

# **Urbanization, Urban Development and Housing Policies**

## **Disclaimer**

This is a draft of the Quick Guide on Urbanization, Urban Development and Housing Policies. It was prepared by Mr. Yap Kioe Sheng and Mr. Aman Mehta.

The designations employed and the presentation of the material in this publication do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city, or area or of its authorities, or concerning the delimitation of its frontiers and boundaries.

The views expressed in this publication are those of the author and do not necessarily reflect the views of the United Nations.

This publication has been issued without formal editing.

## **1. Introduction**

The objective of this Quick Guide is to enhance the understanding of policy makers and national and local government officials about low-income housing within the framework of urban development and urban poverty, and to build their capacity to formulate and implement more effective urban low-income housing policies and programmes as part of their efforts to reduce urban poverty.

The Guide presents trends and magnitudes of urbanization in the Asia-Pacific region and discusses issues such as rural-urban migration, current and future housing needs, the rights-based approach to housing and the problems of public-sector housing. It is to serve as conceptual framework and background material for the six other Quick Guides:

- Approaches to low-income housing
- Land for housing
- Housing finance
- Tackling evictions
- Community organization and development
- Rental housing

### **How to use it?**

The Guide is presented in a simple and user-friendly format, structured by the following sections: conditions, concepts, policies, tools and recommendations. In each of the sections, issues are presented followed by key messages in a box format. It is

expected that target audience (national and local government officials) would be able to easily understand and apply these messages presented in undertaking the various roles.

To ensure that the users can relate the issues, concepts and options studied, links to good practices from different countries, particularly in Asia, are presented. The Guide ends with an annotated list of websites that provide additional information on the topics covered by the respective sections. The list has been included for users that are interested to know more about the topics.

## 2. An urbanizing world

The aim of the section is to explain the factors that are responsible for the shortage of adequate housing for many population groups in urban areas. The section reviews the current trends of urbanization, rural-urban migration, past efforts to contain rural-urban migration and their impact, the links between urbanization and poverty.

### Urbanization trends

**Asia is urbanizing.** Over the last five decades, Asia has experienced a number of demographic transformations. One of those is urbanization<sup>1</sup>, i.e. the level of urban population relative to the total population or the rate at which the urban population is increasing. In 1950, some 232 million people lived in urban areas; this was 16.6 per cent of Asia's total population. In 2005, the urban population of Asia counted 1,6 billion people or 39.9 per cent of the total population.

**Asia will continue to urbanize.** Still, Asia is not a very urbanized region; only Africa is less urbanized, with 39.7 per cent of its total population living in urban areas in 2005. As the Asian region develops, the level of urbanization will definitely increase. The United Nations estimates that the rate of urbanization in Asia for the period 2005-2010 will around 2.50 per cent per year. As a result, more than half (51.4 per cent) of the total population of Asia will live in urban areas by 2025. These figures do not include the Pacific island countries where urbanization levels are often already high, but population sizes relatively small compared to Asia.

#### Urbanization in Asia (1950-2025)

	Level of urbanization (%)				Urban growth rate (% per year)	
	1950	1975	2000	2025	1950-1955	2000-2005
Asia	16.6	24.0	37.1	51.4	3.74	2.67
Japan	34.9	48.7	56.6	64.3	3.62	0.29
Republic of Korea	21.4	48.0	79.6	85.2	5.21	0.85
Cambodia	10.2	10.3	16.9	33.2	2.24	6.25
Lao People's Democratic Republic	7.2	11.1	19.3	34.4	2.98	4.59
Nepal	2.3	5.0	13.7	26.1	4.46	5.15

Source: UN Population Division, World Urbanization Prospects 2003.

<sup>1</sup> It is important to understand that countries define "urban" in different ways. The definition can be based on the number of inhabitants of a population centre (for example 2,000), the type of prevailing economic activity (agriculture or not), the level of infrastructure (roads, street lights, water supply), the function of the settlement (administrative centre). Because definitions vary, it is sometimes difficult to compare urbanization levels in different countries.

**There is a clear link between urbanization and economic development.** The most developed countries in Asia (Japan and the Republic of Korea) are highly urbanized: 65.7 per cent and 80.8 per cent respectively in 2005. The least developed countries in Asia have low levels of urbanization in 2005: Nepal (15.8 per cent), Cambodia (19.7 per cent) and the Lao People's Democratic Republic (21.6 per cent). However, least developed countries are often urbanizing rapidly. The urban population of Asia as a whole grew by 2.67 per cent per year between 2000 and 2005, but Nepal's urban population grew by 5.15 per cent per year, Cambodia's by 5.50 per cent and in the Lao PDR it was 4.59 per cent.

**Urbanization is the result of three processes: natural population growth, rural-urban migration and the reclassification of rural into urban areas.** In the period 1950-1955, the rate of population growth in Asia as a whole was 1.95 per cent per year. This growth rate has declined steadily over the years to 1.25 per cent per year for the period 2000-2005. The corresponding rate of growth of urban areas was 3.74 percent and 2.67 percent. This means that roughly half of the urban growth rate is due to natural population growth rate, while the rest is a result of rural-urban migration and reclassification of hitherto rural areas into urban areas. In other words, rural-urban migration is not the only cause of urbanization, although it plays an important role. In many cities of the region, the creation of new slums and squatter settlements is more due to formation of new urban households rather than rural-urban migration.

**Periodically, governments tend to reclassify rural settlements and peri-urban areas as urban areas.** This increases the urban population of a country with the stroke of a pen. This happens when rural settlements gain urban characteristics due to changes in the economic activities of the population or the provision of typically urban infrastructure and services. It also happens after prolonged conversion of rural into urban land use outside municipal boundaries. The impact of reclassification on urbanization levels depends on a country's definition of "urban areas" and the extent to which municipal boundaries are narrowly or widely drawn around existing urban areas.

**The number of large cities is growing.** In 1950, the world counted eight cities (urban agglomerations) with 5 million or more inhabitants; two of those were in Asia: Tokyo (11.3 million) and Shanghai (5.3 million). In 2000, the world had 42 cities with 5 million or more inhabitants and 20 of those cities were in Asia; Tokyo was the largest city in the world with 34.5 million inhabitants. The United Nations expects that the world will have 61 such cities by 2015 and 32 will be in Asia; Tokyo (36.2 million), Mumbai (22.6 million) and Delhi (20.9 million) will be the three largest cities in the world.

A special phenomenon in some countries is the development of primate cities. A primate city is a city, usually the capital city, which is much more populous and much more important politically, financially and economically than all other cities in the country. Normally, a primate city must be at least twice as populous as the second largest city. Examples of primate cities in Asia include Seoul, Bangkok and Tehran. India is an example of a country without a primate city: Mumbai, Delhi, Kolkata, Chennai are all very populous cities.

Urban agglomerations in Asia with 5 million or more inhabitants

Urban agglomeration	1950	Urban agglomeration	1975	Urban agglomeration	2000
	Population (millions)		Population (millions)		Population (millions)
Tokyo	11,275	Tokyo	26,615	Tokyo	34,450
Shanghai	5,333	Shanghai	11,443	Mumbai	16,086
		Osaka-Kobe	9,844	Calcutta	13,058
		Beijing	8,545	Shanghai	12,887
		Mumbai	7,347	Delhi	12,441
		Seoul	6,808	Osaka-Kobe	11,165
		Tianjin	6,160	Jakarta	11,018
				Beijing	10,839
				Dhaka	10,159
				Karachi	10,032
				Metro-Manila	9,950
				Seoul	9,917
				Tianjin	9,156
				Tehran	6,979
				Hong Kong	6,807
				Chennai	6,353
				Bangkok	6,332
				Bangalore	5,567
				Lahore	5,452
				Hyderabad	5,445
				Wuhan	5,169

Source: UN Population Division, World Urbanization Prospects 2003.

**Most urban residents live in smaller cities and towns.** In 2000, the total population of Asia that lived in urban areas was 1,367 million, but only 10.4 per cent of those lived in a city of 10 million inhabitants or more (i.e. a mega-city), while 6.7 per cent lived in cities with 5 – 10 million inhabitants. Almost half of Asia's urban population (49.6 per cent) lived in towns with fewer than 500,000 inhabitants. That is why it is important to give attention not only to the mega-cities, but also to the smaller cities and towns.

#### Population distribution in Asia by area of residence (2000)

	Population	
	millions	%
<b>Urban</b>		
>10 million	142	10.4
5 – 10 million	91	6.7
1 – 5 million	307	22.4
0.5 – 1 million	149	10.9
<0.5 million	678	49.6
<b>Total urban</b>	1,367	100.0
<b>Total rural</b>	2,313	
<b>Total</b>	3,680	

Source: UN Population Division, World Urbanization Prospects 2003.

#### Rural-urban migration

**There are many types of migration.** People migrate not only from rural to urban areas; there is also rural-rural migration, urban-urban migration and urban-rural migration. Some migrants move permanently; others move temporarily (i.e. for a season, for a few years) and then return to their place of origin. Some migrants move

alone, either because they are not yet married or because they prefer to leave their family behind. In some migration streams, male migrants dominate; in others women are the main migrants. It is important to distinguish different types of migrants and migration, because they have different housing needs.

**People have a wide range of reasons to migrate.** People migrate either because they are “pushed” out of their place of origin or because they are “pulled” to their migration destination. Generally, people move because of a combination of both “push” factors and “pull” factors. Some are “pushed” out of their present place of residence because they cannot earn sufficient income to sustain themselves or their families. Others may be forced out of their place, either temporarily or permanently, because of a natural disaster such as floods, drought or earthquake or sustained ecological change such as desertification or soil erosion. People are “pulled” to their migration destination by better economic prospects, better education and health facilities, or more freedom from restrictive social and cultural norms for themselves and for their children.

**The prospects of an adequate livelihood in agriculture for most are not bright.** Most people in the rural areas work in the agricultural sector, but agriculture is highly dependent on weather conditions, rural land is limited and its fertility is sometimes low or declining, land holdings are small, and many families have always been or have become landless. As a result, rural incomes tend to be low. In order to increase income, small farmers need to increase their productivity, but they are often too poor to buy the necessary technology, whether it is equipment, high-yield seeds or fertilizer. Increasingly, farmers and others in rural areas supplement their income from agriculture with non-farm income, in the rural areas where possible, or in the urban areas through temporary migration.

Even if a rural family can live of its land, the future for rural children is in non-farm and more often in non-rural employment, and migration to the urban areas improves their prospects to find such employment. The urban areas offer better education and health care, more contacts and more employment opportunities. Because urban residents are not constrained by traditional customs and hierarchical structures, urban areas also offer prospects upward social mobility for the migrants or their children.

**The decision to migrate is increasingly a well-informed decision.** Although some rural people have no choice but to leave the rural areas, most migrants make a deliberate choice to stay or to leave. Improvements in transport and communication, the growth and development of urban areas and earlier migrations by others have made the rural population better aware of the conditions in urban areas, in particular employment opportunities and housing conditions.

**Rural-urban migration is often part of the survival strategy of rural families.** In order to spread economic risks, families may split into several groups that locate themselves in different places: rural areas, small towns, and big cities, while some family members may even move abroad. In this way, the family’s sources of income are diversified and do not depend on an economic downturn in a particular place. This arrangement also allows small children and the elderly to remain in the rural areas where the cost of living is low, while income earners and school-aged children move to the most suitable places.

## **The urban informal sector**

**A visible manifestation of rapid urbanization is the growth of informal settlements.** Most people refer to such neighbourhoods as “slums”. In fact, it is important to distinguish between “slums” and “squatter settlements”. Slums can be defined as legally constructed permanent buildings where the housing conditions are substandard due to age, neglect, subdivision and consequent overcrowding. Squatter settlements can be defined as aggregates of houses built on lands not belonging to the house builders, but invaded by them, sometimes in individual household groups, sometimes in collective action. In the case of squatter settlements, land is sometimes illegally subdivided and sold to them by informal developers, rather than invaded. This definition of “squatter settlements” obscures, however, all sorts of subtleties of possession, partial recognition of tenure and indirect acceptance of possession or tenure by the landowner and the authorities.

**Not all squatters and slum dwellers are migrants and not all migrants live in slums and squatter settlements.** Migrants come to the urban areas for a better future for themselves and their children. While they realize the importance of shelter and infrastructure, these are not necessarily their first priority. Earning an income is a priority and as transport costs can be high, proximity to employment opportunities is often more important than the quality of the housing. Many migrants also expect to return eventually to their village and will therefore not be interested to buy, a house, even in a squatter settlement. They are more inclined to rent accommodation, anywhere near employment opportunities. Many city-born families also are faced with a shortage of housing, and are forced to live slums and squatter settlements.

**Not all people living in slums and squatter settlements are poor and not all poor live in slums and squatter settlements.** The housing shortage in many cities and towns in the region is such that not only the poor, but often also middle-income groups are unable to afford formal housing and are forced to live in slums and squatter settlements. The population of such settlements is therefore usually mixed with different income groups. People may choose to live in a slum or squatter settlement because of the low cost or the convenient location or they may have been poor when they first moved in, but are now better well off. Furthermore, providers of goods and services may see large squatter settlements as a market for their products, while employers may live and work in large squatter settlements as they are a constant source of cheap labour.

**Many urban poor work in the informal sector.** Employment in government, factories and offices is much sought after, but usually in short supply. To find such employment, the unemployed need to have the required education and skills, as well as the right contacts. Sometimes, they need to pay money to middlemen to find work. Many urban poor therefore start their own business, selling goods and services, often in informal settlements. They will not register their business, but as the business is small, it does not make any difference. The business often supplies to other urban poor who prefer to buy small quantities of goods and services at low costs due to low overheads. Some economists have pointed out that the (urban) poor form a considerable market that is untapped by the formal sector; while the quantity per purchase and therefore the profit margin is small, the number of purchasers is large.

## **Urbanization policies**

### **Many governments in Asia have tried to stop and reverse rural-urban migration.**

Faced with the growth of slums and squatter settlements and the increase in urban informal activities, some policy makers contend that the poor are better off in the rural areas and that they only cause problems (squatting, hawking, crime and social disorder) in urban areas. Over the past decades, various governments have tried to restrict rural-urban migration by putting such restrictions on entry into the city. For instance, the urban population would require identification cards for urban residence, without which they cannot access free or subsidized public services such as health care and education. However, such actions tend to create shortages of urban labour and to drive up prices of goods and services, while increasing the poverty of rural-urban migrants who end up paying for services that other people are getting for free.

### **Most governments have failed in their attempt to stop and reverse rural-urban migration, because:**

- most resettlement areas are economically not developed enough to offer the settlers adequate living conditions;
- many of the settlers have never lived in rural areas and have no intention to start in new life in a village;
- cities and towns need the cheap labour and the cheap services that the urban poor provide as workers, hawkers, taxi drivers, maids and cleaners;
- it is difficult for governments to control the movement of people and doing so is also a violation of human rights.

**Policies should aim at an efficient population distribution.** Since the largest share of the urban population lives in smaller cities or towns, governments should allocate sufficient resources to develop the capacity of these cities and towns to become attractive places that can divert migration away from the very large cities.

### **A main point of attraction of secondary cities and towns would be employment.**

Governments should try to draw private direct investments and in particular foreign direct investments to secondary cities and towns away from the capital and primate cities, by developing industrial zones and granting tax concessions. The success of such policies depends on the economic sector concerned, the availability of or access to infrastructure and services such as ports, airports, highways and railway lines. Also, investors may prefer to locate their industries near to the centres of decision-making, i.e. the capital, the national government.

### **Free trade and regional integration increase the importance cross-border economic activities.**

As a result, cities and towns in one country become urban centres for rural areas in another country. This is particularly relevant for landlocked regions within countries as they can find new markets and new transport nodes to global markets. The development of such cities and towns as growth poles for two or more countries supports the more even distribution of the urban population.

## **Urbanization of poverty**

**Poverty is not only a lack of income.** Amartya Sen defines poverty as a lack of basic capabilities to lead the kind of life one values<sup>2</sup>. Poverty should therefore not be seen merely in financial terms. Poverty has three dimensions: poverty of income and productive assets, poverty of access to essential services, and poverty of power, participation and respect. Deprived of these essential attributes, people will not be able to realize their full capabilities, and therefore will not be able to benefit from, contribute to and have an influence on development.

**Today, poverty is still predominantly rural, but this is changing.** It is generally assumed that about two-third of the poor in Asia live in the rural areas. However, as urbanization continues and in some countries accelerates, a majority of the poor may soon live in the urban areas. The process whereby poverty is becoming an urban phenomenon is called the “urbanization of poverty.”

**Urban poverty differs from rural poverty.** In rural areas, poverty is often, though not always, a result of an absence of adequate land holdings, low agricultural productivity, limited non-farm employment opportunities and basic infrastructure and services. Small farmers often face enormous difficulties to acquire the necessary technology to increase their productivity and to market their products. In many cases, the rural poor are not organized enough to have their voices heard.

In urban areas poverty is often, though not always, a result of a lack of access to urban infrastructure. The urban poor have much higher cash income than the rural poor, but are excluded from access to infrastructure and services, because they do not own the land and do not have a house registration or a building permit. They are forced to live on marginal, often hazardous land under environmentally poor conditions. The lack of access to basic services and the poor quality of the environment affects their health and that of their children and this limits their ability to make a living and to lift themselves out of poverty.

**Rapid urbanization is placing an immense pressure on urban resources.** It is common to find that more than half the population in an Asian city lives in slums or squatter settlements, without adequate shelter, urban infrastructure and services, because the development of infrastructure in the cities and towns has not kept pace with the increase in demand. Working conditions in the urban informal sector are often appalling and child labour is not uncommon. City managers are unable to enforce urban plans and building regulations. Many well-intended urban improvement programmes such as slum clearance have been ill-designed and cause further problems.

**Governments must accept that urbanization is inevitable and focus on good governance of urban areas.** Rather than trying to stop urbanization and rural-urban migration, governments need to introduce policies and programmes that are realistic and enforceable. Such policies should be based on the following principles:

---

<sup>2</sup> Amartya Sen, *Development as Freedom*, New York, 2000.

- Poverty reduction and human development are incremental processes and have to be accepted as such. Achieving adequate housing can only be realized progressively.
- The urban poor are the major resource in poverty reduction and urban development. They should drive the process of incremental development of housing and settlements. Government should enable and support the process.
- Urban development is the result of decisions and actions by a wide range of public and private actors. The government needs to accept that it is only one of them.
- The role of the government is to mobilize resources of the public and private sector and of civil society for the benefit of the city as a whole, by acting as effective and efficient managers of the resources.
- Good urban governance is necessary to ensure that no one is excluded from participation in decision-making and from the benefits of urban policies and programmes.

### **3. Understanding low-income housing**

This section provides an introduction to urban housing. The section also provides insights into the characteristics of housing of the urban poor, the low-income housing delivery systems and the various constraints faced by the urban poor in housing themselves.

#### **The importance of housing**

**Everyone needs housing.** Housing is important, because it provides privacy and security as well as protection against physical elements. Good housing improves the health and the productivity of the occupants and thereby contributes to their well-being and to broader economic and social development. Housing is also a good investment and house owners often use their property to save. Housing is an important asset for its owner; it can generate income through home-based activities, and it can serve as collateral for loans.

**Housing is a human right.** The right to housing has been recognized in various declarations:

- Article 25 of the Universal Declaration of Human Rights states that “Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, shelter ...”
- The Vancouver Declaration on Human Settlements of 1976 states that “Adequate shelter and services are a basic human right which places an obligation on governments to ensure their attainment by all people, beginning with direct assistance to the least advantaged through guided programmes of self-help and community action.”
- The Habitat Agenda, adopted in Istanbul in 1996, reaffirmed the commitment “to the full and progressive realization of the right to adequate housing, as provided for in international instruments. In this context, we recognize an obligation by Governments to enable people to obtain shelter and to protect and improve dwellings and neighbourhoods.”

**Housing is a key component of the urban economy.** Housing investment typically comprises 2-8 percent of the GNP and 10-30 percent of gross capital formation in developing countries. As an asset, housing is even more important as it accounts for between 20-50 percent of the reproducible wealth in most countries. It is a major motivation for household saving and significantly influences household consumption. In addition, it also affects inflation, financial depth, labour mobility and the balance of payments as well as government budgets through taxes and subsidies (World Bank, 1993<sup>1</sup>).

**Housing is expensive for almost every household.** Millions of new households are added yearly to the urban population. Most of the households require a place of their own to live. However, urban land is in limited supply and needs to be developed with urban infrastructure to make it usable for habitation. Urban infrastructure including water supply, drainage, roads, sanitation and electricity must be available before housing can be developed. Residents also need to have access to employment and to urban services such as health care, education, transport, and civil protection.

**The public sector, the private sector and civil society are producing urban housing,** but the production is insufficient to provide shelter for all. The housing produced is usually too expensive for most households in the cities and towns. Therefore, many households cannot find a proper house and they are forced to share accommodation with family or friends. Many other households would like to buy a house, but are forced to rent due to the high prices. A very large section of the population, the urban poor, can only build, buy or rent in the urban informal housing market. In fact, the urban informal sector and the urban poor themselves are the largest producers of housing in the world.

### Slums and squatter settlements

**The urban informal housing is known under a variety of names.** UN-Habitat uses the term “slum” to refer to housing that lack one or more of the following conditions:

- security of tenure
- structural quality and durability
- access to improved water
- access to improved sanitation
- sufficient living area

The term, in fact, covers a wide range of low-quality housing conditions: in particular slums (i.e. formal buildings dilapidated due to age and neglect) and squatter settlements (i.e. settlements characterized by unauthorized land occupation, lack of a building permit and/or a violation of building and planning regulations).

**Total, Urban and Slum Population in Asia (2000)**

Region	Total Population (millions)	Urban Population		Estimated Slum Population	
		millions	% of total	millions	% of urban
Eastern	1,364	533	39.1	193.8	36.4
South Central	1,507	452	30.0	262.4	58.8
South-Eastern	530	203	38.3	56.8	28.0
Western	192	125	64.9	41.3	33.1
Asia Total	3,593	1,313	36.5	554.3	42.2

Source: UN-HABITAT, *The Challenge of Slums. Global Report on Human Settlements 2003*, London, 2003, p.14.

**There are slums of hope and slums of despair.** In cities of developed countries, the term “slum” has a negative connotation. It refers to housing that is deteriorating, on the way to demolition, and that is occupied by a marginalized population. Peter Lloyd used the term “slums of despair” for these neighbourhoods. In cities of developing countries, the residents of squatter settlements generally do not despair; they hope for a better future for themselves and their children. They are ready to invest their meager savings in the improvement of their house, if the conditions are favourable. Lloyd therefore called squatter settlements “slums of hope”.

**It is important to distinguish between slum and squatter housing.** A slum tends to deteriorate over time, because the land and building owner is waiting for an opportunity to redevelop the land or sell it to a developer. In the meantime, the owner rents out space to low-income households who have no stake in the property and are therefore not interested to invest in its improvement. Squatter housing is often owner-occupied and if the conditions are favourable, the owner will invest his or her savings in the improvement of the dwelling. Therefore, squatter housing tends to improve over time. Governments that want to improve the living conditions of the urban poor should support this process.

**Housing of the poor develops incrementally.** A typical squatter settlement starts as a small encroachment on vacant land. The poor family erects a simple hut on the land and if the authorities do not evict the family and demolish the house, the family will gradually start improving its dwelling and will be joined by other poor families. Once there is a sizable settlement with some solid housing, the residents will contact the authorities for infrastructure and services, and may mobilize local politicians to put pressure on the authorities. Housing in a typical squatter settlement is therefore usually constructed by the household itself, by a small contractor or jointly by the owner-household and the contractor over a period of time.

**As cities grow, vacant land in suitable locations becomes scarce.** The urban poor in search of housing will not be able to simply encroach on vacant land. Most vacant land is already occupied by squatters and what is not occupied by squatters is well guarded by the authorities and the land owners. As a result, an informal land market develops where local politicians, local government officials and thugs collude to “sell” small plots of land with protection to the urban poor in exchange for money and political support. While the informal land market is a useful mechanism for the not-so-poor households, it excludes the very poor from building a house in an informal settlement.

**Some urban poor cannot or do not want to buy or build a house** in an informal settlement. Because land has its cost, even in informal settlements, many urban poor households rent accommodation either in an informal settlement or in a slum, and their number will increase as housing costs in informal settlements rise. Some urban poor in fact prefer rental housing over homeownership, because it gives them the flexibility to move on, if they have to find work elsewhere or if they run out of money and suddenly have to leave. Rural-urban migrants may not even expect to stay in the city; they rent, because they want to save as much money as possible and buy or build a house in their home village or town.

## **Informal housing development**

**The core problem experienced by residents of informal settlements is insecurity of land tenure.** Because they do not have an authorization to occupy the land they inhabit, they can be evicted by the legal landowner or the authorities at any time. The constant threat of eviction is a major factor in the reluctance of residents of informal settlements to invest in the improvement of their dwelling. It is also a major factor in the decision of utility companies (water supply, electricity) and other service providers (e.g. credit agencies) not to serve informal settlements. As a result, such informal settlements do not develop and improve over time; they remain stagnating.

**Land tenure is, however, not simply legal or illegal.** In most cases, there are different levels of security of land tenure. As an informal settlement ages and/or grows, the residents start to assume that they will not be evicted, unless there are very clear signals of an impending eviction. Squatters often collect pieces of evidence that they have been living in the same settlement for a long time to prove their claim on the land. Any action by the authorities (such as the provision of infrastructure) is seen as a form of recognition of the settlement. Therefore, many residents of squatter settlements perceive some level of security of land tenure.

**The location of the accommodation is extremely important for the urban poor.** The people try to locate themselves in areas close to income-earning opportunities, which are often the commercial and industrial areas, such as the city centre, areas near wholesale markets and industrial zones. As the land in such places is in high demand and expensive, low-income households are forced to occupy land that is not in demand, inappropriate or hazardous, such as land liable to flooding or landslides, along the railway lines and on canal banks. They occupy as little space as possible, which leads to very high densities and unhealthy overcrowding. Alternatively, they settle on land in the urban periphery, beyond infrastructure networks and far from the centres of employment.

**Authorities may provide some infrastructure, but it is often piecemeal.** The authorities may provide water through tankers or through public water taps that are dry part of the day or week. The provision of electricity is often less of a problem than that of water, because the investments in electricity supply are limited and electricity can be easily disconnected. Solid waste is rarely collected inside the settlement, but if the residents are prepared to place their waste in bins outside the settlement, waste collectors will usually collect it. Drainage and sanitation are major problems in informal settlements, because the land is often low-lying, steep, hazardous or otherwise unsuitable for major investments in drainage and sanitation.

**The shelter itself is usually substandard according to building regulations,** but this is not of great concern to the occupants. They spend a large part of the day at work or in the public space, and use their actual house only to sleep and store their possessions. Informal settlements are often characterized by a great variety in housing qualities. Some owner-occupants have the savings to improve their house up to middle-class standards; other owner-occupants continue living in the simplest hut and are not able to make any improvement. Rental housing in informal settlements is often the most dilapidated, as there is little incentive for the owner to improve it.

## **4. Enabling Housing policies**

Over the years, central and local authorities of countries in the region have tried various policies and programmes related to housing the urban poor. Most of these policies and programmes have proven to be ineffective. This section provides an overview of past policies and programmes.

### **Learning from the past**

**Many governments have tried anti-urbanization policies** by evicting the urban poor from their informal settlements, demolishing the housing and sending the residents to the rural areas. As mentioned above, these policies have largely proven to be ineffective and have failed to stop rural-urban migration or the spread of informal settlements. They destroyed the settlements the urban poor had developed for themselves and the capital the urban poor had invested in their housing. The only tangible effect was more hardship for the urban poor who would be forced to live in even more substandard and hazardous conditions.

**Some governments launched subsidized public-sector housing for the urban poor.** These programmes have been highly successful in Hong Kong and Singapore where slum dwellers and squatters were resettled in high-rise buildings with small apartments. However, such programmes can hardly serve as examples for other governments, as both Hong Kong and Singapore were wealthy cities with a relatively small urban population and no rural hinterland and therefore no rural-urban migration. In other countries, subsidized public-sector housing almost always ran into financial problems after some years, because the low-income housing needs were much more extensive than the government could afford. Moreover, because they also faced a shortage of affordable housing, middle-income groups would take over subsidized low-income housing on a large scale.

**Some governments have urged the private sector to develop housing for the urban low-income population.** Incentive schemes for the private sector to move into low-income housing have varied. In some countries, authorities will not give approval to private developers for middle- and high-income housing, unless a percentage of the units are targeted at low-income groups. However, the schemes have often many exceptions and loopholes. Other governments have created an environment in which the private sector is encouraged to move down-market. Faster approval procedures, lower interest rates for housing loans, smaller minimum plot sizes enable the private sector to build lower-cost housing. While such housing does not target the urban poor, it reduces the pressure on subsidized public-sector low-income housing by lower-middle income groups.

**Faced with a lack of alternatives, many governments have adopted a “blind-eye” policy.** Neither resettlement in the rural areas nor resettlement in subsidized public sector housing schemes has proven to be a feasible option, while the private sector would, at best, develop housing for the lower-middle-income groups and not go beyond that. Many governments have therefore adopted a policy that leaves most of the slums and squatter settlements in tact and only carry out evictions where there is an immediate alternative need for the land. Some governments are providing basic infrastructure and services in the oldest and most organized settlements. These actions increase the perceived security of land tenure of the urban poor and encourage

investment of their savings in their houses. However, evictions still do occur frequently.

### **Comprehensive approaches**

**Housing policies should benefit the large population living in slums and squatter settlements.** A “blind-eye” policy is not good enough to ensure that there is a progressive realization of the right to housing and that eventually the entire urban population is adequately housed. There is a need to develop policies and programmes that aim at regularizing and upgrading the settlements of the urban poor, wherever possible, and to undertake voluntary resettlement of slum dwellers and squatters to suitable new locations, if regularization and upgrading are not possible. Housing policies should promote a division of labour and responsibilities between the government, the low-income communities, civil society organizations and the private sector, with each doing what it can do best.

In addition to improving existing settlements, **there is a need to develop programmes for housing newly formed urban poor households.** Squatter settlements prove that the urban poor households and informal-sector contractors are the most efficient producers of housing. They can therefore also play a role as producers of housing for newly formed households. However, self-help housing cannot just occur anywhere and informal settlement needs to be avoided; urban low-income housing by the poor and the informal sector needs to be planned. Infrastructure should not be provided “after-the-fact”, but be available when residents arrive. Therefore, the urban planning authorities must set aside land in suitable locations for housing the urban poor and have mechanisms in place to support the house building process of urban poor households and informal-sector contractors.

**Rental housing is a sector of the housing market much neglected by policy-makers.** As discussed above, many low-income households rent rather than own housing. A household may not be able to obtain a housing loan necessary to buy or build a house, due to a low or irregular income or a lack of collateral. A household may prefer to remain mobile and be able to move when employment opportunities change, in particular if its income earners have casual employment. A household may feel that it will stay for only a limited time in a particular location and save as much money as possible for the purchase of a house in the place of origin. Government policies should ensure that there is an adequate supply of low-cost rental housing.

**There must be close links between low-income housing and urban planning.** Urban plans should allocate land for housing in general and for housing the urban poor in particular. However, the authorities in many cities and towns of Asia lack the capacity to enforce urban plans, even the simplest ones. As a result, market forces drive the development of cities and towns, and the urban poor, who usually are the weakest party in the land and housing markets, are left with marginal land that is either largely unsuitable for habitation or in the urban periphery, away from employment opportunities. The authorities must adopt inclusive policies and not deny the urban poor the right to adequate housing and access to basic urban infrastructure and services.

## **Enabling housing strategies**

**Partnerships are essential for the supply of urban low-income housing in the quantities and the variety required.** Such partnerships should include urban low-income communities, the government, civil society organizations and the formal and informal private sector. In this partnership, each partner should do what it does best:

- The government should provide what none of the other partners can provide such as affordable land in suitable locations and “external” infrastructure development; it should regulate development without hindering private initiatives.
- Low-income households should be encouraged and enabled to save and invest for the incremental development of their housing, while maintaining control over the construction and improvement process.
- Non-governmental organizations should assist low-income households in informal settlements to organize into community-based organizations that can undertake any settlement improvements that are beyond the means of individual households.
- Non-governmental organizations should build the capacity of communities, and support the development of community organizations and community leadership to empower the urban poor to claim their rights to adequate living conditions.
- The private sector should provide goods and services for the development of low-income housing and it should produce lower-cost housing to relieve the pressure on the low-income housing market.

**The urban poor need affordable land in suitable locations for their housing,** but the urban poor are also the weakest player in the urban land market. The government must play a role in the provision of land for housing the poor, either by setting aside and developing land as part of overall urban development or to develop and apply mechanisms (land sharing, land pooling and readjustment) to support urban poor communities to gain access to urban land. In order to prevent the urban middle class from gaining control of such land, the government needs to develop innovative forms of urban land tenure.

**The responsibility for the development of infrastructure can be shared by the government, the community and the individual household.** The external development of infrastructure (main, bulk infrastructure outside low-income settlements) has to be the responsibility of the public (or the private) sector. However, urban low-income communities, if well organized and supported, have shown to be very efficient and effective in constructing infrastructure (roads, sewerage, drainage, water supply) inside the settlements. On-plot development of housing and infrastructure should remain the responsibility of the household. Regulations and technology should allow housing and infrastructure development to be incremental, in that they are upgraded, if and when resources are available.

**Housing is the most expensive item any household buys during its lifetime.** It often represents 5-10 times the annual income of a household. Home ownership therefore usually requires saving and borrowing. Most urban poor do not have access to formal housing loans, as banks see the urban poor as a high-risk group and the urban poor do not have collateral for a housing loan. Many non-governmental

organizations are therefore organizing urban poor communities into saving-and-loan groups. Learning to save, even the smallest amount, is important for any urban poor household. Saving-and-loan groups give the urban poor access to small loans for incremental housing improvement. The savings group can also form the core for further community development.

**Organized as a community, urban poor households can efficiently and effectively improve their settlement.** This requires sustainable community development, representative community leadership and the application of good governance to ensure inclusiveness of the improvement process. The ability of a community to work for the betterment of all households in the settlement does not mean that the urban poor should not hold the government accountable for those improvements that the individual households and the community cannot provide.

**Rules, regulations and procedures should not disadvantage the urban poor in the process of incremental housing and settlement development.** Often the rules, regulations and procedures apply to housing for the urban middle class rather than for the urban poor, and to housing development by the formal private sector rather than by the informal sector and the household itself. Governments need to review and, where necessary, revise their regulatory framework to support rather than obstruct the process of urban low-income housing and settlement improvement. This will support a progressive realization of the right to housing.

**The private sector should be encouraged to develop lower-cost housing.** Governments also need to review the rules, regulations and procedures for the development of formal private-sector housing, to remove any unnecessary costs and loss of time. It should also facilitate the provision of project loans and the extension of individual housing loans. The private sector may not be able to cater to the needs of the urban poor, but by moving down-market and targeting the lower-middle-income groups, it contributes to the expansion of the housing stock and reduces pressure on low-income housing, whether it is produced by the public sector or the informal private sector.

## **5. Conclusions**

Providing adequate housing to all is not an insurmountable goal. Governments need to look at the settlements of the poor not as part of the problem but as part of the solution and to look at the poor not as beneficiaries but as the primary actors at the centre of their own development. With these attitudinal changes and with the policies outlined above, the right to adequate housing can be operationalized and realized.

## 5. References

- Amartya Sen (2000); *Development as Freedom*, New York, 2000
- Breman, J (1996); *Footloose Labour*, Working in India's Informal Economy, Cambridge University Press 1996:34
- Bombay First (2003); *The City: Land use and Housing in Mumbai*, Bombay First, Volume 1, Series 4
- DFID (2001); *Meeting the Challenge of poverty in urban areas*, April 2001
- Lloyd, Peter (1979); *Slums of Hope? Shanty Towns of the Third World*, Manchester University Press.
- Payne, G (1977); *Urban Housing in the Third World*, 1977
- UN (2004); *World Urbanization Prospects*, The 2003 Revision, New York, 2004
- UNESCAP (2001); *Reducing disparities*, Balanced development of urban and rural areas and regional within the countries of Asia and the Pacific, United Nations
- UN-HABITAT (2003); *The Challenge of Slums*, Global Report on Human Settlements 2003, London, 2003
- UN-HABITAT (2004); *Relationship between Sustainable Development, Urbanization and Slums*, Think Piece (*unpublished*).
- Mehta, D (2000); *The Urbanization of Poverty*, Habitat Debate, Volume 6, Number 4, Nairobi, 2000.
- World Bank (1993); *Housing enabling markets to work*, A World Bank Policy Paper.
- W, V Vliet, ed. (1998); *Encyclopedia of Housing*, 1998
-