

**TREATING PEOPLE AND COMMUNITIES AS ASSETS**

## **THE ROLE OF THE PUBLIC SECTOR IN PROMOTING AFFORDABLE HOUSING**

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Two general concepts stand out from a review of the housing practices that have been used to address the problems of slum dwellers: one is that the provision of appropriate land is the key to any further improvement, and that the use of government power is essential to that provision; the other is that no serious improvement can take place without significant costs, which can ultimately be paid for through government resources.

### **The Central Question of Land**

If nitrogen is the element which holds the key to productive agriculture, land is the key to improving the housing of slum dwellers. The legal arrangements for the occupancy of land are essential for ensuring the security of tenure. The availability of land for housing construction is the key to expanding the housing supply and limiting the growth of new slums. Controlling the cost of land is necessary to hold down a major cost of housing and keep it affordable. Finding well-located land is the key to providing access to jobs, community facilities, services, and infrastructure. Making certain that land used for housing is in environmentally sound areas is vital to the environmental sustainability of housing.

Virtually every example of housing improvement for slum dwellers internationally includes dealing with the land question as a central part of its program. The requirements for treatment of land appropriate to meeting the needs of slum dwellers can be easily summarized:

- environmentally supportive of healthy housing,
- accessible to work and to community and social facilities
- limited in cost
- secure in occupancy
- provided with the necessary infrastructure

The recommendations below suggest opportunities for government action to help meet these requirements for land.

### **The Unavoidable Question of Cost**

What approach should be taken to the unavoidable question of the costs involved in improving the housing conditions of slum dwellers?

We are cognizant of the severe resource constraints confronting any major housing initiative dealing directly with the physical improvement of the living conditions of slum dwellers. The history of World Bank initiatives in this area, for instance, shows a steady move away from "expensive" solutions to "cheaper" ones: by one estimate, providing even a low-cost unit directly cost US\$10,000, sites and services schemes costed out at US\$1-2,000 per core housing unit, and upgrading schemes were estimated at US\$38 per household. Later studies showed costs for upgrading schemes were much higher, and that environmental problems were at best only temporarily remediated. In one recent program in Dar-es-Salaam an absolute cap of a US\$50 per person was placed on World Bank assistance. What can be done with that kind of cost limitation is, while meaningful, not likely to be very extensive.

To put the matter bluntly: In addition to the other actions necessary to improve the housing of slum dwellers, there are costs involved that are substantial. Policies need to address raising the funds to cover those costs, in addition to maximizing what can be done with limited funds. It is clear that the true costs involved will exceed the resources of either non-governmental organizations (NGOs) or most users, and must come from governments.

### **The Complex Question of the Public Sector's Role**

Given the availability of some significant level of funding, what then should the role of government be in the utilization of such funds? Four principles are clear:

- one, that government involvement is inevitable, and must be openly recognized as such
- two, that efforts are needed to make that involvement as efficient as possible (which is the focus of UN Habitat programs designed to improve governance);
- three, that the level of resources required is great, and efforts must be directed to obtain their provision;
- four, that government involvement should be as democratic as possible, with community participation at all steps of both planning and implementation.

The questions of implementation of these principles are multiple, and only a few are addressed here, because the answer must depend so much on the individual circumstances of each country, and indeed often of each city or even of each settlement. But one assumption seems warranted: that in fact no generalization can be or should be made, and that specifically the generalized assumption that government's role should be as small as possible is wrong. An active role for government is not an alternative to an active role for housing occupants, for communities, for NGOs or community-based organizations (CBOs), or for profit-motivated private businesses; an active government role is rather necessary for each of these other actors to play their role effectively. What the balance should be will vary with each individual case. In our recommendations, we suggest only the general principles that should govern that role.

### **Recommendations**

#### **Land**

The provision of land for housing is a key aspect of government action on housing. It can be done in several ways, and policy choices must depend on local conditions, but in one form or another, making land available is the key to improving the housing conditions of slum dwellers.

The options include:

- Make publicly owned land available
- Use of eminent domain to obtain private land
- Subjecting land to social use requirements
- Land banking
- Controlling price — price control, speculation tax
- Progressive real property tax
- Legislate security of occupancy on squatted land
- Control land-use through planning and zoning to avoid wasteful or environmentally detrimental uses

Many of these possibilities have direct costs to government; providing the resources to meet those costs is thus in turn a necessity for effective action.

## **Subsidies**

To what extent should a government be expected to supply the resources necessary for adequate housing for all of its citizens, and to what standard should "adequate" be held? There is some common agreement that "adequate" means at least safe drinking water and sanitary provisions. Beyond this, it has been assumed that each country would set its own standards. However, it could be argued that some international minimum standards should be set, determined by the basic needs of good health; such standards may indeed vary by climate, topography, or other local conditions, but should not vary by the resource capacity of government. Such standards might well be set by an appropriate international agency. It may also be that they should be proportional to a given indicator of prosperity within a country, i.e. higher for countries where, say, the average income is higher. (There is an argument in favor of using the average instead of the more conventional median here: with the average, a disproportionately high level of wealth going to the very rich at the top of the distribution will be reflected in the standard, as it would not if the median is used.)

Given such standards, what level of resource allocation for housing should be expected of governments? Should it be measured in terms of Gross National Product (GNP) per capita, or by some other yardstick? Even among the developed countries, the range of government expenditure varies widely; the Netherlands is apparently at the very top end of the range. A recommendation establishing guidelines for standards and expectations should be developed to provide a benchmark for efforts in this area.

Further, it is reasonable to expect that there would be a continuation, and indeed an expansion, of international assistance from developed to less developed countries to meet the latter's urgent housing needs. Such assistance may be expected both from governments and from NGOs, many of which are of course themselves funded by governments. It may be useful (although it may also be controversial) to establish guidelines for what might be expected from individual richer countries for aid in this area. The procedures of the European Union in assessing its members in order to assist in raising conditions within its less wealthy member states might provide some suggestions for how coordinated financing might be done.

## **The Role of Government**

For any important action of government to be effectively undertaken, it requires an understanding of the role of government: that such actions are not simply an unfortunate necessity where there are market failures, but that, given the levels of poverty and uneven distribution of resources prevailing in much of the world, government action is central to ensuring improvement in the housing of slum dwellers.

Public planning, broadly defined as setting the framework for the regulation of land uses and the social and economic policies designed to improve people's lives, is necessary if the actions of governments, private entities, and citizens are to be coordinated so as to be mutually reinforcing rather than in conflict with each other. The planning function may be located in a separate government agency, or part of an agency devoted to development (not so desirable, because often the implicit goal of such an agency is growth, with equity and social justice for slum dwellers being a hoped for consequence rather than a primary goal), or as part of a housing agency (again not so desirable, because it separates the planning for housing from the planning for other aspects of urban life essential to it, e.g. transportation, infrastructure provision, or environmental quality). Likewise, public planning must take place at national, regional, municipal, and community levels, and in coordinated fashion; often a national law may provide the framework within which the various levels of planning take place, and how differences among them may be reconciled. At each level, the highest possible degree of resident participation is essential for public planning to be both effective and democratic; the balance between the inevitable delays and contentions must be negotiated in the context of different histories and conditions. But in all cases the provision of an institutionalized and open public planning process is necessary if housing for slum dwellers is to be provided both efficiently and democratically.

Examples of issues which need to be dealt with in terms of coordinated planning:

- The balance between the use of land for housing and the set-aside of land for environmental purposes.
- The coordination of planning for transportation and land-use for housing.
- The provision of adequate commercial, employment, and service facilities concurrently with housing development.
- The determination of land suitable for housing, and the recommendation of measures to make land available for such purposes (e.g. eminent domain, land banking, prohibition of idle use, determination of social purpose)

## **Participation**

Finally, it is clear from all experiences in the field of housing that the appropriate role of government will only be found through the active engagement of civil society, and specifically through the activities of organizations of housing users: organizations of slum dwellers, of the homeless, of the landless, of community-based organizations, of federations of the poor, of the myriad local organizations by which those in desperate need of housing seek to protect and advance their interests. Empowerment of such groups is necessary for many reasons:

- So that the programs and the resulting housing will in fact meet the needs and priorities of the poor
- So that programs will be effectively implemented
- To help ensure good governance
- To make programs more efficient
- To make programs less bureaucratic (both governmental and non-governmental)
- To ensure that government accepts its obligations, and neither go forward nor hold back on ideological grounds; key consideration is rather how the basic needs of slum dwellers can best be met
- So that the poor will be treated with the dignity and respect they deserve, and empowered to act on their own behalf not only in the area of housing but in all other areas of concern to them.

Thus any recommendation for government action dealing with housing must be coupled with a call for the empowerment of the ill-housed to help set, guide, and implement government policies.

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