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New formal housing policies: building just cities?

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This paper provides a background briefing for the WUF7 networking event on *New formal housing policies: building just cities?* It starts by presenting the objectives of the event. It then summarizes the evolution of the main housing policies implemented in many countries in the global South during the last decades. This is complemented by insightful examples provided by panel participants of the event for the cases of Brazil, Colombia and South Africa.

1. Networking event objectives

This network event, organized with support of the Ford Foundation, has the following objectives:

    a) To better understand whether the new formal housing policies currently being rolled out across cities of the South especially in Brazil, Colombia and South Africa reach the marginalized and excluded, and thereby contribute to the creation of more just cities.

    b) To analyze the spatial and social implications of these new formal housing policies in terms of uneven access to basic services, transportation and employment opportunities in these cities. Does this in practice increase or reduce spatial exclusion and inequalities?

    c) To provide an interactive space for debate and knowledge transfer that will give policy makers and planners the opportunity to learn from ongoing experiences in Brazil, Colombia and South Africa; reflect on their current housing policies; and ensure that their design contributes to urban equity.

2. Evolution of housing policies

Over the last decades, housing policies and programs in cities of the global South have shifted in terms of both their conceptual and operational approaches.

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Conventional housing policies

Following European and American models of modernity, during the 1950s and 1960s the state invested massively in conventional high-rise housing, in cities such as Mexico, Sao Paulo, and Caracas. However, as urbanization and urban growth levels increased, these schemes demonstrated that they could not cope with the growing housing demand, and subsequently it was only a few privileged social groups, working in government or the formal private sector, that could access such solutions.

The debates on self-help

In the early 1970s, shanty towns studies, such as in Lima, Peru, showed how people living in informal settlements were building their own houses with their own resources and labour, with or without the assistance of government or the private sector (Turner, 1972). Influenced by this concept of self-help housing, the World Bank promoted site and services, and slum upgrading programs, first implemented in El Salvador and Zambia, and then extended to other world regions in the 1980s (Stein 2010). The consolidation of housing and urban poor neighbourhoods by its very nature is an incremental and slow process that requires several years to develop; however, despite early successes, neither type of assisted self-help project was given enough time to show its potential (Wakely and Riley, 2011).

Enabling the housing market

As neoliberal structural reforms gained momentum in the late 1980s, the idea of freeing up-market blockages that prevented private developers from supplying solutions to the urban poor started to dominate the housing policy agenda of international agencies as well as of national governments in Latin America, Asia and Africa (Mayo, Malpezzi and Gross, 1986). From a provider of housing solutions, the role of the state was now seen as a facilitator of the housing market. Financial schemes that combined state focused targeted subsidies, with household savings and mortgage loans, both from private or governmental development financial institutions, were used first in Chile, and then extended to other Latin American countries (Costa Rica and Colombia) as well as South Africa, and afterwards to other Asian countries. This model was not a return to earlier formal housing programs of the 1950s and 1960s. Steered by private developers and building companies, this new formal housing policy provided extensive housing solutions that were accessible to lower middle income families, and in some cases, even to the urban poor.

The limits of new formal housing policies

In recent years, a number of academic and practitioners have begun to identify the unforeseen social and economic consequences that such policies are having in the building of just, sustainable and equitable cities (Solana Oses, 2013). Rust (2007) argues that the housing debate has been strongly influenced by the discussions on mortgage lending as a means to facilitate lower-income households accessing new housing units. For this reason, policies enabling social housing have focused on two finance instruments: the management of land markets, including regularization of land tenure promoted by de Soto (2000); and the allocation of demand-driven state subsidies to stimulate mortgage finance. Studies in South Africa and elsewhere suggest that mortgage loans are not affordable to the majority of the urban poor, given their low income levels (Rust, 2007). Even in countries where up-front, demand-driven and targeted state subsidies were used as the preferred policy instrument to complement mortgage financing, in order to better facilitate lower-income families' access to new housing, fiscal resources were often limited, but only reached middle income groups. Moreover, even in cities where there were massive land tenure regularization processes, access to formal housing markets, and to mortgage lending by the urban poor proved to be more complicated than originally thought (Bromely, 2005).

A World Bank study of its 30 years' lending experience in housing established that, in spite

of positive steps taken in increasing its financial and technical support to developing countries in dealing with their housing problems, 'serious and often long-standing obstacles were impeding and preventing progress' (Buckley and Kalarickal eds, 2006:x-xii). The study concluded that the Bank's approach in supporting policies aimed at enabling housing markets in developing countries was producing mixed results: while making market-based housing finance more accessible to most middle-income people in the world, it failed to reach lower-income countries and urban poor sectors (ibid). One consequence of these policies was the shift back from the dominant policy of upgrading and serviced plots (popular since the 1970s), to increased provision of formal housing intended but not always reaching lower income groups. Frequently these new formal housing programs are located in settlements on the city's periphery with implications for the provision of basic services, transportation and employment opportunities in sprawling dispersed cities, therefore increasing the onus on local governments' capacities to respond to the expectations of their dwellers as well as the needs of the urban poor (Angel et al, 2005; Solana Oses, 2013).

3. The cases of Brazil, Colombia and South Africa

The following section briefly describes the main housing policies adopted in the last decades in Brazil, Colombia, and South Africa, and in some cases mentions a particular city. The cases show some of the quantitative and qualitative achievements and constraints of these policies and seek to answer two main questions:

- Are current housing policies increasing spatial marginalization and exclusion?
- Do they contribute to creating an urban sustainable environment?

a) The case of Brazil: *Jorge Fiori*

Towards the mid-1990s, when the socio-economic costs of the neo-liberal recipes were becoming evident in Brazil, a new generation of policies started to emerge in relation both to urban development in general, and urban informality in particular. A new understanding of 'scaling-up' surfaced: one that saw it as a complex, fragile and contradictory process, multi-dimensional in nature; and one that recovered the 'spatial' as a necessary and relevant dimension (Fiori, 2013).

Gaining the city, losing housing

In this context, housing programs were designed in many of Brazil's main cities with a relatively different approach to previous low income housing initiatives. For example the 'Favela Barrio' in Rio de Janeiro as well as similar upgrading programs in Sao Paulo, tried to link and incorporate slums and squatter settlements into the broader urban grid of the city. In this sense, they were more ambitious than previous low-income housing initiatives that had little sense of the importance of articulating informal settlements into the formal city. The upgrading programs were multidimensional in nature: not only did they seek to articulate different spatial scales but they were also accompanied by strong social interventions to improve the employment-generation opportunities of the squatter settlers, the health and educational conditions of slum dwellers, as well as other basic infrastructure services in these neighbourhoods (mainly electricity, sewerage, water, reforestation, parks, roads and streets). These were highly subsidized programs in which local governments and communities played a crucial role.

One of the paradoxical consequences of these programs was that of building a more interconnected city in which the qualitative dimensions of housing improvement were not fully addressed. Housing improvement was considered a 'private good', and left to the initiative of individual households to improve their dwellings by their own means, without the required technical assistance and financial support from the state.

Gaining housing, losing the city

In the late 1990s and beginning of the new millennium, there was a concern that programs such as the 'Favela Barrio' were unable to deliver at the scale necessary to satisfy the growing demand for housing and services among middle-low- and low-income households. New housing policies and programs, therefore, were developed to create 'stronger and larger market-based housing finance models' (Rolnik, 2013) with the

participation of big private developers as key actors. Housing policy received important political backing and a financial boost from the government of Luis Ignacio Lula Da Silva. One result was the massive allocation of resources for the production of new housing. In 2007 alone, Brazil allocated 2.07% of its GDP for housing, the biggest proportion in all Latin America countries. In 2009, the '*Minha Casa, Minha Vida*' ('My house, my life') program was established as a way to generate social inclusion, with its goal of producing one million houses for households earning up to three minimum wages. In the current government of Dilma Roussef this goal has been increased to two million for the period 2011-2014 (Chirivi, Quiroz, Rodriguez, 2011). Lula's government also created the Ministry of Cities, with responsibility for the design and implementation of more coherent urban policies. One of the first measures undertaken by this ministry was to promote the implementation of Participatory Master Plans in the vast majority of municipalities in Brazil (Rolnik, 2011).

It is still early to assess the full consequences of this massive housing production model in Brazil. However, it is clear that big developers have bought large areas of urban periphery land on which to develop their housing projects. Fully equipped, but very small sized, houses are being sold to families that probably were not previously able to afford them given their income levels. Yet, these settlements are located in the periphery of cities and the commodification of the housing process is already having adverse social and economic effects. Private developers are well aware of the 'contribution' of this massive housing production to the overall functioning of cities. However, as there are no incentives to increase the size, or improve the quality, of housing, the fact that the main criterion for profitability comes from the use of land, means that private developers' do not need to be socially innovative. Therefore, the issue of land use, and control, has become more important than sustainability of the built environment or the linkages between these new settlements and the city. As the state retreats from promoting a more equitable land policy, the consequences of such housing policies are more segregated cities; and while certain components relating to the quality of housing have been gained, the integration of these human settlements into the city has been lost.

b) The case of Colombia: *Alejandro Florián and Amparo Viveros Vargas*

During the 1990s, macro-economic structural adjustment policies determined the design of a new housing policy. As national institutions responsible for public housing programs were dismantled, public credit for building new housing and housing replacement was set up. In 1991 the national system of social housing was created with the aim of identifying and coordinating the main housing actors. A policy of direct demand-driven subsidies was established, and from 1991 to 1997, it allocated 538,358 grants worth $1.58 billion pesos (US$ 1,031 million). Yet, during this period the application of direct demand subsidies in various types of housing solution never went beyond an experiment, as the national system did not establish a clear base-line to assess its social impact, or an institutional way to monitor its quality; and finally it was not able to coordinate the different housing actors.

In 1997, Law 368 devolved the main function of urban governance to the municipalities. These included land management and building institutional capacity. The implementation of this law required changing the planning paradigms that until that time had focused on the existence of private property with segregation and exclusionary consequences. Moving towards favouring public interest, inclusion, and a fairer distribution of burdens and benefits implied new values and principles as well as the training and empowering of thousands of officials, and developing new methodologies and tools. This was a monumental task that has not yet been completed; and it also has powerful enemies.

In 1998, legislation aiming to order land use and to facilitate access to urban land for massive new housing projects built by private developers was enacted. However, in 2010 by the end of the last administration, a substantive number of housing subsidies had not been allocated. The government argued that, given the difficulties that private

developers encountered in accessing low-cost land, there was insufficient housing supply. However, other issues such as the poverty levels of families demanding subsidies as well as the conditions of displacement due to violence and conflict, meant that many could not afford a housing solution, nor repay a mortgaged loan.

Challenging the ruling housing paradigm
The current government of President Santos considers housing as one of its five locomotive engines to promote development, and has revised the reasons that generated such inefficiency in the use of state subsidies. The government has recognized that many vulnerable families cannot afford a savings and borrowing scheme, and therefore it has decided to subsidize 100% of the cost of a housing solution. The government aims to produce one million houses, of which 65% are considered social housing. Equally, it has strengthened the housing ministry and it is subsidizing interest rates. By doing so it has removed some ideological arguments that considered that state intervention in housing was intrinsically wrong from a development perspective.

In spite of the advances to address the quantitative housing deficit, the qualitative deficit still remains critical and affects 36% of houses in Colombia. Therefore, informal housing continues to deliver the majority of the country's housing. From a social perspective, housing policies that prioritize new housing have eliminated the possibility of generating programs and projects in which popular organizations participate through self-help and mutual help methods.

The case of Cali
With a population of more than 2.44 million, in 2013 Cali had a housing deficit of 143,545 units, of which 81% constituted the quantitative and 19% the qualitative, deficit. In Cali, the current national housing policy is being implemented through three projects intended to reach 13,331 households living in extreme vulnerable conditions: 8,900 of them live on the banks of a dike in River Cauca; 3,471 public interest houses will be built with total subsidy; and finally 960 families affected by the recurrent winter waves of 2011 and 2012 will benefit.
Investment in housing during recent years has contributed to the decrease in the city's poverty indices. The reduction in construction prices for low income families as well as the existence of totally subsidized housing has

benefited families from Cali as well as displaced persons arriving from conflict areas, and migrants; 50% of the beneficiaries are women headed households with low levels of schooling and employment.

Some of the main obstacles to the implementation of the housing policy in the city relate to the lack of urbanized land; the high prices of land; and high interest rates as well as normative restrictions established in land management plans. The fact that the municipalities have limited access to resources has also produced a disequilibrium which is affecting lower income households. Some of these problems are being addressed through a development plan called: CaliDAD UNA CIUDAD PARA TODOS which has as its main strategy the establishment of inclusion and opportunity territories, that seek to generate equity conditions to all its population, especially in accessing health, security and basic needs through social agreements that balance the supply and demand between public, private and community actors.

c) The case of South Africa: *Edgar Pieterse*
South Africa's housing policy and programs have displayed a phenomenal scale but serious questions remain about their aggregate impact in terms of the spatial functioning of cities and towns, especially for the urban poor. The post-1994 housing dispensation was characterized by a subsidy-driven program to provide a free house with a land title to all South Africans below a certain income level. This entitlement was defined as a right, and it was a policy priority to wipe out the 2.5 million housing deficit. An ambitious target was set to deliver one million houses by the year 2000. At the core of the housing program was a model that favoured private developers that could deliver to scale. In order to squeeze a profit, private developers acquired the cheapest possible land, typically on the periphery of cities and towns, opted for standardized designs of free-standing one story units dotted in "neat" grid-based landscapes, and constructed using the cheapest possible materials. The net effect of this subsidy-driven approach was an effective worsening of the space-economy of South African cities and towns. Thus, people in these new settlements ended up living even further away from economic and transport opportunities, and being confronted with a series of social reproductive costs that arguably worsened their economic position despite having become a home owner.

Aware of these problems, the government embarked on a policy review, and in 2004 adopted a new policy framework: the Comprehensive Plan for the Development of Sustainable Human Settlements, also known as *Breaking New Ground* (BNG). At its core was a commitment to move away from "quantity" (i.e. one million houses in five years) to a focus on "quality". This reflected the government's acknowledgement of a number of unforeseen outcomes of the quantitative approach. Another important dimension of the BNG was the focus on informal settlements and the eradication of slums by 2014. Progressive analysts welcomed this focus, but concern was expressed that it was offering a political rationale to pursue evictions and other forms of coercion to address informality.

The current administration established a performance agreement (*Outcome 8*) that binds the Human Settlement department to address the development of suitably located and affordable housing and decent human settlements; as well as moving towards greater efficiency, inclusion and sustainability. BNG and Outcome 8 mandate gave birth to the proliferation of housing programs and associated subsidy regimes. The understanding was that municipalities with provincial governments would construct a more context-specific agenda for human settlements and assemble diverse combinations of these programs that included the old-style subsidized RDP house, social housing (rental stock for people in the gap market), informal settlement upgrading, emergency housing, and people's housing processes. In practice, municipalities and provinces remained under enormous political and public pressure to deliver the traditional housing model, especially as the quality of these units was now improved due to a higher minimum standard in terms of size and construction. The net effect has been a profound disjuncture between the intentions of BNG and the practice of municipalities on the ground.

Achievements and challenges
Since 1994, about 2.8 million completed houses and units, and over 876,774 serviced sites have been delivered, allowing about 12.5 million people access to accommodation and a fixed asset. About 56% of the subsidies were allocated to woman-headed households (SA Government, 2014). A further 353,666 rental units of the pre-democracy dispensation were transferred into tenant ownership. In monetary terms, since 1994, about

R125 billion (at 2010 prices) had been invested in housing and human settlement development. This was augmented by a further R16 billion spent by other government agencies on infrastructure for redeveloping human settlements. The average price of housing has increased fivefold since 1994. Also, more "than 10,739 communities in 968 towns and cities across the country benefited from the Government Housing Program", impacting on 3.7 million households. In aggregate terms, the public and private housing market produced 5,677,614 formal houses, increasing the number of people living in formal housing from 64% in 1996 to 77.7% in 2011, representing a growth of 50% for the period (Department of Performance Monitoring and Evaluation, 2013). The formal housing market has increased 13-fold from R321 billion in 1994, reaching a collective value of about R4.036 trillion by 2014. A big concern for government is that this collective value of the public stock only reached about one tenth of that total, even though the state provided a much larger share of the stock. This raises the policy question about how government can best engage the private sector to explore practical mechanisms for the private sector to settle for a lower rate of return on investment, to allow the government to attain a higher rate and achieve better integration between the government and private effort.

Photo: D.Mitlin

The National government is due to unveil a draft Integrated Urban Development Framework (IUDF) after the upcoming elections this May that will address the inter-connections between reform in transport and mobility policy, human settlements,

infrastructure planning, land governance, space-economy imperatives, and urban governance reform. The government is also addressing these challenges and contradictions through a major policy review in the form of the Green Paper on Human Settlements. This will offer an opportunity to incorporate the learning from the past 20 years and produce a new generation of housing policy and programs. Finally, despite the inadequate policy outcomes from an urban equity perspective, very important fiscal innovations are underway under the auspices of the City Support Program initiative that seeks to articulate a variety of grants and instruments that impact on the distributional dynamics of cities. This will offer practical examples of how human settlements can indeed be transformed in material terms.

The government admits that the majority, but certainly not all, of the public housing programs of the past 20 years tended to worsen the spatial access of the poor because it was only affordable to locate these settlements on cheap peripheral land. However, it is equally important to understand the unique history of spatial isolation, exclusion and marginalization that was at the heart of the colonial and apartheid era urban settlement system. The RDP housing program had to secure land and housing within a constrained fiscal environment and in the context of an already divided and exclusionary urban system. If this was to be countered, the government would have had to invest all its resources into land acquisition, alongside expropriation, and probably have simply offered serviced land. It is not at all obvious that this would have produced less spatial marginalization or exclusion.

It is impossible to answer whether these policies are creating a sustainable urban environment. One aspect of the South African context is the high level of unemployment combined with a relatively small informal economy. This means that a very large proportion of poor urban households are compelled to survive on very low and erratic incomes. This makes it difficult for these households to afford costs associated with maintaining and expanding a formal house that is subject to a variety of municipal regulatory norms. Yet, interviews with householders suggest a deep sense of gratitude in having been a beneficiary and relief that the person is no longer living in a shack. This finding makes it difficult to simply conclude that RDP housing is bad because it worsens spatial proximity to

urban opportunities. What is clear is that the South African government knows that the current approach is not addressing the spatial exclusion of the urban poor but it also wants to become flexible to continue a subsidy-based housing program in tandem with informal settlement upgrading and the generation of a greater number of rental housing options in well located areas.

4. Conclusion

The changes in formal housing policies that have taken place during the last three decades have generated an unprecedented boost to the massive production of new housing and to a lesser extent, the improvement of the housing stock in many cities of the global south. This in itself is an important achievement if we consider the multiplier effect that housing (including its associated infrastructure and basic services components) has in fostering economic development. This massive production of housing as in the case of South Africa has helped to address some of the historical conditions of marginality and exclusion that the majority of its citizens suffered during the era of apartheid and the colonial legacy. In countries like Brazil, some of these policies have helped to increase consciousness at national, state and local government levels, that housing is not an isolated sector and that in order to have a more coherent view of its role in society, a wider approach to the city is required. The creation of the Ministry of Cities is an example of this process. Since 1991, Colombia has been able to confront its quantitative housing deficit in a way that housing policies have contributed to the reduction of urban poverty, and in some cases as in Cali, to the reduction of extreme urban poverty. In these three countries at least 10 million housing units have been built or improved in recent years.

However, there is a growing consensus that this massive production of formal housing resulting from the existence of demand-driven state subsidies led by the rationale of private developers has also strong economic and social costs for the cities where these new settlements are created. In cases like South Africa in spite of its benefits, it has worsened the spatial proximity to urban opportunities and therefore augmented the spatial exclusion of the urban poor. This spatial segregation has also occurred in Colombia and Brazil. What has been gained in the production of massive housing solutions has been lost in terms of generating a more articulated, sustainable, integrated and interrelated city. In the three

cases, it is now evident that housing is not only a top priority, but also that it has to be linked to the broader urban context, in other words, it is not possible to continue building hundreds of thousands of bad quality houses without any real links to the city.

Photo: D. Mitlin

What can be done to change this situation? It is clear in these three cases that reform in transport and mobility policies, human settlements, infrastructure planning, land governance, space-economy and urban governance are all of equal importance to those in the housing sector. The new government in Colombia has also been forced to confront the ruling economic neo-liberal paradigm and has reclaimed a clearer role for the state, not only to facilitate the operation of the financial and supply side of the market, but especially to ensure that no family according to its income level is left behind, even if they cannot afford access to a loan or be part of a saving scheme. Governments in the three countries are structuring different spaces of reflection with different actors, not only with private developers. This is intended to ensure that the experience of the last decades can help them find new ways to integrate the formal and informal city (Solana, 2013). In this context the role of local government is crucial, although in many countries there is a long way still to go to increase their ability to address these issues.

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