

Learning from informal markets: innovative approaches to land and housing provision

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Rapid growth of illegal settlements in and around cities can be viewed not as the growth of slums but, in a very real sense, as the development of cities which are more appropriate to the local culture, climate and conditions than the plans produced by the governments of these same cities.

(Hardoy and Satterthwaite 1989: 8)

Introduction: the urbanisation of poverty

The 1980s and 1990s witnessed an unprecedented acceleration of urbanisation processes worldwide. City dwellers will soon outnumber those in rural areas, and virtually all of this growth is taking place in developing countries. While this trend is nearly complete in most of Latin America, latecomers like the countries of sub-Saharan Africa are rapidly catching up. In the past, urbanisation was seen as a positive process, linked to modernisation, industrialisation, and global integration. In recent years, however, it has become obvious that relatively well-paid and secure employment in the public and formal sector is available only for a shrinking minority of the urban population. Economic restructuring, driven by global competition and often accompanied by structural adjustment programmes (SAPs), is destroying many of these jobs and forces an increasing number of people to eke out a living in the informal sector. Urban poverty poses a daunting challenge to international, national, and local development policies: 'More than 600 million people in cities and towns throughout the world are homeless or live in life- or health-threatening situations. Unless a revolution in urban problem solving takes place, this numbing statistic will triple by the time the next century passes its first quarter.' (N'Dow 1996: xxi)

In only very few countries has migration from the countryside been curbed by the urban crisis and worsening living conditions. Cities still

serve as safety valves for rural economies which are doing even worse: 'Most people flee to the cities because no matter how life there may be, it is generally better than the rural one they are leaving behind. Their new homes may be squalid shanties without plumbing or heat. But at least in the cities they have opportunity.' (*Newsweek: Megacities* 10 June 1996) The fundamental precondition of grasping opportunity is precarious though: it is access to urban space, which means access to the city itself. Kolstee *et al.* (1994: 27) describe the policies of the 'closed city':

The urban authorities have tried to discourage new migrants in various ways. The harshest measures include levelling illegal settlements, expelling migrants without residence permits, arresting illegal workers, campaigns against street trading, prohibiting certain occupations and mass deportation. [...] Such measures have seldom had the desired effect and certainly not permanently.

In most developing countries, the formal market mechanism has systematically failed to satisfy the rapidly increasing housing needs of the population. It is estimated that between 30 and 70 per cent live in 'irregular' settlements, and this is a growing tendency (Durand-Lasserve 1997: 11). According to the United Nations Centre for Human Settlements (UNCHS), 64 per cent of the housing stock in low-income countries, and up to 85 per cent of new housing, is unauthorised (UNCHS 1996: 200). Self-help housing, *vulgo* squatting, has long been seen as detrimental to sound urban development and orderly planning. In the last two decades, however, it has been increasingly recognised as the only means available to fulfil the immense demand for mass housing in the cities, and thus as a solution rather than a problem. John Turner's influential book *Housing by People* (1976)¹ and the first Habitat conference in 1976 marked this paradigm shift towards an 'enabling approach' (UNCHS 1996: 337ff.; Pugh 1997). 'Getting the incentives right' for the formal private sector to move downmarket, the strategy favoured by the World Bank, has largely failed to produce a significant increase of low-cost housing supply (Baken and van der Linden 1993; Jones 1996: 248). Recent literature on urban housing (for instance the contributions in *Habitat International* 24(2)) widely agrees that self-help housing is still the only 'architecture that works' (Turner 1968) in sheltering the poor.

Sprawling informal settlements in and around most of the world's cities demonstrate the capacity of self-help housing. Of course they are substandard, often even squalid, by conventional judgement, and by that of most governments. Their image as 'slums', however, belies the tremendous economic value they represent² as well as the indispensable role they play in the urban economy. Not only are they the major base of informal-sector enterprises which, as Sassen (1991; 1994) argues, are gaining importance in the process of globalisation; in many cities worldwide, the majority of the formal labour force and even civil servants have no access to legal and adequate housing. The role of squatter colonies is thus fundamental rather than marginal: the urban economy is heavily subsidised by their existence, and cannot function – much less be competitive – without this subsidy (Berner 1997b: 169; Aldrich and Sandhu 1995: 20).

In the urban context, poverty exists in stark and direct contrast to wealth, modernity, and progress. Urban poverty is closely related to physical segregation; while it is not restricted to the enclaves of slums and 'depressed areas' it is heavily concentrated in these places. This is reflected in the views of analysts, policy makers, and activists. The Philippine NGO newsletter *Anawim* highlights the environmental implications: 'The urban poor have been commonly associated with unemployment, shanties, overcrowding, filth, stink of uncollected garbage, lack or total absence of social services, malnutrition and just about everything that makes life miserable.' (*Anawim* No. 3, 1987: 4) For Cedric Pugh, 'this visual imagery expresses part of the reality, and it is so plain and obvious that the nature of the relationship between housing and poverty is seldom explored in-depth' (1995: 34).

The fundamental importance of land and housing for understanding urban poverty is increasingly recognised: 'Housing which meets adequate standards as well as cultural definitions of security of tenure is an essential part of a decent standard of living.' (Aldrich and Sandhu 1995: 31) UNCHS (1996: 109) prefers 'housing poverty' over other definitions, notably income-based ones, though also deploring the lack of reliable and comparable data. Table 1 presents the 'nature of the relationship between housing and poverty' as a multidimensional one. Substandard informal housing has two major dimensions, namely (a) lack of quality or infrastructure or space, and (b) insecurity. Both are *factors*, *indicators*, and *causes* of poverty.

Table 1: Dimensions of housing poverty

Housing as a factor of poverty	Lack of quality, infrastructure, and services	<ul style="list-style-type: none"> • Quality of life affected by crowding, noise, dirt, pollution, garbage, inadequate facilities • Health affected by lack of sanitation, unsafe water supply • Future prospects affected by restricted access to education
	Insecurity	<ul style="list-style-type: none"> • Even households capable of coping at present may be thrown into emergency by evictions (loss of assets, inaccessibility of income sources): <i>vulnerability</i>
Housing as an indicator of poverty	Lack of quality, infrastructure, and services	<ul style="list-style-type: none"> • Reliability: only poor households can be expected to accept the above conditions • <i>But</i>: research reveals that not all residents of informal settlements are poor
	Insecurity	
Housing as a cause of poverty	Lack of quality, infrastructure, and services	<ul style="list-style-type: none"> • Lack of infrastructure (electricity, water, accessibility) is a liability for enterprises • Bad reputation may put off potential customers
	Insecurity	<ul style="list-style-type: none"> • Investments, particularly in immobile assets and environmental upgrading, are prevented by the risk of demolition

To clarify the argument still further, we state that housing poverty is largely determined by land supply and allocation. Hardoy and Satterthwaite's (1989: 113) insight that there is no 'housing gap' but rather a dearth of suitable and affordable land for self-help housing is meanwhile accepted among experts and officials who agree that urban land is the 'essential ingredient' (Murphy 1993: 42). Although Turner's scepticism of governmental activities was well founded, his plea for a minimalist state has not stood the test of time (Werlin 1999). There is overwhelming evidence that active policies are required in the provision and distribution of this vital ingredient:

Land, because of its unique nature and the crucial role it plays in human settlements, cannot be treated as an ordinary asset, controlled by individuals and subject to the pressures and insufficiencies of the market. Private landownership is also a principal instrument of accumulation and concentration of wealth and therefore contributes to social injustice; if unchecked, it may become a major obstacle in the planning and implementation of development schemes.
(UN 1976: 61)

However, very few national and local governments have proved that they can rise to the challenge.

Conventional policies: why do they fail?

With the cornerstones of the debate firmly in place, one would expect effective policies of self-help housing promotion, and of allocation of urban land in particular, to have emerged during the last 30 years. However, very few of the 'slum upgrading' and 'sites and services' schemes of the 1970s and 1980s, many sponsored by the World Bank, took the land issue into consideration: 'While land tenure was recognised as important, it was not seen as an essential precondition of successful slum upgrading policies.' (Werlin 1999: 1524) Even today, UNCHS's 'Best practices' database (www.bestpractices.org) reveals a remarkable lack of land provision policies, a lack that itself needs explanation. We will return to this question at the end of this paper. Governments' approaches to land and housing have oscillated between two extremes, viewing housing either as a human right, or as a commodity like any other. The latter position gained popularity in the course of structural adjustment; the former has consequently 'gone out of fashion' (Gilbert 1999: 1073), but is currently being revived in South Africa where the ANC administration feels duty-bound to provide millions of houses to the suffering non-white population. Not surprisingly, implementation is virtually non-existent.

If illegal settlements are merely seen as a violation of private or public property rights, then the forceful and, if necessary, violent restoration of these rights is the obvious solution. To date, states have been far more effective in the destruction of mass housing than in its construction. Apart from the legal aspect, massive *demolitions* and *evictions* are justified on the grounds of improvement and beautification of the city, removal of centres of crime and health hazards, and more intensive and lucrative use of land in strategic locations (UNCHS 1996:

245f.). Apart from human suffering and trauma, and the large-scale destruction of assets, this policy is almost always unsustainable. As relocation sites are rarely provided, and when they are they are in most cases unattractive in terms of location and infrastructure, evicted people find no alternative but to return to informal settlements in the city. In not a few cases they actually reoccupy their old area. A case in point is the Tondo area in Manila where more than 25 years after a large-scale, World-Bank-sponsored resettlement project (Rüland 1982), huge squatter settlements still persist.

Social housing produced by the state is the other extreme. With the notable exception of Singapore,³ however, governments in developing countries have proved neither effective nor efficient as housing providers. Typically, immense expenditures for land and production yield negligible output, with the profit pocketed by speculators and poorly monitored contractors. To make things worse, most of the programmes suffer from huge targeting errors. Despite the subsidies, the land costs and adherence to inappropriate building regulations (often derived from colonial models; see Hardoy and Satterthwaite 1989: 38ff.) make the resulting products unaffordable for the poor, so they tend to end up in the hands of the régime's cronies and other privileged groups.

Since the 1970s, participation and self-help have become the buzzwords of the low-cost housing debate. *Slum upgrading* and *sites and services* are the major approaches to introduce these elements into practical policies. Both are steps in the right direction. Obviously, it is more efficient to improve existing settlements and provide them with infrastructure than to produce new ones from scratch, and to supply serviced land for self-help housing than merely to watch uncontrolled slum proliferation. Yet the overall performance of upgrading and sites and services schemes is disappointing (UNCHS 1996: 344ff.). Werlin (1999) goes as far as to call slum upgrading a 'myth'.

Again, planning standards for upgrading are often unrealistically high. This leads in turn to rising living costs and the uprooting of considerable parts of the population, of course usually the poorest (Hasan 1992). Their resettlement, sometimes welcomed as 'decongestion', entails social, political, and financial costs. Inappropriate standards also increase the necessary public investment which either leads to narrow single interventions (e.g. paved pathways) or severely limits the outreach of the programmes. In most Third World cities, newly emerging slums by far outnumber upgraded old ones in any given period. Even Indonesia's Kampung Improvement Programme (KIP),

widely considered as one of the most successful large-scale upgrading schemes, suffers from a fundamental flaw: the question of land tenure is not addressed. Many of the improved settlements are still technically illegal. The resulting insecurity has limited participation and led to considerable maintenance problems (Silas and Indrayana 1988).

The market price for urban land in (more or less) attractive locations has also hampered sites and services schemes. Prime land is of course not available for this purpose. Private owners would expect adequate compensation, and governments will be hesitant to 'squander' their own property. In effect, most sites and services projects are carried out in remote peripheral locations, often 30–40km away from the city centres. Only people without any choice will accept these conditions. In a rather typical case from Pakistan, 'out of the 15,000 plots developed, by 1985 only 35 plots were found to be inhabited; the rest remained vacant' (Siddiqui and Khan 1994: 279). In more central locations, serviced sites ended up in the hands of affluent groups, often after being subjected to various forms of speculation (van der Linden 1986).

This discussion should not create the image that many governments come up with consistent policies. By far the most common approach is that of 'muddling through' (Durand-Lasserve 1997) and consists of long periods of negligent tolerance and inactivity, interrupted either by violent campaigns against squatters or by populist distribution of benefits among some of them. The latter includes, particularly in Latin America, the legalisation of certain settlements while at the same time carefully avoiding setting the basis for legal claims by others.

Baross (1990) provides a systematic account of the reasons why conventional policies inevitably end up in the 'too little, too expensive' trap, arguing that formal housing development – be it private or public – is characterised by the sequence of Planning–Servicing–Building–Occupation. At each step a steep price increase occurs, usually further fuelled by speculation. In Rio de Janeiro, for instance, the land conversion multiplier (price increase through planning) is estimated at 40, and the land development multiplier (price increase through servicing) at a further 11 (UNCHS 1996: 25of.). It is principally this process that makes formal urban housing an extremely scarce and expensive commodity, an 'architecture that does not work' for a large proportion of the population.

Informal land markets: why do they work?

Faced with market and state failures, most urban dwellers in the developing world have to rely on their own initiative in order to find shelter. The crucial question is how, or more precisely where, informal settlements emerge. The terms 'spontaneous settlements' and 'clandestine subdivision' suggest that urban land is just there for the taking by enterprising individuals and families. This picture is misleading. Even for the most modest demands, a parcel of land has to fulfil two minimal conditions to be suitable: accessibility (some public transport) and a source of water. To be attractive, it has to be located not too far from the places of employment, i.e. industrial and commercial centres. If such idle land does exist, it is as a rule *hazardous*. Places like mountain slopes and riverbanks put their inhabitants at physical risk, especially in the tropics, which experience rainy seasons. Residents of dumping grounds and heavily polluted industrial areas are not much better off. If a suitable site is vacant because it is being held back for speculation purposes, the owner will use all means available to evict unwanted occupants.

Less marginal locations in the city usually have a price tag attached to them. Even sidewalk dwellers in India or the Philippines have to pay regular fees to policemen or syndicates. Denis Murphy, one of the most experienced practitioners in the area of housing problems in Asia, comes to the sobering conclusion that 'there is no free squatting' (1993: vii; cf. Berner 1997a: 69f.). Pal Baross's (1983) distinction between non-commercial and commercial articulation of illegal land supply thus becomes questionable. Where traditional systems of land allocation exist they are often losing significance or becoming commercialised themselves (see, for instance, Payne 1997: 6ff.; van Lindert and van Westen 1991).

Although the extent and characteristics of extra-legal development vary from country to country (as well as between cities and even between settlements), it is safe to say that it serves a large share of the low-income population, and of incoming migrants in particular: 'Illegal or informal land markets ... have provided the land sites for most additions to the housing stock in most cities of the South over the last 30 or 40 years.' (UNCHS 1996: 239) Among the major influencing factors, all of them interrelated, are (a) economic development and political system of a country; (b) size and growth of a city; (c) availability, quality, and ownership status of unsettled land in and around the city;

and (d) governments' ability and willingness to enforce the law and implement its policies. Of course, this constellation also varies over time. The recent economic crisis in South-East Asia, for instance, at least temporarily altered the situation in the affected countries by reducing competition for urban land. Commercial development was reduced as even ongoing building activities became unviable, and many speculators had to sell at almost any price to prevent going bankrupt. At the same time, governments tended to show more tolerance of illegal settlements in order to regain some of the popularity formerly based on continuous economic growth. At the time of writing, however, the pressure on informal settlements had largely returned to the pre-crisis level.

As in the case of the informal sector, definition of extra-legal subdivision is basically residual as transactions in the informal land market are not controlled and registered by the authorities. This implies that houses are built without permits and that their quality as well as the provision of infrastructure may be substandard, which is precisely what makes them affordable for low-income groups: 'It is their ability to cut corners – and costs – which has helped the commercial subdividers to expand their operations and to provide plots which are more appropriate, affordable and easily available than any other housing option.' (Payne 1989: 2) The land subject to extra-legal subdivision is often destined for other purposes, e.g. agricultural, recreational, or as natural reserves. Obviously, most of the land suitable for such purposes is located on the urban fringe. It cannot be too remote, however, because, unlike middle-class suburbanites, the prospective buyers do not have private vehicles and can ill afford high transport costs in terms of money and time.

Apart from these common characteristics, there are notable differences in the legal status of settlements. Baken and van der Linden observe a 'continuum of subdivisions, ranging from almost, or partly, legal to completely clandestine' (1992: 29). Private landowners may themselves act as developers and sell or rent out parcels. This procedure can be seen as semi-legal, as property rights are not violated. Moreover, this type of 'tolerated invasion' is beneficial for all parties involved. The settlers find shelter and relative security of tenure at a modest rate (at least initially); they accept in turn that infrastructure is at best minimal, at worst non-existent, and they have to develop the place through their own efforts. The owners not only derive a short-term profit from rent or sales; the settlers convert barren hillsides, marginal fields, or

swampy marshes into housing land, thereby increasing their value and creating a *fait accompli* for future use. As the landowners usually keep the formal title, they can later capitalise on the value-added. As noted elsewhere, they may either continuously raise the rent or declare their tenants to be outright squatters when the city closes in on the formerly marginal locations (Berner 1997a: 143ff.).

As urban land markets are commercialised, the conversion business is increasingly being taken over by professional, tightly organised syndicates which make huge profits out of the housing needs of low-income groups (Amis 1984; Payne 1989). In order to do so they have to be capable of establishing effective control over a suitable piece of land. Like the whole phenomenon of extra-legal subdivision, the strategies of squatter syndicates vary between places and over time. Outright land-grabbing against the expressed will of the legal owner appears to be rare, except in cases where the syndicates have political backing (Baken and van der Linden 1992: 23; Turkstra 1998: 20). In the case of public land, local administrators, police officers, or military personnel almost invariably have a hand in the syndicates – either actively or as recipients of bribes. ‘In the extreme, politicians and officials manipulate the regulations to create artificial shortages and drive people towards the informal sector, which may then be supplied by the public officials acting as private developers but using public land.’ (Jones 1996: 250)⁴ Depending on culture and legal system, local strongmen like chiefs (who in parts of Africa have the traditional right to decide on land use) or party officials (who play the same role in some former socialist countries) may also be powerful stakeholders.

Developers’ initial investment in infrastructure is restricted to the most basic needs. As noted above, one such necessity is accessibility as people have to get to and from their place of work. A basic access road will attract suppliers of public transport, e.g. communal taxis, tricycles, or trishaws (often unregistered themselves); in some countries people are willing to walk long distances, in which case a pathway may be sufficient. The second precondition is a source of water, for which some faucets are set up, a deep well is drilled or at least a delivery service organised. Illegal electricity tapping is not uncommon. Environmental concerns, with sanitation and garbage removal, for instance, are obviously not high on the list of priorities.

The ‘serviced’ land can then be subdivided and sold – though what is actually sold is the ‘right to squat’ on a certain plot, and no one mistakes this for a legal title (Payne 1997: 7). It is not uncommon for

part of the land to be set aside for speculation purposes (UNCHS 1996: 243). Another pattern is 'slumlordism', i.e. acquisition of several plots by a single person who rents them out with or without a house. The first wave of occupants is commonly organised in a larger group to reduce the vulnerability of the settlement in the critical initial period; this procedure can easily be mistaken for a non-commercial invasion.⁵ The going prices within a city depend on location or centrality, security of tenure, and quality of infrastructure. Although empirical evidence is scattered, it is safe to assume that the informal land market functions pretty much like its formal counterpart, so that comparable plots will yield similar prices. Customers are often renters from other low-cost settlements who have saved enough (or have access to sufficient credit) to pay a considerable down-payment and save on regular rent payments in future (van der Linden 1990).

Saving on rent is, however, not the only rationale of low-income groups that are striving for home ownership. A house, even if it is just a shanty in an informal settlement, is after all an *asset*—one that is likely to grow in value in the course of urban development. In newer debates about poverty, lack of assets is identified as a major aspect of the poor's vulnerability (e.g. Chambers 1995; Moser 1998). Incremental improvements to the house, in this view, are a form of savings as labour and capital are invested to make the asset more valuable. Hardoy and Satterthwaite, quoting a Brazilian squatter, underline that not only material input is involved: 'The value of my house – 26 years of struggle.' (1989: 62) Increased security, however, is precarious. First, in the case of an eviction, the whole property may be lost in an instant (which is just another form of vulnerability); second, even in emergencies people will think twice about selling their house as this may jeopardise their access to their sources of income. Improving security of tenure is thus a major goal for residents of informal settlements.

To sum up, squatting and renting from squatters (cf. Rakodi 1995) is not a cheap way to live in the city. On top of the price of land 'rights' and other illicit payments, costs of water, electricity, and other services are normally much higher than those regular customers pay. Taking into consideration the often congested living conditions and the lack of open space, residents of extra-legal subdivisions may pay just as much money per square metre as those in legal ones, sometimes even more. The major benefit lies in the possibility of incremental development and building improvement which leads to a spreading of the costs: 'Ultimately, the difference between the two systems is probably not the

price limit *per se* but the way low-income families phase their expenses for housing.’ (Baross 1990: 7)

Facilitating self-help housing: innovative approaches

*The Philippine ‘Community Mortgage Programme’ (CMP)*⁶

The housing situation in Metro Manila and other urban centres in the Philippines is typical for a developing country. To date, neither the market nor the state have accomplished much in terms of mass housing. Housing policies under the Marcos régime were fragmented and largely ineffective (see Berner 1997a: 28ff. for a comprehensive discussion). Ambitious programmes of public housing turned out to be far too expensive for the alleged target group of the urban poor and served mainly the régime’s vassals. Relocation to mostly unserved sites outside the cities and, even more frequently, large-scale demolition remained the favoured ‘solution’ to the housing problem. As a result, roughly half of the Philippines’ urban population is living in illegal settlements on public or private land.

The Community Mortgage Programme (CMP) was the first result of the paradigm shift towards enabling government in the field of housing, aimed at a more equitable *and* more rational use of urban land. The programme was passed in 1988 and launched in 1989, but significant implementation was started only under the Ramos administration after 1992. In 1992 it was integrated into the framework of the Urban Development and Housing Act (UDHA), which is, at least in principle, a comprehensive approach to the problems in question. Both CMP and UDHA came into being as a reaction to intensive lobbying by NGOs and grassroots groups.

In a nutshell, CMP offers squatters the opportunity to buy the land they occupy (or comparable land if that is not possible, e.g. in the case of priority projects) without compulsory and costly upgrading measures. Like other recent credit programmes (such as the Grameen Bank’s schemes), the CMP requires beneficiaries to be organised, as the land titles are transferred to associations rather than individuals. After the residents and the respective landowner have agreed on a price, the land is paid for through a state credit which is to be repaid over a period of 25 years. NGOs are involved in all stages of the process. They inform the squatters about the legal requirements (e.g. official registration of the association), assist them during the negotiations with the owner, offer services like surveying and legal consultations, and serve as

'originators' (guarantors) of the loan.⁷ The crucial problem for all credit programmes aimed at poverty alleviation – the target group's lack of collateral, which results in poor recovery rates – is thereby avoided. First, there is a collateral as defaulters will lose their land titles after a period of grace; and, second, NGO originators will put pressure on the residents' associations, which transmit this to their tardy members. Another advantage of the CMP is its cost efficiency. A maximum output can be realised on limited fiscal burdens by capitalising unproductive public property. Much of the land in question is owned by government, and private owners can be compensated in kind through land-swapping schemes.⁸

The question remains, however, that of how and why the CMP works. On the surface it is a conventional consolidation scheme, market-oriented in an almost neo-liberal way, and fully committed to the goal of cost recovery. Despite supposedly being aimed at the poorest 30 per cent of the urban population, there is no regulated price discount. Subsidised interest rates have a limited effect on beneficiaries' burdens – the subsidy is in fact criticised as jeopardising the programme's sustainability (Lee 1995). As compulsory expropriations are not provided for, the owners can expect to get the full value of their land. In short, the CMP alone cannot solve the sharpening contradiction of high land prices and the low incomes of the large majority of the population. Under market rules, it would at best produce middle-class settlements on the city's outskirts.

Access to urban land – or the 'right to the city', as Lefebvre (1974) puts it – is, however, not exclusively regulated by the market mechanism but is an eminently *political* issue. The distribution of space in the city cannot be grasped without the added dimension of conflict and struggle (Berner 1997a: 38f.; Castells 1983: 3). The existence of potential and actual resistance to displacement is a precondition for the meaningful implementation of the CMP. Urban land is significantly depreciated by squatter occupation as it is not immediately available for the market. The market value of land is thus fictitious in considerable parts of the city: owners can dictate the price only if they can establish actual control of their land. This process is tedious, costly, and risky. As the residents are often capable of organising themselves and find allies among NGOs, media, church people, and local politicians (Berner and Korff 1995), the outcome of an eviction attempt can hardly be predicted by the landowner. Against such a background, landowners are willing to offer substantial discounts. In the cases we observed, residents paid

only about 15–20 per cent of the market price of comparable idle land in the vicinity. The resulting expenses are in most cases considerably lower than the rent for a single room at the same place.

The CMP has been quite successful in Manila and elsewhere because it offers the chance for a compromise between contradictory motivations: the owners can sell their land and ‘revive’ dead capital, albeit at reduced prices, without the incalculable costs and risks of a demolition; the squatters can ‘buy security’ and preserve their settlement from the permanent threat of eradication that has never been quantifiable.

One of the unintended consequences of the CMP is its divisive impact on the participating communities:

Ironically, the ultimate success of one local organisation – the legal purchase of the locality land through the Community Mortgage Programme – had a deeply disruptive impact on the community. For about one third of the population, mainly the poorer ones, it meant that they had to pay for the land they used to live on for free, and pay more than they could afford. (Berner and Korff 1995: 217)

The more specific the figures of future payments, the more people decide that they cannot accept the necessary cutbacks on consumption or they are altogether unable to shoulder the financial burden. A family with sufficient income sources in the settlement or its vicinity will be willing to pay much more than those who commute long distances or have no regular job. What starts as a process of internal division almost inevitably turns into open and violent conflict. After the transfer of property rights, the association has to pay for the land – more precisely, for *all* of the land; the owners are not interested in selling scattered plots, so that those whose occupants wish to stay remain as squatters. The beneficiaries, thus, not only have to pay for their own land but also for that of non-members. On the other hand, there is plenty of demand for the land in question from within and without the settlement. Many residents would like to enhance their congested living conditions, build rooms to let, or invite relatives to move to Manila; for others, the former squatter land is simply an outstanding bargain. While the marginalised sectors of the population are expelled by their neighbours and forced to find shelter in other squatter settlements, the former slums become middle-class areas.⁹ This change is very visible: no longer forced to keep their property mobile, the new landowners invest heavily in upgrading and extending their houses and enhancing the environment.

Hyderabad's incremental development scheme 'Khuda ki Basti' (KKB)¹⁰

Unlike the CMP, and for reasons to be discussed below, the incremental development scheme in the Pakistani city of Hyderabad has remained an isolated intervention (notwithstanding a small-scale replication in Ghara which was initiated by an NGO without clear authorisation from the government). However, Khuda ki Basti (meaning 'settlement of God') went farthest in terms of 'learning from informal markets' by actually imitating illegal developers' strategies. It is thus exemplary for the argument of this paper. KKB came into being in 1986 as the reaction of the Hyderabad Development Authority (HDA) to a familiar situation: government-produced townships occupied by the middle classes, a gaping void in sites and services projects, and rampant illegal subdivision and squatting.

Based on Jan van der Linden's groundbreaking ideas, the HDA set aside 100ha of a large sites and services scheme some 12km outside the city centre, but only 1km away from a rapidly growing cluster of squatter settlements. The land was subdivided into 70m² plots and serviced only by the two essentials, namely a feeder road and communal water supply. The costs for this initial infrastructure were covered by a modest 'entry fee' of US\$33, thereby undercutting the going rates on the informal market by as much as two thirds (Siddiqui and Khan 1994: 283). However, there was no attempt to exclude the informal sector completely; suppliers of simple building materials, credit, and advice were allowed in the area.

A simple one-window procedure and non-implementation of building regulations except for the layout, were the fundamental preconditions for the success of the scheme. Both the HDA and the support NGO Saipan maintained offices at the site to provide advisory services and monitor the implementation. Beneficiaries could improve their houses over time according to their individual financial capacities, and additional infrastructure was provided if and when certain amounts of savings – not instalments, note – could be collected. If the target of US\$1.75 per month was met, full ownership of a fully serviced plot could be obtained in a period of 15 years. While there were some defaulters, others accumulated funds far in excess of the targets in order to get facilities quickly.

To achieve targeting and discourage speculators, a unique system of 'reception camps' was applied for a certain period of time. Only families who came to these camps with all their belongings and stayed

for a number of days were eligible for a plot.¹¹ Beneficiaries had to start construction immediately, and land titles (or rather entitlements called 'dwelling permits') were given only after completion of a house and could be cancelled if the plot was vacant or the house abandoned. This method of self-targeting made the scheme unattractive for non-poor, to the extent that one can actually speak of over-targeting. The presence of some better-off people with higher education in 'real' informal settlements is beneficial to the communities as they provide employment as well as leadership (Berner 1997b: 175). KKB's marked social homogeneity led to a low level of local economic activities (and may have contributed to difficulties in community organising, as we shall see below). This became obvious when during ethnic turmoil between 1989 and 1992, transport to Hyderabad was difficult and nearly half of the residents left the area.

Not surprisingly, informal developers put up the fiercest resistance to the scheme. It is quite obvious (but often overlooked) that syndicates and middlemen will not easily accept being 'eliminated'. In the KKB case, land-grabbers connected with the Board of Revenues (the supposed custodian of public land) invaded the scheme by extorting 'fees' from *bona fide* residents, encroaching on parts of the land, and threatening HDA personnel with violence and abduction. Establishing a police post worsened the situation as the police took the side of the syndicate and began to harass the residents themselves (Siddiqui and Khan 1994: 288). Even more threatening was the land-grabbers' influence in the political and administrative system. Several serious attempts to sabotage or abolish the scheme outright were frustrated only because it had gained some national and international recognition (interview with Monique Peltenburg, a co-worker of van der Linden). Non-replication, despite clear advantages over the conventional sites and services approach, however, seems to indicate that vested interests in informal housing eventually prevailed.

More generally, KKB reveals the limitations of innovative schemes 'without basic changes in society's power structure ... and even without any definite political programme in favour of the poor' (Siddiqui and Khan 1994: 289). Community participation in the KKB case was merely technical. Residents were unable to organise themselves effectively and remained caught in the dependency of traditional patron-client relations (van der Linden 1997a). Instead of getting legitimate demands fulfilled, they received *favours* that could be withdrawn, and easily withheld from others in need.

Conclusions

A number of lessons for sustainable housing and land-use policies can be drawn from the above discussion. In Jan van der Linden's words, 'what is needed in brief is a bridging of the gap between the legal and the illegal systems, starting with the recognition that illegal systems have in the past achieved far more than any official initiative' (van der Linden 1994: 225; see also Fekade 2000; Kombe and Kreibich 2000).

- There is always a need for active policy in urban environments. To expect market forces to generate a rational distribution of urban land has proved a mistake, to say nothing of being inequitable. Industrial and commercial ventures are able to bid much more for the use of limited urban space than all but the wealthiest groups. Even in the industrialised countries, governments take this into consideration by applying a certain policy mix of zoning, land price control and taxation, rent ceilings, provision of or support for low-cost housing, or rent subsidies.
- Given governments' limited resources and capacity they should simply abandon the role of housing provider and turn towards a truly enabling approach. In other words, they should contribute the 'essential ingredient', namely land, and leave housing production to people's initiative. Effective co-operation between government and other actors, NGOs and the private sector in particular, is an essential element of the enabling approach.
- The conventional sequence of planning–servicing–building–occupation turns raw land into a scarce and expensive commodity, especially if cumbersome administrative procedures and transaction costs are considered. The lesson to be learned from illegal subdividers is to reverse this sequence: start with absolutely minimal infrastructure and services and allow for *incremental* development of individual houses and settlements. This strategy implies the need for a thorough revision of regulated standards, and an annulment of most of them.
- The fundamental importance and tremendous economic value of the existing housing stock – whether or not it was produced legally – should be recognised. This suggests the need for large-scale consolidation and legalisation of squatter settlements. Insecurity of tenure, apart from increasing people's vulnerability and putting their assets in jeopardy, is a major obstacle to investment: as

squatters are forced to keep their property mobile they are reluctant to put money into productive ventures.

- Insecurity is also a fundamental cause of the persistence of unsanitary conditions. Environmental upgrading requires considerable investment and the long-term commitment of the residents, e.g. in non-pollutive sanitation and waste disposal management (Lee 1998). Such contributions are unlikely if people are unsure whether they will enjoy the benefits.
- If demolitions are unavoidable, it is crucial to have an adequate relocation site. Relocation to places far away from the cities is unacceptable to the 'beneficiaries' and has to be forced on them at high economic, social, and political cost. Moreover, it is not sustainable as many of the affected families return to the city, frequently to their original site.

Strategies aiming at equitable and sustainable urban development have to be two-pronged: they have to preserve as much as possible of the existing housing stock and facilitate its upgrading without making it unaffordable for the original residents (or at least most of them); and they have to provide sufficient space for new low-cost settlements, be it through the use of public land or through expropriations. The examples discussed demonstrate how this strategic orientation translates into practical policies. They are certainly not without flaws, and the scale and consistency of implementation leave much to be desired. A comprehensive approach towards urban poverty alleviation will require elements of several programmes, integrated with measures of income and employment generation and human resource development (cf. UNCHS/ILO 1995). There can be little doubt, however, that both the CMP and KKB are (or were) steps in the right direction. Both programmes have effectively enhanced the supply of land and housing for low-income groups, albeit on very different scales.

Their replicability is a question of political will rather than a technical matter. The Hyderabad case exemplifies that vested interests in both formal and informal land markets are likely to mount stiff resistance to serious reforms in this sector. Huge sums of money are made in informal housing. The profiteers, if not holding public office themselves, can be expected to be well-connected politically. Only continuing pressure from below, as illustrated in the Philippine case by the alliance of NGOs and local organisations, can ensure that solutions will be sustainable.

Notes

- 1 Harris (1998) points out that many of Turner's ideas had already been formulated by Jacob Crane in the 1940s and 1950s.
- 2 These values are still rather indiscriminately destroyed in demolitions. Administrators and planners do not seem to take their commitment to self-help housing promotion all that seriously; see next section.
- 3 Apart from the advanced degree of economic development combined with high public revenues, a number of unique factors contributed to Singapore's successful housing policy. Government inherited 40 per cent of the land area and acquired another half of the remainder through a draconian expropriation. Moreover, as a city-state Singapore is able to control migration and, thus, demand for housing. Much of the problem is thereby exported to Johor Baru.
- 4 These vested interests help explain the persistence of informal practices and are crucial obstacles for innovative policies; see concluding section.
- 5 Non-commercial invasions do occur, but probably far less often than some of the literature suggests. Moreover, there is evidence that they require specific conditions, e.g. the abundance of low-quality public land (Baken and van der Linden 1992: 23) or particular political circumstances (UNCHS 1996: 244).
- 6 Parts of this section are based on Berner (2000).
- 7 NGO involvement is not, however, a necessary condition. We have documented the case of a squatter association which went through the whole process without any outside assistance. The mastermind of this success was a Philippine army commander, himself a resident, who had studied law before his military career (Berner 1997a: 151f.).
- 8 This advantage has proved to be rather theoretical. In practice, cash-strapped state agencies, just like private owners, tend to sell public property to the highest bidder. The conversion of Fort Bonifacio in Makati into a high-class commercial-cum-residential area is a case in point.
- 9 This process is merely an acceleration of what goes on in informal markets anyway. Informal brokers are quite ready to go up-market: the more attractive a settlement is in terms of location, security, infrastructure, and services, the higher the prices charged by them, and the more families are evicted with or without some compensation (Gilbert 1990).
- 10 This section is based largely on Aliani and Sheng (1990), Siddiqui and Khan (1994), and van der Linden (1997b). Thanks go to Monique Peltenburg who provided first-hand knowledge.
- 11 As it turned out, the system was prone to misuse and has 'not performed very well as a sieve to select genuine applicants' (van der Linden 1997b: 40). Both HDA personnel and middlemen collected bribes for allowing families to leave early or altogether by-pass the procedure.

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