Urban infrastructure in Sub-Saharan Africa – harnessing land values, housing and transport

Literature review on housing

Report 3

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Executive summary

Over the past decades, Sub-Saharan Africa has experienced some of the highest urban growth rates in the world, while income levels on the sub-continent remain amongst the lowest in the developing world. The dual pressures of growing urban population and pervasive poverty mean that the rapidly-growing African cities face a growing challenge of providing shelter for the poor. This study reviews the literature on the current housing challenge faced by Sub-Saharan African cities. More specifically, it reviews trends with regard to approaches taken to housing and informal settlements in Sub-Saharan Africa from the post-colonial period to the present, who pays for housing investments, and the ways in which the value created by investments in housing can be captured.

Sub-Saharan Africa context

About 40% of the African population currently lives in cities, but overall urban growth rates indicate that by 2030 this will have risen to over half of the sub-continent's population. Government responses to urbanisation in post-colonial Sub-Saharan Africa have changed and evolved over time, but housing interventions have remained central to these responses. However, most countries on the sub-continent continue to face ever-growing housing backlogs. The wide disjuncture between housing supply and demand results in ubiquitous informality. In 2001 71.9% of the urban population in Sub-Saharan Africa was living in slums, which represents the largest proportion of the urban population resident in slums in the developing world.

Historical housing policy trends

Between the 1950s and 1990s, three phases of international housing policy are generally identified in the literature. In broad terms they reflect an overarching shift from 'supply' to 'support' driven policies. Since the 2000s, international policies seem to consolidate all the previous trends, albeit with a particular focus on support through tenure and finance with a view of 'providing adequate housing for all'. However, in practice supply-driven approaches to housing provision are on the rise. The table below summarizes the main approaches to housing development over time.

Time	**Approach**	**Who**	**Main publications**
1950-1960s	Public housing and slum clearance	State	
1970-1980s	Sites-and-services and upgrading	People	World Bank (1974) Sites and services projects. UN-Habitat (1976) 'The Vancouver Declaration on Human Settlements'.
1980s-1990s	Enabling approach	Private	UN-Habitat (1986) *Global Report on Human Settlements* UNDP (1991) *Cities, Poverty and People: urban development cooperation for the 1990s*. UN-Habitat (1990) *The Global Strategy for Shelter to the Year 2000* World Bank (1993) Housing: enabling markets to work.

			UN-Habitat (1996) 'The Istanbul Declaration on Human Settlements'. Cities Alliance (1999) *Cities without Slums action plan*
2000s-current	Differentiated approach: support trends vs supply practices	Mix	Millennium Development Goals (2000) UN-Habitat (2003a) *Global Report on Human Settlements: The Challenge of Slums* UN-Habitat (2005) *Financing urban shelter. Global report on human settlements*.

A review of current trends reveals a return to mass scaled supply-driven housing development, while grass roots housing cooperatives have persisted and the importance of the informal rental housing sector continues to be neglected by most states.

Housing finance

The current housing finance challenge in developing countries is a double one in the sense that adequate shelter which is built formally is often unaffordable, while informally built housing is affordable but often inadequate. This means that access to affordable housing is not only out of reach for the urban poor, but also for lower and middle-income households. In examining who pays directly for the provision of serviced land and housing, there are only really three options: the state (and its agencies), external parties (which can be broken down into donors, other states, or the private sector) and households/ communities. The extent to which these investments are recovered by the state or external parties from the end user may vary from little to nothing in the case of state subsidized housing to partial or full recovery in the case of low cost housing produced by external parties. However, despite an increasing focus on formal housing finance most people in SSA finance housing themselves, either through formal housing finance, but most often through (informal) micro-finance. Various tiers of micro-finance are emerging as viable alternative forms to mortgage housing finance. Yet, despite the growth of micro-loans for housing, possibly the biggest challenge facing further growth is the housing delivery environment. A key constraint to its growing use is the continued lack of access to secure tenure and other support for self-help building, which is necessary to facilitate the incremental housing process that micro-loans finance. Central is the problem of scale: housing policies must adopt incremental housing delivery solutions to meet incremental housing finance needs. The link between land, finance and the availability of infrastructure is also increasingly emphasized.

Housing value creation and its capture

Changes in the understanding of the 'value' of housing have influenced the evolution of housing policy trends since the 1970s. Currently, housing can then be understood as an asset that may have social, financial and economic value. An understanding of the processes of value creation allows for the identification of opportunities for capture and re-distribution by the state at different stages of the housing value chain.

Considering the importance of providing access to housing for the poor at affordable prices, capturing land value to finance infrastructure investments is not appropriate for low income housing developments and should be aimed at middle to high income residential developments and commercial property. Low income housing is therefore primarily a beneficiary of land value capture, and not a contributor. Because low cost housing as a policy intervention is aimed at addressing not only shelter needs, but also poverty and livelihoods, it is appropriate that the value (social, economic and financial) should all be 'captured' by the households themselves. However, barriers to the capturing of value at the lowest end of the market include the rent seeking by slumlords that capture any value creation for themselves, and pass little on the residents. This provides a strong case for community or state regulation of any low-income housing (formal or informal) where appropriate transfer of value to households can take place.

Conclusion

There are no simple solutions to improving the dire situation with housing for the poor in Sub-Saharan Africa. Although various approached have been tried over the 60 odd post-colonial years, none have proved to be a panacea.

While there is by now widespread consensus amongst experts about the multi-dimensional value of housing, the biggest challenge is its political economy or the challenges in reconciling the causes of the economic, the political and the social in low-income housing development.

Recommendations

For these challenges to be overcome, the literature and evidence reviewed point to a number of important lessons:

- While the housing shortage is acute across Sub-Saharan Africa, the characteristics of this challenge vary across the region.
- Despite context dependent variations, throughout SSA the housing market and housing finance is predominantly informal.
- There is a need to acknowledge the problem of scale of the informal market: it can supply shelter and finance, but simultaneously recognize the importance of the state's role in terms of:
    - a) planning, land use management and infrastructure provision prior to housing provision infrastructure;

  b) the regulation of the informal market.
- When it comes to state intervention, there is a need to recognize the multi-dimensional nature of housing as a social, financial and economic asset and the various processes of value creation along the housing value chain. Where and when the state intervenes to capture and re-distribute value depends on the country context and the resources and capability of the state, but is especially relevant when it comes to housing provision for the poor.

1 Introduction

The African Centre for Cities (ACC) has been appointed by the United Kingdom's Department for International Development (DfID) to undertake a study on harnessing land values as a way of funding urban infrastructure in Sub-Saharan Africa (SSA), with supplementary studies on housing and public transport. The study is divided into two phases: Inception and Implementation.

This literature review report, focussing on housing in Sub-Saharan African cities, forms part of the Implementation Phase.

Structure of this report

Section2 outlines the research questions and methodology followed.

Section 3 provides some context to the current housing challenge faced by Sub-Saharan African cities and the drivers of housing demand. Based on a review of available academic and applied research, **Section 4** provides an overview of the literature with regard to housing policy trends in the developing countries and in Sub-Saharan Africa in particular. Trends with regard to approaches taken to housing and informal settlements in Sub-Saharan Africa are traced from the post-colonial period to the present. Given that housing trends tend to be cyclical, or at least repeated in modified forms, it is useful to understand what informed the various approaches, where these have been implemented, and what the impacts of these may have been. A review of these policies is contrasted with a discussion of current trends on the sub-continent.

Section 5 of the report reviews the literature on housing markets and housing finances in Sub-Saharan Africa. This involves an analysis of the financial assumptions underpinning the different approaches to housing development described in section 3. It aims to categorise housing finance into a range of 'options' which are then assessed for appropriateness against housing policy options. The questions that are addressed in this section are:

- What have been the main approaches to financing housing development?
- Who pays for housing investments and what are the short term vs. long term implications of this?

Section 6 introduces the debates around the different dimensions of the 'value' of housing. It discusses the different ways in which value is created through the various stages of housing formation, and then concludes with a discussion of the potential for, or appropriateness of value capture in relation to housing delivery models. The section addresses the question:

- What are the ways in which investments in housing can create value and for whom?

The final section, **Section 7**, provides overall conclusions and recommendations that can be drawn from the review.

2 Focus of the literature review

2.1 Research questions

The brief for this literature review has evolved from the terms of reference, which originally focussed on the outcomes of sites-and-services approaches. This was then broadened to include all effective approaches to low cost housing, and then refined to focus on the approaches that have been followed, how these have varied over time, and what the link is to broader questions of value capture covered in other literature reviews undertaken for this project.

The following questions are addressed in Section 4:

- What have been the main approaches to addressing the challenges of housing and informal settlement?
- How have these varied over time and place and what have driven these variations?
- To what extent did each approach increase the supply of housing to match the effective demand of households?

The next set of questions, addressed in Sections 5 and 6, are:

- What have been the main approaches to financing housing development?
- Who pays for housing investments and what are the implications of this?
- What are the opportunities and constraints to capture the value created through housing in Sub-Saharan Africa?

2.2 Research methodology

Much of the literature reviewed was known to the three lead authors and the specialist reviewer through previous academic research undertaken on this topic. However, a search for scholarly publications in the field of housing in Sub-Saharan Africa was conducted between February and April 2015. The search focussed mostly on English language publications in the field of housing, but an effort was made to include publications on Anglophone, Lusophone as well as Francophone Sub-Saharan African countries. Seminal works in the sector, as well as relevant experiences from other regions were also sourced and referenced. Emphasis was placed on finding peer-reviewed publications (mainly journal papers, book chapters and conference papers), but important non-academic publications (e.g. government policy documents, or development agency reports) were also included in the search. The online search was undertaken using Google Scholar (http://scholar.google.co.za). In addition, literature was sourced from the specific websites of the following agencies:

- The World Bank
- UN Habitat
- Cities Alliance
- Lincoln Institute for Land Policy
- Habitat for Humanity
- Centre for Affordable Housing in Africa (CAHF)
- Rooftops Canada
- Urban LandMark
- FinMark Trust

This search generated a list of 150 references which were considered to have merit for this report.

2.3 Quality and quantity of literature

The literature on housing development focuses largely on housing needs in major capital cities in Sub-Saharan Africa. While this is justified by the current urbanisation rates, this should not cancel out attention for the equal need for low-income housing in secondary towns and rural areas. Studies carried out in India show that the nature of poverty and land use differs outside of major cities (e.g. Lall and Lall, 2003). Moreover, in spite of a focus on *low-income* housing, this may still overlook the needs of the poorest of the poor that find themselves at the bottom of the housing pyramid, earning less than US$1.25 a day (CAHF, 2014).

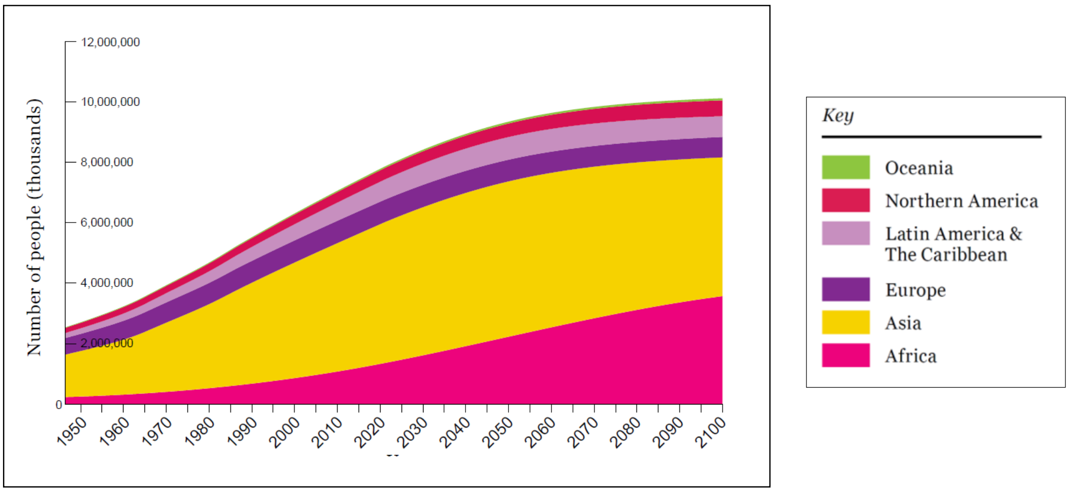
In spite of decades of international financing and support for housing development in Sub-Saharan Africa, there has actually been relatively little research on the outcomes of projects pushed for by global donors in this particular part of the world. Most of the research comes from (researchers linked to) the institutions themselves, such as the World Bank and UN-Habitat. There has been little comparative work and a bias towards Anglophone African countries. In a literature review on housing finance published in 2007, Tomlinson characterized the literature on the development of housing finance in SSA as "an emerging, rather than an established field". She also found that most of the research available was written by consultants from overseas and urged for more local research on housing finance (Tomlinson, 2007). Although there are still gaps in our knowledge with regard to the relative importance of the different factors influencing households' housing demand in countries in Sub-Saharan Africa (Lozano-Gracia *et. al.* 2014; also Datta and Jones, 2001), in the past years this picture has changed. Studies commissioned and produced by FinMark Trust and CAHF on access to housing finance in Sub-Saharan Africa now allow for a better and deeper understanding of the state of housing finance on the sub-continent.

In total, there were 149 references used to gather information from for this report. 57% of those references were from a published book or a chapter of a published book, 26% were from a peer reviewed journal, while 9% were from a non-peer reviewed journal. 61% of the authors cited were either from or representing a multinational or donor corporation or an academic or research institution, with the majority of the remainder writing for publication in journals. 6% of the information was taken from speeches or presentations, and only 5% was from press releases. 37% of the literature came from authors or institutions who are based in Sub-Saharan Africa. 13% of published books or chapters of published books came out of Sub-Saharan Africa.

3 Background: the housing context in Sub-Saharan African cities

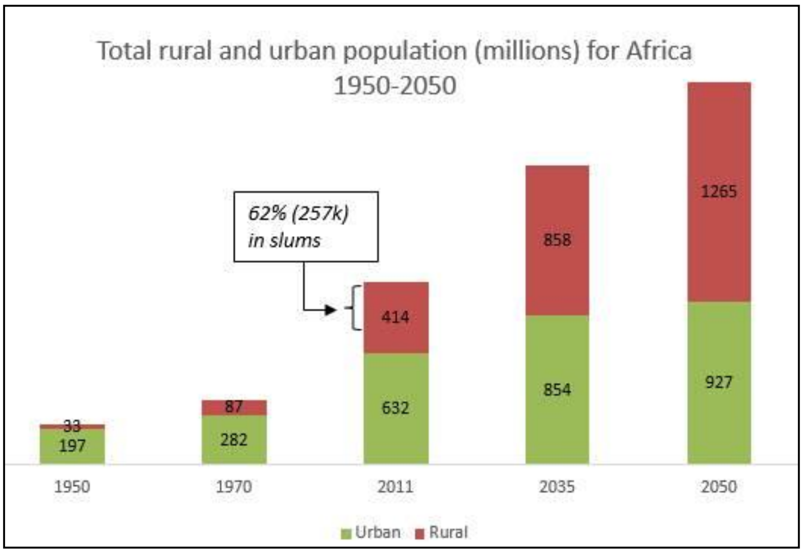
3.1 Urbanisation

Over the past decades, Sub-Saharan Africa has experienced some of the highest urban growth rates in the world. While urbanisation rates are unevenly distributed across the sub-continent's regions and within individual countries (UN-Habitat, 2014: 22-23; see also Potts, 2012), currently about 40% of the African population lives in cities. Overall urban growth rates indicate that by 2030 this will have risen to over half of the sub-continent's population (UNDESA, 2014). Africa is expected to have a growing share of the global population as the 21st century progresses (Figure 1) and this combined with an increasing rate of urbanisation (Figure 2) will drive the demand for housing.



Source: WWF, 2012

Figure 1: Trend with respect to global population



Source: World Urbanisation Prospects: 2011 revision. United Nations

Figure 2: Africa urbanisation trends

As a result of urbanisation, the housing challenge in Sub-Saharan Africa is an urban issue. The UN-Habitat *State of African Cities Report* (UN-Habitat, 2014) describes the urban housing shortage in all regions as 'acute'.

3.2 Poverty

Currently, African cities are increasingly seen as important for development. According to UN-Habitat (2010), the 40% of Africa's population that now lives in cities produces 80% of its GDP. However, despite high economic growth over the past ten years, income levels on the sub-continent are amongst the lowest in the developing world. Around 50% of Africans continue to have incomes below US$ 1.25 per day, while only 4% receive more than US$10 per day (UN-Habitat, 2014: 19). The dual pressures of growing urban population and pervasive poverty mean that the rapidly-growing African cities face a growing challenge of providing shelter for the poor.

3.3 Informality

Government responses to urbanisation in post-colonial Sub-Saharan Africa have changed and evolved over time, but housing interventions have remained central to these responses. However, most countries on the sub-continent continue to face ever-growing housing backlogs (UN-Habitat, 2014). The wide disjuncture between housing supply and demand results in ubiquitous informality. The table below provides an indication of the scale of informality (slums) in Sub-Saharan Africa.

Table 1: Percentage of urban population living in slums

Country	***1990***	***2007***
Benin	79%	71%
Burkina Faso	79%	60%
Comoros	65%	59%
Côte d'Ivoire	53%	57%
Ethiopia	96%	79%
Ghana	66%	43%
Guinea	80%	46%
Kenya	55%	55%
Madagascar	93%	78%
Malawi	66%	68%
Mali	94%	66%
Niger	84%	82%
Nigeria	77%	64%
Rwanda	96%	68%
Senegal	71%	38%
Tanzania	77%	65%
Uganda	75%	63%

Source: Global Urban Indicators (GUI) 2009, cited in UN-Habitat, 2014: 117 and 165

In the discussion of informality, definitions are important, as terms are in some cases used interchangeably and in some cases to refer to discreet shelter typologies. UN-Habitat, in its report on *The Challenge of Slums*, defines slums as:

> *areas that combine, to various extents, the following characteristics: inadequate access to safe water, sanitation and other infrastructure, poor structural quality of housing, overcrowding and insecure residential status (UN-Habitat, 2003a).*

Although UN-Habitat in this report conflates the meaning of slums with informal settlements, the latter have traditionally considered as a specific type of slum or:

> *areas where groups of housing units have been constructed on land that the occupants have no legal claim to, or occupy illegally and/or where housing is not in compliance with current planning and building regulations (UN, 1997).*

In addition, informal settlements are:

> *initially built in peri-urban locations [and] for the most part, constructed of durable materials and have access to trunk infrastructure such as electricity, potable water supply and some form of sanitation (UN-Habitat, 2010).*

Following these definitions, in 2001 71.9% of the urban population in Sub-Saharan Africa was living in slums, which represents the largest proportion of the urban population resident in slums in the developing world. In addition, among the African urban slum population, many live in informal settlements, in non-permanent structures or without proper titles (UN-Habitat, 2010: 41-43). Despite the high prevalence of slums in Sub-Saharan Africa, their concentration varies across the region. In 2005 the proportion of slums relative to the total urban population was 94.2% in Sudan, compared to 28.7% in South Africa (UN-Habitat, 2008: 8). Moreover, Gulyani et al (2010) illustrate, through research conducted in informal settlements in Dakar, Nairobi and Johannesburg, that there are notable differences in socio-economic profile and living conditions in informal settlements between, and even within countries.

3.4 Displacement

In addition to established informality, many African countries have experienced sustained violent conflict that lead to displacement on a massive scale. Policy makers have remained largely unaware or unresponsive to the impact of war and conflict on cities in spite of the large displaced populations that have moved to urban centres, either within or across borders over the past decades. This puts pressure on existing cities, services and housing stock or creates cities of their own with effects that persist long after conflicts have ended (Beall and Fox, 2009: 190-193; also Beall *et. al.* 2013). The UNHCR and Cities Alliance have recently adopted new operational guidelines to deal with issues related to the 'urbanisation of displaced people', although these mostly deal with urban refugees and less with internally displaced people (Cities Alliance, 2011).

4 Historical housing policy trends

4.1 Overview of housing trends

Housing policy trends in Sub-Saharan Africa are not linear, they sometimes overlap and cannot be seen to always have been uniformly promoted by international donors nor applied by African governments (Harris and Giles, 2003). Between the 1950s and 1990s, three phases of international housing policy are generally identified in the literature. In broad terms they reflect an overarching shift from 'supply' to 'support' driven policies (Wakely, 1988; Stren, 1990). The 2005 UN-Habitat *Global report on human settlements* provides one of the last overviews of the milestones of housing policy development.

Since the 2000s, international policies seem to consolidate all the previous trends, albeit with a particular focus on support through tenure and finance with a view of 'providing adequate housing for all'. However, in practice supply-driven approaches to housing provision are on the rise. The table below summarizes the main policies to housing development over time.

Time	Approach	Who	Main publications
1950-1960s	Public housing and slum clearance	State	
1970-1980s	Sites-and-services and upgrading	People	World Bank (1974) Sites and services projects. UN-Habitat (1976) 'The Vancouver Declaration on Human Settlements'.
1980s-1990s	Enabling approach	Private	UN-Habitat (1986) *Global Report on Human Settlements* UNDP (1991) *Cities, Poverty*

			and People: urban development cooperation for the 1990s. UN-Habitat (1990) *The Global Strategy for Shelter to the Year 2000* World Bank (1993) Housing: enabling markets to work. UN-Habitat (1996) 'The Istanbul Declaration on Human Settlements'. Cities Alliance (1999) *Cities without Slums action plan*
2000s-current	Differentiated approach: support trends vs supply practices	Mix	Millennium Development Goals (2000) UN-Habitat (2003a) *Global Report on Human Settlements: The Challenge of Slums* UN-Habitat (2005) *Financing urban shelter. Global report on human settlements*.

Each of these periods is discussed further in the following sections.

4.2 1950s and 1960s: public housing and slum clearance

The literature on approaches to housing development in early post-colonial Sub-Saharan Africa stresses the continuity with colonial approaches. These approaches were defined by the modernisation paradigm of the time which saw an interventionist role for the state and modern cities as the engine of development, while functioning as a tool of power and social control (Njoh, 2009; Dalberto *et. al.* 2013). In the late colonial period, most countries had experienced rapid industrialisation, but the rapid growth of cities had led to overcrowding and the formation of urban slums. In line with modernist thinking, most of the newly independent countries dealt with growth through a combination of urban master planning, slum clearance and the development of public and state-developed rental housing in order to fill the gap between supply and demand for formal housing (Stren, 1990). The products of such public housing programmes were generally typified by tenement blocks of minimal sized flats, or individual single storey dwellings of relatively high standard permanent construction with individual utility connections. They were commonly located on the urban periphery, where land was available and cheap, but a long distance from centres of employment and social amenities, with tenuous and costly transport connections (Wakely, 1988: 122).[1]

Yet, in line with housing programmes designed by the late colonial state, public housing provision generally only benefitted the formal urban work force. The provision of formal housing soon proved to be too costly and could not keep up with

[1] A similar state-led approach to housing development was followed by countries that adopted a socialist approach to state-building, such as the former Portuguese colonies of Angola and Mozambique which only gained independence in the 1970s (Jenkins, 1990; Greger, 1990; Mathéy, 1990), as well as South Africa, much later in the post-apartheid era (1990s and 2000s) (Charlton and Kihato, 2006).

the demand. The informal settlements that grew as a result were seen as disorderly and unsanitary and therefore subject to clearance. According to a UNECA report cited by Okpala (1986: 207), many African countries spent between 1 and 5% of their total national investments between the 1960s and 1970s period on slum clearance schemes. This was highest in Senegal (5%), followed by Tanzania (3.5%); Kenya (3.2%) and Sudan (2.67%). Throughout the 1960s this approach effectively led to states destroying more housing than they created.

There is little in the literature on early post-colonial Sub-Saharan Africa around the role that international development agencies played at this stage and no key documents that are referenced for this period. According to Jenkins *et al* (2007: 155), generally donors only provided limited technical assistance. On the other hand, private foreign consultants played an important role in the design and construction of new capital cities across the continent, such as Lilongwe (Malawi), Dodoma (Tanzania), Yamoussoukro (Ivory Coast) and Abuja (Nigeria) (Mabogunje, 1990). While important political symbols of newfound independence, most of these new capitals soon faced many problems in the fields of finance, planning, population growth, service and housing provision, and employment (see e.g. Potts, 1985 on Lilongwe).

Throughout the 1960s it became increasingly clear that slum clearance and formal housing provision was too costly and not benefitting the poorest urban residents.[2] Countries such as Tanzania officially abandoned their slum clearance programmes, while countries such as Nigeria, Malawi, Zambia, Kenya and Ivory Coast gave up their national housing programmes as evaluative studies indicated that they were unsuccessful in meeting their targets (Okpala, 1986). According to one estimate, the rate of the total formal sector (direct government plus official approved) construction usually did not exceed 5% of annual urban demand, while the cost of construction was not less than three to four times those of informally built houses (Lewin, 1976 cited by Okpala, 1986: 2012).

4.3 1970s and 1980s: sites-and-services and upgrading

The financial constraints that public housing provision placed on African governments coupled with an increasing recognition of the importance of informal housing construction by international donors, led to the adoption of approaches to support self-help building in the early 1970s.[3] The World Bank took a leading role in this regard and other international development agencies like UNCHS (Habitat) and UNDP later followed suit (Pugh, 1997).

Aided self-help as an alternative to state-built housing is generally seen to have originated in Turner's (1968; 1969; also Abrams, 1964; Turner and Mangin, 1963;

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[2] South Africa is different from most other post-colonial African countries because it only became democratic in 1994 with the end of institutionalized racial segregation or apartheid. This means that while most post-colonial African countries started to adopt more tolerant, alternative approaches to countering informal settlement growth over time, the South African government continued to demolish information settlements and exercise strict control over urbanization throughout the late-apartheid period (Wilkinson, 1998).

[3] According to Fox (2014), the 1970s also saw the emergence of an anti-urbanization bias in development discourse. He detects signs of internalizing this bias by African governments and argues that this served to encourage a *laissez-faire* approach to urban governance despite the rapid and persistent growth of urban populations in the region.

Mangin, 1967) research and experience in Latin America.[4] The main contribution of this work was a shift in thinking about informal squatter settlements as representing a problem to seeing them as a solution to low-income housing provision. The philosophy behind Turner's work is reflected in the titles of some of his most well-known books: *Freedom to Build: Dweller Control of the Housing Process* (1972, with the chapter 'Housing as a verb') and *Housing by People* (1976). The key elements of his argument in favour of self-built housing are generally summarized as the following (Mathéy, 1992: 381): Compared to state-built housing, self-built housing is:

- much more adequate in meeting people's needs because housing users know their own needs best;
- much cheaper and affordable because they use resources more effectively;
- better in terms of its architecture because self-built houses are built for their use value, rather than their market value and;
- better for people's financial and economic situation as it allows for better living and working relationships.

As a consultant to the World Bank and other international agencies, Turner became an influential voice in the formulation of housing policies. His ideas on self-help housing were taken up and idealized by numerous other authors and influenced strongly the resolution adopted in the first United Nations Habitat Conference of 1976. This stressed the need for housing policy to focus on 'the effective participation of the entire population [and] the use of all human resources, both skilled and unskilled' (UN-Habitat, 1976). His work also resulted in increased attention in the academic literature to 'squatters' and their lives in 'squatter settlements' in Africa (e.g. Obudho and Mhlanga, 1988; Hardoy and Satterthwaite, 1989).

The self-help model coincided with the 'basic needs' and 'redistribution with growth' global discourses at the time, which came to dominate the lending strategies of international development agencies in the 1970s and 1980s[5]. For the World Bank, the self-help paradigm represented a way to make housing affordable to low-income households and allow for cost recovery and replicability (Pugh, 1995). In contrast to the heavily subsidized public housing approach, this was to involve support for 'the provision of new tracts of urbanized land in convenient locations with the basic supporting services needed to produce viable low-income communities' as well as 'upgrading schemes to improve conditions in existing squatter settlements through the provision of public utilities and community services' (World Bank, 1974).

The first World Bank sponsored sites-and-services project was implemented in Senegal in 1972. Between 1972 and 1990, the World Bank participated in 116 sites-and-services projects and complementary slum upgrading schemes in some 55 countries, with an average size expenditure of US$26 million (Mayo, 1991; see

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[4] It also has been argued that aided self-help goes back to early 20th century Europe, where it arose as an ad hoc response to housing shortages after the First World War, and that it started to be developed and promoted in the developing world from the early 1940s onwards by US agencies, the United Nations and the British Colonial Office. This included support for aided self-help in British colonies such as Ghana and Kenya (Harris, 1998; 1999).

[5] It has been noted in the literature that these strategies also allowed for social control and pacification in Latin American as well as African countries that were looking to Cuba for inspiration (Mathéy, 1992). Yet, in a Cold War context, it was not so much Cuba's approach to housing development as the possibility of political control that came about with international assistance that mattered to Western donors.

also World Bank, 1983). In Sub-Saharan Africa, countries such as Burkina Faso, Kenya, Tanzania, Zambia, Botswana and Ivory Coast were amongst the main World Bank beneficiaries (Okpala, 1986; Buckley and Kalarickal, 2006).[6] In South Africa, the apartheid government included sites-and-services schemes as part of planned township developments from 1983 until the early 1990s, but failure of households to consolidate through improving their dwellings often left the settlements almost as informal as those they intended to replace (Huchzermeyer, 2001).

The version of self-help adopted by the World Bank simultaneously applied the concepts of slum upgrading and sites-and-services in the latter half of the 1970s (Pillay, 1995). Slum upgrading meant a number of different things, but is generally associated by an in-situ improvement in an area through the granting of secure tenure and the provision of basic services.

Dewar and Ellis (1979) point out that slum upgrading and sites-and-services are not alternative approaches: they are both founded on the self-help principle with the only difference being how much capital is invested by the public agency in the first instance. There is thus a continuum of options in between these two. Abbott (2002) disagrees, as these two approaches represent entirely different spatial forms. Sites-and-services projects were planned settlements on vacant land were plots could easily be defined, managed and allocated tenure rights. This was seen as a finite process that sought to resolve existing backlogs and ensure that sufficient affordable serviced sites come onto the market to meet demand so that new informal settlements do not recur. Slum upgrading dealt with existing settlements and was aimed at improving living conditions while attempting to regularise the complex tenure arrangements that already existed. It is not only the location that differs, but also the improvement process.

4.4 1980s and 1990s: enabling approach

In spite of the influence of Turner's work on international housing policy, his ideas became increasingly subject to criticism. Two debates emerged in the literature in the 1980s with regard to self-help housing: a theoretical and an empirical debate.

The theoretical debate was initially led by dependency theorists who argued from a Marxist perspective that support for self-built housing represented not only an instrument of social control and pacification of (potentially) revolutionary movements, but also as an instrument of Western capitalism. According to Burgess (1982), Turner's notion of use value did not allow for seeing a self-built house as a commodity which is produced and exchanged under the influence of various interest groups operating in the broader urban market. These include land owners, the building and financial industry, as well as 'petty capitalists' such as small landlords. Ward (1982) added that the romanticism of self-help building therefore obscured and perpetuated the suffering experienced by the poor for whom self-help building was not a choice but often the only alternative. A series of publications by Burgess critiquing Turner and the latter's responses became known as the 'self-help housing debate'. However, in the end the neo-Marxist critique did little in terms of offering a valid alternative within the housing sector (Mathéy, 1992).

A more empirical critique was represented by edited volumes with case studies of how sites-and-services and slum upgrading programmes worked in practice, although these equally pointed to the perverse outcomes of self-help schemes for the poor resulting from constraints imposed by market forces, as well as bad

[6] Egypt and Morocco were also important countries that implemented the approach, but they are excluded as the focus of this analysis is on Sub-Saharan Africa.

planning and project delays (Payne, 1984; Rodell and Skinner, 1983; van der Linden, 1986; Mathéy, 1992). Regarding the projects themselves, Payne (1984) notes the following problems that were common to both sites-and-services and slum upgrading:

- downward-raiding on improved sites by middle-income households;
- the requirement for cheap land resulting in developments on peripherally located, or poor quality land;
- rent increases due to increased services making renting unaffordable;
- vested interests of officials disrupting the process;
- demands for higher-quality housing;
- conflicts between various levels of government;
- high standards and administrative inflexibility making sites expensive, or too basic;
- projects taking too long to plan and initiate.

Even in a review of its own projects, the World Bank (1978: 16) concluded that sites-and-services were generally too expensive to be afforded by the poorest 20% of urban families.

As a result, poorly selected sites could often be found vacant, whereas in 'successful' projects the investments and secure tenure brought about by the scheme would drive up the costs of living and lead to downward-raiding by members of the middle class or to beneficiaries renting houses out. Indeed, a study of a sites-and-services project in Kenya for instance found that, as in many other projects, the majority of occupants were tenants (Chana *et. al.* 1979 cited in Peattie, 1982). Other studies showed that sites-and-services not only did not effectively reach the poor, but also did not significantly increase the formal housing stock. By the mid-1980s in none of the countries of the Sub-Saharan region did sites and services account for more than 5-10% of total urban low-income housing (Okpala, 1986).

While slum upgrading generally seems to have been more successful than sites and services in reaching the poor, mainly as this was directed to areas where the poor lived as opposed to green-field sites and services, there is relatively little research on its workings and effects. Martin's (1983) work on an upgrading project in Lusaka, Zambia suggests that these projects also suffered from the unequal distribution of benefits within a settlement, and the difficulty in coordination between implementing agencies and between residents and the implementing agencies. In later work, Turner (1988) acknowledged the importance of 'building community' and the role of NGO's in mediating between the state and community. However, Werlin (1999) maintains that it's not 'less' but 'better' government that is needed for upgrading to be successful.

According to Pugh (1995: 66), the World Bank acknowledged that the first phase of sites-and-services schemes was essentially neo-liberal and that housing required 'more sophisticated and interdependent relationships among markets, the state and self-help among households'. Moreover, according to World Bank economist Mayo (1991) it acknowledged that while the sites-and-services schemes had proved successful in demonstrating that the physical provision of low-cost infrastructure and units was possible, they had failed in meeting two other key objectives: cost recovery from beneficiaries; and the replicability of such projects by the private sector. As a result, in the early 1980s World Bank lending moved away from sites-and-services and up-grading projects to a more programmatic approach which involved the creation of and support for housing finance institutions. Essential to this process was the privatisation of housing production and market-based housing solutions. The focus had thus shifted from simply providing shelter to enablement, productivity, governance and urban poverty alleviation (Huchzermeyer, 2001b). In the 1985-1990 period the average housing loan size went up to US$211 million from US$ 19 million in the 1972-75 period, but the total value of sites-and-services loans dropped from 100 percent of all housing loans in 1972 to less than 5 percent in 1990 (Mayo 1991: 15). This shift is illustrated clearly in the figures below, where 71% of World Bank loans between 1972 and 1986 went into slum upgrading and sites-and-services, between 1987 and 2005 this had reduced to 15%.

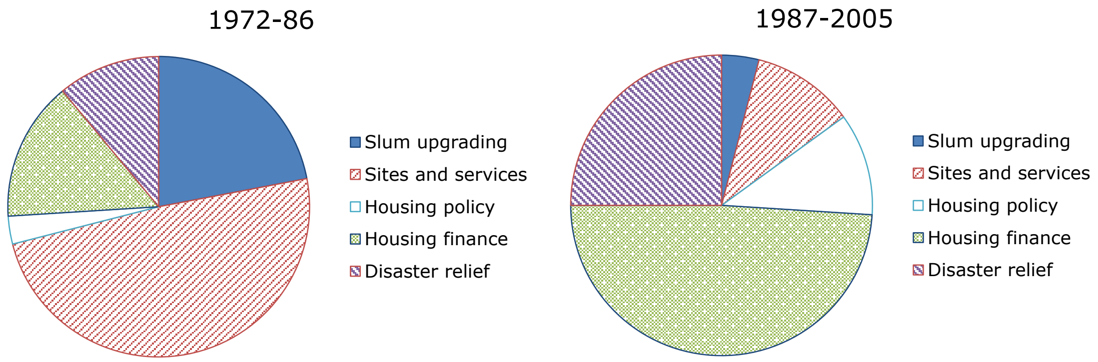

Figure 3: World Bank shelter lending 1972-2005

Source: World Bank loan data cited in Buckley and Kalarickal (2006)

An important part of the World Bank's shift to a more programmatic approach was a focus on institutional reform and development. In 1986, the World Bank, UNCHS (Habitat) and UNDP created the Urban Management Programme (UMP) with the aim of improving performance in developing countries in land management, municipal finance infrastructure services, the environment and building up of capacity of urban management institutions. In its first *Global Report on Human Settlements*, UN-Habitat (1986) introduced what was called an 'enabling approach' to housing development which involved the provision of a legislative, institutional, and financial framework through which the private sector, communities and individuals could effectively develop the urban housing sector. UNDP reflects a similar approach in its 1991 report on *Cities, Poverty and People: urban development cooperation for the 1990s*.

This shift was also reflected in the adoption by the UN of a more comprehensive understanding of housing as 'shelter', defined as 'the construction of new housing and the upgrading and maintenance of existing housing stock and infrastructure and services'. Under the slogan *Global Strategy for Shelter*, it established the ambitious aim of enabling adequate shelter for all by 2000 (UN-Habitat, 1990).

The World Bank took a more market-based approach to enabling policies. In its 1993 publication *Housing: enabling markets* it established seven major enabling instruments that governments have at their disposal to 'enable housing markets to work': 1) developing property rights; 2) developing mortgage finance; 3) rationalizing subsidies; 4) providing infrastructure for residential land development; 5) regulating land and housing development; 6) organizing the building industry and; 7) strengthening institutions which can oversee and manage the performance of the sector as a whole. This latter instrument involved bringing together all the major public agencies, private sector, and representatives of NGOs and community-based organizations and ensuring that policies and programs benefit the poor and elicit their participation (World Bank, 1993). An alternative view is that the World Bank approach was simply aimed at avoiding the political, institutional and political problems associated with directly funding upgrading and sites and services projects, through focussing on programme lending and budget support (De Groot, personal communication).

In 1996, the Habitat II conference launched the 'Habitat Agenda' a collaborative approach that combined elements from the UN's original statement of enablement in 1986 and the World Bank's more market-based enabling policies. The Istanbul Declaration (1996) adopted the goal of adequate shelter for all with a focus on poverty alleviation and environmental management through the development of sustainable human settlements through existing and new partnerships at the international, national and local level. As a follow-up to the Habitat Agenda, in 1999 the Cities Alliance was established. Comprised of a coalition of local authorities, national governments, NGOs and multi-lateral organisations, the objective of the Alliance is addressing urban poverty reduction and the promotion of the role of cities in sustainable development.[7] The priorities of the Alliance include the formulation of City Development Strategies (CDS) and city-wide and nation-wide slum upgrading based on the *Cities without Slums action plan* (1999).

4.5 2000s: support trends vs supply practices

The new millennium ushered in an era of 'Africa rising', with GDP rates increasing at twice the rate of the 1980s and 1990s, higher levels of foreign trade and investment and a growing middle class (AfDB, 2011). This has been accompanied by an acknowledgement that large scale investment in infrastructure is needed to enable and sustain economic transformation (Foster and Briceno-Garmendia, 2010). There is also an increased acknowledgement of the role of cities in economic development, which dates back to the establishment of the Cities Alliance in 1999. Since 2008, UN-Habitat also publishes bi-annual reports on *The State of African Cities* (see, for example, UN-Habitat, 2010; 2014).

Approaches to housing development in the 2000s built on the shift initiated in the previous decade away from housing to a focus on planning and related themes. This culminated in the adoption of the Millennium Development Goals in 2000. As part of Goal 7 of the MDGs, Target 11 calls for 'significant improvement in the lives of at least 100 million slum dwellers by the year of 2020'. The targets were outcome-focussed and thus provided scope for a range of interventions that achieved the same end. This is reinforced in the 2003 UN-Habitat report on human settlements entitled *The Challenge of Slums* (UN-Habitat, 2003a). In 2005, the African Ministers Conference on Housing and Urban Development (AMCHUD) was created under the auspices of the African Union as the main consultative mechanism on the promotion of the sustainable development of human settlements in Africa. South Africa is the current chair.[8]

Central to overcoming the 'challenge of slums' is a renewed focus on tenure and upgrading. The link between secure tenure and poverty reduction had already been recognized in previous housing policies. It was reinforced in 1999 with the launch by UN-Habitat of the *Global Campaign for Secure Tenure* together with the *Global Campaign for Urban Governance*. However, it gained even more attention in 2000 after the publication of the book *The mystery of capital: why capitalism triumphs in the West and fails everywhere else* by the Peruvian economist Hernando de Soto. In this book de Soto calls for a 'property revolution' in the developing world. According to him at least 80% of population in developing countries possesses

[7] See the website of Cities Alliance: http://www.citiesalliance.org/

[8] See http://africasd.iisd.org/institutions/african-ministerial-council-on-housing-and-urban-development-amchud/

assets such as land and housing but cannot use them to generate capital for instance by mortgaging them because the law keeps them out of the property system. Through property reform and the granting of property rights this wealth could be unlocked. This way capital would be placed into the hands of millions of poor people (de Soto, 2000). De Soto's work was received with high-level political support and acclaim in the US and the UK and led to the wide-spread support for and adoption of home ownership and land-titling programmes. However, there is a growing literature on the limits of land titling in practice, as research indicates that titles are often costly and do not take into account the workings of informal land and housing markets (Buckley and Kalarickal 2006; Kingwill *et. al.* 2006; Payne *et. al.* 2009).

The focus on upgrading is illustrated by the creation of the Slum Upgrading Facility (SUF) in 2004.[9] Under this programme, the Kenya Slum Upgrading Program (KENSUP) was launched in Nairobi's largest slum, Kibera. However, results so far seem to have been mixed.[10] An understanding for the need genuine participation by local communities for the success of slum upgrading programmes is reflected in the creation of the Participatory Slum Upgrading Programme (PSUP) in 2008. Most African participants in this Programme are either West or East African countries, but there seems to be no research available on the results of this programme so far.[11]

While informal settlement upgrading has been practiced in South Africa, with some success, since the 1990s[12], it was only institutionalized in the Breaking New Ground policy in 2004 (South African Department of Housing, 2004) and in practice through the introduction of the Upgrading of Informal Settlements Programme (UISP) into the Housing Code in 2009. The UISP also has institutional support though a dedicated agency formed in the Department of Human Settlements, the National Upgrading Support Programme, to promote upgrading and to support municipalities to undertake these projects.

4.6 Current trends

4.6.1 The return to mass scaled supply-driven approaches to housing provision

While Western donors advocate for participatory slum upgrading as the most affordable and 'often the best option of all' (UN-Habitat and Cities Alliance, 2011a; also UN-Habitat, 2013), the available evidence indicates that in practice results have been uneven. Moreover, critics argue that the focus on 'cities without slums' has legitimized continued slum eradication (the relocation of people out of slums to peripheral locations), which has significant negative social impacts (Huchzermeyer, 2011a, see also Berrisford and Kihato, 2006). In spite of a formal commitment to upgrading as part of State housing policies across the sub-continent, upgrading programmes still face limitations in terms of scale, local government capacity and problems related to community participation on the ground (Gulyani and Connors, 2002). Even in South Africa, where upgrading is an explicit policy priority, it has not occurred to any real extent and efforts remain limited to projects of community-

[9] See SUF website, http://ww2.unhabitat.org/suf/

[10] See summary of results of evaluation of KENSUP interventions in Kibera slum by Anna Karaoglou (2013), available at http://www-research.cege.ucl.ac.uk/Posters/2013PosterFair/35_Karaoglou_A.pdf

[11] See PSUP website, http://mirror.unhabitat.org/categories.asp?catid=592

[12] The first example being the upgrading of Bester's Camp in Durban, upgraded between 1990 and 1995 by the Urban Foundation and the Independent Development Trust (Van Horen, 2000).

based organisations and development-related NGOs. Instead, a sustained focus remains on state-led housing development (Tissington, 2011).

Woetzel *et. al.* (2014) use the example of South Africa to advocate for industrial approaches to deliver housing quickly, on a large scale and at the desired cost. Indeed, there has been a return to the modernist housing policies of early post-colonial years in the shape of new and strategic national urban development plans, with little attention the needs of the poor (Watson, 2009). Such planning often takes the shape of new satellite cities and mega infrastructural projects, which are similar in scale and ambition to those implemented in the early years of independence. Often they do not target the poor, but rather wealthy elites. Examples include the master plan for the redevelopment of the capital of Rwanda Kigali, the new Tatu and Konza Techno City in Kenya, Hope City in Ghana, Kigamboni City in Tanzania, the Cité le Fleuve in the DRC and the new city of Kilamba in Angola (Watson, 2013; UN-Habitat, 2014). In South Africa there have been proposals for new satellite cities outside of Cape Town and Johannesburg (Cirolia, 2014; Herbert and Murray, 2015).

Some of these projects may not get past the drawing board as they are the result of 'urban fantasies' that are often financially unviable (Watson, 2013). Other projects have developed beyond a dream to become a reality and include, at least in their initial plans, a focus on low-income housing. However in practice such projects have faced serious challenges, as is illustrated by the examples of Angola, Namibia, Ethiopia and South Africa provided below.

Box 1: Examples of current mass scaled supply-driven approaches to housing provision

Angola

Angola's National Urbanism and Housing Programme was launched in 2008 and aimed to build one million houses. Initially, 685,000 of these one million houses were to be constructed through self-help building, 115,000 houses by the government, 120,000 by the private sector and 80,000 through cooperatives. However, so far the government has been unable to provide the necessary enabling conditions such as land allotment, provision of services, housing finance or regulation of cooperatives. Instead, it has opted for large turnkey projects such as the Kilamba new city project, which are built by Chinese contractors and financed through oil-backed loans. This has resulted in the delivery of over 70,000 housing units in the capital of Luanda alone, as well as the construction of additional 'new cities' in selected provinces. Access (through rental and rent-to-buy schemes) has been heavily subsidized by the state as prices that were initially established proved to be unaffordable. Preliminary research indicates that the new housing projects in Luanda experience problems ranging from basic service provision, maintenance of the buildings and public areas in the projects and transport to areas of employment (Cain, 2014; Cain, Croese and Pitcher, 2014).

Namibia

Namibia's National Mass Housing Programme was launched in 2013 and aimed to build 185,000 affordable houses throughout the country by 2030. During the first two years, at least 8,800 housing units would have to be built and 10,200 plots would have to be serviced. This was seen to contribute to the goal of phasing out shacks from urban and peri-urban areas. There is no research on the performance of the programme so far, but preliminary indications are that the programme has been fraught with implementation difficulties, labour exploitation, mismanagement and corruption, as well as housing prices out of reach of the poor. In 2014, the government recognized that there were backlogs and announced that it would provide subsidies for the purchase of specific categories of houses, with a view to affordability and substantively addressing the housing backlog (Ndimbira, 2014; Pohamba 2013; 2014).

Ethiopia

Ethiopia's Integrated Housing Development Programme was launched in 2005 with the initial goal of building 400,000 condominium units, as well as creating 200,000 jobs, promoting the development of 10,000 micro and small enterprises, enhancing the capacity of the construction sector, regenerating inner city slum areas, and promoting home ownership for low income households. Houses are for sale and not for renting.

The primary target groups are urban residents who are being displaced as a consequence of new real estate development in central parts of the city. The houses are supplied below cost thanks to the land lease payment that the City Government receives from private real estate developers, which is being used to offset the cost for the poor (Ayenew and Martin, 2009: 25).

So far, 171,000 units have been built, the capacity of construction sector has been improved and employment opportunities have been created. However, the following challenges have been identified: affordability of the units for low-income households, renting out of units due to inability to pay monthly mortgage and service payments, location of condominium sites at periphery of city far from employment opportunities placing financial strain on beneficiaries, the quality and design of blocks and post-occupancy management (UN-Habitat, 2011a). The Ethiopian government takes primary responsibility for the provision of low-cost housing with finance raised at subsidised rates (Ayenew and Martin, 2009). While bridging finance is borrowed by the central government an provided to city administrations, beneficiary households must pay 10 to 40 per cent (depending on income and type of unit purchased) of the cost of the houses as a down payment, with mortgage facilities provided by the government-owned Commercial Bank of Ethiopia to pay the balance over 15-20 years at a low interest rate (ibid). Even with low-interest loans, the down payment and monthly payments are not affordable to 80 per cent of the population (Curran, 2007 cited in Ayenew and Martin, 2009).

The condominium the program operates almost exclusively in the capital, but the government of Ethiopia is also supporting the provision of serviced sites in secondary cities through the Urban Expansion Initiative. These secondary cities have access to performance based grants through World Bank-financed Urban Local Government Development Programme (ULGDP) I and II (De Groot, personal communication).

South Africa

The housing policy that has emerged after 1994 is the product of a negotiated settlement. Under the Reconstruction and Development Programme a formal mass-housing model has been rolled out, driven by once-off individual capital subsidies with the aim of providing redress for the black population that was deprived from adequate housing under apartheid (Wilkinson, 1998; Huchzermeyer, 2001). So far, over three million houses have been built by the government, but about 14% of South African households live in informal dwellings and this percentage is growing (HDA, 2013; also Charlton and Kihato, 2006; Shisaka, 2011). The Breaking New Ground Policy, introduced in 2004 sought to diversify the housing products delivered, including the introduction of rental and informal settlement upgrading programmes. However, the dominant mode of delivery has still been the mass roll out of formal single houses on individual stands through the dominant Integrated Residential Development Programme (South African Department of Human Settlements, 2015). In 2010 the Presidency adopted the National Outcomes Approach, which included Outcome 8, relating to sustainable human settlements

(The South African Presidency, 2010). While Outcome 8 had multiple targets relating to housing, services, land and the property market, the key target was upgrading of 400,000 households in well located informal settlements with access to basic services and secure tenure by 2014. While this target appears to promote the adoption of in-situ upgrading at a national scale, the reality is that the definition of 'upgrading' was broadened to include provision of greenfields housing, and so the mass provision of formal housing continued, albeit with increased variation (South African Department of Human Settlements, 2015). In 2014 a revised Outcome 8 was published for the next 5 years, which targets 1,495 million 'housing opportunities' in quality living environments by 2019, comprising 750,000 households in informal settlements upgraded, 563,000 individual subsidised housing units, 110 000 loans for higher income households, and 72 000 lower income rental units provided by the public and private sector. To achieve these targets, the national Minister of Housing has recently announced a strategy to develop housing 'mega-projects', which has already been adopted in Gauteng, the most populous and urban province in the country (SA News Agency, 2015). Preliminary indications are that these projects all relate to greenfields delivery of formal housing and not to informal settlement upgrading.

An overview of housing finance by CAHF (2014) points to similar mass government-led housing initiatives in Botswana and Eritrea. There is no comparative research available yet which analyses the possible drivers of these initiatives, such as the availability of domestic (natural) resources and the role (or absence) of Western donor assistance. However, the case of Angola shows that the implementation of mass housing projects can be facilitated by the willingness of external actors such as China to provide (collateral loans for) infrastructure and housing without engaging in the formulation of domestic housing policies (Croese, 2012).

Despite China's increasing involvement in the area of urban development, there is equally little research about this emerging trend. Initiatives such as the Africa-China Urban Initiative aim to fill this gap by bringing together African and Chinese academics, researchers, urban development practitioners and other interested institutions with a view of disseminating the potentially positive policies, practices, experiences and innovations from both China and Africa.[13]

4.6.2 The persistence of grass-roots housing cooperatives

Housing cooperatives developed out of the aided self-help approach of the 1970s, but only appear to have gained traction and scale in the 1980s, supported by international aid agencies and NGOs, with Rooftops Canada being particularly active in this field.[14] A common feature of housing cooperatives is the pooling of resources for housing funding, but they can also serve to also provide technical advice and labour, act as advocacy groups, ensure gender equity in housing provision and raise awareness around a range of social issues. These housing cooperatives have persisted and still play an active role in housing provision in Sub-Saharan Africa. Although the individual cooperatives may be small, they can aggregate to be significant players at the national scale. Examples of these cooperative unions are the National Cooperative Housing Union (NACHU) of Kenya, which is made up of 220 housing cooperatives with over 200,000 members, and the Zimbabwe National

[13] See Africa-China Urban Initiative website, http://urban-africa-china.angonet.org/

[14] See Rooftops Canada website, http://www.rooftops.ca/

Association of Housing Cooperatives (ZINAHCO), which is made up of over 125 housing cooperatives with 6,551 active members reaching over 25,000 people.[15]

Housing Cooperatives also pay a dominant role in the provision of housing in Ethiopia:

> *Housing co-operatives are the primary mode of housing construction in Addis, constituting over half of the city's total formal sector housing stock. Co-operatives in Ethiopia, similar to many other countries, are formed by groups of people who come together as an entity to perform the function of a "developer". In the absence of an active private sector presence in real estate development, the cooperatives are clearly filling in the gap. They are recognized as legal entities by the government, and allocated land upon which to design and construct the development (residential for most part)* (Ayenew and Martin, 2009: 22)

Despite the importance of cooperatives for low-income housing provision, research by Houston (2010) for Finmark Trust and Rooftops Canada on NACHU sheds light on some of the constraints that cooperatives currently face, specifically when it comes to expanding their operations:

- Financial constraints: donor dependency, shortage of wholesale funds to grow loan portfolios, low affordability levels of clients
- Legal constraints: lack of housing microfinance benchmarks, unconducive policy environments

4.6.3 The neglect of rental housing

Rental housing makes up a large proportion of the urban housing stock in many African countries, but has only recently started to be recognized in international policy circles as 'an essential option for the urban poor'(UN-Habitat, 2003b; see also UN-Habitat and Cities Alliance 2011b).

While the state in a number of SSA countries played an important role in developing public housing for rental in the early years of independence, this approach was soon abandoned due to the costs and requirements involved in terms of management and construction. Nowadays, the majority of rental properties are managed by private small scale landlords who suffer from a negative reputation. This reputation is largely due to the view that landlords are exploitative. Other problematic issues in rental housing include discrimination against some categories of tenants such as migrants or women, the quality of the rental housing stock and a failing legal system (UN-Habitat, 2003b).

However, there is now increasing recognition that 'petty landlords' can be a major source of affordable housing for the poor and that there is a need for initiatives to assist the informal rental sector, while preserving affordability in order to preclude gentrification (UN-Habitat, 2005).

The type of rental housing in SSA may vary from single rooms in up to eight story buildings in Nairobi (Huchzermeyer, 2011b) to dwellings built in the backyard of RDP houses across South Africa (Shisaka, 2006).

Based on the size of their operations, UN-Habitat (2003b) distinguishes between commercial and non-commercial landlords. For low-income non-commercial or 'self help' landlords, especially women, rental can represent an important means of livelihood. Shisaka's study on rental housing in South Africa (2006) makes a similar

[15] As above

distinction between regular small scale landlords and 'successful' small scale landlords, depending on the scale and degree of formalization of their businesses. In addition, the study identifies the use of housing for home based entrepreneurial activities, which can be 'subsistence', 'sustainable' and 'growing'. Based on this study it calls for mechanisms to facilitate and enable the activities of small scale landlords, as well as home based entrepreneurs.

However, currently most initiatives in SSA which support rental housing focus on direct provision of rental housing by the state (e.g. Angola, South Africa – see box 1 above) rather than the support to or regulation of informal rental housing.

5 Housing finance

5.1 Overview

The current housing finance challenge in developing countries is succinctly summarised by UN-Habitat as being that adequate shelter which is built formally is often unaffordable, while informally built housing is affordable but often inadequate (UN-Habitat, 2005). This means that access to affordable housing is not only out of reach for the urban poor, but also for lower and middle-income households (Tomlinson, 2007).

The description of housing policy trends in the previous section has alluded to the constraints to housing finance and how these have shaped housing interventions in Sub-Saharan Africa. This section draws more specifically on housing finance literature to describe the dominant mechanisms for housing finance, highlight examples of where and how effectively these have been used, and discuss the constraints to each of these mechanisms.

All housing finance mechanisms are broadly made up of "the provision of loans, subsidies, the organised mobilization of savings, or any combination of these" (Datta and Jones, 1999: xxi). In examining who pays directly for the provision of serviced land and housing, there are only really three options: the state (and its agencies), external parties (which can be broken down into donors, other states, or the private sector) and households/ communities. The extent to which these investments are recovered by the state or external parties from the end user may vary from little to nothing in the case of state subsidized housing, to partial or full recovery in the case of low cost housing sold by external parties. However, despite an increasing focus on formal housing finance, most people in SSA finance housing themselves, either through formal housing finance, but most often through (informal) micro-finance.

Each of these categories of finance provider is described below.

5.2 State subsidisation of housing

The main objective of government interventions in housing in Sub-Saharan Africa over the past decades has been the creation of a formal housing stock. To this end, the direct provision of housing by Sub-Saharan African states has been implemented widely by many countries and to varying degrees over time. The costs were, in some cases recouped from the beneficiaries (e.g. in Ethiopia) and in some cases not (e.g. in South Africa). During the 1950s and 1960s, governments took most of the responsibility for bearing the costs of formal housing construction.

When this approach proved too expensive, there was a shift to focus on serviced land provision rather than housing top structures. To lessen the burden on the state, (support for) housing policies in the 1970s and 1980s focused on cost-recovery and replicability by the private sector through the provision of sites and services for self-help building.

A subsequent shift from sites-and-services to in-situ upgrading did not mean a further reduction in state investment as the provision of basic infrastructure such as water, sanitation, roads, drainage and common facilities to informal settlements is estimated to cost three times the amount of extending infrastructure to formal housing developments (UN-Habitat and Cities Alliance, 2011c). Although the investment may not include funding a house, it is still expensive. Such costs are often out of reach for under-funded local governments with weak fiscal bases (Kihato, 2012). In Ethiopia, the Government leases land and provides basic infrastructure to reduce the cost of housing provided by housing cooperatives and private developers to the target beneficiaries: low- and middle-income households. (Ayenew and Martin, 2009). Examples from Angola, Namibia, Mozambique and South Africa show that state-driven mass housing is still implemented in the region.

The move to an enabling approach by international donors was mirrored in some countries through the diversion of funds from project finance to facilitate the extension of private mortgage finance to poor households. This can take the form of preferential interest rates, complementing loan finance with partial capital subsidies, or providing financial guarantees to banks that lend to low income households. All three have been attempted in South Africa, through the Finance-Linked Subsidy Programme (where a capital subsidy is given to provide a down payment on a house provided the beneficiary accesses private sector credit), the Financial Sector Charter (where the government obtained a commitment from commercial banks for a certain proportion of loans to the lower end of the market), and the Mortgage Guarantee Fund. None of these have fared particularly well, and all have failed to substantially improve the functioning of the formal mortgage market (Shisaka, 2011).

Nevertheless, Hoek-Smit and Diamond (2003) distinguish several reasons for subsidy intervention in the housing sector, such as: improving public health; improving fairness and justice and societal stability; overcoming market inefficiencies that yield monopoly profits or poor housing quality or insufficient volume of new construction, particularly in the low-income sector; and stimulating economic growth. They further distinguish the following number of forms of state subsidisation of housing:

- demand-side or supply-side subsidies (this includes direct provision of housing);
- location-specific or household-specific subsidies (this includes the provision of serviced sites);
- entitlements or rationed/allocated subsidies (this includes subsidies for the poor);
- subsidies linked to housing finance (this includes the partial subsidisation of private loan finance to households).

But where does the state source this funding from? The World Bank recognizes that when it comes to financing housing investment, developing countries tend to rely much more on domestic savings and government debt, whereas high-income OECD countries lever capital markets by tapping foreign savings. Between 2001 and 2011, housing investment in low-income economies averaged 4.56 percent of GDP as opposed to 9.12 percent in upper-middle-income economies. Not only does excessive reliance on domestic savings and government debt increase the sensitivity of housing investment to the cyclicality of growth of gross domestic product, it also can potentially crowd out investments in health and education (Dasgupta *et al,* 2014).

In addition, research shows that whereas middle income countries in SSA such as South Africa source their capital and knowledge for urban development domestically, poorer countries tend to source this from abroad, for instance through development assistance or collateral loans (Buckley *et. al.* 2015). However, lending to Sub-Saharan Africa as a percentage of total lending has always been small. Even though the sub-continent has experienced some of the highest urban growth rates of the world, World Bank lending to SSA has decreased over time.[16] This is now recognized and World Bank economists have urged the Bank to become more responsive to borrowers by shortening the gestation period of projects and to improve its understanding of urban land markets and slum conditions (Buckley and Kalarickal, 2006: 76-77).

In the meantime, the decreasing levels of World Bank lending coupled with a changing global geo-political context may explain the emergence of alternative lenders such as China, as mentioned above, as well as regional players such as Shelter Afrique, the Pan African Housing Fund and the International Finance Corporation (CAHF, 2014).

5.3 External party involvement in housing finance

Direct donor funding

While the direct funding by international donors of housing projects was dominant in the 1970s and 1908s, this has decreased significantly due to a recognition of the need of a functioning housing market led to a focus on market enablement through the support for housing finance systems. More specifically, this resulted in the following shifts: from financing for projects to programmes, from lending to public-sector institutions to financial intermediaries and from the financing of physical assets to the financing of institutional structures (UN-Habitat, 2005).

While the large lending agencies have retreated from project finance, there are some NGOs and charities that do provide donations that directly finance or subsidise housing construction. Habitat for Humanity is an example of this. It provides loan products, often unsecured 10-15 year promissory notes with preferential interest rates, either directly to borrowers or in partnership with micro-lenders. It has a presence in Ghana, Cote d'Ivoire, Ethiopia, Uganda, Kenya, Tanzania, Zambia, Malawi, Madagascar, Lesotho and South Africa.[17]

State-to-state deals

The involvement of external national governments, notably China, in sponsoring or directly constructing housing projects has increased with recent resource finds on the sub-continent. Although the political dynamics are discussed in the literature (see, for example, Croese, 2012) the detail of the financial arrangements and the inter-governmental deals of housing in exchange for resources are generally not made public.

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[16] Between 1972 and 1981, lending to SSA as a percentage of total shelter lending was 23.18. This decreased from 7.57 between 1982 and 1991 to a mere 1.20 between 1992 and 2005. In absolute terms, lending dropped from approximately $500 million in the 1980s to approximately $80 million in the 1990s (Buckley and Kalarickal, 2006: 19-21).

[17] Habitat for Humanity website: http://www.habitat.org/taxonomy/term/2

Private sector funding

The private sector is almost exclusively the provider (constructor) of housing in Sub-Saharan Africa. The costs of low cost housing produced by the private sector may be fully or partially covered by the State, but there are examples where the private sector provides bridging finance and recovers the costs of the housing from households through sales, rental, or facilitating mortgages by others (e.g. in Ethiopia (Ayenew and Martin, 2009). Another mechanism for low-cost housing financing by the private sector is the internal cross-subsidisation of low cost housing by developers of high income housing (or non-residential land uses). In such cases a national or local government would grant land use rights to a developer on the condition that they provide a certain proportion of the units in a development for sale below cost (or even at no cost) to poor households. In South Africa, an assessment by Urban LandMark (2011) of such projects found the undesirable result of these projects being that a premium was charged on middle-income (or slightly 'less poor' households) in order to cross subsidise the poorest households. In addition, the proportion of subsidised units was always less than middle and high income units, which meant that higher income housing stock is being produced faster than the rate of low income housing stock.

5.4 Household funding

Despite an increasing focus on formal housing finance, arising from the 'enablement' period in the 1980s and 1990s and continuing to be promoted by international and local NGOs and donors, most people in SSA finance housing themselves.

The mechanism for household finance is usually divided into properties with secure tenure, where formal mortgage finance may be an option, and those without (mostly informal) who need to rely on personal savings or more informal finance mechanisms, the most documented of which are grouped together in the literature as 'housing micro finance'.

However, informal finance mechanisms often end up costing many times more than formal-sector development (Ferguson, 2008). The cost for the provision of basic infrastructure may be carried the government, but this varies between countries. As Gulyani *et. al.* (2010) point out, informal settlements in Johannesburg are far better serviced than in Dakar, for example.

In this environment, support for housing microfinance becomes a critical tool to enhance access to housing (Kihato, 2009). There is also an increasing recognition of the need for micro-finance for upgrading, including infrastructure, either individually or collectively (Gulyani and Connors, 2002; Martin *et. al.* 2008).

Formal housing finance

There is increased recognition of the fact that the financial market continues to be underdeveloped in Africa (although this differs across the continent with South Africa having the most developed financial sector) and that levels of access to formal finance by households are low due to constraints regarding affordability, eligibility and inappropriate financial product features such as account types (Honohan and Thorsten, 2007: 58-61). According to Rust (2007), less than 15% of people in SSA are eligible for mortgage financing.

The dominant discourse in the literature is that although titles by themselves are not enough, a lack of regularized land remains the most pervasive binding constraint on the formal financing and provision of shelter for the urban poor (Groves, 2004). Apart from a lack of secure title, constraints also include restrictive zoning and building regulations and the inability to enforce contracts which prohibits the development of mortgage finance (Buckley and Kalarickal, 2006). Wegelin and Chanond (1983 in Jones and Datta, 1999:13) found that a lack of finance was twice as important to house improvement as tenure security and was the most important constraint to improving housing.

In their overview of *Housing finance policy in emerging markets*, World Bank economists Chiquier and Lea state that over the past two decades mortgage finance has become available to most middle-income people in the world. As important drivers of the expansion of housing finance they identify: favourable macro conditions, notably falling inflation and mortgage rates; increasing housing demand linked to long-term urbanization and demographic forces; and financial liberalization. According to them, this has consolidated the shift of the role of the state from direct lending and housing construction to regulation, policy development, building market infrastructure and assistance for low-income groups (Chiquier and Lea, 2009). While this may be true of the emerging middle class in Africa, there appears still to be significant constraints to housing finance access at the lowest end of the market (UN-Habitat, 2005).

Housing micro-finance

Housing micro-finance is strongly linked to the incremental approach to housing advocated in the 1950s and 1960s. It recognizes that the poor have always been involved in building for themselves and that there is a need to support this process. Informally built housing often takes place incrementally over time in accordance with the availability of land, building materials and financial resources, as well as tenure security (Habitat for Humanity, 2014).

From this perspective, micro-finance is considered to be one of the best ways to match the incremental house building process as it allows for the financing of housing at different moments of the housing value chain (Ferguson, 2008). This chain consists of the six different steps that can be distinguished in the house building process:

- Step 1: Acquisition and occupancy of a lot
- Step 2: Upgrading property tenure to achieve security of occupation
- Step 3: Provision of basic infrastructure
- Step 4: Construction of the house structure
- Step 5: Finance of steps in progressive housing process
- Step 6: Building community institutions to combat insecurity

For a long time micro-finance was limited to lending for small scale business development, as pioneered by Grameen Bank in Bangladesh.[18] The first comprehensive publication on micro-finance for housing only came out in 2004 and did not include SSA (Daphnis and Ferguson, 2004 cited in Tomlinson, 2007). Taking a broad calculation of demand using the number of households in the country, the percentage of population not served by mortgage finance, the number of households who may want a loan, the number of households who can afford a loan, and based on average loan sizes across the continent, Kihato (2009) estimates the current unmet potential urban demand for micro-finance for housing in SSA to be as high as 8 billion dollars.

Rust (2007) identifies three tiers of micro housing finance, although the characteristics of each tier may overlap:

[18] See www.grameen-info.org

- First tier (regulated as banks): this includes micro-finance banks (deposit-taking and lending to members and sometimes non-members), state-owned banks offering micro-loans
- Second tier (regulated as non-banks): this includes cooperatives and credit unions, as well as non-bank micro-lenders (credit-only)
- Third tier (generally unregulated): informal, locally established savings groups and community-based shelter funds

Traditionally, informally built housing has been financed through household savings, supplemented by small credits (Mitlin, 2008). Various forms of informal savings schemes, such as informal clubs or rotating savings and credit associations, not all related to housing, exist throughout Sub-Saharan Africa. However, research indicates that low-income households typically pay very high rates both to save and to borrow informally. The most efficient form of savings and credit for the poor – Rotating Savings and Credit Associations (ROSCAs) - where all households contribute a set amount each month and one household "wins" the pot every month based on a lottery – carry effective lending rates that are much lower, but can still reach up to 26% per year (Rutherford, 2000).

Community based shelter funds, housing cooperatives and formal micro-finance institutions build on informal credit systems, while allowing for the pooling of resources on a larger scale through external support at a scale above that of the individual household.

Examples of community based shelter funds are:

- The Urban Poor Fund was created in 2007 by Slum/Shack Dwellers International (SDI) as SDI's global financing facility, allowing urban poor federations to have direct control of capital. It is now a SDI subsidiary, governed by Urban Poor Federation leaders from across the SDI network that provides capital to member national urban poor funds, who are affiliated to SDI. They in turn provide capital to savings federations undertaking important urban improvement and housing projects. By the end of its fourth year of existence in 2011, UPFI had funded the building of over 50,000 homes, secured tenure for 200,000 families and used $14 million for over 150 projects in 18 countries. In SSA, the fund has been mainly active in South Africa, Namibia, Zimbabwe, Zambia, Tanzania, Kenya, Uganda, Ghana, Malawi (SDI, 2011).

- A similar initiative is the Community Led Infrastructure Finance Facility (CLIFF) model. This model arose from research on finance gaps in low income housing. Morris (2006, cited in Patel, 2013) found that NGOs and CBOs were innovative in developing infrastructure and housing solutions at low cost, but that it was not possible to scale up localized initiatives because of a lack of access to finance. These locally based organizations were deemed a high risk for investment by formal financial institutions and were unable to operate on reimbursement principles for government subsidies. In this context CLIFF aims to increase poor communities' access to commercial and public sector finance for medium-to large-scale infrastructure and housing developments. CLIFF provides two finance services: *organizational funding* and *project funding* (Patel, 2013: 12; see also Kihato, 2012). Coordinated by Reall (formerly known as Homeless International[19]), the

[19] The transition from Homeless International to Reall, or – Real Equity for All – was initiated in September 2014 to reflect a shift in focus from building houses to creating a genuine real estate investment opportunities for both investors and Community Development Enterprises.

programme operates in 10 countries in Africa and Asia. In 2014, the CLIFF programme received the UN-Habitat Scroll of Honour at the World Urban Forum in Medellín, Colombia.[20]

Other examples of innovative and responsive approaches to micro-finance for housing can be found in:

- Angola (KixiCredito) (Cain, 2007)
- Uganda (UGAFODE) (Kalema and Kayiira, 2008)
- Kenya (NACHU/FAULU) (Mutero, 2007)
- South Africa (Kuyasa Fund) (www.thekuyasafund.co.za)

Increasingly, micro-finance institutions, banks, community based shelter funds and Savings and Credit Co-operatives (SACCOs) are moving into or diversifying into housing micro-finance lending. There are various models that are used to enter into this market by commercial lenders. These include collaboration of banks with microfinance lenders or directly. Institutional investors including international banks, pension funds, and insurance companies (both local and international) have also begun to take an interest in microfinance investment (Kihato, 2009).

5.5 Housing finance trends and persistent challenges

The examples discussed in the previous section suggest that various tiers of micro-finance are emerging as viable alternative forms to mortgage housing finance. Yet, despite the growth of micro-loans for housing, possibly the biggest challenge facing further growth is the housing delivery environment. As housing micro-finance becomes more explicitly available, a key constraint to its growing use is the continued lack of access to secure tenure and other support for self-help building, which is necessary to facilitate the incremental housing process that micro-loans finance. This also includes access to capital for non-mortgage lenders (UN-Habitat and Cities Alliance, 2011c). Central is the problem of scale: housing policies must adopt incremental housing delivery solutions to meet incremental housing finance needs (Rust, 2012). In his overview of the demand for housing micro-finance Kihato (2009) concludes that there is therefore a need for greater lobbying and education around housing micro-finance, the creation of a greater variety of funds to access and ways to access them, and for capacitation and technical support. The link between land, finance and the availability of infrastructure is also increasingly emphasized (Kihato, 2012).A global shift in thinking has also taken place in recent years from micro-credit to financial inclusion as a way to reduce poverty and informality. According to Finmark Trust, the universal access, at a reasonable cost, of the excluded and underserved part of the population to a wide range of financial services such as savings, short and long-term credit, leasing and factoring, mortgages, insurance, pensions, payments, local money transfers and international remittances, contributes to improving welfare, delivering consumer value and protection and economic growth. For such services to be available, a variety of sound and sustainable institutions are needed.[21]

This re-branding involves all of its partner organizations and is expected to be concluded by December 2015. See http://reall.xyz/our-history/

[20] CLIFF receives UN-Habitat Scroll of Honour award, see http://reall.xyz/cliff-receives-un-habitat-scroll-of-honour-award/

[21] Powerpoint presentation by Finmark Trust, Cenfri, UNCDF. *MAP. Making access to financial services possible. Overview of MAP methodology* (Cape Town, 26-27 June 2013).

In addition, a World Bank study finds that that there is a lack of clear knowledge on the relative importance of the factors influencing households' housing demand in countries in Sub-Saharan Africa. This inhibits policy makers, researchers, the private sector, and development partners from making informed decisions when addressing affordable housing provision and the rapid increase in and growth of informal settlements. An analysis of the trade-offs households make in allocating their budgets over time to housing and other amenities suggests that rather than emphasizing policies that purport to increase expenditures on housing at this stage of development, policy makers in Sub-Saharan Africa should focus on extending access to basic services and strengthening coordination between land use planning and service provision. As incomes increase, this focus would allow households the opportunity to access houses that are equipped with basic infrastructure and help countries move toward better overall quality of housing (Lozano-Gracia et. al. 2014).

In the absence of structural economic shifts to increase employment and decrease poverty, the formal mortgage sector will continue to struggle to provide finance to the lowest end of the housing market, and governments and donors will continue to experiment with the correct level of subsidy incentive to try and make this sub-market work.

The World Bank identifies two distinct but complementary perspectives to 'making finance work for Africa': a modernist and an activist perspective. The modernist perspective is mainly concerned with large-scale finance, or the 'deepening' of the financial system. However, in doing so it neglects the real-world constraints in place in Africa. The activist perspective is concerned with 'breadth', in other words achieving results in areas where the private financial sector is not successful such as micro-finance for low-income households. It concludes by stating that 'only through a pragmatic and context-sensitive combination of *both* modernism and activism can good results be expected' (Honohan and Thorsten, 2007: 12). A study of 66 urban upgrading projects concludes that:

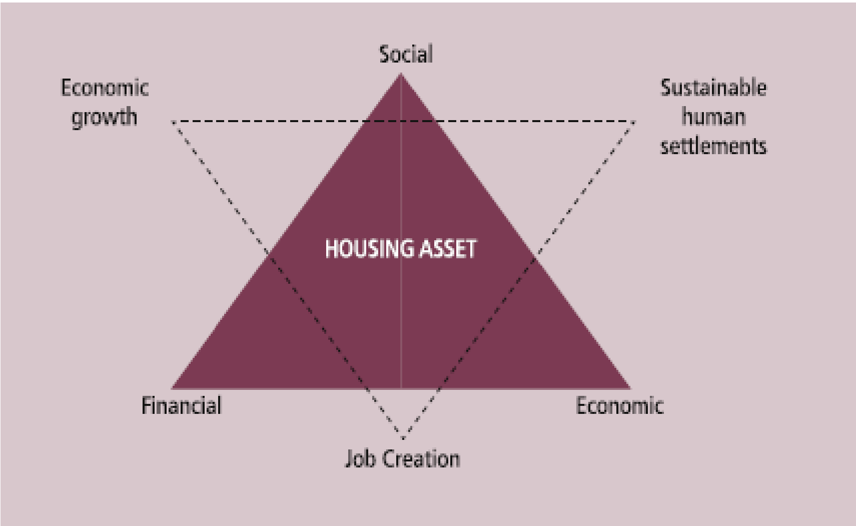
> *Successful projects combine government subsidy, private sector investment and community investment through savings, borrowing or user fees. Government subsidy delivered through stable, predictable transfer programmes enhances both private sector finance and community involvement. Delivery mechanisms for funding are most effective when credit enhancement is delivered through local financial institutions. Private sector investment in urban upgrading and micro housing lending can be effectively and efficiently stimulated through use of guarantees and co-lending as credit enhancement tools supporting increased investment by local banks, MFI's and apex NGO's. Use of local financial institutions as the distribution network for guaranteed project finance and housing microfinance can also help build local financial markets. Underwriting norms and pricing for low-income borrowing must be both prudent and fair. Offering credit enhancement to financial institutions to induce participation in these types of projects at a reduced risk profile is a better means of lowering interest rate cost than interest rate caps or direct interest rate subsidy (Hewson, 2011).*

6 Housing value creation and its capture

6.1 What is the 'value' of housing?

Changes in the understanding of the 'value' of housing have influenced the evolution of housing policy trends since the 1970s. For instance, the work of Turner (e.g. 1972; 1976) resulted in a shift from seeing housing as a fixed product to seeing housing as a process. This informed a shift from a supply to a demand-based approach to housing development through the support for self-help building. In later years the Peruvian economist Hernando de Soto (2000) pushed for an understanding of housing as a potential financial asset. This resulted in the widespread promotion of land titling, seen as necessary to unlock this value. In recent years, the literature on housing development, in responses to both Turner and de Soto, has come to reflect an increasingly holistic understanding of what housing means. An acknowledgement of the absence of a formal land and finance market in most of Sub-Saharan Africa has led researchers to argue that there is a need to "go beyond de Soto" by recognizing that informal housing can represent an important economic asset which generates income (Rust, 2006).

Housing can then be understood as an asset that may have social, financial and economic value. As a social asset, housing can represent a social safety net for family members and contribute towards citizenship-building and neighbourhood consolidation. As a financial asset, housing can be traded or used to access finance. Housing can be an economic asset when it is used to generate income. Within the context of the national economy and society, housing is not just a private asset, but also a public asset which can contribute to economic growth, job creation and sustainable human settlements (UN-Habitat and Cities Alliance, 2011c: 41-43).



Source: UN-Habitat and Cities Alliance (2011c)

This multi-dimensional understanding of the housing asset is now promoted by UN-Habitat and Cities Alliance (2011c) to policy makers in Africa as it allows for a broader and more grounded analysis of the gaps, challenges and opportunities in housing policies. As will be shown below, an understanding of the processes of value creation allows for the identification of opportunities for capture and re-distribution by the state at different stages of the housing value chain.

6.2 Processes of value creation

In line with the different steps in the housing value chain identified by Ferguson (2008) and listed above, and as highlighted in other literature reviews undertaken for the broader project, the following moments of value creation can be distinguished:

- Step 1: Acquisition and occupancy of a lot

The rezoning of land from rural to urban/residential is the first place where value is created. This value may accrue to households, if they are already living there, or to the developer who is granted these rights. Inherent in this process is the value of the land by nature of its location relative to infrastructure, facilities and amenities in the city – job opportunities and transport networks being the most obvious examples.

- Step 2: Upgrading property tenure to achieve security of occupation

Formalising land rights is then another step in the land value production process, and is dependent on a functioning land registration process. However, there are arguments that that in the case of lower income housing this value may have limited financial value, as banks may not lend to potential borrowers who are seen as high risk.

- Step 3: Provision of basic infrastructure

The provision engineering and community infrastructure is another aspect of land value creation, which may come before or after formalisation of land rights. Infrastructure can be provided initially at a basic level and then improved over time. In the 1970s Turner recognised the social and economic value of location and basic services, but the location aspect was largely ignored in the application of sites and services.

- Step 4: Construction of the house structure

The construction of the dwelling and its subsequent improvement occurs as the next step in the process of value creation in residential properties. In the case of informal structures they represent a substantial asset in aggregate but are only valuable as a financial asset where they are owned and can be sold. However, informal structures can still have substantial social and economic value, provided they are well located. There is a step-change in value in the transition from an informal to a formal structure, where the property can be recognised in the formal mortgage market, although in many cases the distinction between informal and formal can be difficult.

- Step 5: Finance of steps in progressive housing process

Despite the limits of mass housing delivery by the state in terms of affordability and sustainability, research has shown that the changes that beneficiaries make to housing can serve to generate economic value. Most of this research is on South Africa, for instance on income generation value, firstly through the construction and rental of rooms or backyard dwellings to RDP houses, and secondly, through the use of such houses for home-based enterprises (Shisaka, 2006, see also Lemanski, 2009; Charlton, Gardner and Rubin, 2014). Tipple (2000) finds similar practices in Ghana and Zimbabwe where income generation through user-initiated transformations of government-built housing not only contributes to poverty alleviation, but on balance also improves the social, economic and environmental quality of the living and working environment.

- Step 6: Building community institutions to combat insecurity

The final step in value creation occurs as the town or city in which the housing unit is located grows economically which leads to a growth in value of property as a whole. This impact on the value of the individual property will typically vary depending on its location within the town or city.

Measuring the aggregate value of housing is a useful indicator of the level of investment by households and hence their financial status. However, this is difficult for a number of reasons, two of the more significant being that the mortgage market is so small in most of Sub-Saharan Africa and informal investment not captured statistically. On way of considering the breadth and depth of housing investment is to use microfinance market figures. Based on the gross loan portfolio across 664 micro-lenders in Africa in 2011, Rust (2012) calculates that if 30% of micro lending is used for housing purposes represents a $2 billion investment across Africa in housing. The significance of this 'invisible' housing investment is all the more real given the massive rate of urbanization underway in many countries across the continent. In a study on South Africa, Cross (2011) estimates that self-build housing may already represent the major national concentration of household capital formation for the poor and argues that adequate budgeting for government assistance could multiply the impact of people's own efforts.

It is a paradox that the same processes which create value to the household, often through actions external to the property (regularisation, bulk infrastructure, community facilities and overall urban economic growth), can create an affordability barrier to entry by other poor households, where households who most need to capture value and excluded or pushed out. This is the contradictory interface between land value and low income housing.

Finally, in considering value, the focus on home ownership has underplayed the importance of rental housing as an economic asset in the hands of landlords. Research in South Africa has found that small scale landlords are a positive contributor to the housing sector, providing accommodation to an estimated 1,85 million households and generating about R421 million (over $35 million) a month (Shisaka, 2006: 17). In addition, there are about 355,000 home based entrepreneurs active in townships and inner cities in South Africa who generate an estimated income of R476 million (about $40 million) a month (Shisaka, 2006: 77). From this perspective, the importance of housing as an economically productive asset should therefore be recognized and supported.

6.3 Opportunities for value capture and re-distribution

In the context of the project under which this literature review falls, value capture through the development of residential property is an important consideration. Referring to the process of land value capture described above, there are specific stages where value can be captured by the local authority or those who act, legally or illegally, as a quasi-authority. Firstly this occurs at the point where a rezoning of land occurs – typically from agricultural or 'traditional' land to residential use. Secondly value capture can be aligned with the provision of infrastructure by the authority, either to serve the initial development of the property or to serve the node or corridor where the property is located.

The literature on land value capture focuses on capturing the increased value of land associated with accessing development rights which are associated with higher order land use and having access to new or improved infrastructure (see companion literature review on land value capture and infrastructure finance). The primary intention is for part of this value to be 'captured' by the public sector for the purposes of re-investing or re-distributing that benefit into public infrastructure. It focuses on the financial value of land, and not the different types of social and economic value that have been described above for housing.

Considering the importance of providing access to housing for the poor at affordable prices, capturing land value is not appropriate for low income housing developments and should be aimed at middle to high income residential developments and commercial property. But the benefit can accrue to all property owners and citizens and it is appropriate for the funding raised to be used both to provide infrastructure both for the areas where it is raised and for infrastructure serving low income housing developments (UN-Habitat 2011b). Smolka and De Cesare (2011:19) state that "informality is largely a result of an insufficient supply of serviced land at affordable prices…[and] a more vigorous property tax system may actually expand access of poor families to serviced land". However, they go on to argue for imposing property tax on informal settlements on the basis that (citing

Bahl and Linn, 1997) property tax reduces the sale price of land and thereby captures value from the present owner, and represents a 'loan' to the future owner who effectively pays off the cost of the infrastructure over time.

Low income housing is therefore primarily a beneficiary of land value capture, and not a contributor. Because low cost housing as a policy intervention is aimed at addressing not only shelter needs, but also poverty and livelihoods, it is appropriate that the value (social, economic and financial) should all be 'captured' by the households themselves. Ashoka, a non-profit network of social entrepreneurs promotes the creation of alliances between businesses and CSOs at different moments of the housing value chain, termed 'hybrid value chain' collaborations, as a way of adding value (Schmidt and Budinich, 2006).

However, a key question is whether this value is, or should be, extractable. The neo-liberal approach to the housing and the property market as a 'ladder' implies that households who benefit from state intervention should be able to leverage their way 'up the ladder'. Once up the ladder, these households can become part of the conventional systems of land value capture, through payment of development charges or inclusion in the city property tax base. However, this assumption around the 'housing ladder' only holds true if there are links between the informal and the formal property markets, and between the distorted market at the lower end that can be created by subsidies, and the unsubsidised market just above it. In many cases this assumption does not hold. Barriers to the capturing of value at the lowest end of the market include the rent seeking by slumlords that capture any value creation for themselves, and pass little on the residents. This provides a strong case for community or state regulation of any low-income housing (formal or informal) where appropriate transfer of value to households can take place.

7 Conclusion

There are no simple solutions to improving the dire situation with housing for the poor in Sub-Saharan Africa. Although various approached have been tried over the 60 odd post-colonial years, none have proved to be a panacea. The problems that Payne identified with site-and-service and slum upgrading project in 1984 are as applicable today as they were 30 years ago. Poverty and informality are pervasive and persistent features of Sub-Saharan African cities.

While there is inadequate reflection in the literature on the differentiated housing trends post-2000, this is perhaps due to the simultaneous consolidation of the various approaches and a recognition that multiple interventions are needed to provide housing across the spectrum of household and settlement circumstances. An appreciation of the heterogeneity of national, regional, local and settlement-scale contexts has driven policy makers to shy away from 'one-size-fits-all' policies. However, this has not eliminated the persistent government focus on the supply side and the need to illustrate progress in the delivery of housing at scale through mega-projects with ambitious delivery targets. Evidence from similar approaches in the 1950s and 1960s, and emerging evidence from current projects, shows that this produces housing that is unaffordable to both the states providing them and the intended beneficiaries.

There is currently much emphasis on getting housing markets to work, but without any evidence of national-scale successes in this regard. Micro-finance programmes have existed in various forms since the 1980s, and have received varying levels of support. Current donor and state interest may catapult these approaches to scale, but they have yet to break into the mainstream of government discourse which is required for them to integrate with housing policy and the form of the corresponding supply side measures.

While there is by now widespread consensus amongst experts about the multi-dimensional value of housing, the biggest challenge is its political economy or the challenges in reconciling the causes of the economic, the political and the social in housing development (Pugh, 2001).

8 Recommendations

For the current challenges to be overcome, the literature and evidence reviewed point to a number of important lessons and recommendations:

For these challenges to be overcome, the literature and evidence reviewed point to a number of important lessons:

- While the housing shortage is acute across Sub-Saharan Africa, the characteristics of this challenge vary across the region.
- Despite context dependent variations, throughout SSA the housing market and housing finance is predominantly informal.
- There is a need to acknowledge the problem of scale of the informal market: it can supply shelter and finance, but simultaneously recognize the importance of the state's role in terms of:
    a) planning, land use management and infrastructure provision prior to housing provision infrastructure;
    b) the regulation of the informal market.
- When it comes to state intervention, there is a need to recognize the multi-dimensional nature of housing as a social, financial and economic asset and the various processes of value creation along the housing value chain. Where and when the state intervenes to capture and re-distribute value depends on the country context and the resources and capability of the state, but is especially relevant when it comes to housing provision for the poor.

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Appendix