 10. Moreover, the negotiations and the necessary inspections of completed projects have proved to be opportunities for substantial corruption of government officials.

In any event, this strategy cannot do enough to increase the amount of land for housing poor people. Whatever is negotiated for poor people is very unlikely to be more than a small portion of a project because it has to be subsidised from the profits of selling the rest of the project to those with more income. Yet the city or town-wide demand for low-income housing will be much larger than the demand of higher income households. So, in any private sector project for which such a condition is accepted, the proportions of low-income to higher income will almost always be the reverse of what is needed.

21. Be cautious about techniques that are very complicated to execute. Land readjustment, land sharing, etc. require very large amounts of highly skilled

and experienced staff resources. These resources may be best used in the application of such techniques when providing land for low income housing is not a major objective.

Urban land readjustment pools together many pieces of adjoining land having different owners by erasing the plot boundaries. Hence, it is sometimes called land pooling. Then the whole is subdivided into new plots of a size suited for urban use, arranged in a pattern for easy servicing, and provided with services. Some land is taken for roads and, if the scheme is big enough, for parks, playgrounds and even schools. Some is taken by the facilitator of the scheme (usually a government agency) in payment for its facilitation and for the service infrastructure installed. So each owner receives back, in the end, one or more smaller plots having less area in total than that contributed to the pool. However, owners agree to do this because they expect that the overall market value of what is returned to them will be more than what they had originally, because of the better arrangement, shape and size of the plots and the installation of service systems. Even so, legislation to compel a minority of objecting landowners to participate seems to be essential in most countries where it is used. These owners can offer their new plots for sale or they can build housing upon their new plots for sale or rent or for their own use.

There are two ways in which the technique can provide land for housing poor people. First, the original landowners, or those to whom they sell, might build housing that can be rented by low-income families. There will probably have to be several rental units on a plot in order that the rents are affordable to poor people, because of the increase in the land values.

The second occurs when government initiates and executes the scheme. Then it is able to keep for public benefit a number of plots, an action which is justified because the rise in land values that results from urban land readjustment is not only the result of replanning and providing services. It is also a consequence of the activities of the entire city or town: its residents, workers, and businesses which the government represents. These plots can be used by government to provide low-income housing or sold to provide funds for buying land elsewhere for this purpose.

The procedure is complicated by the need for all the land owners involved to agree to the final distribution of the plots of land that are created. Usually the basis for redistribution is the proportion of the total land value of the pool that each owner contributes. Landowners can be dissatisfied with the shares returned to them that are not exact because they must be rounded off to the nearest full plot. Some will be unhappy at the values assigned to the lands they contributed to the pool or to values assigned to the contributions of others. Some may object because the plots later distributed to them contain nothing or too little of the ground they once owned. The arrangement of plots and roads that satisfies them all should also be one that meets government standards for laying out land for housing. In order that there is no cost to the facilitator of the scheme, the final arrangement must include enough plots to be given to the facilitator such that, if they were sold, the proceeds would pay for the costs of administering the process, designing the layout, and installing the roads, water pipes and other service facilities. Landowners need to see an arrangement before they can agree or not, and each change that is negotiated may require major changes to the site plan and new calculations of who gets what.

It is no wonder, therefore, that a land readjustment scheme can take many redesigns, recalculations, and a long time to carry out. It is common for a scheme to take 3 to 5 years to complete, requiring the full attention during that period of several skilled and experienced engineers and land planners. However, not even a large scheme of more than two or three hundred plots can make a significant contribution to an

annual demand for housing plots that numbers in the thousands or tens of thousands, especially when it takes years to complete. This is clearly not a way to create land for low cost housing on the scale that is required.

Land sharing negotiates an agreement between a landowner and occupants on his/her land who do not have the landowner's permission to be there (i.e. squatters). The two parties agree on a set of actions that provides each with sufficient benefits to make their costs worthwhile. However, the political and social circumstances must be such that the landowner is unable to evict the squatters from the land and thus is forced to negotiate. Typically, land sharing involves squatters returning to the owner part of the site in exchange for a stronger right to live on the remainder of the site, usually with other improvements to their housing conditions. However, because land sharing does not produce additional housing land or housing units, it does not change the market supply or demand for such land.

Like land readjustment, land sharing involves very skilled and experienced technicians and requires lengthy negotiations requiring many modifications of layouts for the site in order to please both the landowner and the squatters. For this reason alone, it also has not proven to be an efficient or effective way to deliver the large areas of land that are need to house poor people. Moreover, the conditions do not often occur in which landlords on private land lack other means, illegal as well as legal, to remove squatters from their land. After decades of application in the only city where it has been regularly practiced, it has improved the tenure of squatter households numbering in the hundreds, but not in the ten thousands or even thousands. Some of the leases that were negotiated are now ending their term, producing a threat to the continuation of the housing security that was achieved.

Site and service schemes have provided large numbers of housing plots. They create surveyed plots in planned arrangements, provided with varying packages of basic service facilities. Very nearly all of those implemented by governments have been said to be for poor people. Yet it has been very difficult to ensure this targeted group became owner-occupiers of them (Message 27 is relevant). Allocation systems have been difficult to protect from corruption and favouritism. Moreover, the need to recover costs has often imposed a constant financial burden on some poor households that was impossible to bear for long. To make the plots cheap, the land cost is usually subsidised by government. To make them cheaper yet, they have sometimes been executed without any services at all and called *site-only schemes*. Far too many site and service plots have fallen into the hands of higher-income landlords, who construct rental housing upon them. Nevertheless, such housing has usually been rented to low-income households. All over the world, site and service schemes and site-only schemes have created very large quantities of housing plots suitable for low income people. Yet, in any particular town or city, projects executed by government have not been able to produce the volume of land that could house even a large portion of those poor people who require shelter. In addition to subsidies (see Messages 23 and 24), large amounts of time and specialised technical experience are required for outputs that are usually too little and too late.

22. Although land banking has been used to lower the cost of housing, the occasions have been rare. This is a high risk strategy.

Land banking occurs when a substantial quantity of land is acquired and held for a while by government for strategic aims. It is sometimes seen as a weapon with which to fight the rise of land prices in cities and towns. In theory, if supplies to markets are insufficient, government can offer for sale land from its bank (see Message 6).

However, its greatest value in practice has been to lower land costs to government while strengthening government land management. Bought beforehand in circumstances of rising prices, the land is cheaper than if it is purchased when it is needed, especially if it bought while it is still used for rural purposes. This saving can be passed on as a subsidy when government provides land for low-income housing that it builds itself or through private sector partnerships. However, sustained and effective land banking with these aims has hardly ever been achieved, outside of a few cases in highly industrialised and wealthy countries.

In order to make market purchases or pay fair compensation on a scale that can make a bank useful, very large amounts of money are needed. Afterwards, large amounts must be continuously reinvested in land to maintain the bank. The benefits of these expenditures cannot be made obvious for years, so elected leaders do not find land banking an attractive way to demonstrate their abilities to serve their voters with the limited public funds that are available. Consequently, few governments will actually be sufficiently motivated to create and regularly replenish banks of land that could be used for housing poor people.

If one is created, there is a risk that the market value of the land that is purchased and banked may not rise as expected. The purchases may have been made in the wrong locations, or there may be little economic growth to spur the physical growth of the urban area. Consequently, it is possible that the banked land will not have any advantage over land currently on the market. Substantial public funds will have been needlessly tied up for many years when they could have been spent in other ways to provide public benefits.

The greatest risk is likely to be the land will not be used to serve public needs. This commonly occurs in less developed economies where land can be the major source of wealth. Gifts of public land have been utilised to strengthen the base of local or national political power. Favouritism and hidden transfers have been practised by those who operate the public land allocation process in order to profit themselves and their dependents. With this history, a land bank cannot be expected to benefit the provision of housing for poor people unless very unusual conditions are known to prevail.

Managing Public Land

23. Know when, who and at what cost you are subsidising by selling or giving rights to publicly owned land.

Essentially, a subsidy makes a gift of a resource to someone. If it is a gift of public land to private interests, a scarce resource may be used inefficiently and ineffectively. Moreover, this can be unjust and undermine good relationships between a government and those it governs. See Message 27. To make such an assessment, it is necessary to know who actually receives the gift. If it is the original land owner or housing developer rather than low income people, a public interest may not be served.

It is important to know the size of the subsidy, not just because of the opportunity lost to use this much of the resource or its market value for another public purpose. If a subsidised scheme of providing land for housing low income people is to be reproduced, the actual amount of the subsidy must be clear in order that it can be taken into account in the financing plans for a similar project. Frequently, a subsidy is

hidden. This can happen when the market value of public land used in a scheme is not added to the total cost of the project. It also occurs when the public land used is assigned a cost that is below the current market price, which is commonly done.

Subsidies can be misused more easily when they are hidden. Corrupt administrators have managed to capture for themselves or their confederates the benefits of subsidies of public land in projects. So have higher income households for whom the subsidy was not a necessity for obtaining decent housing. Particularly when land is allocated at below-market prices, speculators will find ways of obtaining allocations that immediately can be sold for profits that are sometimes enormous.

24. To subsidise fairly, you will have to possess the resources to do it for all those who need it.

Subsidisation consistently arises as a possible and reasonable way to overcome the barriers to providing land for adequately housing low-income people. Almost always, it is practised on a project-by-project basis. The problems of those lucky enough to be included in those projects are solved, but all other existing and future low-income households do not get the same benefits. In a just world, this is not acceptable.

The fewer the cases of subsidy, the more unfair is the result. Moreover, the aim of subsidisation becomes less and less important. If tens or hundreds of thousands of poor people would be significantly better off with subsidies, what is gained by subsidising only a few hundred in a particular project?

Consequently, it is wise to approach subsidisation with care. To subsidise the provision of land for low income housing fairly and powerfully will require a very large commitment of resources and one that will have to be sustained indefinitely. There are times when other purposes can justify subsidies for only a few people, but it is best to be clear from the start about what is to be achieved by using subsidies.

25. Some of those low income households benefiting from the delivery of subsidised land for housing will have good reasons to immediately sell to others who are not low income. But if this happens on a large scale, there is probably a fault in the programme.

It is possible that the recipient of a subsidised parcel of land will sell the property, in order to obtain the full market value. Most low income households will prefer to be better housed. But poor people have very little capacity to deal with crises, so there are times when they must convert the subsidy into cash, if they are to survive. Of course, this means that they lose the improvement to their housing that the subsidy had brought.

A few instances of this occurring are not a cause for alarm. However, when it happens on a large scale, the aim of the project or programme is poorly achieved. Too many higher income people will live on housing land meant for poor families. This may happen because the supply of housing land for higher income households is in such short supply that many poor recipients of subsidised land are offered surprisingly high prices to sell. However, it may happen because – despite the subsidy – poor occupants find that the actual cash costs of their new housing are more than they reckoned they could afford. They may even be accumulating debts as a consequence. These and other major causes must be anticipated and taken into consideration in any future projects or programmes that involve subsidies intended to benefit poor people.

26. Be transparent about the allocation or sale for housing of public land.

One reason informal markets are used is because there is little faith that the government system for allocating public land is not biased and corrupt and that land can be obtained quickly and cheaply through this system. Few of those with the greatest needs seem to benefit, unnecessary payments seem to be involved, and procedures are strangely slow and complicated. Being open about the allocation process can affect all of these beliefs. Widespread knowledge of what is taking place can make it difficult for the wrong people to receive land allocations, for officers to extract fees for personal gain and to delay actions in the expectation of bribes, and for unessential steps and requirements to withstand public criticism.

Where government is a major provider of land for housing, this function is a high-profile activity that does much to establish public opinion. It can strongly colour all the relationships between government institutions and those who are governed, the set of relations often referred to as “governance”. To be more open about transactions of such a major public asset as land is to be more accountable to citizens on a very serious matter. This can build substantial trust in government, resulting in enough confidence among citizens that they will work with it to address poverty and other front-rank problems.

27. Corruption and favouritism are not only unjust. They result in targets being missed and in inefficient use of scarce land.

In a just society, corruption and favouritism in the allocation of public land are major actions of immorality. This is because land is so important to an acceptable quality of life and because governments have a responsibility to secure that quality for everyone. At the same time, these actions directly weaken any efforts made to improve conditions for low income people.

When public land intended to house low income families ends up being used for another purpose, the basic housing problem of poor people remains unchanged. At the same time, irreplaceable resources with which the problem can be reduced are wasted. Even when low income rental housing results, but ownership goes to an individual on terms that provide excessive financial gain because of corruption or favouritism, there can be a substantial reduction in the actual benefit that goes to those needing housing. This is because that excessive gain could have instead remained with government, to be used in some way that lowers the housing costs paid by poor people.

Corruption and favouritism in the management of public land has a strong negative effect on the relationship of government to those who are governed (as discussed in Message 26 above) which is a necessary aim of good government. Avoiding them is an important way to demonstrate a relationship upon which more effective government action can be based.

Working With Others

28. Support the provision of land for rental housing. Most low income households probably find accommodation this way at some time.

Nearly everyone rents housing at some point in a lifetime. Sometimes this is done by sharing space with relatives or friends and contributing to the housing costs. Although they do not demand land for themselves, renters are dependent on others to obtain land and build rental housing on it. Sometimes, these will be middle or high income entrepreneurs, or even land development companies. Sometimes they can be other poor people who generate income for themselves by building and renting extra rooms which they rent out.

Without rental housing, there is no alternative to owner-occupancy. The existence of a supply of rental accommodation offers a choice in the housing markets for those who may not wish to buy. Renters are usually able to move more easily than owners to another location, such as one closer to jobs. Also, renting does not require amassing savings or borrowing. Moreover, it is usually cheaper. However, there can be no build-up of a capital asset as may occur with ownership, and poor people, especially those who rent through informal markets, may live under the continuing risk of being evicted.

The major land policies that can support the growth of rental housing for low income people are:

- Bringing land and building ownership rights into line with the laws of the government (called formalisation or regularisation of rights). This can significantly increase the construction of additional rooms by increasing the confidence of the owner to invest. But see Message 12. Improving land tenure can also bring about rent increases that force poorer households to leave. Nevertheless, if improving tenure is done on a large scale, so many new rooms for rent might be added to the market supply that prices cannot rise much, if at all.
- The use of public land for the construction of housing for rent. This can be housing built and owned by government. Alternatively, the rental housing can be the result of a partnership to which the government contributes land and receives low cost housing units to rent that are constructed by a private sector builder.
- A reduction in a tax on land that is used for low income rental housing. This can be an incentive to build low-income housing because it can lower the costs. However, it requires a capacity and willingness to indefinitely monitor the result, so that the reduction can be suspended if the units are no longer rented to poor people. More importantly, in practice, it does not seem to effectively motivate the private sector to construct low-income housing.

29. Recognise that religious organisations may have substantial amounts of land and that they may share your aim of delivering land for low-income housing.

Government and some private individuals are usually thought to be the largest land owners in a community. Yet religious organisations also can have substantial land holdings, and these may be much greater than their needs for the foreseeable future. Given their concerns for the well-being of parts or all of a community, these organisations may find common cause with government efforts to make land available for housing poor people. They are likely to be unaware of the possibilities for fruitful partnership with government or with NGOs or even with some private sector housing developers. It may be possible for government to initiate partnerships between itself and religious organisations, or between them and private sector land developers to make land available for housing poor people.

30. Learn to recognise and to follow-up opportunities to negotiate with landowners for land for low income housing.

There will be many chances to increase land for low income housing in partnership with private landowners and housing developers who operate in the formal land markets. The private sector has needs that government can provide, placing government in a position to ask in return that the land developer give benefits to poor people. Yet remember that land developers can be discouraged from undertaking projects if too much is asked of them, as explained in Message 10. The most obvious opportunities to negotiate will arise when:

- it is a legal requirement that government give permission for a change in the use of the land (i.e. land use control) or for land to be subdivided into smaller parcels. Permission can be contingent upon the provision of some low-income housing, as in Message 20.
- government is allocating some or all of the land that will be used in a housing scheme to be built by a private sector land developer. The contribution of public land can be contingent upon cross-subsidisation being used to create some plots that poor people can afford, or upon some very small plots being provided (Message 19), or upon the inclusion in the layout of a site and service scheme for low income people (see site and service schemes at the end of Message 21). Or it can be contingent on cross-subsidisation being used to lower the price of some plots or housing units to one which poor people can afford. Cross-subsidisation would price land or house for people who are not poor higher than necessary to achieve the developer's expected profit, in order to make up for charging less to poor people.
- government is a partner with private land owners in a scheme of redevelopment. Government may contribute some plots of public land, or provide some service infrastructure, or use its powers to compel owners of plots in critical positions to sell in the public interest. This contribution can be contingent upon some plots or housing for poor people being provided, as discussed just above.
- the application of certain multi-partner land development land techniques such as land readjustment and land sharing, as discussed in Message 21.

However, all of these above are rarely opportunities to provide land for low income housing on a scale that comes close to matching the need, as discussed in Messages 20 and 21. Perhaps more can be achieved by connecting with those who supply the informal land markets that so many poor people use (Messages 7 and 8). Although there is so far little experience from which to draw guidance, government – especially at the local level – should be able to discover ways it can give some benefit to these suppliers in exchange for better qualities in what they supply. One way of doing this is presented under the following Message 31.

Yet every particular epoch and place will produce special circumstances that favour negotiated cooperation between government and the private sector. Such circumstances have to be expected and looked for. What is important is that government not view the private sector as an enemy in the struggle for better low income housing. Instead government can recognise private sector activity as a means that can often be used to its own ends. The key is to understand how the private sector works and its motives, as in Messages 6, 7, 8, 9 and 10.

31. Anticipate informal use of land for low income housing and work with the landlords and developers and poor people to negotiate a balance of benefits for all, including local government.

Government officers are usually well aware that formal land markets and public land allocation systems do not adequately serve the needs of those with low incomes. Yet nearly always they are unprepared to deal with the consequences of informal activities that provide land for housing poor people.

Rather than prepare to cope with the resulting vulnerable land and housing rights, defective housing layouts, dangerous housing locations and inadequate services and community facilities, it is even better to take an active part in achieving better outcomes from informal land sales. Sometimes it is possible to gain the cooperation of landowners and developers before land parcels or houses are put up for sale or rental, in order that the problems created are not as great. There will usually be room for these entrepreneurs to improve the qualities of their products yet satisfy the desire for profit that motivates them. Occasionally, it can even be to their advantage to provide better planned low income housing sites, because they might sell them more easily or at a slightly higher, but still affordable, price. These entrepreneurs need to be identified, to be offered help, and to be taught that it can be beneficial to come to government even when it does not reach out to them.

There may actually be opportunities to negotiate with the leaders of poor people to choose alternatives to land invasion, ones that provide better outcomes for all parties in the medium to long term. At the least, it may be possible, especially through very local NGOs and community based organisations, to inform incipient land invasions of good site planning principles.

Familiarity with informal markets is a prerequisite to working with informal land development. This requires identifying markets and regularly monitoring their activities in order to learn how they operate, where they operate, who are the major actors, and where – according to trends – the new areas of development are likely to occur. In order to use land efficiently and yet have adequate space and geometry for services, advice about layouts (such as that discussed in Messages 2 and 19) can be given to those who supply plots. Diagrams showing basic principles of good site planning can be reproduced and distributed to those who supply informal markets. Layouts can be drawn for the suppliers, if necessary. Technical guidance can be provided for the installation of basic service facilities. Even some financial help with services might be justified as an incentive. In partnership with the landowner or developer, a form of land tenure may be achieved from the very start that has more of any advantages that the government land tenure system can offer (see the end of Message 13).

Tactics

32. Look first for opportunities to bring about the delivery of large numbers of plots for housing. These will probably produce the larger outcome for the smaller effort.

Avoid exhausting your time and resources in such actions as those discussed in Messages 12, 20, 21 and 24, unless they are justified by reasons other than the provision of land for housing poor people. In practice, their effects on land have very rarely, if ever, resulted in better housing for more than a tiny fraction of those who are poor. Your resources will not be enough to carry them out on a scale that matters. There are other actions that have the potential to deliver benefit at an altogether different scale, one that can encompass most if not all of those who are poor. First look for ways to make some of these effective in your particular circumstances, before settling for little projects (but see Message 33 that follows).

Any of the following may have large scale positive impacts, if successfully adapted to your situation:

- Work with informal land delivery systems to achieve better quality in what is supplied to informal land markets. Messages 11, 13 and 31 discuss this.
- Improve the general availability of information about informal markets and the lower priced end of the formal markets. Messages 6 and 14 are relevant.
- Revise land use control policies so that they do not result in unjustified restrictions on the supply of housing land. See Messages 16 and 19.
- Change any laws, customs or government practices that prevent women from possessing land rights equal to those of men, discussed in Message 18.
- Support the provision of land for housing that will be rented to poor people, as discussed in Message 28.
- Improve the provision of credit to those who would like to purchase land for housing low income people. Some suggestions are given in Message 17.

33. If possible, first try a strategy or technique on a small scale in order to learn some things about it that you did not anticipate.

Your circumstances will always be special in some ways. So you cannot expect anything described in this booklet to happen exactly as it is described or as it happened somewhere else. Treating land is also special in that changes to its use in cities and towns cannot be easily reversed. Moreover, large amounts of use value as well as economic value are captured in urban land, with the result that decisions about it are so important to individuals that these decisions can truly be matters of life or death.

For these reasons, you would be wise to test any new treatment of land on a small scale before you put it into general practice, if the nature of it makes this possible. By doing this you can learn much that allows you to adapt an idea to your particular circumstances. You can also learn something (but not all) of what it can accomplish and what it cannot. And if it has strong negative consequences (such as high costs or many evictions of poor people from land), the damages will be limited.

Unfortunately, it is common for pilot projects to fail to provide important lessons. All too often, they are seen as ways of proving that a new idea can be carried out, no matter what the expense or outcome. So when something goes wrong or falls short of expectations, more money and technical resources are called in to make the idea work. And if implementation is achieved, no one is very clear how this happened and at what cost.

Consequently, it is absolutely crucial to create a mechanism (a small research team from within government or a consultant) whose sole job is to carefully watch what is taking place, to analyse what is observed, and to extract both the positive and negative lessons from it. If the cause of failures can be pinpointed and understood, it may be possible to change parts of a project or programme rather than reject the whole. There even may be enough time during the trial to replace aspects that do not seem to be working (or are not working well enough) with others that can be tested.

Indices

A. Key word index

community facilities – schools, meeting halls, playing fields, etc.

corruption
demand
density – the intensity of use, such as plots per hectare or housing units per hectare
developer
financing
formal – recognised by government; official
governance – the relationship between those who govern and those who are governed
informal – not recognised by government; not official
infrastructure – roads, water pipes, drainage channels, etc.
location
markets
negotiate
partnership
planning
prices
private sector
renting
right (to land) – possession of the benefit of a land quality, a possession that is defensible against its being taken away by another party
risk
services
supply
subsidy
tenure – the set of processes and conditions to which a collection of rights to land are subject
women

B. Key subject index

allocating public land
buying and selling
cheap land
developers, formal – land developers that operate according to the laws of the state
developers, informal – land developers that do not operate in compliance with all of the relevant laws of the state.
efficient land use
financing land acquisition or development
formalising tenure – making possession of land rights recognised by government and in accord with its laws
high densities
invasion of land – occupation of land without the agreement of the owner
land banking – the accumulation of land for future use
land markets, formal – those exchanging land rights that are registered with government and which are in accord with the laws of government
land markets, informal – those exchanging land rights that are not registered with government and/or which violate laws of government
land price
land right – possession of the benefit of a land quality, a possession that is defensible against its being taken away by another party
land sharing – an agreement between a landowner and those who have invaded the land to share the qualities of the site.
land use controls
location of housing
market demand – the offers made to purchase units (of land)

market supply – the units (of land) offered for sale
negotiation, opportunities for
pilot projects
plot size and shape
private sector partnerships
profit motives
public land
qualities of land
religious organisations
rented land and housing
rising land prices
service network extensions
site and service schemes – planned arrangements of surveyed plots are created and provided with some service facilities
subsiding land costs
tactics
tenure, formal – tenure whose conditions are in accord with and supported by the laws of government
tenure, informal – tenure whose conditions are not in accord with and not fully supported by government
site planning
urban land readjustment or pooling – many pieces of adjoining land having different owners are pooled and the whole is subdivided into new plots
weak (or strong) tenure – tenure that is weakly (or strongly) defensible against an attempt by another to take possession of the land rights involved
women's rights

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