

# LOW-COST HOUSING: POLICIES AND CONSTRAINTS IN DEVELOPING COUNTRIES

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**Key words:**

## ABSTRACT

There is broad consensus on the fact that housing has central importance to everyone's quality of life and health with considerable economic, social, cultural and personal significance. The way in which housing is produced and exchanged impacts development goals as well as environmental sustainability and the mitigation of natural disasters. Design of dwellings and neighbourhoods reflect and protect important elements of values and culture. The important role of housing production in employment generation, particularly for unskilled labour, is recognised globally.

Despite considerable progress has been achieved in developing countries in the past two decades in policy formulation, facilitating a shift of the public sector's role to strengthening of enabling strategies and focussing on the utilisation of the potential and capacity of informal sectors, there is a widening gap between policy formulation and the implementation process, and the status of low-income housing delivery is far beyond being satisfactory.

There are many constraints for this situation. Lack of effective implementation strategies, poor promotion of security of tenure, inadequate supply of affordable land and infrastructure, inadequacy of housing finance systems, poor utilisation of local building materials and technologies, lack of support to small-scale construction activities, inappropriate standards and legislation, inadequate participation of communities in shelter development process and support to self-help, lack of focused research and experimental projects, poor utilisation of research findings, are amongst such major constraints.

UNCHS (Habitat) is contributing to the implementation of the Habitat Agenda's specific goal of "Adequate shelter for all" by undertaking diverse activities in the fields of knowledge creation, facilitation of information and experience exchange, awareness raising and advocacy, policy formulation and advice, and technical cooperation. A great majority of these activities focus specifically on the needs of low income and other vulnerable groups and in this context related to low-cost housing.

## **1. INTRODUCTION: IMPORTANCE OF HOUSING IN ECONOMIC AND SOCIAL DEVELOPMENT**

There is broad consensus on the fact that housing has central importance to everyone's quality of life and health. Housing, besides being a very valuable asset, has much wider economic, social, cultural and personal significance. The way in which housing is produced and exchanged has an impact over development goals such as equity and poverty eradication; construction techniques and location of housing can influence environmental sustainability and the mitigation of natural disasters; and the design of dwellings both reflects and protects important elements of culture and often religious beliefs.

There is also a consensus on the role of housing construction in employment generation, particularly for unskilled labour, which is extremely important in the economies of developing countries. The difficulty in having access to housing development elements such as land, building materials and credit facilities have resulted in proliferation of informal settlements. It is estimated that there are more than 100 million homeless and about 1 billion people inadequately housed in the world. Needless to say, the vast majority of these people are living in the developing regions.

With the current rates of urban growth and the inability of housing delivery systems to cope with the need in developing countries, the housing crisis is likely to increase in the future. It is estimated that in the next 2 decades, about 35 million units need to be constructed annually to accommodate newly formed households and replacement of inadequate units in urban areas. In other words, about 95,000 housing units need to be completed daily in the urban areas of developing countries. Roughly two thirds of this need is estimated to take place in the Asia and the Pacific region, some 16 per cent in South America and the Caribbean, 11 per cent in Sub Saharan Africa and 8 per cent in North Africa and the Middle East. Africa, being the least urbanized but fastest urbanizing continent has, needless to say, a great challenge in improving housing conditions. While there were 8 cities in Africa with more than 1 million population in 1975, there are now 40 cities in this category.

These demographic trends will place an increasing stress on governments to pursue right policies and improve the capacity of housing delivery processes. As a starting point, housing should not be looked at as a problem area requiring major social spending but as a means for promoting and mobilizing savings, expanding employment and economic activity particularly as a tool for poverty alleviation. Income and employment opportunities generated by housing construction are amplified by multiplier effects in the economy.

Although the economic and social advantages of housing development have been recognized in general in majority of developing countries, there are a number of obstacles that hinder the progress of housing delivery processes. These issues will be addressed in part III.

## 2. EVOLUTION OF POLICY FRAMEWORK

As mentioned in many UNCHS (Habitat) publications, framework for thinking about development and policy has changed in important ways over the last two decades. Most planning concepts, top-down strategies have given way to market and people-based solutions, process approaches, and an emphasis on building capacities and institutions . Housing policy has been very much influenced by these dynamics. A sketch of housing policy developments since the 1960s, (annex I) shows how an early focus on physical planning and public housing gave way, first to "self-help" housing projects (which mostly served middle income households and proved to be an unsustainable option to address the needs of the poor due to the high subsidies involved), and then to the "enabling approach" which concentrated on maximizing the contributions of all the actors in housing production within a supportive legal and regulatory framework.

This approach, and the other policy measures which accompany it (such as partnership and decentralization), have created a more conducive environment where people's housing processes can be supported by public authorities. Policy implementation however is not always so clear and there are often examples of top down approaches. This is particularly the case where there is political pressure to demonstrate quick results through, for example, large-scale evictions of squatters or construction of public or subsidized private housing.

Despite these occasional reverses, there is general agreement today on the enabling approach in the formulation of housing policy, though differences continue to surface between those who place more faith in markets to deliver both efficiency and equity goals, and those who emphasize "sustainable human development" as a framework within which markets must be carefully managed. Capacity-building for improved urban management, institutional reform (especially in the public sector), and "local ownership" over policy decisions however have importance in both approaches. Both also recognize the key role of NGOs and other civil society groups in the housing process (both as service-providers and in other roles such as community organization and advocacy); and both place gender equity and other issues-of-difference at the centre of policy choices.

In addition to the policy-implementation gap which is a common situation in most developing countries, the most important challenge in housing development strategies is how to balance market incentives and private initiative (which are essential to efficient housing delivery), with social and environmental goals and collective action (which are central to equity and sustainability). Most importantly housing policy and implementation strategies should incorporate an integrated vision, which sees adequate housing both as a goal in itself and as a contributor to economic growth and social development. Policy makers must be able to recognize and build on these linkages so that housing and other policy goals can be made mutually supportive.

In summary, it can be said that the change in the housing policy and formulation of implementation strategies towards enabling concepts started with the first United Nations Conference on Human Settlements (Habitat) held in Vancouver, Canada in 1976. This concept then became the core of the Global Strategy for Shelter to the Year 2000 adopted by

the United Nations General Assembly in 1988. Habitat Agenda, the outcome of the Second United Nations Conference on Human Settlements (Habitat II) held in Istanbul, Turkey in 1996 culminated and further articulated this evolving framework. More focus is placed on the enabling aspects of housing development process with more roles to be fulfilled by stakeholders particularly local authorities. This framework also encourages more decentralization and utilization of diverse modalities of partnerships.

The review and appraisal of the implementation of the Habitat Agenda for the past 5 years which is documented by UNCHS (Habitat) and the final outcome of this process, the “Declaration on cities and other human settlements in the new millennium” adopted by the United Nations General Assembly in June 2001 reveal that housing policies and implementations strategies are increasingly viewed as a more integrated part of urban governance processes and in this relation more and more effected by issues and developments taking place in promoting decentralization and strengthening local authorities. More civic engagement is another aspect of this evolving trend. Another important trend is the increasing focus on relations of shelter development and the realization of human rights in general and housing rights in particular. In this strengthening approach, increasing importance is placed on the issues of homelessness as well as to the better utilization of the existing housing stock. Promotion of security of tenure, prevention of discrimination in the housing sector and eradication of forced evictions are the important components of this framework. Istanbul +5 process and its outcome also underlined the necessity of strengthening political will to undertake effective strategies and adequately implement the Habitat Agenda.

### **3. MAJOR CONSTRAINTS IN DELIVERY OF LOW-COST HOUSING**

Although there has been significant progress in the formulation and implementation of housing policies and to some extent strategies in the past decades as summarized earlier, many constraints still effectively hinder progress in housing development in developing countries, particularly for low income and other vulnerable groups. These constraints include but are not limited to the following issues:

– *Lack of effective implementation strategies*

This is the first and most important step in the challenge of adequate shelter for all. The key for overcoming these constraints is to promote an effective facilitative role in order to harness the full potential of all actors in housing production. Most governments in the developing world have adopted enabling shelter strategies and initiated actions to support the actors in the housing delivery process. There is however extensive room for improvement and articulation in this area and close the gap what is on paper as a policy document and what is really happening on the ground.

– *Poor promotion of security of tenure*

Promoting security of tenure is a prerequisite for sustainable improvement of housing and environmental conditions. Squatter settlements upgrading projects need to be carried out addressing tenure issues to prevent/reduce evictions. Governments should focus on regularization schemes in order to provide incentives to families to invest in their homes and communities. Promoting security of tenure can also support better functioning of rental

housing markets. There is no doubt that every effort should be made to make best use of existing housing stock and improve the quality of living in these settlements.

– *Inadequate supply of affordable land*

Lack of adequate land for urban development particularly for low-income housing is perhaps the single most important impediment in achieving the goal of shelter for all. Proper records and registration of land is the first step in formulating and implementing a strategy on land. It is estimated that only about 1 per cent of land in the Sub-Saharan African countries are covered by any kind of cadastral system. Land cadastral systems should urgently be improved in developing countries and particularly in Africa.

Scarcity of land leads to escalating land prices, overcrowding of existing neighborhoods, illegal invasion of vacant land and growth of squatter settlements. This trend can only be reversed by the provision of adequate and affordable land for low-income housing. In order to increase the supply of urban land, the financial and technical capabilities of the municipalities must be strengthened. It is also necessary to create conditions that would facilitate the growth of private land development agencies. Governments should formulate a regulatory framework ensuring that such private sector land developers will serve all income groups.

– *Improving Infrastructure and services*

Financing and facilitating infrastructure to meet basic needs of many urban communities have been difficult for the majority of governments and local authorities. This is, in most cases, due to the high standards that make provision of infrastructure very costly. Too often, infrastructure services are unnecessarily subsidized and frequently the subsidies are wrongly directed. As public authorities have not been able, in general, to provide infrastructure to the growing number of urban communities, individual households, community groups and informal enterprises have increasingly taken over this task.

– *Promotion of housing finance mechanisms*

Housing finance institutions in developing countries and particularly in Africa provide services only to a small proportion of population. Financing of housing mostly comes through informal sources of credit. This is a result of national policies that are not successful in encouraging domestic savings and the development of domestic financial institutions and instruments. Lacking collateral, the guarantee of regular and recorded income, the low-income groups depend completely on informal credit sources, which are expensive and mostly short-term. Establishing and in rare cases (since there are a few) strengthening mechanisms for financing low income housing and in this relation inclusion of the informal settlements is a fundamental issue.

– *Utilization of local building materials and technologies*

Building materials often constitute the single largest input to housing construction in most developing country cities particularly in Africa. It is estimated that the cost of building materials alone can take up to 70 per cent of a standard low-income formal housing unit. Many African countries, despite the fact that they are endowed with abundant natural resources that can meet their need for building materials production, depend largely on imported building materials and technologies. While considerable research is conducted in

some countries on local building materials, only few of these research initiatives have succeeded in disseminating findings to the potential users.

– *Support to small-scale construction activities*

Small-scale construction firms which operate particularly in informal settlements should be supported. Measures in this context include formulation of more realistic planning and building standards, simplifying administrative procedures to obtain permits and licenses.

Developing credit mechanisms for small construction entrepreneurs; promoting cooperative arrangements to operate and particularly acquire construction equipment; provision of training and advisory assistance; facilitating participation of smaller firms in larger public sector contracts are other examples of such support measures.

– *Adjusting standards for building and land subdivision*

In many countries, standards for building and land subdivisions do not consider affordability issues and have a general nature. Standard subdivisions are often based on regulations of the pre independence periods prescribing large plots and banning building next to plot boundaries. This results in large plot sizes and high infrastructure costs. Building standards are also high urging and encouraging needy groups to get involved in informal building activities. These regulations and standards should be adjusted also in consideration of affordability criteria.

– *Promotion of community participation and self-help*

Policies and practices of provision of ready housing units by governmental agencies to the needy households have failed almost everywhere. This approach is simply not sustainable and cannot reach the scale. On the other hand, the poor have demonstrated that they can effectively participate in the housing process provided that they are assisted. Most rural migrants bring with them a self-help tradition that could be used for the construction of dwellings. Self-help and community participation however does not develop by itself. Successful community involvement requires support from the public sector such as provision of training, credit and technical assistance.

– *Initiation of experimental pilot projects*

Pilot projects aimed at developing innovative approaches will be very useful. These approaches can, for example, involve housing cooperatives and may be centred on projects, which practice cross subsidies, land sharing schemes and utilization of local building materials. Experimental projects with new standards for subdivision and building materials with semi-serviced and non-serviced plots can also be initiated. Such experiments can facilitate the learning process for up scaling.

#### **4. UNCHS (HABITAT) CONTRIBUTIONS TO THE HABITAT AGENDA'S GOAL OF "ADEQUATE SHELTER FOR ALL"**

As the Focal Point of the United Nations System for the implementation of the Habitat Agenda, UNCHS (Habitat) adopted a new strategic vision which is based on the implementation principles of this policy framework and which aims at promoting the capacity

for advocacy, catalyst and coordinator roles in the fields of human settlements development and adequate shelter for all.

UNCHS (Habitat) addresses housing and settlements development issues from many directions. Habitat's functions mainly focus on knowledge creation, policy advise, awareness raising and advocacy, and technical cooperation. In all these fronts Habitat, since its establishment in 1978, had accomplished significant achievements. It is appropriate in this juncture to clarify a common misunderstanding in many circles. UNCHS (Habitat) does not construct housing or other facilities itself. Through the above mentioned functions however the Centre assists governments, local authorities, private sector and other stakeholders so that they more effectively and efficiently perform their own functions on the ground in shelter development.

As regards to knowledge creation and dissemination of information in the subject matter fields, Habitat has produced a large number of very informative publications. Just to give examples, a few of these can be mentioned. The Global Reports, which now has the third report since 1986, are the most comprehensive publications elaborating on all relevant issues globally on housing and urban development. These reports are prepared mobilizing relevant research institutes and capacity at the global, regional and national levels. Habitat's thematic publications are also very informative. "Evaluation of experience with initiating enabling shelter strategies", "Strategies for low income shelter and services development: The rental housing option", "Shelter for all: The potential of housing policy in the implementation of the Habitat Agenda", "Reassessments of urban planning and development regulations in African Cities" are just a few from these hundreds of publications that can be named as examples.

Through these printed material and lately also dissemination of most of the publications in the internet, and by capacity building activities as well as through technical cooperation projects/programmes, Habitat promotes and fulfills its policy advise functions to governments and to other stakeholders. The recently adopted "Declaration on cities and other human settlements in the new millennium" by the United Nations General Assembly in June 2001 as the outcome of the review of the implementation of the Habitat Agenda for the past 5 years constitutes most recent policy framework and direction for these fields.

Acting as a catalyst in the mobilization of technical cooperation, UNCHS (Habitat) supports implementation of the Habitat Agenda at the local, national, regional and global levels through projects and programmes. Lessons learnt from operational activities are used in the formulation of global policy recommendations and guidelines. Currently Habitat has over 200 such projects, programmes under execution in 80 countries of which 62 are in the least developed countries group. About ten percent of these projects are directly related to housing topics.

In relation to the advocacy and awareness raising functions and, UNCHS (Habitat) has launched two global campaigns. The Global Campaign on Urban Governance has a strategic focus on urban poverty reduction. The campaign is the product of an emerging consensus that the quality of urban governance has a tremendous impact on poverty reduction efforts. Many local authorities, for example, control issues related to the access, cost and regulation of land-

use, housing, infrastructure and basic services. They also are responsible for local economic development, including the informal sector. The Campaign aims to increase the capacity of local governments and other stakeholders to practice good urban governance and to raise awareness of and advocate for good urban governance around the world. Through a combination of national campaigns, capacity-building tools and legislative and policy reform, the campaign aims to make a significant contribution to the United Nations' strategy for halving extreme poverty by 2015.

The Global Campaign for Secure Tenure (GCST) is an advocacy instrument of the United Nations designed to promote the rights of the urban poor to participate in processes of settlement upgrading and urban development. By promoting the application of secure forms of tenure and by encouraging negotiation as an alternative to violent forced eviction, the Global Campaign strengthens collaboration between the urban poor and governments at all levels. Secure tenure is regarded as a strategic entry point to eradicate urban poverty. With security of tenure, people living and working in informal settlements are more likely to invest own resources in shelter and basic services, as well as make claims on public investment and attract private investment. Furthermore, security of tenure promotes dwellers in informal settlements as urban citizens and renders more inclusive processes of decision-making required for settlement upgrading and urban development.

In support of the Global Campaign for Secure Tenure and also in contributing to the implementation of the Habitat Agenda and the Programme of Action of the World Summit on Social Development UNCHS (Habitat) — in collaboration with the Office of the High Commissioner for Human Rights, and in compliance with Resolution 16/7 of the Commission on Human Settlements and Resolution 2001/28 of the Commission on Human Rights — is currently in the process of initiating the United Nations Housing Rights Programme. The primary objective of this Programme is to promote and contribute to the global process of the full and progressive realization of the human right to adequate housing.

Another major initiative of the Centre in addressing low-income shelter development, upgrading of informal settlements and contributing to sustainable urban growth in general, is the "Cities Alliance". UNCHS (Habitat) and the World Bank jointly launched the Cities Alliance in May 1999 as an expanding partnership of organizations committed to developing innovative approaches to urban and shelter development and poverty reduction. With membership of the World Bank, UNCHS (Habitat) and 12 bilateral agencies, the Cities Alliance is a facility for coordinating development cooperation and investment in the areas of slum upgrading and city development. The Cities Alliance has two principle operational components. First is the city development strategies (CDS) which is an action-plan for equitable growth in cities, developed and sustained through broad-based participation to improve the quality of life for all citizens. Second, the Cities Alliance is engaged in slum upgrading that consists of a range of physical, social, economic, organizational and environmental improvements undertaken cooperatively to improve the quality of life in informal settlements and slums. The Cities Alliance, in its "Cities without Slums Action Plan," has set the ambitious target of making a significant improvement in the lives of at least 100 million urban poor by 2020.

In view of the lack of human and other resources and in this context, the need for narrowing its focus to make best use of what is available, the Centre has suspended its research and development activities on construction technologies and building materials. This is indeed a sad situation since the Centre had significant work in this area in the past, and was able to support stakeholders and governments in this regard with informative publications, policy advice and technical assistance. It is hoped that the Centre can improve its resource base soon and resume its activities on these important components of low-cost housing development.

In conclusion, it can be summarized that, given the diversity, complexity and dynamism of housing issues and housing delivery processes and their interactions with forces and elements of politics, economic, social and cultural development, attempts to formulate a standard list of recommendations will be of limited use and value. The Global Strategy for Shelter to the Year 2000 and particularly the Habitat Agenda have set the guiding framework of policy options which are centered around the principles of enablement, participation and partnerships. Actors involved in “shelter for all” are searching within this framework for new approaches in which their potential and capacity can be mobilized and utilized to the full extent.

As suggested in a major housing policy publication of the Centre, these new approaches need to be sustainable and find space in between tradition and modernity, public and private, global and local, cost effectiveness and meeting basic needs. In addition to focus on the key areas mentioned before, housing development approaches in Africa should also stress and elaborate particularly on rural-urban migration, urban poverty, devastating impact of AIDS and the role of women in development which have specific significance and importance.

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## ANNEX I THE EVOLUTION OF HOUSING POLICY

Phase and Approximate Dates	Focus of Attention	Major Instruments Used	Key Documents
Modernization and urban growth: 1960s-early 1970s	Physical planning and production of shelter by public agencies	Blueprint planning: direct construction (apartment blocks, core houses); eradication of informal settlements	
Redistribution with Growth/Basic Needs: mid 1970s-mid 1980s	State support to self-help ownership on a project-by-project basis	Recognition of informal sector; squatter upgrading and sites-and-services; subsidies to land and housing;	Vancouver Declaration (Habitat I. 1976); Shelter, Poverty and Basic Needs (World Bank, 1980); World Bank evaluations of sites-and-services (1981-83); UNICEF Urban Basic Services
The Enabling Approach/ Urban Management late 1980s-early 1990s	Securing an enabling framework for action by people, the private sector and markets	Public/private partnership; community participation; land assembly and housing finance; capacity-building	Global Shelter Strategy to the Year 2000 (1988); Urban Policy and Economic Development (World Bank 1991); Cities, Poverty and people (UNDP, 1991); Agenda 21 (1992); Enabling Housing Markets to Work (World Bank, 1993)
Sustainable Urban Development mid 1990s onwards	Holistic planning to balance efficiency, equity and sustainability	As above, with more emphasis on environmental management and poverty-alleviation	Sustainable Human Settlements Development: Implementing Agenda 21 (UNCHS, 1994)
HABITAT II: 1996	"Adequate shelter for all" and "Sustainable human settlements development"	Culmination and integration of all previous policy improvements	The Habitat Agenda (UNCHS, 1996); Global Report on Human Settlements (UNCHS, 1996)
Istanbul+5 Review of the Process and the Implementation of the Habitat Agenda strategies 2001	Review and the Habitat Agenda strategies 2001	Review of the commitments and Declaration on cities and other human settlements in the new millennium (GA, 2001)	

Source: UNCHS, 448/1997, pp 22-23 and expansion to include Istanbul+5