Forum on Urbanizing World and UN Human Habitat II

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Conference Proceedings

Theme 3: Affordable Housing, Tenure and Good Governance

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Urbanizing World and UN Human Habitat II

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Preface

Urbanization is a centuries old phenomenon. Despite numerous attempts to capture various aspects of urbanization and its impact on human habitat, the thirst for knowledge of this complex process still remains a great importance among many quarters of human inquiry. This conference, with participants from the scholarly world, policy makers and planners, politicians, and NGO activists, is a modest attempt to contribute to the stock of knowledge and shed light on the critical policy issues of human habitat in urban settings in the context of global transformation. This effort by the International Research Foundation for Development signifies the historic moment of the Special Session of the General Assembly for an Overall Review and Appraisal of the Implementation of the outcome of the United Nations Conference on Human Settlements (Istanbul + 5), convened June 6-8, 2001, at the United Nations headquarters in New York.

Since the second half of the twentieth century, urbanization has become an alarming social process in the world, particularly in developing countries. While continuing the urbanization process in the already urbanized more developed world, three fourths of the total population lives in urban areas in Latin America and the Caribbean; one third of the population of Africa and Asia lives in urban areas. Urbanization is the most critical process and form of global transformation, which has mirrored uneven development between regions, within regions, and within countries. Polarization and fragmentation of human settlements in large urban agglomerations, both in the developed and underdeveloped world, is widely documented. The developing world presents a more precarious condition with exponential population growth unparallel to their economic and social progress. At the turn of the century, this unprecedented population concentration has brought forth tremendous challenges to its economic, political, and socio-cultural milieu of human settlements.

Contrary to the commitments agreed upon in Istanbul and the expectations left with civil society, except for a few scattered success stories, urban centers have become places of social exclusion in the face of global transformation resulting in urban poverty, overcrowding, unemployment, poor housing, lack of infrastructure, and insufficient services. Economic and social polarization has become a threatening reality for human lives in cities around the world. However, urban citizens are experiencing different living standards as structural dynamics vary vastly across the globe. The root causes of different forms of living standards associated with a variety of human settlement patterns and the dynamic characteristics of complex social organizations, remain uncovered. Proper diagnostic efforts must draw attention to the critical social transformation of our age.

In the phase of independence from colonialism, “the new urbanization, in new nations and old, reflects a basic transformation of human society. Nationalism is roughly coterminous with mankind; the nation state is increasingly the critical social container for all human beings”(Greer 1968, viii) and nation-state was the main pilot of social change (UNCHS, 2001). In the post-cold war era, nation-state has increasingly been pressured and subdued, and demanded a new role by the global transformation which contains complex paradoxical elements emanating from the interaction between forces of global-regional-national-local terrains of humankind. Scott Greer’s notion of the increasing societal scale, which he envisioned 40 years ago, is no contradiction to the contemporary form of urbanization.
From a policy research point of view, what is missing is the holistic conceptualization with a solid empirical grip to uncover a variety of forms of urbanization and its associated social organizations--institutional dimensions--in the context of global transformation. This is partly due to the fact that scientific and policy research on urban issues has been carried out largely through selected universities and governmental organizations on a single disciplinary or locational basis. This is quite obvious in African, Asian, and Latin American urban research. On the one hand, certain regions, countries, and most smaller urban centers have been neglected or less focused upon, while some mega-cities and metropolitan centers were given high priority in urban research. On the other hand, mega-cities and metropolitan centers were examined in isolation--not in an interlinked framework--and without deep analysis and comparison in the context of total global transformation.

Without having a comprehensive approach, it is impossible to harness insights into the paradoxical impact on local communities, democratic urban governance, creating sustainable urban development, and a proper balance between markets, governments, and civil society. It is in this context, the International Research Foundation for Development brought together a wide spectrum of civil society people and international leaders for this global dialogue. This professional gathering may be the initial foundation for a new hope of new inquiry into the urbanization process. Our specific goals are to: 1) mobilize the academic community, policy makers and planners, practitioners and leaders of NGOs to improve our understanding of urban development issues; 2) develop alternative approaches and policy plans to improve the quality of life in urban areas around the globe; and 3) link the efforts of diverse groups and build a coalition toward the common goal of continuing scientific discourse, and policy analysis for sustainable development and democratic governance of the human habitat.

The papers of this conference are organized under 12 major themes: Habitat Agenda and Urbanizing World; Urban Poverty Alleviation; Affordable Housing, Tenure and Good Governance; Globalization, Urban Transition, and Governance in Asia; Privatization of Service Delivery in Mega Cities; Urban Governance and Community Development; Urban Environment and Sustainable Development; Metropolitan Governance and Urban Political Culture; Post Conflict Reconstructions, Cities and Refugees; Urban Congestion and Land Use Planning; Gender, Race and Ethnicity in Cities: New Approaches; and Family and Human Habitat.

Though the papers presented under the above themes do not necessarily represent a full spectrum of the human settlement issues and analyses, these themes will provide a solid base for a continuing scientific discourse, and to formulate further in-depth comparative research to enhance our understanding of the urbanization process across the globe.

In conclusion, I urge all participants of this conference, as well as new members, to become active players in this professional endeavor. On behalf the International Research Foundation for Development, I would like to thank all of the regional networks, institutions, and individual members for their contributions.

Sincerely,

Neville S. Arachchige Don, Ph.D.
President & Chief Executive Officer, IRFD
Introduction
The City of Montreal is characterized by a high percentage of renters. Close to 75% of Montrealers are tenants, compared with an average of 38% for other Canadian cities. Housing data indicates that 79% of renters between the ages of 20 and 44 do not have the means to buy a starter home. Furthermore, only 9% of the available housing supply is affordable to this group (CMHC 1991).

In June 1990, as a response to the situation in Montreal and other North American urban centers, the Affordable Homes Program at the McGill University School of Architecture, unveiled the Grow Home, sponsored by Dow Canada: a 1,000-square-foot rowhouse, 14 feet wide by 36 feet long. On the ground floor was a kitchen, bathroom and living room (Figures 1 & 2). An unpartitioned second floor was proposed in an effort to reduce costs and enable the owner to complete the unit at his or her own discretion. A full-scale prototype was erected on the university campus and opened to the public for one month.

Six months after the demonstration unit was dismantled, Mr. Leo Marcotte, a local developer, started the first housing project based on the Grow Home concept. During that same period, both the provincial and municipal governments implemented a program aimed at promoting housing starts for first-time buyers through interest and tax reduction incentives. All of the 87 units in the project were sold within the first three weeks – before any ground was broken. Following Mr. Marcotte’s lead, 12 other builders started Grow Home-type projects in and around the Montreal area. Over 1,000 units in 19 projects were built within one year, ranging in price from $69,000 to $95,000, and several new projects were planned. An estimated 10,000 have been built to date, primarily in Canada.

The built projects revealed some interesting interpretations of the Grow Home concept. While the 14-foot width was retained in all cases, each of the builders modified the design to suit the tastes and budgets of his own particular market. The original plan, which subdivided the space with a central plumbing/stair core, was altered in most cases to accentuate the full depth of the space (Figure 3). The second floor was partitioned and finished in all but one project. Eleven of the builders provided brick veneer on the exterior to increase quality and project an image of permanence, while the remainder used a cement-based aggregate finish. All units were built with basements, adding 500 square feet to the floor area, and indoor garages were included in 15% of the homes. Vestibules and walk-in closets were added to the units in one of the projects, while separate garages were added to the sides in another.

The process by which these projects were realized is characterized by a rather unusual arrangement of resources (Figure 4). The design was developed by an academic program that was funded by the government with the help of a corporate research grant. The private sector furnished the capital and management tools necessary to see the project through its implementation, and three levels of government provided separate financial incentives for the prospective home buyers. Although each of the parties involved acted independently and for different motives, the product of their combined effort achieved a common goal.
What follows is a discussion of the various elements which contributed to the successful implementation of the Grow Home concept. While for most projects there was no direct cooperation insofar as the design and development of the units is concerned, the university did, for research purposes, establish and remain in contact with each of the developers. The information and observations in this paper are based largely on discussions and structured interviews which took place with the builders.

**Cost Reduction Strategies of the McGill Grow Home**

The design of the Grow Home addressed both the functional requirements and financial limitations of the changing North American household. Three main aspects of the project contributed to its popularity. First, it provided an affordable alternative to the housing problem without sacrificing building quality or occupant living comfort. Second, it was attractive to the average builder, who viewed the product as a practical, feasible opportunity for investment. Finally, it received thorough exposure through the construction of a demonstration unit and extensive media coverage, while information was available to anyone interested in the project.

Development, construction and operating costs were minimized by using simple and effective design strategies. The narrow-front rowhouse configuration allowed significant reductions in land and infrastructure costs as well as operating costs since the heat losses were restricted to two exposed walls and a small roof area. With land costs of $20 per square foot, standard lot depths of 100 feet, and servicing costs of $400 per linear foot, every foot of frontage costs $2,400. By reducing the frontage from 18 feet (which was the minimum required by the City of Montreal) to 14 feet, a $9,600 saving was achieved. The 14-foot dimension also represents the cut-off point for a floor structure consisting of 2”-x-10” joists at 16” o/c.; adding one foot to the width requires upgrading to a structure which costs 25% more. The need for interior load-bearing partitions is also eliminated, making the space very flexible.

Construction costs, kept below $40,000, were minimized by virtue of the house’s small size, simple layout, and the efficient use of conventional construction materials. Assuming construction costs of $50 per square foot, a savings of $15,000 could be achieved by simply reducing the size of the dwelling from 1,300 square feet (the size of an average house) to 1,000 square feet. With the shrinking size of the average North American household, a smaller dwelling would not necessarily compromise the occupants’ living comfort.

By eliminating irregular contours and staggers, cost reductions could be expected at every level of the construction process, from foundation to roofing. A rectangular configuration, for instance, has about 20% less perimeter than an L-shaped unit of the same floor area. Both labor and material costs are reduced by simplifying the construction task and standardizing the dimensions of the structural and cladding elements. Complex joints and details were kept to a bare minimum.

Accounting for about one third of the total construction costs, the finishing operations in housing units are among the most labor intensive. By allowing for a flexible interior space, the timing and magnitude of these costs can be manipulated. By leaving the second floor unpartitioned at the time of purchase, for instance (as an open loft space), a savings of about $5,000 can be achieved. The space may then be finished by the owners at their own discretion.

Decisions related to both planning and construction materials were also aimed at reducing heat loss. The effects of building plan on energy consumption were analyzed by comparing calculated heat losses for six hypothetical types of units (Friedman & Sheppard 2000). The designs all used the same construction materials but differed in size, configuration, height and grouping. The study indicated that savings in the order of 30% could be achieved by reducing the size of the home from 2,000 to 1,000 square feet. The simplification of the building configuration...
from an L-shape to a simple rectangle, for example, also conserves energy by reducing perimeter-related heat losses. In the case of 1,000-square-foot bungalows, these savings could be as high as 15%. Although the effect of floor-stacking on energy consumption was found to be negligible in the case of the Grow Home, it enabled the units to be joined into groups of two or more, which in turn provided considerable savings. When compared with a completely detached unit, the semi-detached and rowhouse versions of the Grow Home offered reductions in heat losses of 21% and 43%, respectively. Annual heating costs were estimated at $256 for a semi-detached unit, and $186 for the rowhouse.

Some of the cost saving strategies in the design of the Grow Home were also helpful in attracting the interest of the local builders. The flexibility of the design not only simplified the task of modifying the layout, but it also enabled the builders to offer a wide range of options to the buyers without significantly complicating the construction process. This was thought to be a key selling point, since it allowed the buyers to personalize their dwellings and adjust the design to suit their budgets. Last-minute changes could be made to the floor plan in response to particular demands, and by keeping the size and location of openings consistent, most builders were able to proceed with the construction of the structure and envelope before the interior layout was finalized.

The use of conventional construction materials and techniques was also quick in gaining acceptance from the builders. In an industry which has been traditionally characterized by a reluctance to accept and apply innovative ideas, the use of standard construction methods made it easier for the builders to deal with an unfamiliar design concept (Friedman 1990). Similarly, the Grow Home’s traditional appearance was preferred and adapted by most of the builders who felt that this would appeal more readily to the local market.

Another effective aspect of the design development was the dissemination of information, particularly through the exhibition of the full-scale prototype. Of the 10,000 visitors to the demonstration unit, some 600 filled out questionnaires which were intended to monitor the public’s first reaction to the house (Friedman & Sheppard 2000). Although the survey did not involve a random statistical sample, it did give a fair indication of the types of trade-offs that prospective homeowners would consider making in exchange for homeownership. The most prominent responses included the willingness to live in a smaller house and to accept an unpartitioned upper floor. The vast majority of respondents liked the traditional appearance of the facade.

The extensive media coverage of the event resulted in widespread public interest, generating close to 1,300 written requests for information, 20% of which came from developers, builders, real estate agencies and other construction-related organizations. Detailed information in the form of a publication was made available to anyone who expressed interest in the project. The most beneficial outcome of this effort was that it raised the public’s and builders’ awareness of the alternative. It demonstrated that a comfortable living accommodation could indeed be built for under $40,000, and that a 14-foot wide house is not just adequate but actually quite comfortable.

Response From the Private Sector
The North American building industry is made up mostly of small companies, 95% of which have five or fewer employees, and are characterized by an ability to act quickly (Friedman 1990). This was also true for Grow Home builders, who decided to go ahead with the projects within two weeks; most of them had completed a model unit two months after their decision to build. This ability to act quickly fostered some widespread competition in a short period of time. The most successful projects were the ones that started the earliest, who acquired the best prices from the subcontractors before the competition could catch up. Once the other projects were started, the consumer benefited from competitive pricing and increased value of the homes.
In most cases, the progress of sales was encouraging. Six of the builders started a second project after their first had sold out. It is, however, somewhat ironic that the bulk of the sales were closed during a ten-month period of economic recession. Although the lack of investment dollars and conservative spending did not offer any hope of immediate recovery, the situation proved to be an asset for several reasons. The builders’ production was and had been practically at a standstill for about 14 months. This gave the builders an incentive to look into new markets, and made them more receptive to innovative design alternatives, particularly when the initial investment, in land as well as building, was only a fraction of what they may have otherwise attempted. Most of the builders already owned the land, while others were still trying to liquidate stock which had been sitting idle for 18 months. Furthermore, with the increased competition in a struggling labor market, many of the subcontractors were offering reduced rates.

The subdivision of land into 14-foot wide parcels was not permitted in any of the municipalities where Grow Home-type projects were built. Consequently, the buyers were not able to obtain private ownership of their land. Those builders who attempted to obtain the required changes were refused. The majority of the builders didn’t even submit a proposal, knowing that the amount of time it would take to process the application could jeopardize their competitive position.

Despite these regulatory obstacles, the builders were able to find some way of building the units while remaining within the legal restrictions. The most common solution was to build the units in manageable groups of three, four or six, and sell them under a co-operative or condominium arrangement. Although most of the builders felt that their sales would have been higher had they been permitted to sell the houses under freehold ownership, selling the townhouses as condominiums actually helped reduce construction costs by alleviating some of the building code requirements. Under freehold ownership, for instance, some municipalities require that the units be separated with a four-hour firewall of masonry construction. For condominiums, on the other hand, a continuous two-hour fire separation was sufficient. This enabled the builders building in these municipalities to use wood and drywall for the common wall instead of concrete block, resulting in savings of about $3,500 per unit. Furthermore, some municipalities require separate water cuts in the infrastructure when units are on separate parcels of land – a cost which is absorbed by the builder and passed on to the home buyer. At $3,000 per water cut, the builders achieved a savings of $9,000 for a group of four units. Similar restrictions in the way of plumbing requirements and acoustic insulation led to additional savings in some of the developments.

Based on their experience, the builders felt that some modifications would be required to make the product more suitable to the local culture and tastes. While the basic dimensions, appearance, and quality of interior finishes were kept as they were in the demonstration unit, several changes were made to increase the marketability of the home. These changes dealt mainly with the ground floor plan and exterior finishes. It was argued, for instance, that the prospective first-time buyers in the affordable housing market don’t want to be associated with what they consider to be substandard or “unfinished” dwellings, and would prefer instead to remain as tenants in a building with a higher-quality image. In many projects, the exterior finishing materials were changed from the stucco (which was used in the demonstration unit) to brick since many of residential dwellings in the Montreal area are built this way. Furthermore, the builders were required to excavate to a minimum of four feet below grade in order for the foundations to clear the frost line. With a marginal increase in cost, the units could be built with unfinished basements. In most projects, several options which were proposed as extras in the original design became standard features.

Most of the design modifications were developed in house with the aid of the Grow Home publication as a guideline (Friedman 2001). Only two of the builders had their plans drawn up by registered architects. Most of them felt that after having been introduced to the concept, there was no longer any need for involved design development. Whatever changes were to be made would be based entirely on their experience with the local market.
Recognizing that they were dealing with a new product aimed at a market which was different from what they had been used to (all the builders revealed that this was their first experience with affordable housing), the builders began to adopt appropriate marketing strategies and selling techniques. A common-sense approach was used in dealing with the prospective client. Many of the advertisements, for instance, only specified the monthly payment which would be required to own the house, with no mention made of the unit’s selling price. Promotional brochures were distributed directly to the mailboxes of local tenants, many of whom were paying only $120 less per month for rent on their apartment than they would otherwise be paying for a Grow Home. Advertisements were placed in the entertainment and leisure sections of the local newspapers rather than in the real estate section; some preferred to advertise on local radio stations. The projects were not referred to as “affordable” but rather as unique opportunities to acquire a quality dwelling at a good price. Emphasis was placed on the standard options and “luxury” items: fireplaces, whirlpool baths, brick exterior and wood flooring, much like the option lists used in car sales. Overall dimensions of the units were omitted and substituted with the exact dimensions for each room. Salesmen stressed floor area and room-by-room comparisons between the Grow Home and the buyer’s current dwelling rather than overall dimensions.

The nature of the marketing strategies show a keen understanding of a newfound niche in the market. It acknowledged the fact that people who were used to thinking that homeownership was beyond their means would not be looking through the real estate section of the newspapers, nor would they be familiar with the calculation of monthly carrying costs of houses from a price list. The thought of living in a 14-foot house would sound rather confining, as it did to the builders themselves before they walked through a built unit.

The Role of Government
The sales of the units were boosted with the participation of the government at three levels. Both the provincial and municipal governments implemented programs to reduce the cost of homeownership for the first few years, while the federal government made the purchase possible with a downpayment as low as 10% through an existing insured mortgage program.

In a effort to promote housing starts, the provincial Quebec government offered financial aid to home buyers purchasing a new dwelling of up to $150,000 which was built by local builders. Applicants had the option of choosing $8.5% financing for three years, or a subsidy of 4.5% of the total cost of the dwelling, up to a maximum of $5000. With mortgage rates at the time averaging 12.5%, the program represented a monthly savings of up to $208 for an $85,000 unit.

At the same time, the City of Montreal implemented a program aimed at attracting residents back into the city. An annual reduction in property tax of $1,000 for five years was made available to first-time buyers purchasing a newly-built or renovated dwelling costing up to $100,000, not including land, infrastructure or sales tax. The city also offered automatic acceptance to the program if the applicant qualified for the provincial subsidy. The credit helped reduce the monthly carrying cost for starter homes by an additional $83.

Sales of the homes were assisted even further by an insured mortgage program administered by the Canada Mortgage and Housing Corporation (CMHC), Canada’s national housing agency. Under this program, the traditional downpayment of 25% of the purchase amount was reduced to 10%. The provision of 8.5% financing for three years by the provincial government, combined with a $5,000 tax credit by the City of Montreal, and the insured mortgage plan from the federal government enabled the purchase of a $76,000 home on $618 a month (including sales tax). With a downpayment of under $8,000, apartment tenants with a gross annual household income of $24,000 were able to become homeowners.
The combined effect of the subsidies and reduced construction costs on affordability is illustrated in Figure 5. The average household income in Montreal was approximately $41,500. Assuming a 32% gross debt service ratio and a 10% downpayment, the maximum affordable home at this income is close to $86,000. This is $24,000 lower than the average price of a resale listing and $40,000 less than the average price of a new house. At these prices, household incomes of $49,500 and $55,300 would be required, falling well into the upper income brackets.

Through lower property taxes and heating costs, the Grow Home shifted the affordability curve towards the left (line 2 in Figure 5). Because of the lower development and construction costs, the units were priced at $76,000, making them attainable to households earning slightly more than $33,000 – just below the middle income bracket. By offering 8.5% financing, the provincial government put the units within the range of a $26,000 income. The tax credit offered by the city shifted the curve further (line 4) to reduce the required household income to $23,000.

**Summary and Conclusions**

The proliferation of 14-foot rowhousing projects in Montreal has resulted from the combined efforts of academia, private enterprise and government (Figure 6). Although there was no formal partnership established between any of the parties, the contribution from each of them was critical in the provision of affordable housing.

The Grow Home came from the non-profit sector. It provided a product which was not only suitable to the needs of the market at large, but attractive for various reasons to the builders and ultimately to the buyers. Through functional planning, the design responded to socio-economic changes of the North American household. By reducing development, construction and operating costs, the “affordability gap” was narrowed for first-time buyers. A flexible design enabled builders to make market-oriented adjustments easily and offer the buyers a long list of options. The traditional appearance and conventional construction techniques made it easier for the builders to deal with and accept an unfamiliar planning concept.

The erection of a demonstration unit and the subsequent media exposure attracted the attention of builders and first-time buyers, and helped sensitize the public to an alternative form of housing. The distribution of a publication provided guidelines to organizations and individuals who were interested in implementing the concept, while consultation with the local builders helped foster confidence in the product.

With incentive programs at the federal, provincial and municipal levels, reductions in monthly carrying costs of close to $300 were achieved. This lowered the required household income from $33,000 to $23,000 for a $76,000 unit, making the prospect of homeownership attainable to a wider segment of the population. The builders’ ability to respond quickly, given that the government subsidies were for a limited period of time, enabled the development of several projects within a three-month period. This resulted in competitive pricing strategies and higher values. Their experience with the local tastes and preferences in housing provided whatever modifications were necessary for the product to suit a particular market. This same type of flexibility, however, was not present at the site planning level, partly because of the regulatory obstacles which prohibited a more suitable land subdivision.

This problem points toward the need for municipalities to recognize the changing demographic profile of the home buyers, and to adjust the current building regulations to address the demand for smaller units in higher-density developments. There is a need to modify the current planning standards to accommodate new types and scale of housing. In narrow-front rowhousing projects, for instance, the requirement for the traditional 66-foot street and 35-foot setback are not only wasteful but out of scale.
Because most of the projects were erected in new developments, the “Not In My Back Yard” syndrome was not a major factor for any of the builders. Although there was some resistance in one of the infill projects, the complaints faded rapidly once the first units were erected with a quality of exterior finishing which was at par with, if not superior to, the surrounding homes. The change of tone illustrated that the residents were not as much concerned with the price of the units than they were with the image of the project as a whole.

The same principle seems to have applied to the buyers, many of whom had been previously reluctant to purchase a condominium. The prospect of ownership took precedence over the form of tenure in their purchase of a Grow Home. The concern appears to be based on the image of the condominium rather than with its legal implications. The townhouse, with its separate entrance at ground level and yard space, satisfies the traditional perceptions of a house, and was generally accepted as such.

Despite its novelty and the regulatory obstacles which it encountered, the Grow Home was successful in gaining the acceptance of both the prospective home buyer and the private builder. Although the efforts of the parties involved were not as much cooperative as they were incidental, the combination of affordable and adaptable design, financial incentives and entrepreneurial zeal provided Montrealers with an affordable option to homeownership.

References


Figures

Figure 1: Floor plans of the demonstration Grow Home
Figure 2: Front elevation of the demonstration Grow Home
Figure 3: Examples of modified floor plans in built projects
Figure 4: Sequence of events in the Grow Home project
Figure 5: Combined effect of government subsidies on housing affordability (1990 $)
Figure 6: A Grow Home development in Pointe-aux-Trembles, Montreal
“An Holistic Approach to Generating Housing Finance for Low Income Families in Emerging Markets”

Tony Pell,
GHIF - The Group for Home and Infrastructure Finance, Inc.

Through my comments, I hope you will understand better just what our company, GHIF, is, and is trying to do, and I hope we can impart to you our sense of dedication that combines real world financial knowledge with socio-political understanding to create innovative programs for low-income housing finance. A professor of sociology at the University of Chicago described our approach as the sociology of finance.

First, though, let me recall what the poet Gertrude Stein whispered as she lay dying, Alice Toklas by her side: “What,” she rasped, “what is the answer.” No one replied. Then, in her last mortal words, Stein turned and asked, “Then what is the question.”

Let’s hope we will find answers, within our lifetimes, but right now, the field of affordable housing finance for low income households in developing countries remains one in which there are still a great many more questions than answers. But there are some answers, and some questions the answers to which are being discovered; and they – the questions, some answers, and emerging replies – shall be the focus of this talk.

[Brief recall of previous speakers’ key themes.]

- What seems also to be the case is that, in the field of housing finance, one of the problems has been that, with good questions or not, the housing process seems to stagger along in disparate fashion, each set of experts busy with their own backyard concerns, so to speak: legal issues, formalization of property rights and land use, administrative rules and regulations, socio-cultural issues, political willpower to accomplish something, capital markets, public services and utilities, density spatial and architectural issues, political economy and related cyclical and monetary issues, IT impacts, and building materials and means. And, oh yes, finance. The literature is increasingly abundant.

One needs only to scan the literature to note how much is being spent, how much time and thought is engaged, without what we at GHIF consider the vital, the necessary linkages to develop systems to finance affordable housing for low income urban dwellers.

Only a few experts, such as Stephen Malpezzi at Wisconsin, seem to want to create a unified field theory, so to speak, tackling housing finance as it must be – part of a single process encompassing a number of disciplines. Similarly, Renaud, Buckley, the late Mr. Mayo, at the World Bank, also see housing and housing finance from a wider horizon, as part of a highly complex system.

Let me give an example of narrow focus thinking. What is surely a very worthy effort was carried out and published just last year by the UK Department for International Development. Called Evolving Land Rights, Policy and Tenure in Africa, Sociologists, Economists, and Legal and Land Policy experts and several others carried out research and wrote reports. They looked at property rights in sub-Saharan Africa and concluded that various forms of traditional community-based land rights, most not at all formal, were clearly more appropriate to the cultures there, less prone to speculative distortions. Personal property, formalization, in UN, World Bank
or OECD terms, was not endorsed. Yet in all 300 plus pages, not more than a few times were banks and financing even mentioned. Not one financial or banking specialist took part in the exercise. I am not necessarily implying that the conclusions were wrong. What I do insist is that conclusions that skirt or avoid confronting the realities of financial systems, of capital markets – the very sources of funding that would enable economic development – must be viewed with a certain skepticism. Now, it could very well be that there are means to structure risk in communally held or tribal lands, that would make the lending process possible. Credit unions and cooperatives have long existed and thrive today. But not once in this book is such a possibility evoked and presented as a potential solution. If subsistence farming without surplus value is the objective, that’s fine. For any other goal, presumably that of development that will improve the lives of both those on the land and those who became urban, the study, for all its good intentions, exists in a vacuum, as far as development financing is concerned.

- Let me also note in passing that efforts to jumpstart housing finance through secondary markets have generally produced far less than advertised, for similar insular thinking. Why did major institutions push secondary markets without primary markets? More than one multilateral thought they had an answer for a continuous financing process, whereas, in fact, depending on the country, results were even counterproductive, sucking up liquidity instead of creating it.

- Another major and troubling issue was evoked by a senior banking associate of our firm, upon reading a December 2000 paper by Walter Mead of the Council on Foreign Relations. Our associate asked, what research has been done to verify, as the paper contends, that developing countries have reached a point at which export products have become commodities, with severe margin compression, making exports a dubious engine for growth. The thesis, if verified, has a wide range of major policy implications, not the least of which is that, if exports no longer drive economic growth as powerfully as during past decades, then different, internal paths to development must be found. The Council report in fact proposes, among other remedies, major housing projects for low-income families as an economic stimulus, with powerful regional multilateral banks to finance housing and massive small business development. If what Dr. Dubin propounded to us today is correct, then the surplus value created through housing’s direct and multiplier effects can indeed drive development and contribute strongly to the well being of urban and rural poor, for reasons and by means he explained. Here again is a major premise that is begging to be widely tested. But one can’t test without viable statistics, and that is yet another problem.

- For Example: does anyone know where to find reliable statistics that measure the actual cadence of low income home building and finance around the globe? We know of projects in South Africa, for example, that provided finance for 24,000 homes; of others, with far fewer housing starts, in which the financial institutions ran into serious trouble for lack of scale. We are aware of an innovative project in Brazil, one that encompasses a number of the community-building structures central to our own GHIF programs. The BID is involved. Activity in Peru exists, but on a reasonably small scale, by banks such as the Banco del Trabajo and MiBanco. In Bolivia, in Ecuador, several banks are examining housing for low income households. India has a number of efforts, some guided by the World Bank. Malaysia has, apparently, a strong program. There are many others around the world. But a compendium of what has been built, and how financed, and what is planned, and how it will be paid for? Where does it exist?

Similarly: Why is there no country by county repository where the basic data sets Dr. Dubin mentioned can be accessed and retrieved for model building and other purposes? Even OECD member states need be approached one by one, department by department, to find data as fundamental as those Dr. Dubin uses for his model. In a related area -- Housing and Urban Development Indicators – their time apparently returned by 1997, according to Mayo and Malpezzi. Where are they now?
Another set of significant unanswered questions are these: why is there, apparently, no central information depository that sets out clearly the legal and administrative systems in developed and developing countries with regard to tenure formalization? This is immediately relevant to determine the current status and assess the changes needed, country by country, to create affordable, transparent, timely, processes that capital markets and specialized banks will welcome.

A couple of other questions: How attract international investment capital without achieving necessary scale or volume? You can’t. How help keep bond rates down if borrowing internationally? Five years ago, GHIF, probably not alone, suggested to the US Government private insurance provider, OPIC, to offer political risk and convertibility insurance for the housing sector. That has taken place, and issuers of several bonds availed themselves of this coverage, reducing issuance cost by a materially significant number of basis points.

When one looks at housing finance, all the above questions and issues must be taken into consideration – and as you have heard, the issues span a number of disciplines and, within the housing finance configuration itself, involve many types of questions, seeking answers.

We believe intuitively that creating shelter as a means of low-income asset acquisition should be a very substantial societal objective and widely supported.

Deininger, in a September, 1999, World Bank report on Asset Distribution, inequality, and growth confirmed our view. His study showed that a carefully plotted asset increase for low income citizens (asset accretion more than an income upswing) – one that prevents distortions and assures an equitable re-distributive function – is a motor to reduce inequalities. Property allocation and acquisition is one means to create assets. What I have just said is a somewhat broad simplification of a fairly complex study of the issues involved, but hews to the central message. Similarly, a 1999 study on the effect of land registration on financial development and economic growth in Thailand carries the same important message: well-implemented titling has positive and significant long run effects on financial development. Growth, subsequent to title registration, follows a J curve, with a strong and sustained rally.

Nonetheless, we face at least two major problems in seeking to approach the issues before us: one is the acceptance or rejection of property rights as an important driver in urban economic development. The other is the fact that the housing sector is, despite appearances, devilishly complex. The very complexity of the housing issue makes it both a challenge and an opportunity for all segments of civil society. Precisely because so many elements of civil society are involved, our group, GHIF, decided that, to understand housing finance, we had to understand and deal with a host of issues. In fact, we needed an holistic methodology, one that deals with the key motor elements of what drives a housing finance system.

Undoubtedly, primary among these elements is the political. De Soto stresses this any number of times in his recent work, The Mystery of Capital – although even he mostly focuses his message on asset generation through private property titling, rather than on economic outcomes that result from the subsequent process to use fungible assets to generate surplus value or wealth. De Soto is right, though: among the sine qua non for a viable housing finance sector, a sort of primer inter pares, is Political Will. If an oligarchy, if traditional elites, if bureaucratic nomenclaturas, if people with traditional cultural or societal mores, are threatened by new forms of wealth, even if such wealth creates greater aggregate value, and such people are blind to the benefits that ensue, then abandon all hope ye who enter. Under such conditions, the impetus for the necessary socio political economic process that creates surplus value through the housing sector will indeed be stymied or badly distorted. We see examples every day.
As with formalization, so for administrative reform that Ms. Panaritis spoke of: Political Will is needed again. Bankers often operate driven by three forces - sloth, greed and fear. Fear of running afoul of government is often what is needed to get such bankers to act responsibly. Sometimes, despite fear, they don’t, as in South Africa. Contradicting the 1994 record of understanding between the Housing Department and the Association of Mortgage Lenders for scale lending to lower income borrowers, banks continue red-lining today, scale is far from being achieved, and only timorous steps are being taken in the right direction. Many banks were called, few accepted to be chosen, in South Africa or elsewhere, to provide affordable loans that could, if managed with skill and attaining appropriate scale, provide acceptable yields.

Today, the multilaterals and regional banks can help address the economics of low income lending by promoting best practices of IT to cut operating costs, by providing various forms of guarantees to reduce a panoply of risks and hence, lower borrowing costs. GHIF is involved with the World Bank now in Peru in seeking to implement such measures, and in so doing, to attract traditional banks to address the shelter issue for low income families.

Let me stress that skilled use of IT is becoming a material factor in cost reduction. Companies like Thari Financial in South Africa or Phoenix from the UK are leaders in providing AST software designed for financial institutions dealing with lower income households. KPMG’s lending models can also reduce costs. Here is one question whose answer is being given, today.

I have mentioned scale several times. The fact is that small loans carry a higher overhead burden. What can be called the marginal cost of poverty is high compared to the marginal cost of being wealthy. Hence, in many instances housing loans, as complex as they are, must be looked at as if they were consumer loans, and be dimensioned by the financial institutions to see where they can break even and then be profitable. Scale is critical. Sometimes small is beautiful. In housing finance, big is far better. While talking of scale, let me note that international bond issues for housing, to receive other than private placement with investment grade ratings, simply have to have meaningful size. Two hundred million dollars just about gets an issue to be noticed on financial market radar screens.

Yet another key element in an holistic approach to housing finance involves Public awareness and information: this is another requisite for successful low income efforts. To forestall fraud and speculation in land and home prices; to engage people in acting in community and being responsible in the formal sector as community members; in assisting them to become computer literate (and thereby helping speed, rationalize, and reduce costs in the origination and servicing processes); creating awareness that well maintained homes and communities are more likely to show value accretion over time – and be a better place to live; enabling homeowners either to enlarge their homes through improvement loans or borrow against their assets to start small businesses... These are some of the educational, public affairs functions in a housing system – and they, too, need the commitment of and encouragement from the political class, if not direct intervention.

Finally, the lending process itself is reasonably complex. To get an idea of what is entailed, I recommend the Fall 2000 essay by Debra Erb, President of Societas, the international housing finance NGO created with a grant from the Mortgage Bankers Association of America. Entitled Bridging the Housing Gap in Emerging Markets, the writing is a primer on what basic elements are needed to create a functioning real estate finance market, with a focus on specific aspects germane to low income housing finance. It was issued as a report from OPIC, the US Overseas Private Investment Corporation. Erb decomposes the basic hierarchy of elements in the structure.
Finally, let me say just a few words about our company, GHIF, and our programs. Taking all the above considerations into account, we structured ourselves to understand and, as needed, to cover all aspects of housing finance – all of us are accomplished specialists in one or more of the focus zones I have mentioned. What we set out to do was create new possibilities, discover new opportunities for innovative programs in developing housing markets. We believe we are on the right track. We have three proprietary programs, one that can deliver substantial financing – a form of swaps in financial terms; another that, including IT and other cost efficient best practice structures, will seek, through Dr. Dubin’s model, to show government that granting tax incentives to the finance sector – to those who provide funding for low income housing – government revenues can increase with substantial housing production; finally, a third program developed by GHIF to reduce the threshold of affordability for low income families – a program structured with Prof. Andrew Caplin of NYU whose conceptual work focused on the US market.

Each program requires sustained political will and participation by civil society in building community; each program demands that capital support come substantially from local investors, not foreign donors or bond holders; and each program must have a vision that is able to encompass and deal constructively with all the specific inputs that building cities on the hill require for equitable living opportunities and livable cities. Thank you.
Introduction

The Third Sector plays a crucial role in filling the gap left by the first (public) and second (private) sectors in addressing Third World housing problems. The sector covers a broad array of organizations including non-government organizations (NGOs), community based organizations (CBOs), non-profit organizations (NPOs), grassroots organizations (GROs), and cooperatives. It is characterized by voluntarism and strong local community involvement. It is more flexible than public bureaucracy; unlike the private sector, it is not motivated by profit making goals. Yet, the Third Sector faces voluntary failure and accountability issues.

While these characteristics are distinctive from public and private sectors, synergistic relationships mutually reinforce each other’s capacity to address housing problems. Fostering synergistic relationships with the Third Sector helps expand the welfare arm of the public sector and builds social capital. Inter-sectoral and intra-sectoral institutional structures are crucial to build the synergy. “Enabling” policies should focus on these structures to build synergistic relationships, while enhancing the characteristic strengths and mitigating weaknesses of the Third Sector.

State involvement in “enabling” is inherently paradoxical since voluntarism cannot be mandated. Yet, the State could play a catalytic role in establishing suitable institutional structures to enable the Third Sector. Two aspects of institutional structures are significant in this respect. First, the structures should allow for autonomy and voluntarism, both of which are important for local community initiatives to emerge. Second, the structures should allow for accountability mechanisms that maintain Third Sector’s autonomy. Formal inter-sectoral accountability mechanisms need to be complemented with informal mechanisms such as reciprocity, trust, and reputation established by the Third Sector itself. The manifest forms of such institutional structures could differ between countries based on political context and historical relationships between the three sectors.

This paper is organized in four sections. The first section deals with characteristics of the Third Sector. The second section deals with the need for synergy in reinforcing Third Sector activities. The third section deals with institutional structures enabling the Third Sector. The last section summarizes the fundamental features of the enabling strategy.

Characteristics of the Third Sector

The Third Sector encompasses a broad range of organizations. It includes non-government organizations (NGOs), community based organizations (CBOs), grassroots organizations (GROs), non-profit organizations (NPOs), and cooperatives. These organizations differ between themselves in terms of their membership characteristics, financial sources, and the groups they serve. For example, NGOs and NPOs are typically voluntary organizations funded by other agencies (public, private, or philanthropic) to provide housing related services to the homeless and slum-dwellers. CBOs, GROs, and cooperatives are typically membership organizations to promote collective interests of their members. Their finance is often internally generated, through their members. While CBOs and GROs are loosely structured local associations, cooperatives are based on collective ownership.¹
Besides differences in their characteristics, Third Sector organizations also differ in the scope and type of activities. The scope of their activities ranges from international, national to local levels. The nature of activities at these three levels differ; for example, international organizations typically provide financial support to local organizations; national organizations act as umbrella organizations or networks of locally based organizations. Further, Third Sector organizations could be involved in advocacy (i.e. defending a cause) or operational (i.e. direct provision of services) activities. These divisions are, however, not mutually exclusive, i.e. some organizations could be involved in both advocacy and operational activities (e.g. they could protest eviction of slumdwellers, champion for slumdweller’s rights to housing, provide basic infrastructure and health services in slums, and so on).

Although the Third Sector is not homogenous, it is distinguishable from the first (the public) and the second (the private) sectors. While public and private sector agencies are based on the principles of vocation and income maximization respectively, Third Sector organizations are based on the principle of voluntarism (Brett 1993). They are voluntary organizations that promote the interests of their own members or other vulnerable groups. Public sector agencies are broadly governed by the polity and can invoke the coercive power of law to commandeer resources (e.g. through eminent domain, zoning, taxation, preferential regulations). Private sector agencies are governed by market forces and their resources depend on their profitability. Third Sector organizations are usually self-governing and depend on charitable donations; they are usually not motivated by profits due to regulatory constraint of non-distribution of profits among principals (Hansmann, 1980). Hence, “in the public sector, this means bureaucratic hierarchy associated with democratic accountability and, in the private sector, profit and accountability to the market,” while voluntary organizations are private bodies motivated by “principles of obligation and reward based on solidarity or purposive incentives” (Brett, 1993, p. 276).

The Third Sector has been especially useful in filling the gap left by failures of the other two sectors. State intervention is typically prompted due to housing market failures; however, public sector agencies also fail and do not fully compensate for housing market failures. Housing markets fail due to externalities of urban housing and land markets (Whitehead, 1983), lag time in reaching equilibrium between housing supply and demand, and information asymmetry between sellers (developers) and buyers (households). In addition, free riding leads to sub-optimal provision of collective goods and services (e.g. common facilities) (Olson, 1965). State intervention to correct housing market failures could also fall short of expectations. Public bureaucracies are inefficient due to their rigidity and inflexibility. Government failures are most evident in public housing: while public housing suffers from poor construction and bad management, it also incurs higher costs. Indeed, inefficiency of the “top-down” public housing programs paved the path for “bottom-up” self help housing approaches during the 1970s (Turner, 1976; Rodwin and Sanyal, 1987).

The Third Sector fills the gap left by market and government failures by acting as private producers of collective goods (Weisbrod, 1974). For example, in many developing countries, NGOs, CBOs and cooperatives have taken up the task of providing collective goods like streets, playgrounds, water supply, sewage, and sanitation. The Third Sector also extends the welfare state to the benefit of the poor in at least three ways. First, voluntary action complements public sector efforts in targeting services to the poor who are left out of the housing market. Second, Third Sector organizations empower local communities by mobilizing collective action. For example, NGOs have mobilized collective action among slum-dwellers to obtain tenure security and basic services. Third, Third Sector organizations have been able to implement non-traditional housing finance systems like microcredits and group lending programs to provide credit to the poor (who are usually not catered to by formal banks for lack of collateral, stable income, and high transaction costs).
Third Sector organizations that have strong ties with the local community can design and implement programs that are more responsive to the local needs. They are more flexible than the public sector. As agents of the local community, UNCHS (1996, p. 428) identified three specific roles for NGOs:

- Enablers (i.e. community developers, organizers or constituents) alongside community-based organizations
- Mediators between the people and the authorities which control access to resources, goods and services
- Advisers to state institutions on policy changes to increase local access to resources and greater freedom to use them in locally determined ways

Broadly, volunteer organizations provide exemplary norms of civic conduct due to their public involvement. They enhance the community’s stock of social capital. Social capital implies informal norms (e.g. trust, reciprocity) that promote cooperation between two or more individuals; it is a productive feature intrinsic to groups, networks, associations, and so on (Coleman, 1990; Putnam, 1993). In economic terms, social capital reduces transaction costs, and in political terms, it increases public involvement to support informal and formal decision-making processes (Fukuyama, 2001). In membership organizations like CBOs and cooperatives, norms of trust and reciprocity are contained within the group; in other organizations like NGOs and NPOs, such norms extend beyond the organizational circles.

In spite of its strengths, similar to the other two sectors, the Third Sector also has its weaknesses. These weaknesses stem from “voluntary failure.” Salamon (1987) identifies four sources of such failure. First, voluntarism suffers from philanthropic insufficiency, i.e. the Third Sector cannot raise enough resources to provide collective goods adequately. This is in part due to the free-rider problem inherent to the provision of collective goods. Second, voluntarism suffers from philanthropic particularism, i.e. the Third Sector focuses on particular subgroups of the population, so that some other deserving subgroups may not be adequately represented. Third, voluntarism suffers from philanthropic paternalism, i.e. the Third Sector may assist in such areas that it perceives there is a need, rather than local community needs. Fourth, voluntarism suffers from philanthropic amateurism, i.e. the Third Sector may not be specialized in dealing with local community problems.

Besides voluntary failure, the Third Sector also faces accountability issues. While the public and private sectors are accountable to the polity and to the market respectively, accountability in the Third Sector is more ambiguous. Accountability issues are less problematic in membership organizations like CBOs and cooperatives—these organizations are accountable to their members since members are both the fund providers and beneficiaries of services. Other organizations like NGOs and NPOs, face “multiple accountabilities” since fund providers are not the beneficiaries of services (Edwards and Hulme, 1995, pp. 9-10). These organizations have to be financially accountable to donors (upward accountability), and politically accountable to beneficiaries (downward accountability). Accountability becomes critical when the State is the donor as State funded NGO/ NPO activities need to be broadly justifiable to the polity. In comparison to philanthropic and private funding, State funded programs usually involve more red tape, cumbersome procedural requirements and regulatory control. However, overemphasizing accountability at the cost of flexibility threatens the informal, voluntary character of the Third Sector. Edwards and Hulme (1996) argue that dependence of NGOs on official funding may even compromise their performance, distort accountability, and weaken their legitimacy. Indeed, a degree of flexibility is required in directing funds according to the assessed community needs.
“Enabling” the Third Sector: Role of Synergy

While activities of Third Sector organizations in housing have grown over the last decade, there is considerable scope for further expansion. Enabling a concerted growth of these organizations is required for two reasons. First, it is fundamentally required to expand the welfare state to benefit the poor. While retreat of the state in direct provision of public housing has been desirable, overall decrease in state funding for housing has shrunk the welfare state. Formal private sector housing also has failed in catering to the poor in developing countries (Renaud, 1987, pp. 182-183). The Third Sector could complement the public sector in extending housing services for the poor. Second, the inherent voluntary characteristic of Third Sector organizations enhances the stock of social capital. These organizations provide exemplary norms of civic conduct in their role as enablers of local community groups, mediators between local community and public authorities, and policy advisers to state agencies.

Although enabling the Third Sector is desirable, state involvement in the enabling process is paradoxical since voluntarism is hard to achieve through coercive power in a democracy. Regulatory controls could have the unintended effect of reducing voluntary activities. In this, the Third Sector differs from public sector in providing collective goods: while “voice” is crucial to the public sector, the Third Sector is more susceptible to “exit” (Hirschman, 1970). State’s regulatory capacity needs to be tempered to maintain Third Sector’s autonomy for voluntary activities to expand.

Rather than regulating the Third Sector, enabling policies should realize the synergistic relationship between the state and the Third Sector. Synergy calls for mutually reinforcing relationships between the sectors, which is characterized by not only complementarity (i.e. one sector fulfilling the gap left by the other), but also embeddedness (i.e. mutual interdependence) (Evans, 1996b). It enhances each other’s capacity in providing collective goods and in extending welfare services. Synergy is based on ties that span the public, private and the Third Sector to create productive informal networks of bureaucracies, entrepreneurs, and volunteers. These networks build social capital by spawning informal norms of trust and reputation between the sectors. While maintaining the comparative advantage of each sector, synergy builds partnerships based on mutual advantage. Mutual relationships among the three sectors are important for effective Third Sector intervention; as Edwards (1999, p. 361) argues, “Making a difference to livelihoods and capacities among poor people depends on NGO successes in fostering autonomous grassroots institutions and linking them with markets and political structures at higher levels.”

Fostering synergy is sensitive to the political and historical context of relationships between the sectors. Evans (1996b, p. 1119) argues that synergy is “most easily fostered in societies characterized by egalitarian social structures and robust, coherent state bureaucracies.” Sanyal (1998) identifies three variables in the relationship between the state and NPOs: (a) nature of the political system (NPOs may find allies in a multiparty democratic system); (b) political affiliation and sympathies of NPO leaders; and (c) the internal management and political coherence of the political party in power (systems with centralized decision making could “deter the party from effectively mobilizing the poor at the grassroots level, leaving room for NPOs to fill the void” (p. 81). He further argues that there could be different institutional motivations in the interaction between the state and NPOs. On one hand, the State could collaborate with NPOs to appear neutral in its project implementations; on the other hand, NPOs could collaborate with the State to create a track record of its activities or to influence government programs (Desai, 1999). Sen (1998, 1999) demonstrates that housing NPOs emerged in Indian cities at particular historical junctures due to overall sociopolitical context.

Indeed, synergy cannot be taken for granted and the evolution of productive relationships is not automatic (Rosenau, 1999). Gidron, et al (1992) identify a range of political relationships between the state and the Third Sector in
Europe, including state dominant, third sector dominant, dual, and collaborative models. Coston (1998) identifies eight modes of relationships between the state and NGOs depending on state’s attitude towards institutional pluralism. On an increasing scale of tolerance towards institutional pluralism (i.e. authoritarian to decentralized governments), these are: repression, rivalry, competition, contracting, third party, cooperation, complementarity, and collaboration. Relationships between the sectors are also not without conflicts either. Tracing the history of State-NGO relations in India, Sen (1999, p. 327) argues that the “relationship at the local level can be generally characterized by the hostility of politicians, party workers, local elites, lower level bureaucracies, and lower level employees of the state toward NGO activity.” Further, differences could exist between institutional interests of the sectors. Najam (2000), for example, identifies four possible relationships between the state and the Third sector based on institutional interests and preferences for policy ends and means: cooperation in case of similar ends and means; confrontation in the case of dissimilar ends and means; complementarity in case of similar ends, but dissimilar means; and co-optation in case of dissimilar ends, but similar means.

However, inter-sectoral relationships are not static—they are dynamic and evolve over time. In his comparison of government-nonprofit relations in four countries (the United States, the United Kingdom, Israel, and Japan) Young (2000, p. 168) argues, “the emphasis on supplementary, complementary, and adversarial relationships has changed over time within all four countries.” There is scope for relationship between the three sectors in a range of political contexts, although the extent of synergy could differ. Synergy could arguably be said to increase as there is more collaboration between the sectors and there is more tolerance for institutional pluralism.

The core element in mediating relationship between the sectors is the institutional structure, which is a key factor in building synergy. Institutions refer to the matrix of rules (formal and informal), which form the framework of constraints as well as opportunities. Organizations emerge within the opportunities afforded by the framework (North, 1990). Institutional structure refers to the manifest arrangement of relationships between the three sectors fostered by the institutional framework. The design of the structure could enable in building mutually productive relationships between the sectors. Reforming institutional structure is crucial to building synergy. As Evans (1996a, p. 1036) argues, “the imaginative application of ‘soft technologies’ of institution building and organizational change can produce synergistic relations even under unlikely circumstances.” Nugent (1993, p. 629) also observes in his analysis of local organizations and institutions (LOIs):

> ... there is evidence that the existence of the state and the rules it establishes and enforces can strengthen and increase the efficiency of LOIs and that, at least in coalitions with other urban based groups, LOIs can give rise to collective action increasing the power of the state. Similar statements could be made about the relationship between markets and LOIs.

In his comparative study of four NGOs in Asia, Edwards (1999, p. 372) further argues:

> When the right organizational characteristics and a supportive relationship with donors come together, NGOs have more chance of improving the context in which they work ... Over time, the process becomes self-reinforcing—NGO success breeds confidence, and confidence makes more room for effective civic action. The lesson to be learned—even in more difficult contexts—is that NGO networking, constructive engagement with different levels of the state, and building demand among poor people for improvements in services and governance, can improve the legal and regulatory framework, and change donor practice, in ways which are crucial for sustainable development on the ground.

### Catalyzing Institutional Structure

Institutions provide a behavioral guide to individuals and organizations through rules that “refer to which actions are required, prohibited, or permitted” (Ostrom, 1986, p. 5). While formal institutions (laws, policies) are designed and enforced by the state, informal institutions (cultural norms, conventions) evolve over time in the course of
social interactions; informal institutions are less defined but more persistent than formal institutions. Together, they reduce uncertainty by providing a structure to the daily life-world. They provide stability to relationships between organizations. The evolution of organizations is intricately linked with the institutional framework. As North (1990, p. 5) argues, “Both what organizations come into existence and how they evolve are fundamentally influenced by the institutional framework. In turn they influence how the institutional framework evolves.” Institutional structures reflect the underlying institutional framework shaped over time. These structures mediate functional and power relationships between organizations (and individuals). Institutional structures could be formal or informal. Formal structures are based on legally binding relationships (e.g. contractual relationships), while informal structures are based on customary relationships (e.g. based on reciprocity, trust, promise). Further, institutional structures are both intra-sectoral (i.e. endogenous, within each sector) and inter-sectoral (i.e. exogenous, spanning the three sectors) and manifest themselves in various forms depending on the political context. Intra-sectoral structures in public sector may range from hierarchical authority to more decentralized decisions at local levels; in the private sector, such structures could range from corporations to informal markets; in the Third Sector, such structures range from spontaneous organizations to networks. Inter-sectoral structures are more complex, ranging from monitoring to partnerships among the three sectors. The two structures are not entirely independent of each other.

Institutional structures offer opportunities for building synergistic relationships among the sectors. Cooperation in formal structures is legally enforced, and that in informal structures is based on social capital. Inter-sectoral structures span the three sectors for productive relationships and intra-sectoral structures build productive relationships between organizations within the sector. Taken together, institutional structures aid in mutually reinforcing the productive capacities of the public, the private and the Third Sector.

Although characteristics of institutions and institutional structure are historically and politically contextual, the State, by virtue of its authority, has an important role in designing and enforcing institutions and institutional structures. Hence, it could play a key role in catalyzing synergistic relationships. Also, collaboration among public, private and Third Sector on identifying institutional constraints and defining opportunities to eliminate them is itself a process that can produce synergy and strengthen inter-sectoral relationships. Catalyzing key features of the institutional structure that promotes synergy could enable the Third Sector.

In sustaining the synergy, institutions and institutional structures should preserve sectoral strengths (and mitigate weaknesses) while promoting productive inter-sectoral relationships. Two related aspects of institutional structures are important in this respect. First, the inter-sectoral institutional structure should allow for autonomy and voluntarism of the Third Sector. Second, institutional structures should allow for accountability mechanisms while maintaining Third Sector’s flexibility. The manifest forms of these institutional structures may vary between countries depending on local political and historical context.

Institutional Structures for Autonomy and Voluntarism
On a broad societal level, this implies democratic institutions guaranteeing freedom of association and speech. While freedom of association allows Third Sector organizations to emerge, freedom of speech preserves their autonomy. Third Sector organizations themselves have a significant role in the emergence of such institutions of democracy (Clark, 1991). Institutional structures should encourage productive voluntary activities, rather than discouraging such activities. For example, legal recognition of Third Sector organizations usually requires registration with the public authorities; if the registration process were cumbersome and time consuming, it would impede the development of the Third Sector. Clear definitions of the forms of association and streamlined procedures (with respect to documentation, fewer steps for clearances from public authorities, bureaucratic cooperation) enable Third Sector development.
Specifically with respect to housing, autonomy and voluntarism are required for encouraging local community initiatives. Autonomy allows the Third Sector to evolve non-traditional, innovative solutions to address housing issues. It helps in nurturing “bottom-up” approaches, where communities can actively participate in housing decisions for themselves. Voluntarism is at the basis of collective self-help housing and micro-credit groups. However, these organizations face free-riding problems, which is inherent to the provision of collective goods. In such cases, intra-sectoral institutions to overcome free-riding are developed within the group (e.g. through peer monitoring, internal sanctions).

Although autonomy is desirable for independent decision making by Third Sector organizations, assistance from public and private sectors help in overcoming some of the voluntary failures. This could be in the form of technical assistance for overcoming philanthropic amateurism and financial assistance to widen the scope of the Third Sector to overcome philanthropic insufficiency and philanthropic particularism. However, there is a tradeoff between autonomy and obtaining such external assistance. While collaborative relationships could lead towards a more effective Third Sector, overt dependence on other sectors could compromise its autonomy. Edwards and Hulme (1996, p. 969) argue, “closer links with donors (and the suspicion of foreign influence this creates in government) may result in a move away from self-regulation to regulation from above by the state.” Further, philanthropic paternalism may become more acute as organizations may be required to provide services emphasized by donors, rather than those required by local communities.

Hence, the institutional structure should allow for autonomy while maintaining productive relationships (embedded autonomy in Evans’s (1996b) terms). The subsidiarity principle provides a useful guideline for such institutional structure. Subsidiarity privileges local community initiatives and assistance is provided for initiatives that emerge from local communities. It provides a venue for overcoming philanthropic paternalism since local communities generate initiatives, rather than being told what to do. Lastly, it empowers local communities through dispersal of authority as close as possible to grassroots. Technical, financial, and other forms of assistance to Third Sector organizations based on subsidiarity provides scope for their autonomy, while fostering productive relationships.

Institutional Structures for Accountability
Mediating accountability across sectors and within the Third Sector requires both inter-sectoral and intra-sectoral institutional structures. On one hand, each sector has different accountability mechanisms; on the other hand, the Third Sector organizations itself faces multiple accountabilities. At the inter-sectoral level, the Third Sector needs to be accountable to other public or private agencies in partnership. Yet, imposing the same standards of accountability as other sectors on the Third Sector could undermine its voluntarism, flexibility and autonomy and may result in bureaucratic structures (Edwards and Hulme, 1996). At the intra-sectoral level, Third Sector accountability requires a delicate balancing between upward financial accountability towards donors and downward political accountability to beneficiaries. Often, Third Sector organizations attempt to preserve the balance by diversifying their resource base (Froelich, 1999).

Evolving a sustained synergy among the three sectors requires institutional structures of accountability that enhance partnerships. Partnerships begin with existing stock of social capital and enhance it through further participation and mutual learning. They are based on both formal (i.e. relationships based on formal reporting procedures) and informal (i.e. relationships based on trust, promise, reciprocity, and reputation) accountability mechanisms. Edwards and Hulme (1996, p. 969) argue, “a partnership approach which emphasizes participation, learning, reciprocity, and transparency may permit the problems that accompany organizational growth and donor funding to be managed: GRO/ NGO performance, legitimacy and accountability need not be eroded.” Emphasis on partnerships does not imply that such relationships are without conflicts. Indeed, partnerships entail both conflict and cooperation; but the emphasis is on forums of mutual participation and learning to encourage accountability.
Inter-sectoral institutional structures for enhancing partnerships need to emphasize flexible accountability mechanisms. Public, private and other philanthropic agencies must be encouraged towards funding arrangements that provide stability and predictability of long-term policy goals, and Third Sector agencies should have flexibility in project operations in the short-term. Edwards and Hulme (1996, p. 969) propose that “it may be better to channel official donor funds to NGOs and GROs via an independent public institution which can protect them from undue donor influence, . . . or via local NGO networks which can ensure quality control through self-regulation and peer pressure.” Intra-sectoral accountability mechanisms established within the Third Sector are also crucial for self-regulation. Young et al (1996) identify three types of umbrella association structures (trade association, federal, and corporate) that have emerged in the United States. Using Hirschman’s (1970) concept of “exit” and “voice” they argue, “Trade and looser federal associations appear to be stronger on the exit option for disciplining the national office, and corporate and tighter federal associations stronger on the voice option for disciplining affiliates” (p. 361).

However, manifest institutional structures to foster partnerships and enhance Third Sector organizations differ between countries based on their political and historical contexts. Institutional structures could extend beyond facilitating accountability; they could also assist in providing financial, technical, legal, and administrative support in establishing new Third Sector organizations. They could be catalyzed by the state, or established within the Third Sector. The Urban Community Development Office (UCDO) setup by the Thai government is an example of state sponsored partnership to promote the Third Sector. Although the office was setup with state funding, the governing board “comprises representatives from not only government offices, but also the communities, the private sector, and the NGO domain” (Lee, 1998, p. 1000). In Mumbai, Society for Service to Voluntary Agencies (SOSVA) was setup to support NGOs with initial funding from Ford Foundation; later it was supported by state and central government grants. It provides training programs in fund-raising, project proposal writing, accounting, budgetary control, taxation, public relations strategies and management of information systems; many NGOs in the city acknowledge its supportive role to secure funding and enhance their activities (Desai, 1999).

Summary
The Third Sector plays a crucial role in filling the gap left by private and public sectors. It is characterized by voluntarism and community involvement; it also faces voluntary failure and accountability issues. Enabling a concerted growth of the sector is desirable to extend the state’s welfare capacity and to build social capital. However, State’s role in enabling the Third Sector is inherently paradoxical since voluntarism is difficult to be mandated. Enabling the Third Sector requires building synergistic relationships among the three sectors. Institutions and institutional structures are key elements in building such synergy. The State can play a catalytic role in designing and enforcing such institutional structures.

In enabling the Third Sector institutional structures need to preserve the its sectoral strengths (and mitigate weaknesses) while building productive relationships with other sectors. Two aspects of the institutional structures are significant in this respect. First, they should allow for maintaining the voluntaristic and autonomous characteristics of the Third Sector. Second, they should allow for inter-sectoral and intra-sectoral accountability of the Third Sector while maintaining its flexibility. Both formal and informal institutional structures help in building partnerships and achieving accountability. The manifest forms of these structures are, however, contingent on the political and historical context.
References


University Press.


(Footnotes)
1 See Vakil (1997) for classification problems of Third Sector organizations.
“State-NGO/CBO-Private Sector Partnerships for Housing and Basic Service Delivery in Cities in Developing Countries: Case Studies from Slum Areas of Nairobi City, Kenya”

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1. Introduction
The growing need for affordable low-income housing and basic services in many Third World cities has intensified the search for strategies that can be used to meet this challenge. In this paper, the author argues that partnerships involving the state, the voluntary sector, and the private sector offer a promising solution to this challenge because the partnerships allow individual actors to mitigate their weaknesses in low-income housing and service delivery by tapping into the strengths of other participants. As a result, the supply of housing and basic services to low-income urban residents increases.

To facilitate understanding of how partnerships can lead to increased housing and service supply to urban low-income residents in Kenya and in other Third World countries, the paper begins with a background of the various strategies that have traditionally been used to meet these needs. It then proceeds to review the strengths and weaknesses of the state as well as the voluntary and private sectors to demonstrate why none of these is single-handedly capable of meeting poor people’s housing and service needs. Next, the paper examines the benefits of state, voluntary, and private sector partnerships in meeting poor people’s housing and service needs as well as the sacrifices that such partnerships entail. Finally, the paper presents case studies of ongoing state, voluntary, and private sector partnerships in low-income housing and service delivery in Nairobi’s Kibera and Mathare slum settlements.

The paper is based on data obtained in 1996-97 field study of the voluntary sector’s (i.e., nongovernmental and community organizations) role in urban service provision and planning in Nairobi City, Kenya. Secondary data sources, especially newspaper coverage of voluntary sector activities in Nairobi’s low-income settlements are also used to complement the author’s fieldwork data.

2. Background
Many developing countries, especially those in Africa and Asia, are among the least urbanized in the world. But in recent decades, these countries have recorded some of the highest annual urbanization rates--on average 4% (Rakodi, 1997). Consequently, many of the world’s large urban agglomerations are increasingly found in developing countries including those in Africa and Asia. Urban management as well as the provision of housing and basic services such as potable water and sanitation to urban residents, especially the poor, is increasingly difficult because of: (1) poor planning, (2) municipal governments’ weak institutional, financial, and administrative capacity, and (3) rapid urban population growth due to excessive rural-to-urban migration, high natural increase, and worsening economic conditions in rural areas. Moreover, urban management in many developing countries, especially those in tropical Africa, has been significantly complicated by the adoption of IMF-World Bank-sponsored structural adjustment programs (SAPs) since the early 1980s (Porter and Sheppard, 1998). SAPs stipulate, among other things, that governments should withdraw from the provision of urban social services such as education, sanitation, and health, and that these services should be privatized to improve efficiency (Rakodi, 1997). SAP proponents also believe that urban residents, including the poor, are willing and able to pay for market services especially those provided by the informal sector, hence the call for limiting the state’s role in
urban housing and service provision. Although there is a growing body of evidence that SAPs have in general worsened the plight of the urban poor, some scholars (e.g., Aina, 1997) maintain that it is African governments’ failure to provide adequate urban housing and services that necessitated the imposition of SAPs.

In Kenya, as in many Third World countries, the dominant strategies for urban housing provision for the urban poor include slum upgrading and site-and-service-schemes. However the efficacy of these strategies in Kenya, as in many other countries, has been limited by ambivalent government attitudes to irregular settlements. According to Syagga and Kiamba (1992 p. 86) “this is possibly because in the eyes of the political elite, the administrator, and the professional, upgrading is not attractive for political display. The upgraded areas are too low a standard to be good show pieces.” Moreover, these strategies have failed in Kenya because of their reliance on modern designs, construction technology, and conventional building materials, which makes the resultant housing unaffordable to the poor, even with the use of a high level of subsidies. Unfortunately, there has been considerable municipal and national government inertia in adopting housing designs, construction technology, and building materials that are more suitable for the country’s socioeconomic conditions (Syagga and Kiamba, 1992; MDC, 1993; Otiso, 2000; Yahya, Agevi, Lowe, Mugova, Musandu-Nyamayaro and Schilderman 2001).

Traditionally, the main actors in urban housing and service provision in Third World cities have been the state, the private sector (both formal and informal), and community self-help efforts. Undeniably, municipal governments and the private sector have failed to meet poor people’s housing and service needs for reasons such as inefficiency and market failure. More recently, another participant whose role has grown significantly is the voluntary sector, i.e., non-governmental and community-based organizations (NGOs and CBOs)–defined and described in the next section. The voluntary sector’s role has increased because it is largely not market-oriented, less bureaucratic relative to the state, and closer to poor urban residents, hence, the belief that the sector is best suited for the role of spearheading efforts to address poor people’s housing and service needs (Otiso 2000). However, it is becoming increasingly evident that like the other actors, the voluntary sector cannot single-handedly meet poor urban residents. As the author endeavors to show in this paper, partnerships involving the state as well as the private (formal and informal) and voluntary sectors are a promising solution to the formidable task of meeting these needs.

3. Review of Participant Strengths and Weaknesses
To facilitate analysis and understanding of the potential of state, voluntary sector, and private sector partnerships in meeting poor people’s housing and service needs, it is necessary to provide a brief overview of the strengths and weaknesses of these participants.

3.1. The State
In many developing countries, urban housing and service provision is perceived to be within the purview of the state. In fact, the charters of many municipal governments do include this mandate. Unfortunately, many governments are unable to meet these needs because of administrative, financial, and institutional weaknesses coupled with poor planning and rapid population growth. Although bilateral and multilateral donors such as foreign governments and the World Bank have spent billions of dollars in attempts to strengthen municipal governments in developing countries, the results have been less than satisfactory (Otiso 2000).

Nevertheless, the state has notable strengths in the area of housing and service provision. These include its capacity to undertake large-scale projects; garner significant financial, administrative, and technical resources; its relative freedom from the constraints of the market; and its ability to regulate or influence other housing and service providers (e.g., the private and voluntary sectors) to achieve its objectives (pg. 346). Clearly, governments in many developing countries have been unable to fully exploit their strengths in order to maximize housing and basic service provision to urban residents, especially the poor.
Conversely, the state has weaknesses that undermine its ability to achieve its urban housing and service provision objectives, especially those of the poor. These include:

- An inflexible and hierarchical administrative structure which is unable to respond to the unique needs of poor urban residents (Otiso 2000);
- Loss of resources due to corruption, nepotism, or rent-seeking behavior among bureaucrats (ibid);
- A poor record of building affordable housing for the poor without substantial incentives (Vakil, 1999);
- Its contribution to poor people’s inability to obtain affordable housing and services because of over-regulation and prescription of unattainable building and infrastructure standards (Syagga and Kiamba, 1992; Otiso, 2000);
- Its inability to deal effectively with or recognize informal groups e.g., community based organizations (CBOs) unless formalized through registration--which often imposes additional constraints on these organizations ability to function since their vitality largely derives from their informality (Vakil, 1999);
- Frequent lack of depth in its broad- or large-scale projects; and
- Its domination by elite groups who use their political power to enhance their interests at the expense of the poor (Syagga and Kiamba, 1992; Otiso, 2000)

3.2. The Voluntary Sector
The voluntary sector consists of largely non-profit organizations that exist to meet the needs of specific constituencies. Because the sector is diverse, we restrict ourselves to those voluntary organizations that exist to improve the material welfare of poor people, especially in developing countries. Prominent among such welfare organizations are nongovernmental and community-based organizations.

3.2.1. Nongovernmental Organizations (NGOs) are registered, private, independent, and nonprofit organizations (Copestake, 1993). Despite incredible diversity in the nomenclature used to describe NGOs in the literature, the term NGO, as used in this study, includes intermediary development NGOs, private voluntary development organizations (PVDOs) or private voluntary organizations (PVOs), Northern NGOs (NNGOs) or Foreign NGOs, i.e., donor NGOs from the West, local or Southern NGOs (SNGOs) which provide services using resources from NNGOs (Gariyo, 1995; Assaad, 1999). The founders of NGOs are usually professionals or altruists who are motivated by the desire to contribute to the welfare of fellow human beings, e.g., through poverty alleviation and urban service provision. NGOs, especially foreign NGOs, seldom provide services directly to beneficiaries for fear of fostering dependency. Instead, they mobilize local residents into community-based organizations--CBOs (described below)--that supply the services. Alternatively, Northern NGOs contract with SNGOs or local NGOs to provide services to the community. But there are times when direct service provision by foreign NGOs is unavoidable, e.g., in the early stages of service initiation, before the community is mobilized. In such cases, the NGOs initiate service provision prototypes and then roll back their contribution as the community gets mobilized into CBOs that are directly responsible for local service provision, thereby, fostering local self-sufficiency as opposed to dependency. Direct NGO service provision also takes place when the service being provided requires resources or skills that are unavailable in the community, e.g., medical knowledge (Otiso, 2000).

Although in reality NGOs seldom provide housing or services directly to their beneficiaries, they contribute to this end through their three-fold role of advocacy, mediation, and mobilization, and to a lesser extent sub-contracting. Advocacy refers to NGOs’ attempts to lobby for services from the state or to influence government policy on behalf of the poor (Hasan 1990). In their mobilizing role, NGOs organize poor communities into CBOs that either supplement local, state-service provision efforts or entirely provide the services when none are provided by the state. And as mediators or intermediaries, NGOs help to initiate mutually beneficial links between local
communities and the state (Otiso 2000). The links enhance the state’s social acceptance and political legitimacy and also enable local communities to secure services that could otherwise be too expensive or impossible to obtain without government cooperation. In recent times, NGOs have also begun to act as sub-contractors or implementers of state or donor-funded projects because of the perception that they are more efficient and less prone to corruption relative to the state (Mwananchi, No. 274, April 1999). Many NGOs also provide technical, financial, and material assistance to CBOs.

NGOs’ success in advocacy, intermediation, and community mobilization has inspired many scholars to conclude that these organizations are best suited for the role of spearheading the development of solutions to many problems facing poor people in Third World cities, e.g., poor, solid-waste management, limited availability of good quality housing, inadequate water supplies, and overloaded sewers, roads, electric supplies and social services such as hospitals and schools. NGO proponents argue that these organizations are qualified for this role because their housing and service schemes tend to be suitable and affordable to the poor compared to those initiated or provided by the government and the private sector. This success is possible because NGOs are less hierarchical and closer to the poor than either local or national government, and hence more responsive to their needs (Otiso 2000). However, despite NGOs’ altruistic motivation to help poor communities, their efforts can often fall-short. Scholars have criticized the role of NGOs in developing countries in general, arguing that:

- Their success is overestimated and often taken for granted (Bratton, 1994; Sandberg, 1994) and that the number of successful NGO stories referred to in the literature is relatively small, with the few success cases being recycled again and again (Holmen and Jirstrom, 1994);
- Our knowledge of indigenous voluntary organizations (e.g., CBOs) in the Third World is still shallow, making it difficult to know which voluntary organizations can do what and where (Holmen and Jirstrom, 1994);
- NGO activities lack a broad programming context that leads to limited project replicability, self-sustainability, technical capacity (Cernea, 1988), and impact (Otiso, 2000);
- NGOs’ pursuit of low-cost, small-scale, and innovative programs often results in under-financed, poor quality, insignificant, temporary, and unsustainable projects (Annis, 1987). Many NGOs simply lack the resources to make a difference, which essentially makes them useless bulldogs (Otiso, 2000);
- NGOs’ quest for political independence often makes them socially disconnected and powerless (Annis, 1987), and that non-partisan NGOs are virtually non-existent (Friedmann, 1992);
- NGOs have poor project evaluation procedures and that rapid growth in the number of NGOs commonly results in needless service duplication in certain areas, thus, limiting their effectiveness (Holmen and Jirstrom, 1994);
- Many NGOs work within the host country’s socio-political framework, thereby, perpetuating the status quo (Ahmed, 1994);
- NGOs’ oft-cited ability to promote community participation is an attempt to survive within the system. Moreover, the notion of community participation is flawed because it fails to examine the nature and distribution of power among the poor, their leaders, and voluntary organizations such as NGOs (Ahmed, 1994);
- Many NGOs are not monuments of financial chastity but are moneymaking schemes for their founders, especially in this era of increased donor resource flows through NGOs rather than the state. Many have become an army out to colonize the poor--there is need on both sides. Consequently, there is a tendency for NGOs to make enough impact to attract funds, but not enough to get themselves out. Other NGOs are opportunistic--they keep shifting locations and objectives in order to attract donor resources (Otiso, 2000); and, finally
Many NGOs are overly-dependent on their founders, i.e., they suffer from the founder member syndrome, a situation that jeopardizes many NGOs’ existence especially at the demise of their founders. Although NGOs are leading critics of dictatorial governments and advocates of democracy and public sector accountability, few NGOs are themselves democratic, transparent, or accountable (Otiso, 2000).

The foregoing limitations raise doubts about the assertion that NGOs are the best-placed spearhead efforts to develop solutions to problems facing poor urban residents. But despite these limitations, NGOs are critical players in the search for solutions to poor people’s housing and service needs.

3.2.2. Community-Based Organizations (CBOs)

CBOs are unregistered, informal, local, or grassroots organizations that primarily obtain their finances from members and NGOs. Occasionally, CBOs can interact directly with and obtain material support from the state. But as informal institutions, CBOs are usually handicapped in dealing with the state unless aided by politicians or local power brokers in exchange for their political patronage. In some cases, CBOs can grow and be formalized into NGOs. As with NGOs, the nomenclature used to describe CBOs is diverse. Common references include grassroots organizations--GROs (Gariyo, 1995), people’s organizations--POs (Karim, 1995), community organizations--COs (Otiso, 2000), or community development associations--CDAs (Assaad, 1999).

Although CBOs frequently lack the resources to initiate or implement local housing and service schemes, they can contribute to this end by:

1. Mobilizing the community to contribute self-help (sweat equity) and money. These contributions help to lower substantially the cost of housing and service provision (Vakil, 1999);
2. Teaming with NGOs to communicate local needs to governments and donors. CBOs can do this effectively because they are grassroots/locally-controlled organizations that have intimate knowledge of local issues and challenges. Thus, CBOs can help to stem the creation of unsuitable housing and service schemes (Otiso, 2000);
3. Helping to ensure that the beneficiaries of local, low-cost, housing and service schemes are local people. This is especially critical in slum upgrading projects that could easily be hijacked by wealthier individuals and income groups (Mitullah, 1992); and by
4. Directly providing services to the community without fear of the specter of dependence that often ensnares NGOs. Since every CBO member contributes in some way, CBOs are more likely to foster self-reliance rather than dependency. Moreover, CBOs often function well as organizations because they are easier to manage given their small size and reduced hierarchy (Vakil, 1999).

Despite the foregoing advantages, CBOs also have weaknesses that undermine their effectiveness. They include:

1. Lack of financial and technical resources to initiate, implement, and sustain projects on their own, hence, their dependence on NGOs or government for support. Moreover they are often unable to secure funding from conventional sources, such as banks, due to lack of collateral (Vakil, 1999; Otiso, 2000);
2. Limited resource capacity that means that CBO projects are of local significance or limited spatial coverage, e.g., specific neighborhoods. Coverage can be extended through collaboration with other CBOs or other actors such as NGOs or governments (Vakil, 1999; Otiso, 2000);
3. CBOs often have difficulty sustaining sweat equity efforts even with the use of social pressure. This is especially true where the majority of CBO members are women who have to balance their communal labor obligations with time-consuming, domestic responsibilities such as childcare (Vakil, 1999);
Like many NGOs, CBOs are overly-dependent on charismatic leaders (Vakil, 1999);

Their small size often limits their ability to lobby governments for support, influence, public policy, or to garner enough resources to implement projects, hence, their dependence on NGOs and other donors. Moreover, this makes them susceptible to clientelist practices, i.e., being forced to rely on individual or collective political patrons and brokers (Vakil, 1999); and

Many CBOs often limit membership to relatively “well-off” poor people, e.g., those who are employed in the formal sector. Although this condition facilitates revenue generation through member contributions and project cost recovery, it also penalizes the poor in critical need of housing and services (Vakil, 1999).

3.2.3. Comparative Analysis of NGOs and CBOs
Although NGOs and CBOs are both part of the voluntary sector, they are different in several respects. In legal status, NGOs are usually registered while CBOs are not. In the area of leadership, NGOs are usually headed by altruistic elites and influential professionals while CBO leaders are less influential people drawn from the local community. Functionally, NGOs are intermediary organizations (i.e., they intermediate between the state and the community) while CBOs are concerned with more practical matters such as service provision. With regard to the scale of operation, NGOs can operate in relatively large areas while CBOs are limited to the local community. And in terms of access to donors and the state, NGOs have an upper hand relative to CBOs. This is because many influential NGOs in developing countries are foreign in origin and are financed by individuals, corporations, and governments in their home countries (e.g., those of North America and Western Europe) and, increasingly, by financial institutions such as the World Bank (Annis, 1987b; Hotz, 1994).

NGOs are also more visible than CBOs because they are formal organizations that can engage other formal institutions such as states and banks directly. However, this visibility has its price in that it exposes NGOs to unpredictable swings in donor or state policies and politics. To mitigate potentially adverse donor and state reactions that can derail NGO operations, many NGOs endeavor to establish good connections with donors and the state (Bratton 1994). However, the establishment of such links, particularly with the state, can jeopardize many NGOs’ quest for political independence and neutrality, which is often critical in gaining community acceptance, especially among disenfranchised poor communities distrustful of government and by extension anyone who associates with it. On the other hand, NGOs that fail to establish links with the state in an attempt to remain politically independent may become socially and politically disconnected and ultimately ineffective (Annis, 1987; Friedmann, 1992).

3.3. The Private Sector
The private sector is one of the most important players in urban housing and service provision. The sector can be divided into two parts. The first and most influential is the formal private sector, which includes housing and infrastructure development corporations as well as service providers such as waste-management companies. Although these corporations vary tremendously in size, they are all registered and usually headed by well-educated professionals. Governments and other large donors routinely contract these corporations to provide housing, infrastructure, and basic services to urban residents. Moreover, they can be contracted directly by affluent, urban communities to provide services such as waste management. Like the state, the formal, private sector has a poor record of designing and providing housing and urban services to poor, urban communities because of limited profit opportunities (Vakil, 1999).
The formal, private sector is, however, capable of providing housing and basic services to large segments of the urban community if a number of conditions are present. These include:

- A well-conceived and competitive, private sector;
- The possibility of charging consumers (profitability);
- The presence of knowledgeable consumers who can hold the sector accountable and help it maintain standards;
- The efficient collection of user fees by municipal authorities to be used in remunerating service providers;
- The absence of insurmountable obstacles such as technology and scale of investment;
- The use of selective subsidies to protect poor consumers;
- The effective social control of urban government to ensure that no contracts are awarded on the basis of nepotism and corruption;
- The use of clearly defined contracts in terms of geographical coverage, frequency, performance and achievement standards; and
- The presence of competent municipal government with the capacity to enforce contract fulfillment and to substitute services when contractors fail to deliver (Schübel, 1996; Schübel, et al., 1996; Davey, 1993).

The second component of the private sector is the informal sector. Unlike its formal counterpart, the informal private sector consists largely of small, unregistered, and unregulated housing and service providers. Because of capital, skill, and equipment limitations, most of the housing and services provided by the informal sector are concentrated in slum settlements and other low-income areas (Otiso 2000). Although poor, urban residents have traditionally relied on the informal sector for their housing and service needs, the sector has limitations that undermine its role in this regard.

- Since the sector is market- or profit-oriented, it is unable to meet most housing and basic service needs in low-income areas, especially slum and squatter settlements, because it concentrates on the provision of profitable services such as garbage collection as additional value can be derived from selling recyclable wastes. It eschews services such as sewage and wastewater management because they are unprofitable given that they are public goods, i.e., services whose benefits cannot be kept from non-contributors once provided (Pinch, 1985). Moreover, such services require skills, equipment, and financial resources that are generally beyond the informal sector’s reach (Otiso, 2000);
- While the informal sector’s housing and services are affordable to many low-income people, the services are actually costly to the destitute, who increasingly constitute a growing segment of slum and squatter settlement populations in many developing countries. This is the reason behind the growing importance of the mostly non-profit, voluntary sector as an alternative source of housing and services (Otiso 2000);
- The informal sector often provides costly and inferior services relative to those provided by the regulated, formal and public sector (Briscoe 1993); and
- Being market-oriented, the informal sector is also unable to provide spatially equitable services, preferring to service relatively well-off, low-income residents or areas because they generate more valuable waste and are more able to pay for services. Moreover, it should be acknowledged that poor people are neither equally willing nor predisposed to pay for all services, hence, the tendency for the informal sector to provide services that are needed most. For instance, people are more likely to pay for necessities such as potable water than for less pressing needs such as wastewater management. Consequently, the widespread belief among structural adjustment program (SAP) proponents that the market is the solution to poor
people’s service needs is grossly exaggerated (Potts, 1997) to the extent that it pays insufficient attention to these basic supply and demand issues. Demands for state withdrawal and service privatization, therefore, should be predicated not on cold economic efficiency alone but also on other considerations including the reality that poor people actually spend disproportionate amounts of their income on basic services.

Overall, despite these limitations, the informal sector can be beneficially integrated into existing formal, private sector or government service provision arrangements as it has been in Egypt and Indonesia (Assaad, 1995; Cointreau-Levine, 1994). But like the formal, private sector, the informal sector can provide affordable housing as well as efficient and cost effective services only if it is well regulated.

4. What State, Private and Voluntary Sector Unity Engenders

State, private, and voluntary sector partnerships in housing and service provision are mutually beneficial since they enable participants to transcend many of the individual limitations discussed above. For instance, whereas state efforts are often large-scale but limited in impact, voluntary sector initiatives have a deep impact but within a small-scale context (Daily Nation, November 20, 1999), while the private sector is most efficient in potentially lucrative housing and service situations. Thus, neither entity has what it takes to single-handedly address poor people’s housing and service needs in Third World cities. These entities’ diametrical strengths point to the need for the creation of partnerships among the actors in order to maximize housing and service provision in urban, low-income areas such as slum and squatter settlements. Moreover, partnerships ensure that the withdrawal of one partner (e.g., an NGO) need not be catastrophic to community access to services due to project abandonment, since another partner can be found. In short, collaborative state-NGO-CBO-private sector housing and service provision promotes efficient service provision by utilizing mutual strengths and skills, community participation, local capacity-building, self-help and empowerment, efficient resource mobilization, and diffusion of best practices as participants interact and share ideas.

Although there can be several variants of these partnerships depending on degree of involvement—e.g., state-NGO-CBO-private sector, state-NGO-CBO, or NGO-CBO—the objective remains the same: overcoming their weaknesses by taking advantage of mutual strengths. Nevertheless, each participant is drawn into these partnerships by perceived benefits. The state gains increased political legitimacy and help in housing and service provision at a time when its human and financial resources are increasingly inadequate, given the overwhelming demand for services in rapidly growing Third World cities such as Nairobi. The community (through CBOs) gains access to leadership and management training, technical and material assistance, as well as public services (e.g., public goods such as sewage and wastewater management) that would otherwise be difficult to provide without state support. The presence of externalities makes services such as sewage and wastewater management difficult to provide through private or community efforts because being public goods, there is limited opportunity for profit and cost-recovery due to free-ridership. Moreover, the provision of these services often requires financial and equipment outlays that are simply beyond the reach of most low-income communities as well as informal, private sector, service providers (Otiso 2000).

On their part, NGOs and CBOs gain tangible and intangible state support including goodwill, financial, and material contributions. Even in the era of increased financial flows through the voluntary sector, the state still influences many voluntary organizations’ access to funding because most donors and lenders require government to guarantee their funds and to appoint voluntary sector project implementers. Many governments take advantage of these requirements to reward voluntary organizations (especially NGOs) that create no ripples. In Kenya, for instance, Undugu Society enjoys more government support than The Greenbelt Movement, which has a long history of opposition to government political and environmental policies (Otiso, 2000).
Although these partnerships can lead to increased housing and service provision to low-income communities, they also have certain weaknesses. First, is the difficulty of maintaining partnerships that involve a multiplicity of participants with diverse agendas and objectives. This diversity can be a source of friction that can complicate project implementation and result in abandonment. In the Mathare 4A case study presented below, for instance, much emotional energy and time has been spent on dealing with differences among participants. Many of the misunderstandings stem from lack of a joint-management organ capable of dealing with disagreements as they arise. Although the tenacity of the implementing agency (the Catholic Church) as well as German government funding and consistent diplomatic pressure on the Kenya government have kept the project on course since its inception in the early 1990s, its future is uncertain (Daily Nation, October 27, 2000). The second weakness is that these partnerships are a marriage of unequal partners. Frequently, CBOs, being needy and least endowed with leadership and financial resources, often have the least amount of leverage in dealing with the other participants.

5. Case Studies of State-NGO-CBO-Private Sector Cooperation
The following examples of state-NGO-CBO-private sector cooperation in housing and service provision pertain to the Mathare and Kibera slum areas of Nairobi, and were gathered in a 1996-1997 fieldwork study on the role of the voluntary sector in urban service provision and planning in Nairobi City, Kenya. Not all case studies involve all the participants discussed above.

5.1. Mathare 4A Slum Upgrading Project
This project is a partnership between the governments of Kenya and Germany, the Catholic Archdiocese of Nairobi, the Nairobi City Council (NCC), and the local community. Each of these players has a specific task. The governments of Kenya and Germany have provided Ksh. 450.5 million (about US$6.4 –7.5 million) in project funding (Daily Nation, February 1, 1995). The Catholic Church is involved in advocacy, community mobilization, and mediation between the community and government. The church is also the project implementer and manager through its affiliate, Amani Housing Trust. The church was given this responsibility in recognition of its commitment to social development and its familiarity with the social situation in slum areas like Mathare. Moreover, the German government, which has provided the bulk of project funding insisted that the project’s implementing agency be non-governmental, a demand motivated by the Kenya government’s poor track record of utilizing donor funds (Mwananchi, No. 274, April 1999).

Although the project has been implemented amidst great difficulty and has been all but abandoned mostly due to external factors such as interethnic competition for its control and an uncertain political environment at the national level, it is a harbinger of how poor people’s housing and service needs can be met. In the completed section of the project (about 50%) there has been a remarkable improvement in the quality of housing and access to basic services such as pathways, roads, decent latrines, durable storm water drains, market stalls and other communal facilities. Moreover, despite significant improvements in the area’s living environment, pre-upgrade housing costs have been maintained to avoid displacement. This was achieved through (1) the use of appropriate building and infrastructural standards, (2) local technology to manufacture cheap building materials such as compacted soil blocks, (3) financial support from the governments of Kenya and Germany, (4) a land donation by the Nairobi City Council, (5) the involvement of nearly all-major stakeholders, and (6) the deployment of a socially and politically entrenched implementing agency (the Catholic Church) that has until now managed to withstand enormous pressure from those who are opposed to the project, e.g., former landlords. Equally important is the Church’s successful intermediation between the community and the government, a special advocacy role for persuading the government to donate land and allow for the use of lower building standards in the project. In addition, the Church has been successful in mobilizing the community into CBOs to provide sweat equity and nominal financial contributions for the project (Otiso, 2000). Previous slum upgrading and site-and-service schemes in Nairobi (e.g., Dandora and Umoja) that failed to account for many of these factors achieved only minimal success (Mitullah, 1992).
5.2. Upendo Dispensary in the Mathare 4A Slum Area

This project is an example of NGO-CBO-State cooperation in urban service provision. During the dispensary’s construction, the international NGO Mediciens Sans Frontiers (Doctors Without Frontiers) provided materials, medical equipment, and also helped to secure government licensing for it while the local community, through its CBO, Mathare Community Development Group (MACODEG), provided sweat equity. Since completion, the NGO has been providing drugs to the clinic and staffing it with doctors—given the shortage of medical personnel in the local community—with MACODEG being responsible for cleaning the dispensary and providing clerical help to register and collect nominal medical fees from patients. The government’s role in this project is primarily regulatory.

5.3. WaterAid/Ushirika wa Afya-Usafi Kibera ’s Water Project

This project also exemplifies NGO-CBO-State cooperation in water provision and sanitation. The project is located in Nairobi’s Kibera slums. In this case, the international NGO, WaterAid, provides implements, pipes, and technical assistance to the project; the Nairobi City Council provides it with water at wholesale prices, while the local CBO, Ushirika wa Afya Kibera, administers it, provides sweat equity to dig trenches, and lay the pipe network, and sells the water at a profit to the local community then pays the city council. The surplus income is reinvested in other community projects. It is difficult to envision the project’s successful implementation without all three participants.

6. Conclusion

Housing and basic service provision, especially for poor residents, in cities in developing countries is challenging because neither the state, private sector (formal and informal), nor the voluntary sector has the capacity to single-handedly meet their present needs. These cities’ housing and service needs, especially those of the poor, simply require massive organizational wherewithal, resources, and skills that surpass those of any single agency. In fact, there is ample evidence of failure in these endeavors when individual organizations or agencies try to tackle them single-handedly. Thus, calls for state withdrawal from urban housing and service provision (e.g., from the IMF and World Bank) and its replacement by the private and voluntary sectors should be treated with caution. Instead, what is needed, as evidenced in the foregoing discussion and case studies from Kenya, is greater collaboration between the state, community, and the private and voluntary sectors if these cities’ housing and service needs are to be met. As the case studies demonstrate, collaboration is preferable because it:

- Fosters understanding among participants, promotes the utilization of reciprocal strengths, and triumph over mutual weaknesses;
- Provides an environment for mutual oversight, thus, helping the actors to avoid succumbing to their excesses, e.g., private sector tendencies to shun unprofitable services, state inefficiency and inability to deal effectively with informal communities, and the voluntary sector’s limited resource and technical depth;
- Fosters efficiency and better utilization of resources because it minimizes needless duplication;
- Fosters local capacity building and empowerment;
- Promotes the diffusion of best practices in housing and service provision especially in poor communities; and
- Facilitates increased housing and service provision to many more people that would otherwise be possible.

Clearly collaboration among organizations and agencies with diverse strengths, weaknesses, and agendas can be difficult. But if the actors are encouraged to focus on the ultimate purpose for collaboration, namely, meeting the enormous housing and basic service needs of poor, urban residents, these partnerships can hold together and lead to significant success.
References


(Footnotes)

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“Major Weaknesses of Implementation of the Habitat Agenda”

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A Sow’s Ear or a Silk Purse?

There is an old saying, going back to at least 1402 in England: “You can’t make a silk purse out of a sow’s ear.” If the material isn’t suitable for the result — if you only have the ear of a pig, and what you want is a purse made out of silk — no matter how hard you try, you will not produce what you want. If we take the Habitat Agenda, agreed on in Istanbul five years ago, as the silk purse in which we have placed our hopes for decent housing for all, is Habitat itself only a sow’s ear — an ear that perhaps can listen, can hear the voices of housing need and housing desperation all over the globe — but yet an ear only, and not the material from which the silk purse of decent housing can be fashioned? Can Habitat possible accomplish its own objectives?

That is the question I would like to take up today.

Let us start by looking at what the Habitat Agenda set as its own goals (and I quote from the Agenda itself):

It starts with a Declaration:

“We, the Heads of State or Government and the official delegations of countries assembled at the United Nations Conference on Human Settlements (Habitat II) in Istanbul, Turkey from 3 to 14 June 1996, take this opportunity to endorse the universal goals of ensuring adequate shelter for all and making human settlements safer, healthier and more liveable, equitable, sustainable and productive.

“To this end, we must address comprehensively, inter alia, unsustainable consumption and production patterns, particularly in industrialized countries; unsustainable population changes, including changes in structure and distribution, giving priority consideration to the tendency towards excessive population concentration; homelessness; increasing poverty; unemployment; social exclusion; family instability; inadequate resources; lack of basic infrastructure and services; lack of adequate planning; growing insecurity and violence; environmental degradation; and increased vulnerability to disasters.”

[but we are counting on more and more consumption in the industrialized countries to avoid an economic depression; regressive tax policies and a declining welfare state make redistribution less and less a policy, population control runs up against ever more militant anti-birth control ideologies, the Kyoto accords on global warming are not ratified by key states…]

The Agenda then goes on to state Goals:

“We adopt the goals and principles of adequate shelter for all and sustainable human settlements development in an urbanizing world.”
[but you have heard throughout the conference of how far we are from such a condition; the figure of one hundred million homeless and ten times that many slum dwellers in the world today is generally accepted as a minimum.]

It continues:

“We reaffirm our commitment to ensuring the full realization of the human rights set out in international instruments and in particular, in this context, the right to adequate housing as set forth in the Universal Declaration of Human Rights and provided for in the International Covenant on Economic, Social and Cultural Rights, the International Convention on the Elimination of All Forms of Racial Discrimination, the Convention on the Elimination of All Forms of Discrimination against Women and the Convention on the Rights of the Child, taking into account that the right to adequate housing, as included in the above-mentioned international instruments, shall be realized progressively.” ¶26

[You all know the fight that was put up not to have an explicit and detailed commitment to a direct right to housing in the Agenda; and the fight was not put up by countries without the resources to implement such a right, while other countries with fewer resources strive to implement exactly such a right.]

“Equitable human settlements are those in which all people, without discrimination of any kind as to race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status, have equal access to housing, infrastructure, health services, adequate food and water, education and open spaces.” ¶27

[Yet discrimination on the basis of race, language, religion, national origin, varies only in degree from one country to another, and discrimination on the basis of property ownership is built in to virtually every national economy in the world.]

“The eradication of poverty is essential for sustainable human settlements.”

[Yet most of the world’s population is still abysmally poor.]

One could go on at length. The Agenda is a noble document, but implementation steps towards its goals have hardly occurred. To quote the Draft Declaration of Istanbul+5,

“widespread poverty remains and the living environment has not significantly been improved in most countries since 1995. Serious impediments to sustainable human settlements development, many of which were identified at Istanbul, still persist. The decline in international cooperation is a growing cause for concern.”

For many, this result is no surprise. Its ideological foundations can be seen in the other half of the major controversy that swirled around Istanbul: if the first half was the right to housing, the second and complementary half was the role of the market. As many see it, the declaration in the agenda of a commitment to aid “markets - the primary housing delivery mechanism - to perform their function with efficiency” was the Achilles’ heel of the document itself.
If the ideological commitment to the market was the ideological flaw in the Habitat Agenda, we can now perhaps with hindsight better name the issues that were not taken up in the Agenda, whose absence vitiated much of the good that it did contain.

I would suggest that those missing issues in the Agenda were four:

1. Redistribution among and within nations;
2. Speculation in land;
3. Criticism of major reliance on the profit motive for housing provision;
4. Absence of specific targets and timetables to meet them, with provision for international sanction.

It seems almost self-evident that the disparity in housing conditions between those in the poorest countries of the world, as compared to those in the richest, will not disappear solely by the efforts of the poorer; indeed, many argue that the richest countries have some of their wealth precisely because the poorer countries are poorer. An obvious proposal, then, is that some significant resource transfer from richer to poorer countries be undertaken. Marshall Plans, World Bank assistance, aid to developing countries, are known programs for most of the richer countries of the world; a massive program of such assistance, targeted specifically to, and setting priorities according to, urban needs, and ignoring geopolitical considerations, would be of major impact in meeting Habitat Agenda goals.

And redistribution is of course not only a question of among nations, but also within. No housing policy that attempts seriously to deal with the housing problems of the worst housed within any nation can pretend that it will not be at some expense to some others. But if it is only at the expense of those that can indeed afford it, it is a consequence that must be faced.

Speculation in land has been understood by economists for generations as having a different role to play than the prices do in a normal market economy. The supply of land is to a large extent (although not entirely) fixed; prices for land allocate it among users or owners, but do not significantly influence its supply. There is no particular reason why the allocation of land should be determined by the profit goals of those who happen to be its owners, and there is much reason to believe that land uses should be determined in the first place socially, that cities are such complex social entities that the sum of individual decisions cannot be relied on to produce the maximum public good. Countries from the Netherlands and Sweden to Brazil recognize these facts in their laws. Yet a forthright attack on speculation, let alone a call for public ownership of land, is not included in the Agenda.

The profit motive certainly constitutes a strong incentive for business action, and the production of housing is today a business in most countries in the world. Yet reliance on the profit motive has sharp limitations, if we are concerned with those millions in need of better housing in the world. By definition, their incomes are not adequate to obtain decent housing in the private market; the Agenda recognizes this in its frequent inclusion of the problem of poverty as needing to be addressed, if housing problems are to be solved. But then the priority given to demand-side subsidies, to subsidy policies assuming that giving profits to private suppliers is the most efficient way to provide housing for those whose incomes are inadequate, needs to be seriously questioned. Priority to private supply is not taken for granted in other areas of social concern: health, education, basic infrastructure; why should it in housing? Yet that question is not seriously addressed in the Agenda.

Finally, the role of the international community, and of international agencies in particular. It is unlikely that there would be international unanimity on any radical program to address housing needs, certainly if it took seriously the three issues raised above: international redistribution, land speculation, and priority to the profit-driven market. But there was in fact agreement on the language of the Agenda, and, as pointed out earlier, that language
includes quite commendable goals. What then does the agreement of the participants to those goals at Istanbul mean? Either it means lip service to language that has a high moral tone and sounds good in speeches, in the happy knowledge that the text is in fact meaningless because it need never be implemented at home; or it is to be taken seriously, and thus a mechanism for its implementation is included. Just how such a mechanism might look would require careful consideration: an international agency generously funded to act directly? or to support national efforts? an international oversight agency (or some other monitoring mechanism) with power to take action, by sanctions or otherwise, for bad-faith failures to act? Whatever the answer might be, the matter was not seriously consider by the governmental delegates at Istanbul.

But enough of looking at what happened, or did not happen, in Istanbul five years ago. I think we may fairly summarize by saying, a noble document was produced, but a document that was longer on goals and principles than on implementation or concrete proposals for what governments, rather than markets, should do, with a failure to consider key if controversial issues, and no implementation mechanism at all. A sow’s ear, in the end, good for listening but not for producing, but with some silk threads yet in it.

What has Habitat done to try to use these silk threads, to make as good a purse out of this difficult material as is possible, in the following five years? A good bit, and full credit must be given to those, both within the United Nations and among many NGO’s outside it, for what they have been able to accomplish in sharply constrained circumstances. Good reports have been and are being produced; information has been solicited, broadcast, and widely shared; some technical advances in housing production and housing organization have been elicited and fostered internationally. The programs for Security of Tenure and Good Urban Governance were well worth undertaking, and have focused some (if limited) international attention on some serious problems, and a few practical solutions.

But, even given the difficult circumstances in which Habitat had to work, there were also failures that should be acknowledged. I would name, this time, three key issues:

1. The emphasis on Best Practices, to the neglect of Best Policies;
2. The separation between security of tenure and good governance;
3. The ineffectiveness of monitoring and indicators programs.

There is nothing wrong with a Best Practices program, as such. It is good to spread the word on what NGO’s, CBO’s, individuals and groups of all sorts, have been able to accomplish, generally under trying circumstances and by dint of extreme ingenuity in using the limited and bureaucratic governmental aids that are available to them. “Best Practices,” as a program, focuses on individual non-governmental actions and actors, highlighting what civil society can accomplish. But in doing so it can shift attention away from the role — and particularly the limits — of governments, and what needs to be their critical place in the over-all housing supply in a country.

“Best Policies” might be the name of a parallel program, one that specifically focuses on the role and obligations of government, that highlights the most successful laws, subsidy programs, land use policies, protections of residential rights, municipal ordinances, that have contributed to easing housing problems. There is, after all, a centuries-long history of government actions affecting housing, and lessons to be drawn from that experience. (It might well result in a “Worst Policies” listing also, directly taking up government policies that cause displacement and loss of housing, that neglect or worsen the housing environment, that produce segregation and slums. That might be a bit controversial, though.)
The two major Habitat programs addressing urban issues, the “Security of Tenure” campaign and the “Good Governance” campaign, are likewise excellent in their own terms, and deal each with a critical problem in the attempt to improve housing. It is good to see Habitat recognize that the Agenda necessarily implies the need for it to act in an advocacy role. But they have an unfortunate weakness also: the fact of their separation. Security of tenure is seen as a matter of regulating the private market, restraining private actors from interfering with peaceable occupation of housing, or limiting the negative actions of government in jeopardizing housing. The affirmative obligations of government to provide housing (or a guarantee of housing provision) are not highlighted under the heading of “Security of Tenure.” They would presumably come up in the context of the Good Governance campaign, but there again the focus is elsewhere. In practice, the two Campaigns are often joined. But the specific obligation of governments to make certain that housing is provided to all those in need, in a secure manner, needs to be the explicit and major focus of international attention. Perhaps a “Housing in the Public Domain” campaign is also needed.

There is also an excellent UN Housing Rights Programme (UNHRP) which UNCHS is meant to be implementing with the Office of the High Commissioner for Human Rights. It is little known, and even less implemented. The link between security of tenure and the right to housing is, after all, close, and should be pressed.

The monitoring of governmental compliance with the Habitat Agenda is little less than scandalous. The delicate political nature of actions or reports that are critical of a country, that give the names of countries complying or not complying with programmatic guidelines, that are or are not trying to deal with specific problems, is quite understandable. No government wants to be criticized, ever, and certainly not in an international arena with wide visibility. The experience with the wounded sensibilities of one particular country taken to task for its positions on human rights have been very visible in the last few weeks. But that is the nature of the beast; it certainly makes sense to emphasize the positive, but when there is no positive to report, that must be said too. If the goal is indeed the Istanbul Agenda’s, to “ensure adequate housing for all,” then frankness and openness in assessing progress and acknowledging shortfalls is more important than diplomatic politeness – although the formulations of short falls must be solid, clear, and factually based.

The indicators programs of the United Nations provide a real base for such assessments, and much solid work has gone into them, although there are signal weaknesses also, particularly revolving around the data they are forced to use. But they are not used effectively, and in particular are separated from any attempt at monitoring progress towards Agenda goals or compliance with Agenda principled commitments. I am not privy to the internal debates in Habitat or the United Nations about the pros and cons of real monitoring, but I can only imagine the diplomatic risks were held to outweigh the benefits. That is a shame, if the Agenda is to be taken seriously. Governmental activities are after all key to meeting the goals of the Agenda; yet governments are relied on to monitor themselves, official reports are taken as the primary source of information as to conditions in each country, and NGO monitoring efforts are both severely hampered by lack of resources and are given no direct role in any international review process. NGO monitoring should be specifically called for and should be provided with adequate resources to be an effective participant in the Habitat process. Monitoring is clearly an appropriate role for NGO’s, indeed one which no international agency or national department can play as well as they. Look at COHRE’s monitoring of evictions for one example of what can be done. A formal and Habitat-supported “NGO monitoring” program is badly needed.

Putting it all together, five years after the Habitat conference in Istanbul, it would be hard to say that either the Conference, its Agenda, or its implementing institutions, have made much of a difference in the housing of the world’s ill-housed. That is hardly the fault of those charged with implementation; what they had to work with was more of a sow’s ear than a spool of silk threads. And they have used what silk threads they found in it with
diligence, with intelligence and with useful effect. But, at least from the outside, it looks as if, with an honest recognition of the nature of the problems and the urgency of addressing them, more could be done in the future than has been done in the past. I would guess that most of us would agree, and understand also the support that is needed if it is to be so.

And I cannot refrain from a final undiplomatic comment on the role of my own government. Not only was it among those most pressing the priority of the private profit-seeking market in addressing the problems the Agenda described; not only did it fight against any enforceable right to housing in the text; not only has it failed to provide serious monitoring of Agenda goals in our own country. But now – as I understand it – it joined, at the Nairobi pre-conference, to limit and downplay the role of NGO’s at the forthcoming Habitat+5 conference, joined in alliance with Iran and China, countries as to whose commitment to democracy it often and publicly questions. And it chose further – as I understand it – to push a separate agenda for inclusion of references to “family” (in hostility to alternate life choices and household compositions, and neglect of individuals). And of course the aversion to international sanctions based on social considerations manifest by the United States has been made explicit in numerous United Nations and international settings. If those are really the facts as to the positions taken by the United States, we have some substantial work to do in this country on the Habitat Agenda. We cannot leave that responsibility to Habitat.
“Participatory Urban Upgrading in Egypt
Lessons from Experience”

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1. INTRODUCTION

The purpose of this report is to provide an understanding about the impact of earlier upgrading experiences in Egypt on the current housing policies. Egypt during the past two decades faced several, economic, social and physical influences that contributed to shaping the structure of several cities towards an informal character. Due to the process of urbanization, almost 80 per cent of the physical development occurred informally.

Housing policy and political changes since the Egyptian revolution in 1952 until late eighties and early nineties has added to, but did not assist in the resolution of the problematic increase in housing demand by the low income majority. Policy measures that were taken along the two decades had a negative impact on formal housing development as the rent market diminished, while the informal market increased. Government attention to the informal settlements and the needs and rights for decent housing and services had an impact on making a limited shift towards upgrading of informal settlements that started to materialize in late seventies. Example of these projects that the report will focus on are: Helwan upgrading project, Hai Es Salam Upgrading Project in Ismailia, Nassiriya Participatory Upgrading Project in Aswan.

Each of these demonstration projects did have an objective, the success in meeting the project’s objectives and institutionalizing the experience into the wider national shelter strategy varied from one to the other.

The report will focus on the lessons learnt from those experiences particularly in the introduction of citizen participation, institutionalization and replication and more important the changes resulted in the housing policy.

2. EGYPT HOUSING POLICY & UPGRADING

Egyptian housing policies witnessed several changes since the revolution of 1952. The changes can be grouped into three stages; the first is from 1952 – 1970, the second from 1970 – 1980, and the third from 1980 – 1990s.

After 1952 according to Arandal (1997:4) a series of laws were passed at five years intervals to reduce and control rents of housing units constructed after 1944. The government became heavily involved in the construction of low-cost public housing built on the outskirts of Cairo and other cities, and in cleared slum areas in the center of the city. As a result thousands of low cost units were financed and constructed by the development and housing company, a public sector development company.

Later in the second stage (1970 – 1980), the housing policy shifted towards reducing the production of public housing and controlling the rent of housing built after 1944 by 20 per cent. The result was the deterioration in the housing supply for rent and private developers started to back-up from the rent market towards the ownership. This was materialized in the third stage, with the new president. Late after 1973, the government housing policy targeted reconstruction of the canal region, and construction of more low cost housing. The policy of rent control remained maintained which sharpened the housing problem. Government production of mass housing that increase every year did not bridge the demand gap.
The attention was directed to building new towns after the peace treaty with large amounts of public investments in new housing units in the desert. During this stage as the supply was not affordable to the pressuring demand of low income families. Squatting and development over agriculture land subdivided by individual owners and land speculators increased.

Policy towards upgrading of informal settlements during the three mentioned periods or stages varied a lot. From silence on growth of settlements during 1952 - 1970, and avoidance of application of development control and regulations, to resumption and issuing of unimplemented laws during 1970 – 1980. the situation changed at the end of the seventies and the start of the eighties, the third stage 1980 – 1990, as the government started to recognize the rights of informal settlements for improvements and services. Several laws were enacted at this period which have legitimized transfer of ownership to inhabitants of informal areas, and decentralization of upgrading action to the local level with more authority. The central government has decentralized responsibilities to local authorities which entailed a sequence of incremental adjustments in the central/local interface. National laws have increasingly been enacted in the form of broad powers and areas of responsibilities. Local authorities have been given wide discretion to formulate land policy and disposal strategies and define the rules, regulations, and procedures governing transactions, including the regularization of informal tenure (Serageldin, 1991).

3. UPGRADING PROJECTS & POLICY IMPLICATION
Upgrading of informal settlements was gaining more attention with its booming in Egypt and particularly in Cairo. The awareness grows among governments and international development agencies that informal settlements should not be looked upon as a mere symptom of the housing problem of the urban poor, but rather as their contribution to its solution. Demolition of informal settlements means destruction of considerable investments in labor and money made by the urban poor. It does not solve the problem, as the poor do not have an alternative to squatting. It only leads to the reduction of the already limited housing stock available to low-income families. Authorities gradually realized that, instead of demolishing a squatter settlement, they should upgrade it (El-Missiri, 1990).

In 1977 the World bank initiated the Egyptian Urban Development project and the latter the Community Upgrading for low-income Egyptians project. They combined the upgrading of existing settlements in Helwan, Cairo with the provision of serviced plots and/or core housing. Other projects were also initiated with donor funded technical assistance. The Hai Es salam Upgrading project in Ismailia, funded by the British Overseas Development Authority. Almost those two projects has focused on land tenure regularization as a main element for upgrading, while in parallel supply of infrastructure and services. Legalization of tenure has historically been a popular instrument to secure the recovery of costs associated with the upgrading of informal communities from residents, as it provided security for them (Arandal et al; 1997).

This represented a drastic shift in governmental housing policy, which had so far focused on the supply of “finished” (ready to inhabit) high-standard housing units catering mostly to middle-income groups. These demonstration projects have similar goals; mainly to demonstrate that socially acceptable housing and community facilities could be provided (improved and restored) in informal settlements in a manner, which allowed the GOE to recover a substantial proportion of its investment. The purposes of these projects were to demonstrate that community upgrading and sites and services were an effective replicable approach to meeting the shelter needs of Egypt’s low income urban residents, with the hope that the experience would lead to the incorporation of the concept as part of national housing policy. Although these projects had the same goal, in implementation, they presents different models, in implementation setup, in participation methods, and in lessons learnt.
3.1. Projects Background

Helwan upgrading project was initiated in 1976 with a request presented to the USAID by the Ministry of Housing requesting finance for bridging the gap in housing supply needed of 1.25 million units. The discussion has lead to the agreement on a combined sites and services and upgrading in Helwan. One project consisted of a new community (new land development) project, while another program consisted of providing upgrading improvements to seven existing informal settlements lacking basic urban services. A land title program was a major objective of these community upgrading projects to recover development costs. Key organizations or entities involved in the implementation of these projects consisted of the Executive Agency for Joint projects affiliated to the Ministry of Housing; Cairo Governorate as land supplier; and the Credit Foncier Egyptian. The upgrading program consisted of the provision of piped water and sewerage facilities along with schools, health centers and community centers. Provision of these facilities was to be coupled with programs to provide legalization of tenure, a home improvement loan program, and a vocational training center.

Cost estimates of the two projects amounted to 160 million USD, USAID grant of 80 million and similar amount as government of Egypt contribution.

In Hai Es Salam Upgrading Project, Ismailia authorities designed the project to be self-financing from the beginning. This program came about as part of the involvement of the British Overseas development administration, which provided technical assistance on-site and direct aid to implement these projects. Clifford Cuplin Associates were the technical assistance contractors over the period from 1978 to 1985. they were the consultants who developed the master plan for Ismailia in 1974. one of the important institutional experiences the project has proposed is the development of a locally based project agency, with mandate and power to carry out land development and regularization tasks. It was established by governor decree 425/1986. the demonstration project involved the upgrading of existing low-income areas and the development of new housing areas primarily for low-income groups. Hai Es Salam or earlier El Hakr was an area unplanned expansion onto the desert north of the city with adjacent open land which provided scope for expansion. The project area covers some 226 hectares, of which 132 hectares were built up in 1967. the proposal included improvement in existing area of 132 hectares and new development of 94 hectares of empty land. The main project components were infrastructure provision, community services center, land tenure regularization and cost recovery through land sale to inhabitants. The Overseas Development Authorities to help start the Work, it made available 60,000 sterlings as inception capital for urgent preliminary work such as the building of the project office, survey making, land leveling and initial administrative and publicity costs.

The project main component was the land regularization and sale. A system was proposed for pricing for a square meter of land as 1.76 ponds which later was amended to be 2.25 pounds. The market price at that time was 10.15 pounds. Therefore, strict procedures for land sale and allocation was established to ensure that land was transferred to the eligible people. The pricing system has several advantages, but the most important is the fact that the upgrading team mainly controls the pricing decision. Hence, the implementation procedures are decentralized and simplified because authority was delegated from the Governor to the Agency Executive Director. Selection of applicants in the first allotment was directed to serve Ismailia residents. Selection rules in the second allotment were more flexible and allowed access to many who were out of the target groups.

3.2. Institutional Setup

Helwan and Hai Es Salam upgrading projects have some similarities in the institutional setup, in addition to the similarity in combination of sites and services with upgrading. In both projects a new project organization or executing agency was formed to manage the project. In Helwan since the project was centrally managed by the Ministry of Housing an agency called “Egyptian Agency for Joint Projects” which formed a project implementation
unit located in the area which worked closely with the community and CHF the American Consultant and Credit Foncier Egyptien. The governorate of Cairo the main partner and the land owner was absent in the structure. Which has affected negatively the process of land regularization and transfer of owner shift. This did have a later impact on the policy level as several laws have been enacted as the report will present later. Those have given more authority to the governorates for carrying out upgrading initiatives.

In Hai Es salam, the governorate established an upgrading agency for each area to be upgraded as proposed in the project document. The agency was formed by a governor decree, which transferred the ownership of the land in the areas under upgrading to the agency. The agency executive director was given the powers to decide on land allocation based on a set of procedures defined by a policy steering committee and housing committee. The agency was reporting directly to the governor, and this increased its flexibility in decision-making. The difference from Helwan project is that decentralization occurred in Ismailia and project replication was secured as different agencies, which proved to generate profit, were established and they succeeded in replication in for example Abou Atwa Project.

3.3. Participation mechanism
In Helwan project, Community organization has received considerable praise. A sustained effort has been made with the communities selected for upgrading and to build up the capacity of local neighborhood CBOs. This aspect of the project is now recognized as a high priority in development assistance work through out the donor community.

In Hai Es Salam project, more adherences to the beneficiaries’ needs and willingness to pay were one of the main aspects behind the relative success of the upgrading projects. Beneficiaries were involved in setting priorities for service improvements in deficient areas as well as in the estimation of land sale prices or title transfer payments. Governor support, the nature and size of Ismailia Govern orate as well as the degree of coherence between population within each community and govern orate in general played an important part in facilitating the community participation process.

3.4. Project Achievements
In Helwan Project seven areas comprising some 100,000 people have been upgraded with water, a sewer system and roads. One controversial issue is that the sewer systems were supposed to tie in to the major trunk system being constructed with EEC financing.

The first home improvement loan was made in march 1981 and nearly 3,000 loans have been made with almost five million outstanding. No new loans however, have been made since June 1987 because of lack of funds. Repayment is over 20 years by borrowers who are employed by companies 10 years for self employed. The latter must have a guarantor. In the case of company employed borrowers, the company confirms the employment and the salary, but does not guarantee. Loan size is determined by CFE on the basis of the repayment period, the 7 per cent interest rate that is charged and allowing 25 per cent of income toward repayments. According to CFE, some 300 loans are delinquent 10 per cent. One problem is with company employees who leave the company for some reason and then stop making payments.

One of the great strengths of the Hai Es salam project has been the very small amount of external funds. The Overseas Development Authority contribution plus technical assistance success to mobilize local resources, which come usually from family savings or from small amounts of money, gathered from relatives and neighbors as a mean of providing cooperative loans. The overall project income from sale of land reached 6.65 million EGP in the period 1979 to 1989, from which two million are from plots sale in the old area, 1.4 million from plots sale in the new area, and 3.2 million from sale of concession plots on an open freehold market price.
In addition to that, the project was able to gradually provide infrastructure and many lacking facilities. It attracted capital investment into the site either for the provision of housing or commercial services. The inclusion of middle and high-income groups generated income opportunities for lower income households. The transformation of great percentage of mudbrick houses to modern buildings. Since the beginning of the project more than 9000 housing units were self help built without any governmental support until 1986.

4. LESSONS FROM EXPERIENCE

4.1. Housing policy shifts
In General, the experience of Upgrading of informal settlements in Egypt during the second and third stage of housing policies (1970-1980, 1980 – 90s) had an impact on the national policy for shelter, coupled with other political occurrences on the public arena in 1992 that encourage the Egyptian President in 1993 to state in one of his parliamentary speeches that upgrading of informal settlements should be an important target for development and national housing strategies. For that the government has started to allocate millions of pounds and have started upgrading intervention in ten governorates. Greater Cairo Region got a big share of this attention due to the percentage of informal settlements it accommodates. Out of a total number of 904 informal settlements, 434 were selected for the implementation of the first stage of this national programme. Governmental budget for upgrading programme for the year 1993 – 1994 was increased up to 401 millions EGP (cabinet Information Center; 1994). Clearance was recommended for 25 deteriorating inner city areas located in Greater Cairo and Alexandria.

Egyptian government policies since the early eighties have focused on the construction of new towns and communities with limited attention to the improvement of the informal housing stock that was expanding in GCR (Greater Cairo Region) and other governorates. Forty years of government policies in housing did not stop the expansion of informal housing, only the informal private sector was able to respond to the unmet demand. The earlier contradictions in government policies, such maintaining rent control while stopping the production of rental housing, as well as the alarmist discourse of the 70s and early 80s contributed to the increase of informal settlements. In 1992, the government started to give more attention to the problems of informal settlements and to allocate several billions in the national budget for upgrading of informal settlements, all governorates were requested with the support of CAPMAS (Central Organization for Public Mobilization and Statistics) and IDSC (Information and Decision-making Support Center) to make a comprehensive survey to list the informal areas, its demographic and physical characteristics and required upgrading interventions. Resources were allocated for the supply of infrastructure and roads and services. Limited resources were allocated to other social or economic improvements. As a result, the government intervention since then concentrated on supply of infrastructure, roads and services as their strategy for upgrading and improvement.

Recently with the change of the cabinet in 1999 and the formation of the Ministry of Local Development (which substituted the Ministry of Rural development) and by its mandate to facilitate, coordinate and integrate balanced development in all Egyptian Govern orate. In the new government statement, upgrading of informal settlements gained more attention within the housing policy agenda. The ministry embarked on a strategy to reform the upgrading policy and to set a new sustainable National upgrading strategy. Experts forming the upgrading policy panel realized that infrastructure supply and construction of roads networks are not only the solution for informal areas. More attention is needed to improve the living conditions, the physical stock and the community dynamics. It is the first time that the professionals together with the government officials agree on the necessity of partnerships with the community, private sector and Non Governmental Organizations in upgrading.
4.2. Changes in the Legal Framework

Many squatters areas are located in areas where land is very valuable because of its location, e.g. urban centers often grow up around squatter areas. When infrastructure is provided to this land, followed or preceded by providing title, the land can become extremely valuable and the beneficiary has the potential to reap a significant windfall.

This potential problem where outsiders “investors” are already exploring possibilities of land development in the area. The possible result will be that investors buy up a lot of properties, demolish existing structure and build for a different income level. The former resident has a quick infusion of cash and then must find another place to live. The Governorate has to work on ways to solve this (99 years leases, giving title but with the provision that the beneficiary must get approval to sell; or if sold it must be sold back to governorate).

The impact of upgrading initiatives was a government attention to informal settlements problems and the need for regularization mechanisms. Changes were introduced to laws produced during the first policy stage (1952 – 1970) which are law 259/1956, law 32/1958 and law 29/1966, all were concerned with stopping demolishing illegal buildings that have been erected in violation to building laws, codes, and land subdivision laws. This period was characterized by silence and ignorance to informal development without any serious action towards regularization.

In the second policy stage (1970 –1980), it was with the start of such project initiatives studied above and the attention of the government directed towards the renewal of inner city areas of high land value that demolishing and relocation was implemented in areas called Arab El-Mohamadi and Eshsash El Torgoman in Cairo. People were relocated in El Zawia El Hamra at the out skirt of Cairo. This initiative was based on the proposals in the master plan for greater Cairo region prepared by the general Organization for Physical planning.

Those projects were purely government initiatives. Donor funded projects that started almost at the same period, had a strategy to regularize land tenure. Within the problems experienced in this aspect, a set of laws were issued aiming at creating a framework for the regularization and upgrading of informal land. A first step was taken in 1976 with the adoption of a law authorizing governorates to sell public land to public companies and private developers. The same year, a presidential decree 549/1976 was promulgated which authorized the sale of government land to illegal occupants upon payment of the full market value prevailing at the time of transaction.

In the second housing policy stage (1980-90s) the government took execution action towards the problem of the informal settlements, this was due the regularization problems confronted Helwan project. And issuance of laws continued during the process of implementation of the upgrading projects. The first of those laws is law 135/1981 which mandated the regularization of informal settlements areas. With the enactment of this law, upgrading was recognized as a national shelter policy. The law put on hold any decisions regarding the demolition, distruction, or adjustments to buildings erected prior to 1981 for a period of 5 years. Article four of this law gave the competent planning authority the right to execute public utilities to the subdivided areas.

In 1982 the physical planning law 3/1982 was issued which has substituted land subdivision law 52/1940 and law 27/1956 for expropriation of land for renewal and redevelopment in urban areas. The law gave authority to the local popular councils to consult the communities about the prepared plans before authorization and approval. For urban renewal, chapter six of the law executive regulations clearly stated the different procedures that are required for planning urban renewal, expropriation of land and building and approval procedures.
Law 31/1984 has addressed the procedures for allocation and disposal of state land to private owners. This law issued to improve the processing of state land in areas other than desert land. The executive regulations of this law issued by the Prime Minister decree 857/1985 stipulated procedures for disposing lands through the appropriate administrative authorities in local government.

Another law 34/1984 amended provisions for penalties for violation or illegal encroachment of agriculture land, vacant land, buildings, or other real estate property owned by the state, public utility, Wakf, public sector company, or any establishment organization where funds are generated for the public benefit.

Finally in 1991 law 7/1991 consolidated powers and authorities at the local level for the administration and disposal of public lands controlled by local authorities. The governor sets rules of allocating these lands after approval of governorate local popular councils and according to the general rules set by the Ministers Council (USAID, 1992; 45).

The argumentation presented actually ensures what has been stated by Arandal (1997;21) that government gave more attention to informal settlements problems, admitting that the burden cannot be carried out only centrally, the government decentralized responsibilities to local authorities which entailed a sequence of incremental adjustments in the central/local interface. Seragildin (1991) as well adds, National laws have been increasingly enacted in the form of broad powers and areas of responsibilities. Local authorities have been given wide discretion to formulate land policy and disposal strategies and define the rules, regulations, and procedures governing transactions, including the regularization of informal tenure.

4.3. Changes in Governance

The Egyptian setting is characterized by its extreme turbulence, male-adaptive behavior, and entropy diffusion. Expeditious change and overwhelming uncertainty and complexity in this setting are beyond the capacity of the existing urban management system. Decision-making relates to the nature of political circumstances in which they are made. The dominant historical forces in which they are set, and the capacity of relevant human institutions to influence the future in a collective way (Morely, 1986). The capacity of making such decisions in Egypt is affected by unstable political situations, bureaucratic procedures, and apathetic, non-organized, and unmotivated communities.

Public participation in planning has often been regarded as irrelevant and even disruptive by both government and community. The underlying argument was that what was needed were more technical expertise as well as better administrative structures through which improved services would be implemented. Communities are interested in immediate remedies rather than long-term solutions or overall plans. Because of the lack of community leadership and organization, public participation in development programs has often amounted to no more than meeting the demands of purely personal stakes with little regard for the good of the community as a whole. The main thrust of public participation has always been instrumental. It has always been based on individual and group demands for concrete help and services rather than on awareness of the community as such or even on the efficacy of involvement in the political system. These imperatives may contrast sharply with the theoretical framework of participation, where people should have a right to participate, and should be encouraged to partake in all stages of the political process.

Participation would be ineffective unless there is a widespread dissemination of information. People should know what their government is planning and be able to have said in these plans. Unfortunately, the main emphasis is on national policy and on local mobilization of values and effort to support national plans. The amount of communication flows from government to communities and vice versa is severely limited. It is a fact that public
participation has always been encouraged and institutions for its manifestation have been provided, but at a national rather than on a local level. Consequently, political participation has been associated with the growth of central authority rather than with the development of local institutions.

Conflict has always existed between the demands of citizens for the right to partake in political life, and the need for an independent bureaucracy based on criteria of merit, impartiality, and technical experience. This dilemma has not been solved: there still remains a tension between national aspirations and the degree to which local independent government and grassroots participation can be accommodated or allowed. This dilemma reflects the ongoing conflict of goals of both the bureaucracy and the community. Further, the bureaucracy has long regarded the offering of choice to the public as a time-wasting process.

The most important clusters of problems, limitations, and obstacles impeding public participation and participatory planning in Egypt can be articulated as follows. The first kind of problems are those that stem from the fact that the “decision-making process at the community level are the dynamic manifestations of political power and influence”. The incumbents of decision-making positions tend to resist community participation in general, since they perceive it as either a curtailment of their power or a usurpation of their authority. Therefore the government either eliminates participation or restricts it to very small project elements, such as producing participation in construction in housing projects for example. Community participation, by its nature, tends to breed grassroots political activists who the authoritarian regime sees as dangerous to its political control and existence.

Second, another type of problems is that concerned with reconciling participatory democracy with rational management procedures and professional expertise. On the one hand, the majority of citizens do not possess the requisite knowledge and skills, hence making the process of participatory planning cumbersome and unwieldy to be realistic. Moreover, the lack of leadership and organizational skills at the community level constitute major obstacles for participation. Poor community facilities and lack of social homogeneity manifested by factionalism and different economic interests also pose other obstacles. On the other hand, insignificant experience with participation methodologies and techniques is reflected in the lack of professional staff, in addition, they are not trained on participation techniques and do not know how to incorporate them in the planning process. Our limited experience in development demonstration projects has showed that despite the advocacy of participation strategies, inappropriate attitudes and values of professional and technical personnel imbedded in centralized decision-making, bodies allowed no local adjustments.

5. CONCLUSION

Upgrading Experiences in Egypt was not massive. There was clear differentiation between upgrading initiatives of the government, which was mainly a top-down process. And donor funded comprehensive projects. Which was meant to introduce a clear understanding about the needs of the informal settlements and the different mechanisms that should be employed towards institutionalization and replication. Experiences of Helwan and Ismailia did succeed in introducing some changes on the legal framework, while participation and change in governance perception materialized over time. And finally, introduced within the national upgrading policy under preparation by the Ministry of Local Development (Newly Established).

The various laws enacted during the second and third housing policy stages targeted decentralization from the central level to the local level of responsibilities for upgrading of informal settlements and supply of services.

The model of upgrading in Hai Es Salam in Ismailia concerning implementation setup was successful and effective in expediting the project activities, and giving more autonomy to the Agency Director to decide effectively and
efficiently without need to enter through the bureaucratic paths of different departments and directorates. While the case was different in Helwan since the project was centralized although New Agency was formed, but was misplaced at the central level. A substantial delays was foreseen in the project due to limited coordination with Cairo Govern orate. But the project did manage to impact housing policy as laws was changed learning from such experience to ensure that upgrading should be decentralized. In addition, law introduced solutions for land tenure transfer.

Despite the changes that occurred and degree of impact of such upgrading initiatives on Egyptian Housing policies, the government remains committed to supply of new housing units for low-income population and young couples. It is expected that the new national policy for upgrading would complement the housing policy of the Egyptian Government for the next decade, with a more integrated approach, an approach that considers socio-economic improvements as well as physical ones.

6. References


“A Strategic Vision for Low-Income Housing, Service Provision and Land Markets: Lessons from Urban Practitioners”

Gabriel Nagy
Urban Specialist, Msc. Urban Development Planning

This paper summarizes some of the urban practices in Colombia and is intended to analyze the participation of informal sector, the formal solutions and the local institutional approach to provide land, housing and utilities. Main effects on urban development and land markets are hereby laid down, even though it is indeed necessary to deepen in the study, lessons and conclusions of these experiences as strategies to promote development and improve the quality of life of poor urban communities.

Informal development, sale of property land rights through the “Asociación La Tierra Prometida” (“Promised Land Association”), and the Bogotá mayor’s office program on Settlement Legalization and Upgrading (1998-2000), become effective strategies to solve the need for housing, to overcome urban poverty and to improve the living conditions of low-income families.

Introduction
During the seventies and the eighties, Bogotá maintained high population growth rates, becoming the highest national rate for the last 30 years\(^1\). Back in 1964, the population of Bogotá represented less than 10.00% of the total added four main cities all over the country. In 1993, whilst Cali and Medellín increased their participation by a little more than 4.00%, Bogotá exceeded 14.5%. Growth rate of 2.35% as calculated by the DAPD (Departamento Administrativo de Planeación Distrital / Bogotá Planning Agency) for 2000, could still broaden the gap during the next decade.

Many key governance institutions have come into stage trying to satisfy housing needs of a continuously growing population. On the one hand, national housing policy mainly implemented by national and local agencies. On the other, private land subdividers, – both formal and informal-

Despite the formulation of national and local strategies to deal with the increasing demand for neither housing, nor government plans neither private initiatives have been enough to build as required, nor the shortage keeps growing. Supply by Informal private land subdividers far exceeded the demand of lower income population for land available for development and for social housing.

As from the seventies, a massive migration to large urban areas took place along with the implementation of original housing finance instruments\(^2\), an aggressive social housing and employment program\(^3\), and a lengthy urban legislation\(^4\). In the case of Bogotá, the new families of workers and needy people established on the eastern city edge, giving rise to informal illegal settlements and urban slums out of the “urban utility boundaries”. Lacking even the most basic of services, and spreading, years later, to the western bank of the Bogotá River\(^5\).

As per DAPD calculations, more than 23% of the current urban land (6.600 hectares approximately and more than 1,400 settlements) have been illegally urbanized. The high demand for housing, the lack of planning\(^6\) and the operating inability of public service providers exceeded the availability of land to be developed. The imposition of utility boundaries, the scarce technological innovation, and the limited management of big social housing
programs gave rise to an area poorly developed, lining the service boundaries and mostly inhabited by families from estratos7 one and two.

Facing the reality of informal development, in 1996 “H.G. Construcciones S.A.” undertook the task to conceive a system to allow the largest number of poor urban families to gain access to land property and decent housing, complying with urban regulations and sustainable development possibilities. HG launched a low-cost solution, as part of an orderly housing development to benefit communities as well as the city.

In 1998, the program “Por la Bogotá que Queremos” (“the city we dream of") set as priorities the urban sociospatial integration and the legalization of more than 450 settlements around the city. For more than 20 years these settlements survived the marginality they were subjected to due to its illegal origin. No public services were available to its population. Occasionally the community was benefited from public or private investment in infrastructure and from government housing, education and health programs.

The purpose of this paper is to deepen into the knowledge on how the city has been constructed, based on the following three strategic initiatives to provide land available for development, housing and utilities: First, the strategy of “illegal” land subdividers and land creation as a micro-finance strategy. Second, the new practice by legal land subdividers aiming to serve the poorest population, who provide housing that complies with standard regulations and requirements set in the development plans of planning and public service agencies. Finally, the legalization and upgrading program as a planned strategy to improve the quality of life, overcome the shortage and promote the development of poor urban communities.

It is suggested that the housing shortage in Colombia (and in big cities in the region) is qualitative, that is, the marginality and poor quality of the housing stock. Urban practices, on the other hand, evidence that the best way to satisfy the housing needs of low income families is through the supply of land available for development and limited credit lines. Total credit amount and payment terms are tied to the beneficiary’s income.

Land property and access to basic utilities create the conditions to attract public and private investment to community involvement activities, thus contributing to turn development and improved quality of life into a shared effort. It is not the intervention of a benefactor government, but the development of policies to promote self-confidence and encouragement poorest settlements and communities. Also to own secure land (against the impact of natural disasters) where utilities are available, is a condition that cannot be postponed as part of policies and national and local programs to satisfy the demand for housing, to overcome the poverty condition, to improve the quality of life and to promote the development of individuals and their communities.

The process of illegal development at Usme, to the Southwest of Bogotá.

Total area of Bogotá is 173,200 hectares, of which 34,113 are available for development, 14,086 are suburban8 and 125,000 hectares are rural areas. Urban and suburban areas amount to 48,198 hectares located between the eastern hills and the Bogotá River. Having its center at the city’s historical zone, land available for development describes a 16-kilometer radius half-circle.

According to the Administrative Department of Local Planning (DAPD), in 1975 the urban population reached 5,917,430 and a density of 140.51 inhabitants per hectare. In other words, a relatively compact city, with few environmental and recreational spaces. During the 60’s, demographic growth takes place mainly in Usme and Bosa, to the South of Bogotá. Years later, the urban growth and illegal developments phenomena extends to the towns of Usaquén, Ciudad Bolivar, Kennedy and Suba.
Illegal development produces between 30 and 40 percent of the housing in Bogotá. The result of this informal activity has been a segregated and marginal city. Despite that in general terms the quality of life has improved during the period between 1970 and the early 90’s, an important number of people in Bogotá continue living in poverty. Per Alan Gilbert, quoting Londoño de la Cuesta, more than 800,000 people still have not solved their basic needs, and 200,000 live in abject poverty.

Regarding income, 80% of families in Bogotá earn less than four Minimum Legal Salaries (SML) per month, and 36% fall in the range of less than 2 SML (Roda, 1992). According to Gilbert, most of the workers in Bogotá have higher income than 20 years ago, but earn salaries lower than 10 years ago. Families on this range of income are the natural markets for illegal settlements.

Per researcher Samuel Jaramillo, the greater participation of illegal housing took place between 1938 and 1951, period during which legal building represented only 43.73 per cent. During the same period, an average of 2,000 illegal units was built per year. During the following 13 years, the annual number of illegal units doubled. As from 1964 and until 1985, the development of illegal settlements exceeded 9,500 units. In 1985, more than 288,000 unlawful units were developed in Bogotá.

According to the calculations of the Bogotá mayor’s office, upto 1999, house building by legal developers who comply with regulations, reaches an average of 32,000 units per year. Out of this total, only 11,000 units are social housing at a price that exceeds the creditworthiness of estratos 1, 2 and 3. During the last five years, the formal construction industry built only 9,963 units, of which 74% were social housing. Not only the number of units dropped dramatically serving only 18% of the city requirements, but areas also decreased, from 32 to 28 square meters. Despite the smaller size, prices of social housing ranged between 25 and 30 millions of Colombian Pesos⁹.

Families in these Estratos 1, 2 and 3 grow at a rate of 40,000 homes per year (83 per cent of the total). Ranges 1 and 2 represent 43% of the city total and earn less than 3 SML¹⁰. During the period 1995-1999, housing shortage becomes evident, and more than 200 hectares were unlawfully developed each year. By 2000, Bogotá had more than 6,600 hectares of illegal settlements, and 1,400 developments were occupied by the poorest. Also in Bogotá, large plots of land were developed without the possibility of access to public services, at the localities of Kennedy, Engativá and Suba to the Western, and Ciudad Bolivar and Usme to the South.

<table>
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<tr>
<th>Locality</th>
<th>Number of Settlements</th>
<th>Surface in Hectares</th>
<th>Number of plots</th>
<th>Estimated Population *</th>
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Table 1
Unlawful settlements in Bogotá upto 2000

9. Colombian Pesos
10. Colombian Pesos
San Pedro de Usme, a town located to the South on the Eastern Hills, was founded back in 1650. In 1950 it was designed a municipality, and, since then, this important rural area that used to supply the capital with part of the food it required, has been hit by violence, conflicts for land tenure, and fights among settlers, tenant and farmers.

According to the 1985 census by the Statistics National Administrative Agency (DANE), Usme population was 141,833. With an annual growth rate of 3%, population in 1993 had increased to 200,000. As per data gathered by the DAPD upto 2000, in Usme there were 166 unlawful settlements, the fourth higher figure in Bogotá (see Table 1). Projections by DAPD anticipate 300,000 inhabitants in Usme for 2005.

Direction and destination of urban migration are determined, on the one hand by violence as a constant feature in the history of Colombia, and on the other hand, by the attraction of urban development (Singer, 1977). Population growth during the 70’s, availability of appropriate lands for mining and intensive use of non-qualified labor, as well as the accelerated subdivision of plots as a result of fights for the tenure of lands, were all breeding grounds to develop the town of Usme.

Another element that weighted in the unlawful development of Usme and other towns –the first experience of attachment to the city11- was the poor ability of the administration to establish controls and rules on urban growth. In 1954 Usme, as well as it’s important water resources, was attached to the Bogotá Special District12. Once the illegal settlements were established, they went on developing on the administrative inability of Usme and the poor management of the Bogotá public services agencies. Following its attachment to the Capital District, the ruling, urbanistic control and utilities administrations were centralized. However, all efforts were helpless. By 2000, approximately 23 per cent of the city urban area had settlements that originated in illegality.

Most of the territory of Usme is mountainous and its climate goes from cold to bleak uplands on the high part of the southeastern hills. Tunjuelito River runs to the West and flows into the Bogotá River. Tunjuelito River, which has its source in the uplands of Sumapaz, at Los Tunjos Lake, is the main resource to fill the La Regadera and Chisacá dams, on which the water supply for Bogotá depends.
Informal Private Land Subdivider

Colombian society has always been exclusive and, in the main city, Bogotá, the social element has clear physical evidence. More than half the city and its inhabitants live aside urbanization advantages. For decades, low-income population was excluded from development and the benefit of urbanization. Facing the government inefficiency to appropriately satisfy their housing needs, the poorest families looked aside the markets in search of a solution to their housing problem.

Literally, the formal city developed inwards the urban utility boundary. Those who stayed outside became the natural targets of land subdividers. The scarce offer of land available for development within the first stage of urban sprawl, and the limited ability to extend public services, increased the land value within the area. Demand exceeded formal supply, and the limited credit capacity of poor families limited the access to formal housing.

Property owners and holders originated some of the illegal, informal or unlawful settlements in the sale of lands. Some others resulted from community organization to force the occupation of third party lands.

Low cost of land, high slopes, cold and rainy weather, unsteady soils and the difficulty to distribute public services, turned lands located between Bogotá urban perimeter and Usme into an “adequate” location to develop many estratos 1 and 2 settlements. Plots of land without public services, failing to comply with development regulations, settlements with no prior government authorization. Luis Alfredo Guerrero Estrada, a successful trader and political leader, made of these good-for-nothing plots of land the answer to the housing needs of the poorest urban community.

Guerrero Estrada is an important figure, known as the biggest informal private land subdivider in the South of Bogotá. It was due to his action and support that settlements like Diana Turbay at San Cristóbal (7,400 units), Juan José Rondón at Ciudad Bolívar (3,600), more than 15,000 illegal homes in the Community Alfonso López, and other six developments at Usme (La Fortaleza, 600 units) were possible.

Back in 1979, in his capacity as local mayor and head authority of the locality of San Cristóbal, Mr. Alfredo Guerrero peacefully negotiated the eviction of more than 3,500 families that had unlawfully occupied the houses built by the Caja Popular (CPV) at the Guacamayas sector. Nine days after the eviction, Mr. Guerrero legally organized the “Cooperativa Popular de Vivienda del Suroriente” (Southwest People’s Housing Cooperative), with the support of the Bogotá’s mayor that held office at the time, and the participation of homeless families. Once Mr. Guerrero presented the solution to a very serious social problem, he was recognized by central and local government administrations as the leader of a community of thousands of “poor farmers” of estratos “zero and lower”, as he himself mentions. The same year Mr. Guerrero resigns his public position and entirely devotes to the cooperative.

On its part, the institutional sector, the politicians, the building industry and the society of Bogotá, identified social climbers with the mark of infamy. The newcomers were called illegal immigrants (as if moving from the countryside to the city or from one city to another in search of job and opportunities was a crime) that came to mess the city up. It was necessary for the new city neighbors to join together in a common political party and to establish citizen pressure groups to be integrated (be included) into the society and benefit from urbanization advantages and development works. Exploiters of this market for the poor became the well-known illegal land subdividers.

More than 25,000 low-income families purchased plots of land on the Southeast of the city. Payment had been completed in six months. Those men and women of working age work and live on the grounds of the old...
brickwork. This settlement was granted development resolution number 075 of 1980, issued by the Mayor’s office. Diana Turbay neighborhood, named after the daughter of President Julio César Turbay Ayala, consolidated as a popular settlement that extended over 300 hectares.

With a captive electorate, Mr. Guerrero was elected a City Council member representing “Pan y Techo” (“Board and Lodging”) a popular political party. There he was the driving force behind the legalization of his own developments. Later, he was elected to the House of Representatives. With resources from the National Budget, he invested in infrastructure, access roads and public services. No doubt, Mr. Guerrero, who calls himself a “Revolutionary”, not an “illegal land divider”, took full advantage of the lack of planning and management of the local administration, obtaining votes in exchange for land. Illegal developers encouraged popular groups and made themselves their natural leaders. They took up the standard of social programs and exchanged votes for intentions and the promise to solve the marginality problem of these poor communities.

The process to develop an illegal settlement is therefore very simple: Land is divided into plots in a number equal to that of beneficiaries. No license or sales permit. Some roads are drawn, but neither common nor recreational areas are designed. During almost thirty years of informal development, the residential area of the city grew, producing big urban conglomerates without an adequate provision for services, schools and parks. Per Mr. Guerrero’s testimony, soil and risk studies were carried on; specially to anticipate floods, landslides and earthquakes, to prevent the loss of money invested by developers. Mr. Guerrero says that even though these development programs did not produce important profits, they produced political rewards.

Guerrero Estrada purchased lands from aristocrats and politicians of Bogotá. He also purchased from small bankrupt owners, or from those who were afraid of losing their lands. Some of them, facing the demand pressure, applied the “commander” (as Mr. Guerrero is known locally) experience to develop their properties. Enrichment of landowners was remarkable during that time. Those at the interior of the service boundaries were benefited from important government investments in infrastructure and public services, which rose the land value. A social effort produced enormous private benefits. Owners outside the service boundaries also benefited from developing their lands to satisfy the housing needs of the deprived sectors of the population, thus turning an unproductive asset into a net equity value.

Mr. Guerrero sold only plots of land. There were no consumables added to the cost of land. There were no charges for studies or preliminary designs. Nor there were direct costs for materials, labor or equipment. Despite the requirements regarding payment terms, there were no interest charges or indirect costs, and of course, there were no charges for advertising, sales or document registration.

According to Mr. Guerrero, land property was notary registered but many of the purchasers have not paid in full as of today. However, during this time, families invested in their own homes by acquiring building materials out of Mr. Guerrero’s stores on a credit basis. The plot owner spent his/her savings, and Mr. Guerrero granted credit lines for the same amount. Building materials were financed according to people’s purchasing power. Purchasing capacity was checked each time the “owner” applied for more building material. It was necessary to fully pay the outstanding balance in order to obtain approval of the new credit requested. For each payment, a receipt was issued, to separately register the building materials and the proportion of the land value.

Financing policies were simple, an example of micro-credit in popular housing organizations. Each plot of land has a fixed value, and no down payment is required. Purchaser must pay a fixed monthly installment, calculated according to the term. Owners and their families get into small debt including the land value and a rotary credit line for the purchase of building materials. Total value of the debt never reaches the market value of a finished house.
As an example and based on actual market prices and the formal offer of social housing, an individual purchases a solution with a cost between 50 and 70 Minimum Legal Monthly Salaries (LMS), which consists of a basic unit with extension possibilities. Thirty per cent down payment (15 LMS) and total credit 35 SML, 15 to 20 years payment term, interest rate not higher than 11%, variable monthly installment calculated in Real Value Units (Unidades de Valor Real UVR) estimated at Col$234,058 (82% of the LMS). Payment terms may vary should planned savings and National Housing Allowance be included.

Sale price of plots in informal developments is estimated at 13.98 LMS. No down payment and payment period over 5 years, interest rate and fixed installments denominated in pesos. Should planned savings and Housing Allowance be applied to the purchase, it would be possible for families to mortgage this asset (the plot of land) for upto 2.5 LMS, in order to properly satisfy their housing needs and possibly obtain additional income. This way poor families will be granted additional payment sources and purchase a higher quality product.

Plot areas in informal developments have between 5 and 6 meter by 10 to 12 meters dept. These generous areas constituted an “unfair” competition to the formal building industry which, by the time and due to cut costs, offered smaller bi-family (two units in a single plot) houses (individual plots 3 and 3.5 meters front) and apartments. Formal developers pressed on the other hand, for “easier” standard regulations, and requested an increase in the government family allowance. The foregoing only to sell a product each time less attractive and more expensive. Progressive development was also ruled, which allowed traditional developers to offer projects complying with minimum urban specifications and requirements. More and more, people’s settlements and social housing offered by legal developers looked like those in unlawful settlements.

Community leaders and politicians, mainly during election periods, had some of the streets paved. Candidates brought water-tanks and arranged for the cleaning, security and appearance of facades. But it was only in 1998 that the Mayor of Bogotá and his team’s urbanistic vision offered true permanent solutions to these poor communities of the capital.

Central government’s excluding politics charged a high price on the poor communities of the capital. With no legal possibilities, having no property titles, with no access to cheap credit lines, far from formal job sources, from education, from health and recreation, and excluded from the basic public services; they had very few opportunities to overcome poverty and low quality of life. However, people was not in a position to wait for a centralized government with an increasing fiscal deficit, limited social investment programs and in a process of structural adjustment, to solve their housing and public service needs. They choose the cheaper available solution in the market. That was the origin of marginal/illegal settlements.

“The Promised Land” Housing Association

Established in Bucaramanga, to the Northeast of the country, Constructora HG is perhaps the building company, which produces the highest number of social housing in Colombia. In 1995, its share of the local market was 8.61%, with income of over 17,000 million Colombian pesos. According to data from the Colombian Chamber of Building, by year 2000 and despite the fall in the building industry, the company’s gross income was 7,000 million and its share of the market was 38.89%. These figures do not include sales in community-involvement building activities, but indeed show how strong the crisis in the Colombian building industry is. The company reduced its employees from 144 in 1995 to only 15 in 2000. It moved from the building business to the financing business (Plan 100) and to the sale of land rights.
Rodolfo Hernández Gómez, Managing Director and President of the Entrepreneurial Group, has been for years a researcher on the housing situation. A man that strictly complies with the law, who has a deep social sensitivity and that is a true believer in the need to provide a fair and decent solution to the demand for housing in the lower-income groups, establishes, by 1999, the “Tierra Prometida” (Promised Land) Housing Association. The corporate purpose of this non-profit organization is to promote and develop social-interest housing on a self-help building and community participation basis.

Colombian housing associations appear as an answer to the exclusion of lower-income groups and the impossibility for them to have access to the formal housing market. In many cases, associations have proven to be a political force and a group of citizen pressure. Developers have used the Constitutional right to a decent housing as their political platform. Even though the right is established by Constitution, abusive actions have been taken: seizure of lands, sale of flooding plots or lands not available for development, poor quality of housing and theft of associate’s savings. Poor people are permanently defrauded in Colombia.

In view of the mismanagement of down payments and family savings, Decree 824 of 1999 restricted the raising of Programmed Savings through the formal financial system (Housing and Loan Banks). That same year, a popular housing association, born from leftist political parties, unduly pressed the DAPD to develop flooding lands on the east bank of the Bogotá river, at the locality of Suba.

The experience and responsibility of a building company support the Promised Land Association with more than 30 years in the market. Following the experience of informal developers, land rights are sold at reasonable prices, credit lines and fixed monthly installments are offered, and minimum requirements are set to join the system.

The first step any buyer should follow is to register with the association (Col$60,000) and to reserve the land right by paying down between Col$500,000 and Col$1,000,000 and the balance over 60 months. Once land rights have been fully paid, the Association presents the individual or his/her family as a candidate to receive the housing allowance granted by the national government through the Instituto Nacional de Vivienda Social y Reforma Urbana – INURBE (National Institute for Social Housing and Urban Reform), and through Family Welfare Private Agencies.

The Association during the execution period also finances development works. Those registered to the program continue paying not more than 12% of the value of their individual plots, again in monthly installments. After several months, the settlement is orderly developed and connected to individual public service distribution lines. This system is the winner bet for the future of the poor. Products of this type of products in the market allow low-income families the possibility of going into the market enjoying the full advantages of an orderly-developed land and adding value to their investment.

Latest step is to enter into a building agreement with HG Construcciones S.A., which, complying with quality and safety housing requirements, delivers a decent product, along with development works and community services. Credit granted to build the house is payable in 100 fixed monthly installments (Plan 100). Mortgages out of this program can be placed in the secondary market, thus returning liquidity to the building company.

At present, Promised Land develops 7 projects: 7 in Santander to the Northeast of Colombia, one in the Atlantic Coast region and another in the Department of Meta in the central region. Total development surface is 2,343,285 square meters (234 hectares), a little less than the annual developments by illegal subdividers in Bogotá. 11,272 land rights are out for sale, each corresponding to a plot of land of between 45 and 72 square meters.
Limited offer of lands with availability for utilities increases the product value. However, the quality of
development and housing is worth the family savings and sacrifice. Monthly installments do not exceed 30% of
the family income, making it easier to sell to families earning between 1 and 2 LMS. The system is based upon
confidence more than upon the collateral guarantees, same it happens with informal developers. On each peso
contributed by the family, the association lends another one. Upto this year, 700 land rights have been sold only
in Bucaramanga and nearby municipalities.

Legalization and Upgrading – A strategy for development

Weak decentralization and the development model promoted by central government and multilateral authorities,
had as a result that efforts (economic as well as regulatory) concentrated on formal and legal economy sectors.
Credit lines in foreign currency to promote development fed the increasing bureaucracy of government agencies
in the big cities, and investment was limited to the extension and improving of service provision within urban
utility boundaries.

According to the calculations by the Mayor’s office of Bogotá, the city grows at a rate of 50,000 homes per year
(see Table 2). In the early seventies, 300,000 people lived in estratos 1 and 2; by 1998, the figures increased to
2,500,000 people, most of whom settled in illegal developments on the suburbs. During year 2000, the supply
of solutions illegally developed generated approximately 375,000 plots of land, occupied for more than 1,400,000
people.

<table>
<thead>
<tr>
<th>Year</th>
<th>Population</th>
<th>Average annual growth rate</th>
<th>% Country population</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951 a</td>
<td>715,250</td>
<td>-</td>
<td>6.00%</td>
</tr>
<tr>
<td>1964 a</td>
<td>1,677,311</td>
<td>6.87%</td>
<td>10.00%</td>
</tr>
<tr>
<td>1973 a</td>
<td>2,855,065</td>
<td>5.95%</td>
<td>13.00%</td>
</tr>
<tr>
<td>1978 a</td>
<td>3,518,100</td>
<td>4.27%</td>
<td>14.00%</td>
</tr>
<tr>
<td>1985 a</td>
<td>4,200,226 (c)</td>
<td>2.56%</td>
<td>14.00%</td>
</tr>
<tr>
<td>1993 a</td>
<td>5,484,224 (c)</td>
<td>3.39%</td>
<td>14.25%</td>
</tr>
<tr>
<td>1995 b</td>
<td>5,708,013</td>
<td>2.02%</td>
<td>16.00%</td>
</tr>
</tbody>
</table>

a – Source: Departamento Administrativo Nacional de Estadística – DANE
(National Statistics Administration Agency)
b – Source: DANE, based on 1993 census
c – Adjusted data by DANE.

Despite the fact that during the last three decades important resources from the national budget and private
savings were devoted to “quality” social housing, the demand and requirements of estratos 1 and 2 far exceeded
the limited formal supply -institutional and private-. That is how illegal settlements started up, and continue fast
growing, giving rise to a city on the fringes of law, regulations and utilities.
Table 3
Bogotá, D.C. – Population Projections

<table>
<thead>
<tr>
<th>Year</th>
<th>Total country population</th>
<th>Total Bogotá population</th>
<th>Colombia annual growth rate</th>
<th>Bogotá annual growth rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>35,098,737</td>
<td>5,995,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2000</td>
<td>37,811,308</td>
<td>6,820,440</td>
<td>1.50%</td>
<td>2.61%</td>
</tr>
<tr>
<td>2005</td>
<td>40,433,419</td>
<td>7,545,558</td>
<td>1.35%</td>
<td>2.04%</td>
</tr>
<tr>
<td>2010</td>
<td>42,982,033</td>
<td>8,070,588</td>
<td>1.23%</td>
<td>1.35%</td>
</tr>
<tr>
<td>2015</td>
<td>45,443,519</td>
<td>8,404,851</td>
<td>1.12%</td>
<td>0.81%</td>
</tr>
<tr>
<td>2020</td>
<td>47,761,595</td>
<td>8,646,212</td>
<td>1.00%</td>
<td>0.57%</td>
</tr>
</tbody>
</table>


The above figures set a limitation on the possibilities of development and improvement of living conditions. The years spent by Poor City inhabitants fighting for survival and trying to solve its basic needs, as well as the substantial investment they had to do to adequate their homes, reduced their purchasing power and tested their surviving ability. Low savings and low purchasing power in Bogotá, are partly explained by the limited resources of poor families and the priority to satisfy their basic needs.

For twenty years, people living in the settlements to the Southeast of the Capital requested from politicians and city authorities that their settlements and communities were legalized/incorporated into the city Development Plan. The illegal settlements (non-compliance with development regulations) prevent public resources from being invested therein. Low-income downtown communities, informal settlements and rural adjacent areas are the less adequate locations to invest and do business. There, the payment of quotas, corruption and unlawful provision of public services spread. Taxes, savings, profits, sales and payments flow outside the community but never return in the form of jobs, investment, infrastructure or basic services. Service network extensions do exclude illegal settlements. The unlawful source of settlements turned into the perfect excuse to explain the inefficient and poor urban management by local administration authorities and public service providers.

Size of illegal settlements, as well as the defense of community interests, resulted in important election plunder. Support given to urban incorporation of informal developments converted into political speech. Local authorities were indifferent to communities that year after year begged politicians holding office for their help to legalize the settlements in order to receive water, sewerage, power and telephone services, adequate roads, recreation, health, education and transportation.

In 1999, in development of the “Por la Bogotá que Queremos” Plans, Mayor of Bogotá Mr. Enrique Peñalosa Londoño, instructed the DAPD’s Regional Expansion and Organization Directory (SEOR) to implement the settlement legalization program as an essential requirement towards the compliance of the upgrading program.

Dynamics and strength of poor communities made that a reinvestment program was not only possible, but also necessary. Those years marked by marginality, poverty and disadvantage gave way to an economic opportunity for community improvement and development. Upgrading became a strategy to redirect investment to illegal settlements, which main objectives are: increase the demand for goods and services in poor communities, overcome poverty, promote development, suitably handle environmental issues and bring confidence and governance.
Legalization

According to the law, it is not possible to invest public resources in illegal developments, without a previous legalization process. Feasibility of the upgrading program was subject to urban “inclusion” of unlawful settlements. This is a situation often overseen in many of the improvement and renewal programs promoted by national and local authorities, cooperation agencies and multilateral organizations. Many NGOs implement projects without taking urban regulations into consideration.

However, what is mandatory for government agencies is not for public service companies (specially the telephone companies). Reasons preventing government agencies from rendering adequate and efficient services, were market opportunities for private companies. Open competition and the ability of private investors highly contributed to settlement legalization.

The procedure to officially incorporate, acknowledge and establish regulations for developments or settlements located outside the urban boundaries is set forth in Decree 688 of 1996. This decree foresees several steps: topographic drawings (topography), consultation on availability of services from providing companies, amendment to land inventory (tax list), risk assessment, feasibility studies and reserve areas, encumbrances, and issuance of development regulations. While some time ago the legalization of a settlement would take up to 7 years, and some 20 were legalized each year, 368 settlements were legalized by the SEOR in only 6 months of efficient urban management, that is, 81.8% of the 450 settlements goal set in the development plan.

The legalization process starts with the request by the community and the filing of drawings and topographic studies before the DAPD. By means of the request, the will of the citizenship is expressed to take part in the city development and benefit from local investment and programs. Topography produced by suitable professionals, retained and paid for by the interested community. Passing the legalization responsibility on a third party in no few cases resulted in abusive additional charges and endless procedures on the interested illegal settlement.

In the event it has not been clear so far, it is necessary to stress that the legalization referred to by Decree 688 of 1986 does not relate to legal tenure and ownership of the land. Nor it intends to give legitimacy to property rights on lands located in protected areas and riversides or those subject to encumbrance or non-controllable risks or menace. Urban inclusion does not confer property rights. Neither does it automatically transfer the property of common areas to local authorities. Urban legalization does not foresee procedures to obtain compensation.

Legalization is the incorporation of the settlement into city regulations and services. Feasibility qualification to legalize unlawful settlements is the responsibility of the Legalization Committee, chaired by the Local Planning Agency and made up of representatives of Land Registry, Disaster Management and Prevention Office, and local public and private service providers. This committee concentrates the coordination effort of plans and action of District agencies and companies to incorporate and upgrade illegal developments.

In order to accelerate the legalization process, partial legalization was undertaken. Legalization was authorized on a case by case basis, to avoid that the full community process was delayed due to some particular situation. Individual authorizations were granted by individual resolutions.

The legalization process helps to accelerate the registry of lands, increasing the city taxation basis. The process also contributed to: (i) define the city risk and natural menace assessment as well as the profile for prevention and mitigation works; (ii) increase the investment possibilities and the expansion of service networks for public and...
private providers; (iii) provide for a legal setting to invest in improving the Upgrading program; and (iv) make it clear how the Assets Attorney Office, the Administrative Department for Community Action (DAAC) and the Secretary of Education, among others, should participate.

The legalization resolution becomes an instrument by means of which local authorities and service providers recognize the new participation stage, and describe the more urgent community needs. Drawings indicating legalized and not legalized properties are delivered by the SEOR, wherein encumbrances and regulations affecting the development to be taken into consideration are pointed out. Proposed roads, infrastructure and community building are included.

Legalization is a process to recognize a fait accompli. It does not mean forgiveness to illegal developments. Legalization was assumed as part of the administrative responsibility and as the first step towards an efficient urban management including the administration of subnormal and marginal city areas\(^{18}\). Never before were activities in the legalization process a part of a development strategy. As from 1997 more than 300 communities and their right to participate in the city development were incorporated. Also, obligations to be fulfilled by the community were recognized as well as their contribution of the city development. In the short term, social investment out of the “Por la Bogotá que Queremos” program created massive non-qualified labor employment. Quality in the provision of services in more than 300 communities was improved. Bogotá is an important example of how serious economics, together with a sensitive macro-economic policy, trickle-down the effects of economic growth, creating employment and contributing to reduce poverty (Gilbert, 1999).

In the long term, the result is a more fair and egalitarian society. The assets of hundreds of poor families increase, and the way opens to private investment. It is anticipated that payment for public services becomes regular, and that quality in the provision of services improves. It is also anticipated that peaceful coexistence of individuals is valued and that quality of life improves for a number of illegal communities.

Upgrading
Upgrading was one of the priority programs during the Peñalosa administration. Under the management of Mr. Luis Alfonso Hoyos A., large scale efforts of public service companies and the Instituto de Desarrollo Urbano – IDU (Urban Development Agency) were coordinated with the purpose to improve the physical environment of more than 300 communities, to benefit around 650,000 poor people.

This program became the main strategy of the development plan to improve the quality of life of people in estratos 1 and 2, building up community sense and making community an active party in its own development process.

The development plan devoted more than 1,2 billion Colombian pesos, i.e. 13.5% of the investment resources, to the Upgrading program, by means of a planned and coordinated participation. “The implementation of the program has been precise, massive, integrated, coordinated and co-financed. Precise, for investment concentrated on the twelve localities on the periphery of Bogotá –Usaquén, Chapinero, Santa Fe, San Cristóbal, Usme, Bosa, Kennedy, Fontibón, Engativá, Suba, Rafael Uribe and Ciudad Bolívar- wherein there are estratos one and two communities. Massive, for activities were performed in areas between 20 and 50 hectares. Integrated, for the program was implemented as a whole to include the construction of water pipes, sewerage systems, roads, parks, green spaces, schools, social gardens and in general all infrastructure works required by zones left behind, without neglecting the community role and contribution. Coordinated, for almost all District agencies participated in a jointly effort. Co-financed, for the program was developed with resources from the District, the respective locality, the benefited communities and some NGOs\(^{19}\). In other words, city was built as a development strategy, through a transparent and efficient mechanism.
During the three years program (a short time for the size of investment and goals set), the executive director coordinated the action of eleven district agencies, through a central committee wherein all administration entities had chair. Three operating units: the technical committee, the social committee and the development workshop, integrating in a sole purpose resources from each institution and participant: resources from the capitalization of the Bogotá Telephone Company ETB, from localities, from government agencies and community contributions.

Having a clear social content, the Upgrading program is the more substantial development plan, with the greatest impact on poor communities undertaken in the last years. Building works involved completed and improved the environment where more than 2,500,000 inhabitants of Bogotá perform. Works like the following, carried out as part of the Upgrading program, dramatically changed the face of Bogotá: Local paved roads and sidewalks in Usme’s Moneblanco sector; access to settlements on the West hillsides in Tunjuelito; El Volador water pipes and storage in Ciudad Bolivar; investment of over 200 million pesos in preschool El Paraíso at Ciudad Bolivar; Parks at La Marichuela third sector in Usme and Escocia Paraíso in Bosa; Bellavista school at Kennedy; access to Guacamayas settlement in San Cristóbal and to Los Lachés in Santa Fe; more than 83,559 kilometers of aqueduct pipes and 204,286 kilometers of sewerage placed in Ciudad Bolivar; improvement of house facades at Hunza settlement in Suba; one billion pesos invested in paved roads, construction of sidewalks and facade improvement at Tenerife settlement in Usme; investment by the IDU of more than 56,000 million pesos and paving of more than 200,000 square meters; construction of 52 parks in settlements, handed over to communities and the investment of 4,300 millions of pesos by the Instituto Distrital de Recreación y Deporte –IDRD (Recreation and Sports District Agency); 800 million pesos in trees; and 20,000 million pesos from the Fondo de Prevención y Atención de Emergencias – FOPAE (Fund for the Prevention and Attention of Emergencies), invested in the zoning, studies, design, construction, relocation and handling of premises.

Together with the program of massive transportation (Transmilenio), the Upgrading transformed the image of Bogotá and the way its inhabitants live their city. An effective urban management proved that it is possible to modify negative tendencies. In the Latin American context, Bogotá is a city like many others. Its size and problems are alike many cities in the region.

The Upgrading program by the Peñalosa administration is perhaps the more important and effective social program of its kind developed in Latin America during the past years. It is a great success, not only for the amounts invested and the results obtained, but it is an example of massive investment in urban centers in the region. No doubt, this is only the first step towards a bigger and more significant participation, in Bogotá as well as in other municipalities all over the country.

Poverty, generally associated to rural areas, has recently become a growing urban problem. The priorities and purpose of central governments, local authorities, international organizations, private industries and people’s associations should include to get our urban communities out of the backward state, to overcome the situations that keep them in poverty, to encourage community participation and appropriation in the creation of its own destiny and to create the mechanisms to encourage development and improve the quality of life.

It is the responsibility of governments to serve the urban poor. Upgrading has proven that it is worth investing in them. This strategic approximation calls for the “inclusion” of urban poor people and settlements so they generate their own development process, taking into consideration the human and physical resources of these communities to encourage production and generation of income, to increase labor sources and rise the well-being level. For years, the social policy of central government and local authorities has concentrated in helping the poor, but not in transforming the poverty conditions. The upgrading program reviewed the concept of development, not looking at poverty with sorrow but as part of the solution.
Scarce resources devoted to social programs are directed to maintain the bureaucracy of government social agencies, and to promote allowance programs, which are in the end more sensitive to corruption and inefficiency. These intentions not only have failed, but also have contributed to deteriorate the situation during the last 30 years. Generation after generation of poor have not seen their situation changed, no matter if the economy goes upwards or downwards. Urban management priority should be to solve the true origins of poverty.

The second lesson learnt from the Upgrading program experience refers to the coordinated action and participation of companies and agencies related to the city. An executive directorship for the program was created, in charge of budgeting, programming and supervising the works. A small administration department coordinated the biggest social investment of the last years in Bogotá. Program Management was successful in calling several district agencies to jointly undertake the noble task of modifying the physical environment where poverty performs.

General interest prevailed over particular interest. Contrary to what many institutional and international cooperation programs do to invest in the individuals and their families, the Upgrading program invested in the physical environment around communities. Funds were invested in public property, multiplying the number of families that were benefited. Data show that the upgrading program, together with disarmament programs, has had an important effect in the reduction of criminal rates in the city.

Public space organization, lightning and appropriation by community did improve security. In Bogotá, urban chaos is constantly present in these settlements, where theft, robbery and rape are the daily news. In some sectors, the situation started to change following the Upgrading program. According to Myron Magnet, one of the factors that most contributes to improve the quality of life of the poorest is the existence of safe settlements. However, there still is much to be done.

The program resulted in a strategic investment of the capital’s physical and human resources. The value of the assets of many of the poor families in Bogotá increased. Their settlement, their block, their street, turned into an attractive place to live in, to lease, to sell or to produce. The program contributed to have people invest resources in their own homes, thus increasing their market possibilities or creating additional sources of income. Quality of life improved. It is expected that savings originate in family economies, health and transportation, bringing prosperity and improving the quality of life of poor urban communities. To invest in the community is an essential requirement for individuals and settlements to succeed and develop. Local revenue should increase through the expanding property tax base associated with urban/public surrounding and housing improvements.

Inability of service provider companies to serve poor communities was overcome. For years, these companies used the illegality of settlements as an excuse not to expand the service network; not to satisfy the increasing demand and to justify the huge economic losses originated in the unlawful appropriation of public services. Service coverage was always generous to the “legal” city, but management, administration and service quality set aside the “illegal” city for decades. Poor people now must pay for the service that is expected to be better in continuity and quality.

Governance has also been a positive result from the program. Community interest coincided with local government plans to promote the economic growth, by developing a common vision and drawing up a collective strategy. Settlement improvement must be incorporated as a permanent task by local administration, and allow for the design of participatory instruments to link community and public sector in order to establish and implement strategic investment programs on people and places. The big challenge of local government is to involve and coordinate the efforts of public authorities, private investment and community interests. In order to
implement strategic development programs it is necessary that national and local government take a look at poor communities, not to extend the hand, but to give the first step and set the conditions to guide private investment, create new job possibilities, increase income and welfare, and improve the quality of life (Weiss, 2001).

Despite the important resources assigned to the program, additional revenues are necessary are required to guarantee sustainability. The study and implementation of fiscal enclaves and the structuring of tax self-regulation mechanisms to be applied to some communities, as well as the creation of funds for improvement and community financing programs might be feasible initiatives to reach significant levels of planned permanent investment. The Upgrading program incorporated more than 500,000 hectares and more than 100,000 housing units in the market. Its effects over land value and housing shortage, previously a part of the informal real estate market, are still to be studied but no doubt there was a significant valorization of property and an increase in the value of assets. Benefited settlements are the right places to invest, and it is necessary that the local administration design tax and regulation policies whereby economic incentives are granted to private investors in order to reach and increase the desired levels of development.

It is important that local authorities look at communities and take geographic aspects into consideration to establish tax regulations and that taxpayers obtain advantage from development and urbanization activities. It is important to promote and increase self-sufficiency local revenues. To contribute to economic development, it is necessary to redefine marginal communities and illegal settlements (as well as “informal” activities carried on therein). It is necessary to incorporate them into development and urbanization, and attract investment to informal settlements and localities.

It is necessary to promote actual and potential possibilities of urban communities. Coordinate economic incentives and resources from public and private sectors. Concentrate efforts in the creation of additional job opportunities, commercial and service activities. Improving surroundings for a better and safer public spaces, educated population, more tolerant society, support small companies activities, best housing and quality of life, and other elements and advantages to attract not only corporations and entrepreneurial groups, but also new inhabitants, dynamic and perhaps with higher purchasing power.

Once environmental conditions around poor communities have been improved, it is necessary to recognize the economical potential of many of the informal activities there carried on. National government’s housing policies as defined in Decree 824 of 1999, examine and make it easier the granting of allowances for housing improvement community-based programs. This is an activity that produces authentic wealth and welfare to families, and becomes a productive capital of relevant importance. However, it is necessary that national and local government plans promote the creation of cooperation financial institutions or encourage the formal financial sector to reinvest in poor urban communities, through micro-financing activities and products, and supporting local micro-businessmen.

Environment obtained great benefit from the program. Upgrading activities resulted in the balance between improvement in living conditions and environment. Both the improvement of urban physical structure and conservation, and improvement of natural environment, are essential conditions to ensure the success of development strategies. Improvement in the supply of drinkable water, sanitation, paving and appearance improvement of paths and minor roads, trees and land handling are results of special importance to poor communities that have traditionally been hit by the poor quality of air and water, as well as by exposure to unhealthy conditions originated in the poor quality of natural environment.
The upgrading process helped to go further into risk assessment activities. Through a serious evaluation of reduce risks, uninhabitable city zones were identified, as well as those requiring improvement works. It is necessary to continue implementing relocation programs and civil works to prevent damage to human and physical resources in the city. No further investment in human and physical resource would be possible, without a previous study on its vulnerability to natural disaster.

Conclusion
Bogotá has paid a high price in reason of its development policy and the poor urban management of local authorities. The planned process of social exclusion imposed for more than three decades has turned back bringing a costly invoice. Inefficiency and mediocrity of government public systems result in the fact that today the incorporation of informal settlements is twice or three times as expensive as what the cost would have been of decriminalizing the urban growth. It is unfair that the city had to pay for the consequences of an unclear and indifferent social policy.

During the last three years, the government of Bogotá has been trying to organize a housing plan to compete with illegal land dividers. Institutional sector, through Metrovivienda, provides housing for estratos 3 and 4, and, despite all efforts, the offer of housing solutions is far from the purchasing power of estratos 1 and 2. Incorporation of land available for development still is an expensive process. In big cities around the country, and especially in Bogotá, the limited supply of new urban land with possibilities of receiving basic services does affect the cost of land, turning informal development into an attractive business.

The city needs a program that allows for the easy incorporation of lands within the expansion area as foreseen by the POT. This effort should not rest on one only city though. It is necessary to increase the supply of urbanized (with basic services) land, all over the country. Colombia should take advantage of having more than 30 important municipalities. In the case of Bogotá, a strategy to accomplish a large-scale incorporation of developed plots and to offer a variety of products to satisfy different income possibilities, should be agreed upon with the savanna municipalities. Availability of public services must be guaranteed in all municipalities, and the only element to determine the price of land should be the distance from Bogotá. From the view point of a development policy, the orderly incorporation of less than 10 hectares per year per municipality is easier to manage and has lower social cost than the disorganized incorporation of more than 200 hectares into a city of the size of Bogotá. Each city and municipality within the region should contribute its fair share to increase de development capacity of land.

Any development proposal must be framed into regional population, housing, public services and communications policies. Feasibility of all of them depends on the clarity of the communications strategy. The possibility of scattering the demand for land that is available for development, depends on weather located there should be ease accessibility to job opportunities and services from Bogotá. This is the only way to stop the urban expansion phenomenon, the physical increase of poverty, marginality, urban chaos and inequality in the Capital.

Fifty-six years ago the city absorbed 9 close municipalities. Our lack of awareness of actual migration and the omission to plan the land occupancy all over the region, is taking us to repeat informality and increase poor quality of life that characterizes Bogotá in municipalities like Soacha and some parts of Tenjo, Tabio, La Calera, Chía and Cajicá.

Investment in infrastructure, network and transportation may open an important number of job opportunities for non-qualified labor, and makes a direct housing allowance. Informal developments have proven that people solve their housing needs with their own effort. An adequate investment strategy may become an important stimulus for poor communities. It is the responsibility of government to reduce the poverty factors (availability of public
services and quality of life) in poor communities. Clear and efficient policies (access to credit) are required to encourage these communities so each individual satisfies the housing problem, with his/her own means, and according to his/her desires and limitations. This effort cannot be limited to a small group of cities. Connectivity to public services must be part of a decentralized program that allows for the planned expansion of networks and the progressive development of town planning works.

Bogotá as well as close municipalities would benefit from a regional population and housing strategy. Uncontrolled growth of the city urban sprawl would be avoided and a proposal would be presented towards the controlled growth of urban centers in the region. A region connected through an efficient telecommunications and transportation system, supported by a series of infrastructure works and the provision of decentralized services which respects environmental structures to support de quality of life in the Savanna of Bogotá and its surrounding hills.

Upgrading program for Bogotá is a successful activity to promote development and improve the quality of life of urban communities. A strategic investment was made to provide public services and basic infrastructure to transform illegal developments into organized neighborhoods. Neighborhoods where community is ready to invest in their housing, family and business under principles of decency, security and opportunity. It is necessary to obtain the cooperation of central government and local administration, as well as the support of international community to promote and implement programs like this upgrading or neighborhood improvement. As Dr. Weiss suggests, this kind of projects can make a great difference in poor urban communities, at relatively low public costs to be self-repaid through private investment and the increase in the value of residents contributions.
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(Footnotes)


2 Constant Value System “UPAC”

3 President Betancur No down payment and housing programs (1982-1986) for the construction of 400,000 housing units. During the four years Betancur held office, the Savings and Housing Corporations (UPAC System) funded social housing. In order to serve a scarce income market, mass housing was built, technology was imported and costs were cut, thus reducing the quality of town planning and social housing. Big construction companies were consolidated.

4 The lengthy legislation was included in various local regulations: Agreement 22 of 1963; Agreement 21 of 1972; Agreement 7 of 1979 and its reglamentary decree 2489 of 1980; and finally Agreement 6 of 1990.

5 During the period 1918 to 1942 the concept of popular proletarian housing is stressed and several projects are developed mainly in Bogotá, funded through agencies established toward that end, which grant subsidy interest rates and convenient payment terms. During the 70’s a brand new credit system for housing appears in Latin America. The UPAC privatized the housing credit lines, encouring saving and increasing the possibilities of becoming homeowners for Colombian families.

6 It is indeed paradoxical that many of the professionals and technicians whom rendered services to the planning and control agencies during the disorganized and expensive development period, have become, as of today, the leaders of the solution to the problems of the chaotic development of Bogotá city.

7 Estratos (estrata), this statistical analysis, measures location and urbanization as a direct relationship of per capita income and quality of urban infrastructure. The law (142 of 1994) defines six estratos; being 5 and 6 those best located and best served.

8 Agreement 6 of 1990 defines suburban areas as those that fall into the transition limit around urban areas, as well as urban centers in small counties and those along roads coming into the city. The integration and development of suburban lands was ruled in 1990 in the form of a process agreed upon, wherein the approval by providers of public services, especially the Water and Sewerage Company (Empresa de Acueducto y Alcantarillado), was necessary. Therefore, the integration reacted more to private interests than to an efficient urban management to integrate lands and expand services. As of today, Decree 1505 of 1998 establishes that expansion areas be integrated through partial plans.
Official exchange rate on Nov 8, 2001, Col$2,306.57 to US$1.00

For 2001, Minimum Legal Monthly Salary has been set at Col$286,000.

Under independent administrations, the municipalities of La Calera, Cajicá, Chía, Cota, Funza, Mosquera, Madrid and Sibaté are part of the first stage of urban sprawl. The municipalities of Bojacá, Cogua, Facatativá, Gachancipá, Tocancipá, Nemocón, Sopó, Subachoque, Suesca, Tabio, Tenjo and Zipaquirá make up the second stage.

By means of Decree-Law 3640 of 1954, Usme is attached to the Capital District. The local mayor’s office is created in 1972. Agreement 2 of 1992 grants Usme the category of a locality part of the Capital District, and by Agreement 15 of 1993, its boundaries were re-defined.

Flat lands on the savanna of Bogotá, more adequate for an orderly and efficient urbanization process, only began its development by the 50’s; however the process was accelerated in 1961 by government plans. Self-help housing was built to the South and West of Usme, most of it being illegal.

Only by 1990 the incorporation to develop suburban city areas was ruled. The process was until 1999 boring and slow. To obtain the construction license, it is necessary to prove the availability of public services.

Calculations are based on information and figures by Administrative Department of Local Planning (DAPD). Planned savings and the amount of the Housing Allowance are set by Decrees 824 and 1538 of 1999.

By the end of Mayor Enrique Peñalosa Londoño period (1998-2000), local government published its management memories, in a document called “Bogotá sin Fronteras”. Historia de una Revolución Urbana” (“Bogotá without Boundaries”). The History of an Urban Revolution”), thus complying with article 315 of the Constitution of Colombia and article 91 of Law 134 of 1994, by means of which citizen participation mechanisms were established by lawmakers.

The Bogotá Territorial Organization Policy (POT) defined the city project over the next 10 years. Our community’s desires and predictions to build a fair and egalitarian city are summarized in this Policy. The city purpose coordinates government action, public investment and individual practice towards the achievement of medium and long-term goals. POT becomes the chart for not one, but at least three local administrations.

Legalization, upgrading and settlement improvement, along with the planning of new development areas, allows for a balanced and coherent management by the administration of Bogotá. Paying attention to marginality and preparing the grounds for an orderly growth and a rational and efficient expansion of public services, must become a purpose for the forthcoming administrations. The outcome of these tasks should be considered as valid elements to evaluate urban management.


Myron Magnet says that political philosophy of the Compassionate Conservatism (“Compasionismo Conservador”) had an important development through Republican mayor’s offices during the early and middle nineties. Poorest people were priority in big urban centers however there is a general believe that state bureaucracies perform poorly when providing social services for the poor.

Dr. Marc A. Weiss suggests that it is necessary to take a new comprehensive approach to cities development.

In a document on criminality in Bogotá, the author suggests that the lack of a shaped, orderly and lightened public areas makes an appropriate space to commit criminal acts.

Programs like Cities Alliance through UNCHS – Habitat and the World Bank, and the Program Cities Without Slums; World Bank’s Sectorial programs; Municipal Programs of Interamerican Development Bank – IDB; Cities Program of the U.S, Agency for International Development – USAID; Canadian Authority for International Development; Japanese Agency for International Development; The program for Municipal Development of the Interamerican Agency for Cooperation and Development; and other activities of NGOs.
“Self-Management As A Tool in Changing Housing Policies: Experience in San Pablo, Brazil”

Leonardo Roque Pessina Bernini
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La autogestión como instrumento de cambio en las políticas de Vivienda.  
*Relación entre los movimientos sociales, las Ongs y el Estado.*
La experiencia del CAAP.

CAAP- Centro de Assessoria à Autogestão Popular  
São Paulo- Brasil

1. EL CAAP, CENTRO DE ASSESSORIA À AUTOGESTÃO POPULAR, SU ESTRATEGIA Y SU METODOLOGÍA EN LA CONSTRUCCIÓN DE SUJETOS HISTÓRICOS EN PROGRAMAS HABITACIONALES AUTOGESTIONARIOS.

El Centro de Assessoria à Autogestão Popular, CAAP, es una organización no gubernamental sin fines de lucro que da asesoramiento técnico integral (arquitectónico, social, jurídico, financiero) a organizaciones de base, movimientos sociales e instituciones públicas, en los ámbitos de vivienda, desarrollo urbano, educación y economía popular.

El objetivo del trabajo de asesoría es la autogestión de los grupos de base en la solución colectiva del problema habitacional, a través de la construcción de viviendas por ayuda mutua.

Los grupos de base movilizan recursos propios (humanos, materiales, técnicos, solidarios, financieros) para el proyecto, al mismo tiempo que exigen del gobierno el acceso a la tierra, a la infraestructura urbana y al financiamiento de las viviendas.

Si el trabajo culmina con éxito, el grupo tendrá mayor desarrollo y fuerza para emprender demandas destinadas a mejorar su hábitat y a obtener una plena ciudadanía.

La estrategia del CAAP es generar espacios en las políticas públicas urbanas y habitacionales para una producción social de la vivienda, que incluya el control de los grupos organizados y sus movimientos representativos.

CAAP ha trabajado en la perspectiva de abrir caminos en los niveles de gobierno central, estadual y local, asesorando proyectos piloto y demostrando la posibilidad de llevar a cabo con éxito programas autogestionados.

La asesoría técnica del CAAP y de otros equipos técnicos profesionales ha ayudado a elaborar una propuesta viable que permite a la comunidad presentarse frente al poder público con más posibilidades. El trabajo de campo que ha desarrollado el equipo técnico está apoyado por trabajos teóricos y de investigación que lo alimentan y lo reformulan.

La introducción de una perspectiva de género en el trabajo barrial ha tenido creciente relevancia se han llevado a cabo talleres con mujeres y con hombres separados, en los cuales se ha abordado temas como el rol de mujeres y hombres en el hogar y en la sociedad, sexualidad, educación de los hijos, salud, etc.
Las ideas que nortearon la creación del CAAP y marcaron el sentido de su existencia nacieron de experiencias realizadas con las comunidades socialmente marginalizadas contribuyendo con su proceso de transformación en sujetos políticos colectivos, activos y autónomos en la solución de sus problemas básicos de vivienda, educación para la vida comunitaria y efectivación de proyectos de generación de ingresos, o sea de la busca de la ciudadanía.

El CAAP tiene como horizonte el aporte para la construcción de un movimiento social sólido por medio de acciones que estimulen la vida comunitaria y apunten para una sociedad abierta, inclusiva, justa y solidaria. Sus actividades son desarrolladas de acuerdo a un plan que pretende gradualmente llevar en cuenta toda la vida social, o sea la vivienda, la salud, el estudio, el transporte, el arte, la familia, el empleo, los valores sociales, las leyes.

El trabajo de asesoramiento apoya la construcción de un movimiento capaz de participar activamente de la gestación de otro proyecto social solidario, un proyecto que se piensa y se construye colectivamente.

Lo esencial de este tipo de acción colectiva es que ella sea efectivamente una lucha que se inserte críticamente dentro de un movimiento capaz de construir cotidianamente una acción solidaria y no se caracterice solamente como un engranaje más de la sociedad capitalista.

Siendo el eje principal de sus actividades la producción social del hábitat, el CAAP desarrolla un intenso y sistemático trabajo de apoyo a la organización de la población de bajos ingresos, en su lucha por el acceso a uno de sus derechos básicos, la vivienda.

Se trata de apoyar estos sectores para que conquisten colectivamente sus derechos de ciudadanía, para que actúen como sujetos activos en la construcción de una sociedad más justa, a través de la solución concreta de sus problemas.

En este contexto, el encuentro entre las Ongs y los movimientos sociales urbanos se va construyendo sobre el ideario de la autogestión, en el caso del CAAP, de la democratización de la sociedad brasileña, juntando las experiencias y las visiones de mundo de los dos actores y apuntando para una nueva visión de la lucha por el derecho a la ciudadanía.

El CAAP se basa en el concepto de Sujeto Colectivo de Eder Sader en el sentido de “una colectividad donde se elabora una identidad y se organizan prácticas a través de las cuales sus miembros pretenden defender sus intereses y expresar sus voluntades, contituyéndose en esas luchas”* (Sader; 1988: 55)

Los movimientos populares, que en el comienzo de los años 80, especialmente en el ABC paulista, se organizavan alrededor de la lucha por la vivienda, adquieren la cara de de sujetos sociales. Antes dispersos e individualizados, pasan a identificarse mutuamente en sus objetivos y a decidir colectivamente.

La concepción del CAAP sobre el espacio de la ayuda mutua va más allá del aprendizaje de la construcción, por implicar un proceso de construcción de la ciudadanía, coincide con Dagnino cuando afirma que

La nueva ciudadanía requiere la constitución de sujetos sociales activos, definiendo lo que ellos consideran ser sus derechos y luchando por su reconocimiento. En este sentido, es una estrategia de los no-ciudadanos, de los excluidos, una ciudadanía de abajo para arriba. Esta nueva ciudadanía se constituye, también, como una propuesta de sociabilidad, un diseño más igualitario de las relaciones sociales en todos sus niveles..... Es un proceso de
transformación de las prácticas sociales enraizadas en la sociedad como un todo.* (Dagnino; 1994: 108-109)

Se trata de conceptuar una nueva forma de ciudadanía, aquella que deja de ser pasiva, otorgada por el Estado, impregnada de la idea de la tutela, para tornarse activa y que se construye a partir de un proceso de creación de derechos y que exige la participación popular, como describe Benevides (1991: 20): “Esta ciudadanía activa supone la participación popular como posibilidad de creación, transformación y controlo sobre el poder o los poderes”

El CAAP entiende que la lucha por la vivienda se torna un proceso de construcción histórico en el cual el individuo, antes con una visión ni siempre crítica y articulada de la realidad, pasa a verse y a actuar como sujeto activo y participante de su historia, desarrollando ahora su crítica en relación al poder público y aproximándos de una esfera de discusión antes desconocida e inaccesible.

Pasa a entender el otro también como sujeto de una misma lucha, y así va conquistando su espacio de derechos. Y, com base en esta “nueva noción de ciudadanía organiza una estrategia de construcción democrática, de transformación social, que afirma un nexo constitutivo entre la cultura y la política” (Dagnino; 1994:104).

El CAAP trabaja com el concepto de autogestión siguiente:
Es la gestión propia y autónoma de los participantes de un proceso productivo, sin intermediarios, de todos los recursos necesarios (humanos, materiales, financieros, técnicos, solidarios, etc.) para el emprendimiento, optimizando la capacidad de la población y sus habilidades (CAAP,1996).

También define la ayuda mutua como la forma de construir las viviendas y ejecutar las obras de infraestructura urbana a través de la mano de obra de los propios interesados que trabajan colectivamente “ (CAAP, 1996), constituyéndose en una práctica de gestión popular cuando se le suma el carácter autogestionario.

Maneja el concepto de ayuda mutua autogestionaria para definir el proceso en el cual la organización de base, sea Asociación o Cooperativa, contribuye com su mano de obra gratuita, pero también y fundamentalmente com la gestión del emprendimiento, participando y decidiendo sobre el proceso total, diferenciándose de otras obras administradas por el Estado.

De esta manera busca garantir la creación de una alternativa de gestión y de organización popular que anticipa la construcción de una práctica ciudadana. En este sentido, las luchas de los movimientos de vivienda también contribuyen para la conquista de la ciudadanía, en su nuevo significado del “derecho a tener derechos” (Dagnino; 1994: 107).

Los movimientos de vivienda, actuando como sujetos sociales, van construyendo una esfera pública a través de su acción y de su propuesta, tratando de hacerla pública y de confrontarla com otras propuestas del Estado o de otros sectores de la sociedad, viabilizando posteriormente los consensos.

Todo este proceso se da cuando la sociedad brasileña comenzava a sentir los efectos nefastos de una prolongada dictadura militar y al mismo tiempo un intenso debate de ideas acontecía en las instituciones políticas, educacionales, artísticas y sindicales que estaban formándose o reorganizándose y ganando vitalidad.
2) PROGRAMA MUNICIPAL DE VIVIENDA POR AUTOGESTIÓN FUNAPS COMUNITARIO, SÃO PAULO, 1989-1992

Durante el período 1989-92, el gobierno municipal de São Paulo, recogió la experiencia de los movimientos de vivienda y de los equipos de asesoría técnica, basada principalmente en los proyectos piloto realizados en la región y en la experiencia del movimiento cooperativo uruguayo. Esto se expresa en el desarrollo de un programa municipal de vivienda con participación popular y de estímulo a la autogestión, que ha revolucionado la política de vivienda brasileña.

Como parte de esta tendencia, se estableció una concertación de hecho entre la Municipalidad y la União dos Movimentos de Moradia do São Paulo (UMM), las asociaciones de construcción comunitaria y los equipos asesores, que impulsó un programa de autogestión, financiando directamente a los grupos de base.

CAAP y União dos Movimentos de Moradia do São Paulo (UMM)

CAAP tuvo un papel muy importante en la implantación de este Programa Municipal, debido al trabajo pionero en los proyectos piloto en San Bernardo de Campo; por su participación en la articulación con los otros movimientos y equipos asesores, y por la difusión de la experiencia de las cooperativas de vivienda uruguayas. El programa fue una oportunidad de dar un salto de escala en la propuesta de la autogestión y pasar a una política pública a nivel de la mayor ciudad brasileña.

CAAP tiene un vínculo estrecho con UMM desde el principio del proceso, asesorándolo en las propuestas de legislación y políticas de vivienda en todos los niveles de gobierno.

La União dos Movimentos de Moradia de São Paulo fue un actor social decisivo para la viabilización del programa. Ha desarrollado una organización fuerte, propiciando la idea de la autogestión y difundiendo la experiencia acumulada en sus luchas por una política habitacional de carácter social y participativa. Presionó legítimamente a la alcaldía para implantar el programa y se constituyó en su interlocutor más relevante.

En cuanto a los aspectos financieros el Programa estableció porcentajes de financiación destinados a mano de obra especializada (10%), materiales de construcción (82%), asesoría técnica (4%) y equipamientos, herramientas y obrador (4%).

Estos porcentajes resultaron bastante adecuados en la implantación del Programa, a pesar de que se hayan modificado posteriormente para aumentar el porcentaje de mano de obra contratada, contribuyendo para aliviar el esfuerzo físico de las familias y acortar los plazos de obra.

Se estableció un límite para el financiamiento compatible con los ingresos de la demanda a ser atendida, de 1 a 5 salarios mínimos, y con la optimización de los parcos recursos disponibles, o sea de U$ 6.000 por vivienda, con base en un promedio de 60 m2. de área construida y U$ 100 por m2.

Una investigación realizada por Cardoso (1993: 182), indica que el costo de las viviendas construidas por ayuda mutua son 45% más baratas que aquellas ejecutadas por empresa.

Com base en el trabajo de Cardoso, Nabil Bonduki afirma

Estas conclusiones son importantes para comprobar las ventajas económicas de la ayuda mutua y, sobre todo, en la demostración de que la adopción de la autogestión genera reducciones de costo significativas esultantes no del trabajo gratuito de construcción sino de la opción gerencial adoptada.
La verificación de este hecho revela que la autogestión es más importante que la ayuda mutua, entendida como trabajo gratuito en la construcción, en la reducción de costo obtenida, como era nuestra hipótesis. (Bonduki, 1996: 10-11).

Debemos destacar también que los equipos técnicos contribuyeron para la reducción de costos de la ayuda mutua, en la administración conjunta de la obra con las coordinaciones, controlando el desperdicio de materiales y discutiendo con las familias formas de trabajo eficientes para llegar a mejores índices de productividad y consecuentemente reduciendo los plazos de obra.

De esta forma los asociados actúan en la misma dirección, ya que ellos “están construyendo para sí mismos y no para un patron capitalista. Este aspecto, la propia esencia de la idea de la autogestión, es el factor básico que garantiza la calidad de la vivienda producida por ayuda mutua” (Bonduki.1996: 10-11).

Este momento fue muy importante para mostrar la importancia del papel de los equipos técnicos en el modelo de la propuesta autogestionaria que ganó mayor visibilidad a partir de la estructura del compromiso triple entre la administración pública, las asociaciones y sus asesorías, exigiendo un diálogo constante en medio de innumerables conflictos y tensiones generados en el marco de un proceso complejo y nuevo para la mayoría de los actores involucrados.

Desde el punto de vista del CAAP, con la consolidación del Funaps Comunitario, se amplió bastante el campo de actuación, no solamente contribuyendo para la elaboración del Programa, con base en sus experiencias anteriores de las cooperativas uruguayas y los proyectos piloto del ABC paulista, sino también con la firma de siete convenios con la Prefeitura para asesorar 800 familias en las regiones este y sureste de la capital.

Resultados de los proyectos.

La experiencia de los proyectos autogestionados con asesoramiento técnico autónomo e interdisciplinario en San Pablo ha tenido un impacto muy positivo en la ciudad.

El Programa municipal de vivienda produjo una variedad de proyectos urbanísticos y arquitectónicos que respetan el medio ambiente, con diseños urbanos adecuados a la vivienda popular y configurando densidades habitacionales compatibles con la ubicación y el costo de la tierra.

La discusión de los proyectos entre los técnicos y los miembros de la asociación, sumada al proceso de construcción por ayuda mutua, garantizó una mayor identificación entre las familias y su vivienda, entre el grupo y su barrio. Esto implica un alto grado de sustentabilidad del punto de vista urbano.

La gestión local participativa, apoyada en una concertación de hecho- la instancia formal del Consejo Municipal de Vivienda no fue aprobada por el legislativo municipal- produjo once mil viviendas por ayuda mutua y autogestión.

Hubo una participación de 106 asociaciones y 20 equipos técnicos asesores.

Además impulsó urbanizaciones en las favelas y las primeras intervenciones en mesones del centro de la ciudad. También los productos físicos y sociales del Programa fueron muy buenos, produciendo las mejores viviendas, las más baratas y las más adecuadas a las necesidades y a los deseos de la gente, demostrando la eficacia y agilidad de un Programa que involucra actores de la sociedad civil interesados en el proceso y que genera un avance en la
conquista de la ciudadanía, en el marco de una política pública de carácter social.

O Funaps representó un avance para la propuesta del modelo autogestionario, el movimiento tuvo más espacio en los medios de comunicación, aumentó sus cuadros dirigentes en las distintas regiones de San Pablo, amplió la red de apoyos a la idea, profundizó la discusión del significado de una nueva cultura de mirar la vivienda popular, o sea contribuyó para la consolidación de la UMM como un fuerte movimiento social urbano.

Com todo, el movimiento era consciente de que sus perspectivas de avance para nuevas conquistas no podría depender solamente en los recursos del gobierno municipal, los cuales siempre resultarían escasos frente a una enorme demanda huérfana de programas oficiales por más de treinta años.

En este sentido la UMM se empeña en 1990 en la elaboración de un proyecto de ley que implantase una política nacional de carácter social, dando prioridad a la población de bajos recursos, estimulando la autogestión y la participación popular y estableciendo una gama de programas que respondiese a la variada realidad habitacional brasileña.

La UMM, articulada com varios sectores de la sociedad, se organizó en torno a la propuesta de un proyecto de ley de iniciativa popular, previsto en la Constitución, para la creación de un Fondo y Concejo de Vivienda Popular (FNMP).

El CAAP estuvo presente activamente tanto en la elaboración del proyecto como en la movilización para recoger las firmas necesarias de respaldo al mismo.

En noviembre de 1991 se entregó el proyecto com casi un millón de firmas, en una solemnidad que contó com la presencia de una caravana de más de 4 mil trabajadores de todo Brasil.

El proyecto tramita todavía en la Cámara de Diputados, habiendo sido aprobado ya en tres comisiones por unanimidad.

Mientras en la esfera federal se presionava para aprovar el FNMP, en el ámbito estadual la UMM pasa a presionar al Gobierno Fleury (1990-1994), consiguiendo la contratación de

1000 viviendas en 5 conjuntos habitacionales financiados com los recursos del impuesto a la circulación de mercaderías y servicios (ICMS), que representan US$ 250 millones por año.

Posteriormente, en 1994 la UMM suscita debates com los candidatos a governador y arranca del futuro electo, Mario Covas, el apoyo a la propuesta y la posterior efectivación de un amplio Programa Paulista de Mutirão e Autogestão, que hasta mayo de este año inició la construcción de 27,000 viviendas en este sistema.

En la esfera municipal, com la derrota del candidato del PT en las elecciones de 1992, se produjo un gran retroceso en el Programa Habitacional.

El nuevo alcalde, Paulo Maluf, paraliza las obras por ayuda mutua e implementa un Programa llamado Cingapura que previa la construcción por empresa de edificios en favelas ubicadas estratégicamente para el marketing político-electoral, destinados a asentar familias del local, sin urbanizar el resto del asentamiento.
La UMM realiza vaias manifestaciones y campamentos enfrente a la sede del gobierno, pero las relaciones se cortan durante todo el mandato de Maluf.

Electo en 1996 Celso Pitta, del mismo partido de Maluf, la UMM retoma la movilización para abrir el diálogo con la nueva administración, iniciándose un proceso para reiniciar el Programa de autogestión. La UMM y el CAAP participaron activamente de la elaboración del nuevo Programa de Construção de Moradias de Interesse Social em Regime de Mutirão

La UMM consiguió firmar primero un protocolo de intenciones y posteriormente 8 convenios para la construcción de 800 viviendas (octubre de 1999).

Los recursos no fueron liberados hasta la fecha, habiendo retomado la UMM las negociaciones con la Administración de Marta Suplicy (PT), electa en 10/2000.

3. ACTORES DEL PROGRAMA.

La propuesta de política pública habitacional de apoyo a la autogestión se fue gestando a partir de la experiencia uruguaya y de los primeros proyectos piloto y se vincula con la construcción de una esfera pública no estatal, concepto utilizado por varios autores brasileños*. Se trata de implementar una política de interés público fuera del aparato del Estado, a pesar de que la presencia del mismo sea necesaria para la financiación.

La autogestión de emprendimientos habitacionales con apoyo público constituye una nueva forma de monitorar las políticas públicas y sociales, es la gestión pública no estatal, que se presenta como una “alternativa a la ineficacia de la gestión estatal y a la privatización propuesta por el modelo anti-social del neoliberalismo” (Bonduki; 1996:12)

Estas son algunas de las concepciones inherentes al modelo autogestionario, implantado en los programas habitacionales conquistados por los movimientos de vivienda de la región metropolitana de San Pablo, expandiéndose posteriormente a otros estados.

Este modelo se fue delineando en la lucha por la autogestión en la producción de la vivienda; los primeros movimientos organizados alrededor de este principio buscaban un medio de interlocución con el Estado para conseguir concretar sus intereses, encontrando en los equipos técnicos asesores compañeros confiables para la formulación de alternativas de políticas públicas.

Así se diseñó la participación de los tres actores o agentes que constituyen este modelo y que ejecutan el emprendimiento social colectivo, a saber:

1) La Asociación de Construcción Comunitaria, ejecutora del programa, responsable por la administración de las obras y el monitoreo de todos los recursos, propios y públicos (financieros, técnicos, materiales y solidarios). Es el agente promotor o ejecutor, constituido con esa forma jurídica o cualquier otra, como cooperativa, por ej., que compra o reivindica el terreno, discute el proyecto urbanístico y arquitectónico con los técnicos, construye por ayuda mutua las viviendas y los equipamientos colectivos y organiza la convivencia posterior de las familias por medio de propuestas permanentes para mejorar la calidad de vida y la condición social de la gente.
Existe una resistencia enorme por parte del poder público para aceptar las comunidades organizadas como ejecutoras del emprendimiento, argumentando por ej. que “la población no tiene capacidad para gerenciar los recursos y administrar el emprendimiento”, y por otro lado temen perder su papel de control al compartir una parcela del poder con las organizaciones de base, restándole el rol de normatizador y fiscalizador.

Como señala Bonduki, en conferencia presentada en la Escola Politécnica de la USP (1996: 6) las corrientes más estatizantes ven la autogestión como una manera del Estado librarse de sus responsabilidades, pasando para el ciudadano funciones que son estatales, o sea reducir el Estado; cuando la autogestión se junta con la ayuda mutua, el juicio es peor pues nuevamente se coloca la vieja concepción del sobretrabajo.

Por otro lado, continúa Bonduki en el mismo evento, “las corrientes más conservadoras, no estatizantes, ven el peligro del fortalecimiento de la sociedad civil y de los movimientos organizados en la creación de estructuras productivas no estatales que ocuparían el espacio de la iniciativa privada capitalista”. (Bonduki, 1996: 6)

En el fondo lo que está en cuestión es el poder de coerción del Estado, que se siente amenazado por la autonomía de los movimientos populares. Contribuir con esa autonomía significa abrir espacio para la representación de los intereses populares en el ámbito de las decisiones políticas: este es un embate eterno entre los movimientos sociales y el poder público en la trayectoria de sus luchas y victorias.

Las organizaciones de base ya demostraron que son capaces de responder eficazmente en el desempeño de su papel de agente promotor.

2) La Municipalidad, la cual, a través de la Secretaría de Vivienda y Desarrollo Urbano, es el agente financiero y de supervisión técnica. Financia las viviendas (material de construcción, asesoramiento técnico, mano de obra especializada, equipamientos y herramientas) y ejecuta la infraestructura urbana.

El movimiento de vivienda sustenta que este agente debe ser público y puede ser en cualquiera de los tres niveles de gobierno (municipal, estatal o federal).

La reivindicación de la financiación pública es el nudo del modelo propuesto, porque coloca en cuestión las relaciones de los movimientos con el Estado, es cuando se da el embate con los órganos gubernamentales.

La iniciativa de producción de vivienda autogestionaria, que no significa autofinanciada, necesita de recursos financieros, para viabilizarse, que no se consiguen en el mercado. Es en el proceso de negociación con el Estado que los movimientos van conquistando ese derecho, muchas veces con conflictos, tensiones y radicalizaciones de posturas. Exigir que el Estado cumpla ese papel es contribuir para la construcción de una instancia de participación democrática, en la cual exista transparencia en las relaciones entre lo público y lo privado. La lucha del movimiento por su autonomía es garantizada por la gestión y el control de la comunidad organizada sobre el programa que reivindica.

Estudiando los movimientos populares, inclusive aquellos que estamos citando aquí, Gohn analiza de esta forma;

Los movimientos populares estudiados reconocen la importancia de interactuar con el Estado, de presionarlo para conseguir recursos, de redireccionar la máquina estatal para las cuestiones sociales.
Y más todavía, se busca crear en el proceso de actuación estatal, procurando atender las demandas populares, una correlación de fuerzas que venga a favorecer los intereses populares y la participación del movimiento, en detrimento de las empresas constructoras y demás intereses particulares. (Gohn; 1991: 177)

En el sentido de reafirmar la capacidad autogestionaria de los movimientos populares organizados frente a los agentes financieros, la asesoría técnica en conjunto con los dirigentes populares estimula el principio de la responsabilidad y el uso correcto del dinero público, reduciendo los costos sin perder la calidad de los materiales y de los servicios ejecutados.

Otra vertiente de esta actitud es la transparencia en la prestación de cuentas, realizada tanto desde el punto de vista físico (avance de obra) como contable y presentada en la asamblea de la asociación y al órgano público que financia el emprendimiento.

Los dirigentes, los asesores técnicos y demás agentes entienden que esa postura sería, honesta y responsable es fundamental para que la opinión pública, las autoridades y la sociedad en general, apoyen la propuesta autogestionaria con recursos públicos.

3) El equipo técnico asesor de carácter interdisciplinario, que apoya a la Asociación desde el punto de vista técnico, físico y social. Este equipo es responsable por el proyecto urbanístico y arquitectónico y por la dirección de las obras. Contratado directamente por la Asociación, debe estar registrado en la Municipalidad. El equipo técnico es el agente de asesoramiento técnico, tercer actor del programa, y está integrado por arquitectos, ingenieros, trabajadores sociales y otros profesionales, está constituido en forma de ong y desarrolla también con el grupo proyectos socio-educativos destinados a estimular la formación de una cultura política nueva, participativa y ciudadana.

La autonomía de las asesorías técnicas frente al poder público es un tema prioritario para el movimiento, en la medida que los equipos asesores disponibilizan una interlocución que tiene como eje central su saber científico, sus informaciones, sus instrumentos de análisis puestos a favor del movimiento, así como las informaciones necesarias a la participación de todos los actores en el proceso de conquista de la vivienda como un todo.

Más de que disponibilizar su capacidad al servicio de la población excluida, esos técnicos al representar los reales intereses de una de las clases constitutivas del capitalismo, en este caso las clases subalternas, podrían ser considerados como “intelectuales orgánicos” que “se distinguen por su especialización técnica, por el hábito del trabajo colectivo, por la nueva disciplina de trabajo” (Beired; 1998:128) que va contra “los hábitos del dilettantismo, de la improvisación, de las soluciones oratorias y declamatorias” *

Esta postura, a veces incipiente para algunos técnicos, no se consigue sin tensiones y conflictos, oriundos de las contradicciones de su origen de clase, que son superadas, gradualmente, en el avance de su compromiso en la práctica con las luchas populares.

En la medida en que se identifican con la construcción de un proyecto de creación de una sociedad basada en nuevos valores, que resuelvan las reales necesidades de la gente, esos intelectuales están contribuyendo para la lucha por la hegemonía de la clase a que están sirviendo.

Es importante resaltar que las posturas aquí descritas dependen de la opción política de los técnicos, que en el desempeño de sus funciones intelectuales pueden colocarse a favor de una de las clases fundamentales (burguesía o proletariado). Al ubicarse como un intelectual orgánico al servicio de las fuerzas populares
emergentes están orientando su actuación profesional en el sentido de reforzar las propuestas y los objetivos de estas, dentro de los límites impuestos por las condiciones históricas determinadas.

En la medida en que los técnicos y la población construyen juntos las propuestas para ser presentadas al poder público, participando de las negociaciones, de las presiones y manifestaciones, se van conociendo mutuamente y ganando confianza, rompiendo la dicotomía “doctores y pueblo”. Es un proceso colectivo de aprendizaje y de conocimiento que se profundiza en la práctica diaria.

La asesoría técnica trabaja con la gente en la dirección de una nueva concepción de política pública que incluya la participación popular en la gestión y en control de la acción estatal. Se trata de superar la visión de que el poder público tiene una relación entre Estado y Sociedad civil como polos estancos a favor de una visión más dinámica de complementariedad e interdependencia, reconociendo los límites de las diferencias y la autonomía de las dos partes.

Este enfoque supera radicalmente el modelo centralizador presente en las políticas habitacionales del país, intenta implementar una nueva propuesta que incluya a la población demandataria no como objeto de los programas habitacionales, sino como sujeto autónomo, entendiendo éste como “aquel que no es libre de todas las determinaciones externas, pero que es capaz de reelaborarlas en función de aquello que define como su voluntad” (Sader; 1988: 56) o sea, es aquel que propone, concibe y resuelve colectivamente las cuestiones vinculadas al proyecto y a la producción de la vivienda.

En esta medida, los agentes de asesoramiento técnico, constituidos o no como ONGs, autónomos del poder público, y asumidos por los movimientos, desempeñan un papel preponderante en el diseño del modelo en cuestión, porque representan un potencial de actuación mayor que los aparatos burocráticos y suman una dimensión de compromiso ético-ideológico fundamental para la relación con el movimiento.

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1 Expresión del Director de la CEF (Banco de Vivienda) en la mesa de negociación com los movimientos de vivienda de SP el 27/09/1990.
Abstract

Construction of new housing units and substantial rehabilitation of existing housing units generates economic benefits to the entire economy that exceed the actual cost of construction. This phenomenon results from the fact that workers in the construction process and workers in industries that supply goods and services to the construction industry spend their wages and salaries thus imparting an additional wave of economic growth. Similarly, owners of businesses spend their earnings (business profits) in the local economy which furthers economic growth.

Investment in housing by public officials is often less than the optimal level because it is widely believed that allocation of public resources to enlarging the housing stock results in a drain on the treasury, even if such a policy achieves worthwhile social objectives. This assumption is usually invalid. Government finance officers will calculate the costs of producing new housing units and the required infrastructure costs (roads, schoolrooms, public safety facilities, etc.). From these costs, the finance officers will subtract any revenues generated by the dwelling unit -- primarily property taxes. Failure to include the revenues generated by the construction and development processes; i.e., spending of wages and salaries by construction workers and of workers in industries that provide goods and services to the construction industry, and from occupation of new units distorts estimates of the net fiscal costs of expanding the housing stock and understates the benefits.

The dynamic econometric model makes it possible to estimate the benefits of housing construction using data contained in national income accounts, consumer expenditure surveys, and national, provincial and local budgets. Because the additions to the economy take place over time, the direct and indirect (multiplier) impacts are dynamic. In contrast, the calculations employed by most government finance officers are static in nature. One attribute of this model the ability to estimate the net fiscal benefits to governments resulting from public policies that expand the construction of new housing units and enhance home ownership opportunities to segments of potential housing market populations that are currently effectively excluded or underserved.

Introduction:

Allocation of public resources to enhance home ownership opportunities to segments of potential housing market populations that are currently effectively excluded or underserved and to enlarge the housing stock is at times assumed to result in a drain on the treasury, even if such a policy achieves worthwhile social objectives. This assumption is usually invalid. Government finance officers will calculate the costs of producing new housing units and the required infrastructure costs (roads, schoolrooms, public safety facilities, etc.). From these costs, the finance officers will subtract any revenues generated by the dwelling unit -- primarily property taxes.

Failure to include the revenues generated by the construction and development processes, spending of wages and salaries by construction workers, and of workers in industries that provide goods and services to the construction industry, and from occupation and furnishing of new units understates the economic and fiscal benefits of
expanding the housing stock. Such omissions distort estimates of the net fiscal costs by undercalculating the net fiscal benefits.

The proposed research is unique in that the macroeconomic impact of residential construction has, until this point, not been estimated in any nation on a national scale. Local and regional models have been developed for use in the policy arena in the U.S., and possibly other nations. However, only a model that is national in scope can capture the full impact of construction because it measures the increased output of the manufacturing and other sectors that are national, or international in character. Estimates of the national impact of housing construction allows national policy makers to compare the social, economic and fiscal benefits of expanding the quantity of new housing units supplied – to compare to the public sector costs associated with expanding the quantity of new housing units.

• Research questions

The questions for which this research seeks answers include: 1) what is the overall economic impact of residential construction; and 2) what are the net fiscal benefits or costs to the government of using its resources to expand the supply of owner-occupied housing to parts of the population that have been historically denied that opportunity.

The dynamic econometric model, the product of the project, shall make it possible to estimate the economic benefits of housing construction using data contained in national income accounts, consumer expenditure surveys, and national, provincial and local budgets. Because the additions to the economy take place over time, the direct and indirect (multiplier) impacts are dynamic.

The overall impact of housing construction encompasses measurement not only of wages and salaries and business profits to the persons and businesses directly involved in construction, but also wage and profit incomes to workers and businesses that provide goods and services to the construction industry; e.g., lumber, steel, glass, plumbing fixtures, cabinets, wire, appliances, etc. As the wages and profits are earned, they are spent in the local economy, further enlarging the economy (spending multipliers). Once the houses are constructed and the new occupants move in, an additional wave of (multiplier) spending is created when the occupants furnish their new homes, add landscaping, etc. Each wave of spending yields tax revenues – wage and income taxes, value-added and sales taxes, social insurance taxes, etc.

The net fiscal benefit or cost to the government resulting from allocating financial resources to residential housing construction includes all taxes specific to housing occupancy; e.g., property taxes and mortgage taxes and other revenues generated from the earnings of the individuals and businesses (the factors of production) engaged in all phases of construction. These other tax revenues are in addition to housing-specific revenues. A more accurate estimate of the net fiscal costs/benefits of public policies to enlarge the housing stock is obtained by including all revenues and all costs generated by housing construction.

• Possible implications of the research

The most significant implication for the public sector is the development of a tool to measure the total impact of policy changes on its budget and the larger economy. Although the model that will be developed by this project is specifically for housing construction, the methodology can be applied to other sectors. Thus, more accurate estimates of the dynamic impact of housing policies that will be generated by this model will result in better allocation of public resources and improved budgeting techniques. These techniques can be extended to other public functions. Furthermore, the model is sufficiently flexible so that State, Provincial, or local governments
can use it to measure the net fiscal and economic benefits of policy actions within their jurisdictions.

There are also implications for the private sector. Consistent policies that annually and predictably expand the supply of new housing allow construction firms to better control their inventories and work schedules. In addition, a more predictable demand for construction labor may induce workers to invest in improving their skills, which will increase their productivity. Similarly, firms that produce goods used in construction will have an incentive to invest in more capacity when given a higher and more predictable demand for their output. In developing countries, as new capacity comes on stream, domestic production can displace imports, thereby conserving foreign exchange. For the banking sector, the increased volume of mortgages written lends stability to their balance sheets because they can lend on a long-term basis for long-lived assets.

Governments in both developed and less developed economies will be better able to allocate scarce budget resources if they use the tools and techniques developed by this model. The private sector, especially in developing economies, will benefit from an increased number of jobs and incomes generated from a higher level of residential construction.

Methodology, and Data

This project will develop a model that can be used, for example, by National, State, Provincial, and local governments to improve the measurement of net fiscal impact of expanding the supply of housing through subsidies and/or incentives. The net fiscal impact is usually defined as the difference between budget outlays for infrastructure and for subsidies to the occupants of the new housing units, less revenues, primarily property taxes and other fees, generated by the housing unit. In almost every instance, this definition will show that the public sector costs outweigh the revenues generated by the housing unit; i.e., subsidizing new housing units results in an outflow from the treasury. This model will demonstrate that, to the contrary, allocating budget resources for subsidizing new housing units often results in a fiscal surplus.

• Methodology

The model to be developed is related to the local impact of housing construction model developed by the National Association of HomeBuilders (NAHB), the Regional Economic Models of REMI, and the Department of Commerce RIMS model. Underlying all of these models are the Input-Output (I/O) tables developed by the Department of Commerce in the United States, and their counterparts developed by the major statistics gathering agencies in many countries. I/O data are the most comprehensive estimates of the economic linkages between industries, and between industry outputs and industry inputs; i.e., labor, capital, and government.

While the construction of I/O tables is extremely laborious and expensive, the concept behind them is relatively simple. The I/O tables present data on how much of each commodity is required to produce a unit of output of each industry (USE Table.) (All units of input and output are stated in terms of the national currency). Similarly, another table shows how much of each commodity is produced by each industry (MAKE Table). Manipulation of these matrices yields the Direct Requirements Table. This table shows the value of each commodity required per unit output of each industry, as well as the value added (labor compensation, business profits, and indirect business tax and non-tax liabilities) per unit of output.

Further manipulation of the Direct Requirements matrix yields the Total Requirements matrix. The data contained in this table are the total values of each commodity per dollar (or national currency unit) of output. For example, lumber is used directly by the construction industry to produce housing. However, other industries
that supply goods and services to the construction industry may also use lumber. The Total Requirements matrix shows how much lumber is required by the construction industry, and all other industries, to produce a unit of new housing. Changes in labor requirements, business profits, and revenues can be obtained from the Direct Requirements matrix.

The major drawback to using the I/O tables is the time period between major updates. Users of I/O data implicitly or explicitly assume that the technology used does not appreciably change between updates. In addition, the data contained in each cell of the I/O tables are averages, or, it is assumed that each firm within each industry is using the same technology. It is possible that within each industry, the technology employed by the constituent businesses will depend on the size of the enterprise. Finally, the relationships in the I/O tables are linear. A linear relationship implies that the total impact of building 10,000,000 new housing units in a given time frame is 10,000 times the impact of building 10,000 units. In a fully employed economy, the assumption of strict linearity over such a wide range of output is dubious. In an economy with a significant amount of unemployed and underemployed resources, the assumption of strict linearity over wide ranges of output changes will not be wrong. However, we will assume that even in a full employment economy, the number of additional housing units built as a result of any subsidies will be small relative to the scale of production of unsubsidized housing units. Therefore, without any verifiable data that any expansion of housing output because of any subsidies would change input prices, the model we are developing will be based on the linear relationships contained in the Input-Output tables.

**Derivation of Estimates**

Multiplication of the construction value of a new housing unit (total value less value of raw land) by the relevant elements of the total requirements matrix yields the total value of the output of all the industries that supply goods and services to produce the new housing unit. It must be noted that the value of raw land, which will be defined as the residual value of the land in agricultural use if no better values can be obtained, must be subtracted from the total value of the new home because the developer or builder did nothing to give that land any value. That is, the land will have some value regardless of whether it is put to higher use.

Using the requirements derived above, the labor requirements (total labor compensation), business profits, and indirect business tax and nontax liabilities (sales taxes, excises, VAT, customs duties, fees and charges) are obtained from the direct requirement matrix. Thus, for each new unit built of a specified value, the I/O tables generate total labor compensation, profits, and indirect taxes for all industries engaged either directly or indirectly in construction. Multiplying the incomes generated by the tax rates yields direct taxes on wage income and business profits. The number of full time jobs created is estimated by dividing labor compensation by a measure of compensation per full-time equivalent employee in each industry.

The model is transformed from static to dynamic by using the wages generated in the previous phase of the construction process as the input for the next phase. This phase requires assumptions regarding the types of goods and services consumed by wage earners. These data are usually available from budget studies. The goods and services consumed by the wage earners are put through the I/O matrices to generate another round of economic impacts. This process is repeated until the economic impacts becomes almost infinitesimally small.

When their new owners occupy the newly constructed homes, a final round of spending and income generation begins. The new owners are expected to consume more than nonmovers in the same income group do because they usually need to buy new furniture, appliances, landscaping, etc. This wave of spending is again treated as increases in final demand and the use of the I/O tables generates labor and business incomes, and indirect taxes for workers and business owners providing the home owners with commodities. The government revenue stream
is further augmented by the flow of taxes on the value of the property.

Assumptions

The major assumptions underlying this analysis are: 1) that expansion of the supply of housing does not merely shift resources from other areas to residential construction; and 2) that the new housing units would not have been built without subsidies. In less developed countries there is generally a large pool of underutilized labor resources that can be drawn into the money economy without causing a significant reduction in output in other sectors. In developed countries with labor markets approaching full-employment, this assumption may not be strictly true. However, if the number of additional units of housing produced is small relative to the normal scale of production, the errors will probably be quite small.

Data Sources:

The primary data sources include:
- Input-Output tables
- National Income and Products Accounts data
- Consumer expenditure patterns by income class
- Personal and business income tax rates
- New home values
- Raw land values

Mathematical Derivation of the Total Requirements Tables
for the Input-Output Study

The following are definitions:

\( q \) is a column vector in which each entry shows the total amount of the output of each commodity.

\( U \) is a commodity-by-industry matrix in which the column shows for a given industry the amount of each commodity it uses, including Noncomparable imports (I-0 80) and Scrap, used and secondhand goods (I-0 81). I-0 81 is designated below as scrap.

\( ^\wedge \) is a symbol that, when placed over a vector, indicates a square matrix in which the elements of the vector appear on the main diagonal and zeros elsewhere.

\( i \) is a unit (summation) vector containing only 1’s; \( - \) is the identity matrix (I).

\( e \) is a column vector in which each entry shows the total final demand purchases for each commodity from the use table.

\( g \) is a column sector in which each entry shows the total amount of each industry’s output, including its production of scrap.

\( V \) is an industry-by-commodity matrix in which the column shows for a given commodity the amount produced in each industry. \( V \) has columns showing only zero entries for noncomparable imports and for scrap. The estimate of \( V \) is contained in columns 1 - 79 of the make table (table 1).
plus columns of zeros for columns 80 and 81.

\( h \) is a column vector in which each entry shows the total amount of each industry’s production of scrap. The estimate of \( h \) is contained in column 81 of the make table. Scrap is separated to prevent its use as an input from generating output in the industries in which it originates.

\( B \) is a commodity-by-industry matrix in which entries in each column show the amount of a commodity used by an industry per dollar of output of that industry. Matrix \( B \) is derived from matrix \( U \).

\( D \) is an industry-by-commodity matrix in which entries in each column show, for a given commodity (excluding scrap), the proportion of the total output of that commodity produced in each industry. \( D \) is referred to as the market share matrix.

\( p \) is a column vector in which each entry shows the ratio of the value of scrap produced in each industry to the industry’s total output.

\( W \) is an industry-by-commodity matrix in which the entries in each column show, for a given commodity, the proportion of the total output of that commodity produced in each industry adjusted for scrap produced by the industry. This matrix is the transformation matrix.

The following are identities:

\[
(1) \quad q = U_i + e \\
(2) \quad g = V_i + h
\]

The following are assumptions:

Inputs are required in proportion to output and the proportions are the same for an industry’s primary and secondary products (the industry technology assumption); then:

\[
(3) \quad U = B
\]

Each commodity (other than scrap) is produced by the various industries in fixed proportions (the market shares assumption); then:

\[
(4) \quad V = D
\]

Scrap output in each industry is proportional to total output of the industry; then:

\[
(5) \quad h = pg
\]

The model expressed in equations (1) through (5) thus involves three constants (\( B, D, p \)) and six variables (\( U, V, h, e, q, g \)). The model solution is derived as follows:

Substituting (3) into (1) gives:
\( q = Bg + e \)

Substituting (4) into (2) gives:

\( g - h = Dq \)

Substituting (5) into (7) and solving for g:

\[ g - pg = Dq \]
\[ (I - p)g = Dq \]
\[ g = (I - p)^{-1}Dq \]

Let \( (I - p)^{-1}D = W \), then

\[ g = Wq \]

Substituting (9) into (6) and solving for q:

\[ q = BWq + e \]
\[ (I - BW)q = e \]
\[ q = (I - BW)^{-1}e \]

Substituting (10) into (9) gives:

\[ g = W(I - BW)^{-1}e \]

\( (I - BW) \) is the commodity-by-commodity total requirements matrix, giving commodity output required per dollar of each commodity delivered to final users.\(^1\)

\( W(I - BW)^{-1} \) is the industry-by-commodity total requirements matrix, giving the industry output required per dollar of each commodity delivered to final users.\(^2\)


2. Tables are prepared at the detailed and summary levels of aggregation. For the summary tables, the adjustments for secondary production were made at the detailed level, then aggregated before calculation of the total requirements tables.
<table>
<thead>
<tr>
<th>Industrial Sector</th>
<th>Single Family</th>
<th></th>
<th>Multi Family</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Employment (jobs)</td>
<td>Income ($000)</td>
<td>Domestic Product ($000)</td>
<td>Employment (jobs)</td>
</tr>
<tr>
<td>Private Sector</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>10</td>
<td>388</td>
<td>388</td>
<td>9</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>7</td>
<td>251</td>
<td>349</td>
<td>7</td>
</tr>
<tr>
<td>Other Services</td>
<td>7</td>
<td>199</td>
<td>221</td>
<td>7</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>6</td>
<td>107</td>
<td>122</td>
<td>6</td>
</tr>
<tr>
<td>Finance, Insurance, and Real Estate</td>
<td>3</td>
<td>127</td>
<td>202</td>
<td>3</td>
</tr>
<tr>
<td>Transportation &amp; Public Utilities</td>
<td>2</td>
<td>75</td>
<td>140</td>
<td>2</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>1</td>
<td>41</td>
<td>114</td>
<td>1</td>
</tr>
<tr>
<td>Agriculture</td>
<td>0</td>
<td>8</td>
<td>14</td>
<td>0</td>
</tr>
<tr>
<td>Agricultural Services, Forestry, and Fisheries</td>
<td>0</td>
<td>5</td>
<td>11</td>
<td>0</td>
</tr>
<tr>
<td>Mining</td>
<td>0</td>
<td>9</td>
<td>29</td>
<td>0</td>
</tr>
<tr>
<td>Public Sector</td>
<td>1</td>
<td>17</td>
<td>16</td>
<td>1</td>
</tr>
<tr>
<td>Total Effects (Public plus Private)</td>
<td>36</td>
<td>1,206</td>
<td>1,805</td>
<td>36</td>
</tr>
<tr>
<td>Direct Effects</td>
<td>13</td>
<td>505</td>
<td>600</td>
<td>13</td>
</tr>
<tr>
<td>Indirect and Induced Effects</td>
<td>23</td>
<td>701</td>
<td>1,005</td>
<td>23</td>
</tr>
<tr>
<td>Multiplier ^3</td>
<td>2.77</td>
<td>2.39</td>
<td>2.68</td>
<td>2.77</td>
</tr>
</tbody>
</table>

1. The proportion of New Jersey project expenditures on goods and services produced in the nation.
2. The value of goods and services needed to support the provision of the direct economic effects. Induced effects are defined as the value of goods and services needed by households that provide the direct and indirect labor.
3. Total (public + private) effects divided by the direct effects.

### Table 2

#### Composition of Gross Domestic Product

<table>
<thead>
<tr>
<th>Component of GDP</th>
<th>Single Family</th>
<th>Multi-Family</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages Net of Taxes</td>
<td>$1,091</td>
<td>$1,097</td>
</tr>
<tr>
<td>Taxes, Total</td>
<td>$504</td>
<td>$504</td>
</tr>
<tr>
<td>Federal</td>
<td>$316</td>
<td>$316</td>
</tr>
<tr>
<td>Income and excises</td>
<td>$185</td>
<td>$185</td>
</tr>
<tr>
<td>Social Security</td>
<td>$132</td>
<td>$132</td>
</tr>
<tr>
<td>State</td>
<td>$102</td>
<td>$102</td>
</tr>
<tr>
<td>Local</td>
<td>$86</td>
<td>$86</td>
</tr>
<tr>
<td>Profits, rents, dividends, interest and other property income</td>
<td>$9</td>
<td>$4</td>
</tr>
<tr>
<td>Total Gross Domestic Product</td>
<td>$1,605</td>
<td>$1,606</td>
</tr>
</tbody>
</table>