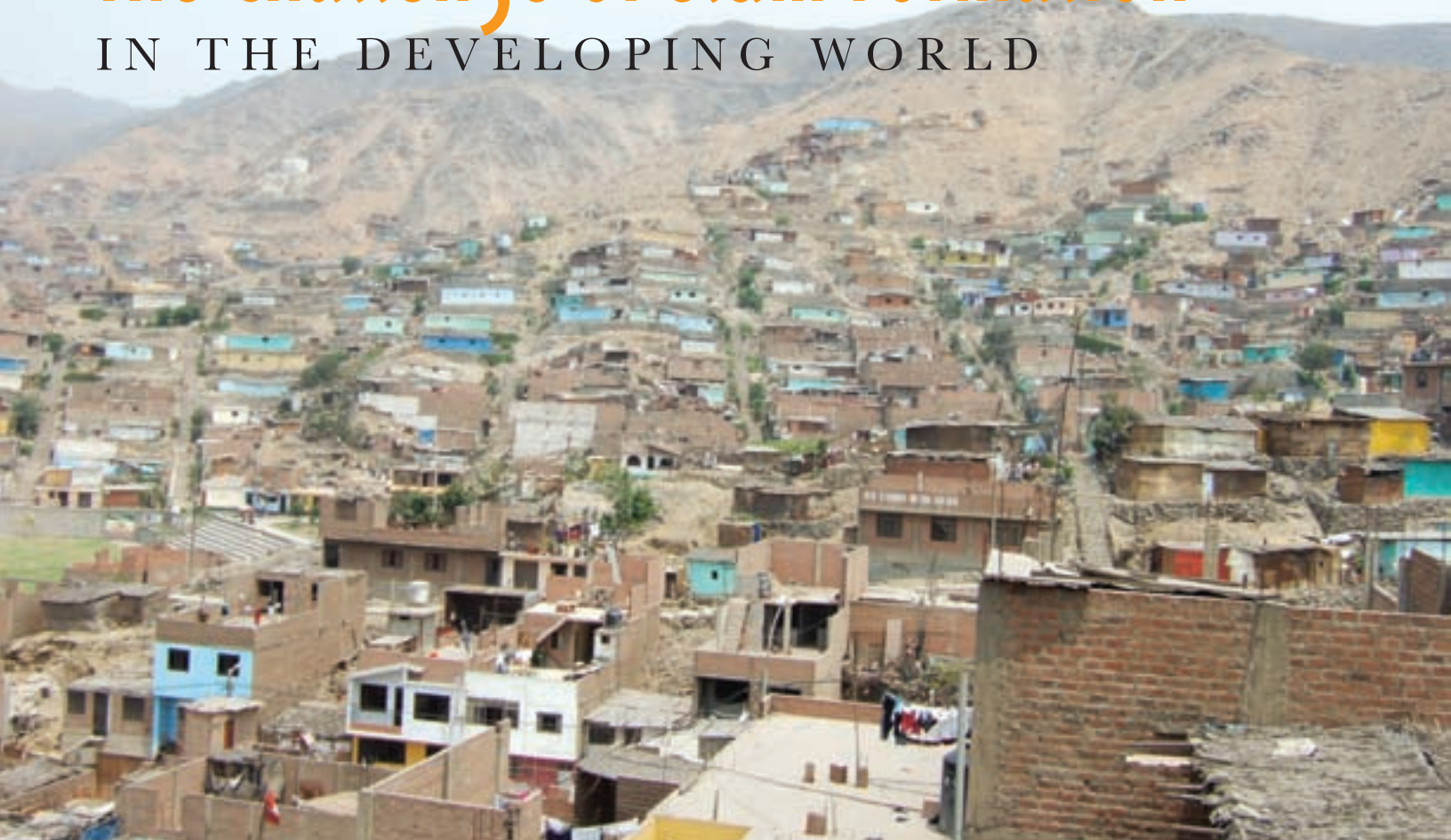# The Challenge of Slum Formation

IN THE DEVELOPING WORLD

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Claudio Acioly Jr.

One of every three urban citizens lives in slum conditions across the world today. According to the United Nations Human Settlement Programme, in 2006 there were nearly 1 billion people who could find housing only in slum settlements in most cities of Latin America, Asia, and Africa, and a smaller number in the cities of Europe and North America (UN Habitat 2006). The problem is of unprecedented magnitude and complexity, but tells us in simple terms that the majority of cities are finding it difficult to accommodate their residents within the formal, official, and enacted plans governing the use of land and urban space.

What are the causes of this massive noncompliance with the formal rules and regulations that govern urban development? This remains a difficult question to answer, but we know more than we did 30 years ago when the first UN Habitat Conference in Vancouver started investigating informal housing processes. Low incomes and limited household ability to pay are part of the problem, and lack of local government investment in infrastructure is another. It is clear that neither a city plan nor a sanctioned land use planning system alone can guide urban development and produce slum-free urban spatial structures. Research and practical experience now provide sufficient evidence about the different mechanisms and strategies that individuals and/or organized groups pursue to access land and housing.

The phenomenon of slum formation has grown in scale and has produced a variety of local or regional settlement types, such as favelas and clandestine settlements in Brazil, barriadas in Peru, katchi abadis in Pakistan, gecekondu in Turkey, and pirate land subdivisions in Colombia. Despite these local differences, the phenomenon has many

common characteristics: the formal land delivery system is not working for many people; land prices are skyrocketing; individuals are trading land and property rights regardless of legal status as a way to access a place to live and legitimize their right to the city; and these settlements are plagued by overcrowding, inadequate sanitation, and poor housing conditions.

Informal Land and Housing Markets

A flourishing informal market already provides housing alternatives for poor, middle-class, and even some high-income families in many cities where sanctions on informality are lax and/or access to land is constrained in the urban core and held privately in the fringe areas. The densification of existing and consolidated settlements in the urban core and informal and often illegal subdivisions of private land in the fringe areas are evidence of the phenomenon that I call privatization of informal land development. It means individuals can access land only through market transactions controlled by private owners and subject to speculation.

At first sight, it seems that the phenomenon of informal urbanization overpowers the capacity of city governments to respond to the demographic pressure and increasing demand for housing, land, and infrastructure. A closer look reveals among other things that slums and informal settlements are a symptom of a malfunctioning housing sector earmarked by high housing-price-to-income ratios, scarcity of serviced land, and distorted and non-transparent land, housing, and real estate markets. The inability of city governments to anticipate, articulate, and execute well-designed land and housing policies is also part of the equation. Many policy makers have not fully understood the complexity of informal land development and the nexus of land markets, housing, and slum development in their cities, and therefore their ill-conceived policies continue to stimulate rather than slow informal development.

Any attempt to tackle the problem of existing settlements must take into account the deep-rooted causes of this phenomenon in order to design measures that will prevent it from continuing at the present speed and scope. Thus, while addressing the lack of basic infrastructure, accessibility, and public services, as well as unclear tenure rights, governments must look at policies to either stop or decrease the speed at which urban informality grows in its various dimensions. If nothing is done to reverse the current trend, the slum population may reach 1.5 to 2 billion people in 2020 (UN Habitat 2003; 2006; UNDP 2005).

National governments and the entire international community have acknowledged the problem. The Millennium Summit of the United Nations in September 2000 established a series of goals for the twenty-first century, the so-called MDGs (Millennium Development Goals), two of which focus on urban problems. The MDG7 Target 11, which was revised in 2005, states, "by 2020, improving substantially the lives of at least 100 million slum dwellers, while providing adequate alternatives to new slum formation" (UNDP 2005, 3). This goal still represents a small number compared to the nearly 2 billion slum dwellers projected by that date.

The translation of this goal into action raises a twofold challenge. Local and national governments and international development agencies must focus on slum upgrading, infrastructure improvement, and regularization of informal settlements, coupled with measures that can actually improve living conditions and the quality of life in the existing settlements and those in the process of consolidation. At the same time, these governments and agencies must address preventive policies and measures that can offer feasible and affordable alternatives to the informal development model currently in place. Only then can we overpower what I call the industry of informality that persists and challenges city governments.

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Regional Differences

To gain more understanding of this challenge, the Lincoln Institute entered into a collaboration with the Institute for Housing and Urban Development Studies-IHS, based in The Netherlands. Over the last four years these two institutes have designed and offered a specialized international training program on land management and regularization that has attracted senior executives and practitioners from governments, NGOs, and academic institutions, as well as parliamentarians, elected municipal councilors, mayors and vice-mayors, and private sector practitioners from more than 30 different countries in Africa, Asia, Latin America, and Eastern Europe.

These participants bring a wealth of local knowledge and experience to the classroom since they are directly involved with the challenges of informal urbanization and the problems of housing the poor in their countries. The training program has provided an excellent forum to exchange experiences and discuss what is happening in different cities on different continents, the types of measures and policies that have been designed, and what is working and not working to address the phenomenon of informal urbanization.

Africa: The Challenge of Customary Lands

Local governments in most African countries are ill-equipped in terms of well-trained personnel and specific urban management policies and in-

struments to deal effectively with the problem. In addition, they often have a low tax base, poor property tax collection, and corrupt land administration systems. Many countries have an intricate institutional framework regulating land use at the local level that involves locally based town and country planning and land administration units operating alongside a variety of central government agencies, including a ministry of lands. It is also common to have local governments subordinated to a ministry of local government, thus limiting municipal autonomy and adversely affecting local capacity to address the problem. Countries that have nationalized land may create frameworks of land administration that are difficult to manage, resulting in inaccurate land records and duality in land allocation systems.

Furthermore, Africa's post-colonial institutional and organizational structures must coexist with customary rules and systems of land ownership. In some ways, customary landowners (e.g., chiefs, tribal kings, and their respective traditional councils) operate much like pirate land suppliers of Colombia or Pakistan. The latter supply plots by subdividing privately owned land while the former deliver customary lands to individuals and even to developers, all bypassing or disregarding formal rules and official government regulations. Land prices rise dramatically and serviced land becomes more scarce, resulting in large premiums paid on plots where infrastructure is available. The local governments are unable to expand infrastructure and supply serviced land at a scale that might help bring prices down.

Africa is facing the fastest urbanization rates on the planet. The slum growth rate of sub-Saharan Africa is 4.53 percent compared to that of Southern Asia, at 2.20 percent (UN Habitat 2006). There is an urgent need to broaden local knowledge about how the informal land market functions and the policy implications for public intervention. Reforms are needed at all levels, not only in the regulatory frameworks.

Asia: Involving Private Landowners

NGOs in Asia tend to play a much more prominent role than in other regions in supporting local initiatives to improve access to land by community-based organizations (CBOs) and federations of the urban poor. The private regime of land ownership seems to prevail, and invasions are rarely successful. Landowners tend to reclaim their land relatively

easily when making use of court and legal procedures, resulting in forced evictions or negotiated solutions that open avenues for direct purchase of part or all of the settled lands. With NGO support CBOs and poor people's federations pursue savings schemes to purchase land through the market—either where their settlements are located or on resettlement sites defined by the government. This also explains why land sharing has been a popular policy in some Asian countries where governments, landowners, and CBOs and NGOs collaborate. Despite some successes with land sharing initiatives in Thailand and India, however, local governments generally are not well-equipped with land management and land use planning instruments.

Another widely accepted approach to the provision of housing and serviced land for low- and middle-income groups in Asia is through land readjustment schemes, where large tracts of peripheral lands are held privately (Hong and Needham 2007). Practitioners from India report the difficulties in planning for urban growth and making use of land resources without involving these large landowners in the land development schemes. Some national programs, such as the Kampung Improvement Program (KIP) of Indonesia and the Community Mortgage Program (CMP) of the Philippines, combine infrastructure improvement with access to land and security of tenure.

Latin America: Densification and Illegal Land Subdivisions

In Latin America, the most urbanized continent in the developing world, population growth rates in the largest metropolitan areas are falling, although informal settlements continue to grow rapidly. According to UN Habitat (2006), the physical growth rates of the total urbanized area and of slum areas in Latin America are 2.21 percent and 1.28 percent, respectively, suggesting relatively low levels of expansion onto undeveloped land. However, data from the Municipality of Rio de Janeiro show that during the 1990s the population growth rate in the favelas and in illegal land subdivisions were respectively five and three times higher than the population growth rate for the city as a whole (Cavalieri 2005). This larger disparity in population growth, compared to the UN Habitat data, suggests that a process of densification and crowding of population may exist without associated expansion of the physical boundaries of informal settlements.

More than a dozen cities in different countries of Latin America have undertaken large-scale citywide slum upgrading programs, in addition to regularization, formalization, and legalization of informal settlements. All these operations have been supported by significant financial resources from the Inter-American Development Bank and the World Bank, such as the Favela-Bairro Program (Rio de Janeiro), Habitat Rosario Program (Rosario, Argentina), COFOPRI (Peru), and Morar Legal (Rio de Janeiro).

What makes Latin America different from the other regions is that in many countries the local governments enjoy constitutionally protected autonomy. Some policy innovations and government programs also have had the time to develop better capacity and more experience in dealing with informal urbanization over the last 50 years. The phenomenon of barriadas in Peru dates from the 1960s, and many favelas in Rio de Janeiro have existed for more than 100 years. Pioneering upgrading initiatives in this city date from the 1960s, when evictions and resettlement policies were more common.

Addressing This Global Challenge Through Training

How can we deal with this global challenge and tackle the problems of informal land development and slum formation? There is no simple answer, but capacity building, training, and international education are key elements. Competencies, skills, and knowledge must be strengthened at the local government level and at the levels where legislation is drafted and policy decisions are made. Our

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experience with the joint IHS-Lincoln training program shows that there is a great need for practical knowledge about what can be done within the limitations of existing institutional and regulatory frameworks. But, it is surprising how little is generally known about the underlying causes of informal land development processes and the market mechanisms fueling the current scale and scope of informality.

The IHS-Lincoln training program has offered an interactive learning environment through which case studies, policy analysis, and role-playing games can demonstrate the links among land supply, housing sector performance, and economic analysis, coupled with program and project management skills. However, most of the professionals from various backgrounds who have enrolled in the course reported having limited knowledge of urban economics, making it difficult for them to understand the logic of the market and to make correlations between land prices, scarcity of serviced land, regulations, and buoyant informal land and housing markets.

The first part of the training program focuses on developing basic skills in land economics to broaden participants' understanding of land markets and land price formation. Such knowledge is needed to develop public policies and design alternative measures that result in a greater supply of serviced land. This starting point demonstrates how demand for land works and how various players behave in the real estate market and interact with

each other to influence land prices that ultimately affect urban form and city growth. We argue that serviced land is one of the fundamental inputs to housing, and therefore its supply and availability will definitely influence housing prices.

To understand how to stimulate and influence the demand side, we focus on the legal status of land and property rights regimes in different contexts. Again we use case studies that have tried to establish a paradigm change and examine security of tenure, legal pluralism, informal rules, and the role of urban laws in land prices, all of which affect social and spatial segregation. Titling of individual properties is a goal of some upgrading and regularization programs that has proved to be costly, time consuming, and institutionally complex, and has rarely been effective in dealing with the scale of the problem. The COFOPRI experience in Peru (Program for the Formalisation of Properties) shows that reforming the institutional framework and the legal procedures to record and register properties helps to decrease transaction costs and shorten the time involved in bureaucratic processes, all obstacles associated with informality.

Other creative solutions, such as certain forms of condominium ownership and the establishment of special zones of social interest (ZEIS) that actually safeguard the territory of the urban poor, seem to open new avenues to deal with the problem of existing settlements. The challenge is to integrate this instrument into the process of land use planning prior to occupation.

Many cities in Brazil, the pioneers being Recife and Belo Horizonte, have made use of the ZEIS instrument and the innovative national legislation called "Statute of the City" to translate the principle of the social function of property rights into legal and planning instruments to be applied by local governments in the regularization of informal settlements, such as the instrument of adverse possession (*usucapion*), which under certain conditions recognizes the rights of individuals to use plots of less than 250 square meters they have occupied uncontested for five years or more, even if they did not own that land.

The compulsory allocation of areas for socialized housing in new land development endeavors in the Philippines is quite similar to the ZEIS, as it intends to safeguard land and a place for the poor in the city. The slum networking programs in India also exemplify how governments, the private sector, and slum residents can actually engage in a part-

nership to secure access to land and housing while providing land development opportunities for private investors. Such efforts require good negotiation skills and deliberations in law enforcement.

One of the major breakthroughs and contributions of the IHS-Lincoln training program is the opportunity given to the participants to understand a range of land management instruments, such as transfer of development rights, land value capture, and other fiscal instruments to discipline land markets and to devise alternative sources of funding for cities to boost infrastructure development. Case studies and role playing help to demonstrate how these instruments can enhance the supply of infrastructure and positively influence housing supply at possibly lower prices. This in turn may have a positive impact in neutralizing informal land developments while offering affordable housing opportunities.

Experiments such as the USME urban operation in Bogotá, the Macroproyecto in Pereira, and the social urbanizer programs in metropolitan Porto Alegre, Brazil, and in Rosario, Argentina, all provide promising avenues for local governments to design and execute preventive policies that offer an alternative to informal settlements (Maldonado and Smolka 2003). These examples show how large-scale urbanization can be funded by land value increments resulting from the urbanization process itself. More specifically, they show how fully serviced land can be supplied at a competitive price against unserviced plots provided by pirate land subdivisions. In USME, the local government makes a market assessment of land values before it enacts local plans to convert rural land into urban land uses, and it calls private owners to put their land in a kind of trust as part of a land readjustment scheme. The process is very transparent. Landowners refusing to adhere to the principles may face expropriation of their land at prices set prior to the announcement of the project.

The resulting land value increment from public action is then captured to finance infrastructure in the area, while accepting a margin of profit for landowners, albeit smaller than that obtained if the land were developed informally. This USME project is backed by proper legislation, political will, and law enforcement. Nevertheless, it requires a very active government and technical and political support to succeed. Some years from now we may have sufficient evidence whether the supply of affordable land can actually diminish or even halt the growth of informal settlements.

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Another course topic is large-scale citywide programs, such as those carried out in Rio de Janeiro, Caracas, Indore, Ahmadabad, or Lusaka, which require a significant institutional effort and sufficient skills to manage multiyear, multi-stakeholder, and technically complex urban operations under extremely volatile environments. The IHS-Lincoln training program puts great emphasis on designing, managing, and implementing large-scale operations that deal with existing settlements while keeping abreast of preventive policies and measures within the realm of local governments.

One comes to the conclusion that the skills, knowledge, and competences are indispensable components of a comprehensive endeavor that must drive local, national, and international government and nongovernmental organizations. The problem of billions of people around the world living in poorly serviced informal settlements has reached such a scale that existing formulas and instruments need to be revisited with urgency. The joint IHS-Lincoln training program is tackling this challenge through human resources and skills development. **L**