

the post-2015 habitat agenda and its dimensions of housing adequacy. We indeed hope and expect that our collective effort of composing this book will substantially contribute to the development of the new international agendas on housing and sustainable urbanization.

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Jan Bredenoord, Paul van Lindert and Peer Smets

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INTRODUCTION

Governance, sustainability and affordability of low-income housing

Peer Smets, Jan Bredenoord and Paul van Lindert

Today the urban Global South is the part of the world that faces the most rapid urbanization processes. Here, cities grow in size and number, which makes it rather difficult for the poorer sections of society to find adequate shelter and security of tenure. This has led to an increasing number of dwellers living in poor housing conditions: an estimated 2 billion by 2030. One of the big challenges is aiming at 'inclusive cities for all', including the urban poor, which could be achieved via better housing policies designed for the total urban low-income population (UN-Habitat 2003). Therefore, given the characteristics outlined above, affordable and sustainable housing solutions for the poor are needed in the Global South. As a consequence of limited incomes and weak national and local housing policies in a number of countries, affordable housing is out of reach for millions of low-income families. While the upgrading of poor housing conditions is indispensable, a range of affordable housing alternatives ought to be promoted in order to bring sufficient 'decent' housing solutions to the low-income brackets in particular. Other contemporary challenges are concerned with a turning away from settlement deterioration, new informal settlement formation and a severe lack of sufficient housing production mechanisms.

Seen against the background of significant political, economic, social and environmental changes throughout the world, difficulties, challenges and opportunities are different from the past. New shelter strategies for the millions of people without decent homes are urgently needed in this twenty-first century.

A large part of the world's affordable housing delivery is self-managed housing, or (assisted) self-help housing and the 'build as you go' approach. As these housing delivery practices have received less attention (at least in a number of countries), this book gives much consideration to self-managed housing with grassroots incentives. Incorporating this in public and formal social housing delivery systems is invaluable; ignoring or combating it is unwise. Self-managed housing limitations in particular deserve attention, especially in irregular land developments. As not all houses are being built durably and through sustainable construction, this includes the low quality of housing.

This book has three objectives. First, this volume intends to contribute to the debate about the international habitat and housing agenda. Second, and based on the experiences gained

from a variety of locations, its aim is to seek innovative and sustainable solutions that can bring affordable low-income housing production to scale. In this respect, the diversity of urban and regional contexts, but also the range of relevant stakeholders involved, is taken into account. In addition, attention is paid to both the potential and limitations of aided and non-aided self-help housing. Third, this book aims at placing the search for sustainable solutions for affordable low-income housing under the umbrella of governance. Therefore stakeholders have to work together without knowing the exact results, which requires some sense of resilience. Towards this end, the next section briefly focuses on the history of low-income housing and its policies in the city. This is followed by a discussion of the relevant concepts of governance, sustainability and affordability.

A brief history of low-income housing

The development of effective housing policy and planning should be seen not only in relation to the nature of housing, but also in relation to the tensions between housing as a consumption good and housing as an economic good with a market value. As a consumption good, housing serves as the basis for households and individuals to avoid impoverishment and increase their wealth and well-being. For some, housing is just a roof, while others regard it as their most valuable possession (Beall and Fox 2009: 125–127).

The provision of housing by governments is a relatively recent phenomenon. Newly independent states in Asia and Africa set up many large-scale housing projects, which partly mirrored post-war European welfare states and the injustices of the colonial period. Moreover, while such developments nourished the pride of the newly formed countries, these housing projects were not affordable for the urban poor (Beall and Fox 2009: 127). UNCHS (1996) estimated that less than 10 per cent of the housing stock in low- and middle-income countries was public housing. Consequently, the urban poor have had to employ self-help in constructing shelter in an incremental manner (e.g. Mangin 1967; Turner 1976). This was followed by sites-and-services schemes and settlement upgrading plans. These approaches, which have become part of the urban fabric, tend to be 'uniform solutions' implemented as pilot projects in many cities in the urban Global South. However, recent sites-and-services projects are often less popular; many are typically located far from income-generating activities and lack sufficient access to public transport and the city (see e.g. Bredenoord and Verkoren 2010: 360–361; Fernández-Maldonado and Bredenoord 2010; Klaver 2011).

The government's role as a housing provider changed into a role as an enabler of housing markets. In this respect, the government takes care of the legislative, institutional and financial framework (Pugh 1997). As a result, a stakeholder approach gained ground under the umbrella of urban governance. Although the western-based approach of neoliberalism focuses on the formal sector and neglects the informal sector (Brenner and Theodore 2002; Peck *et al.* 2013; Rolnik 2013), studies surrounding the urban Global South include the formal as well as the informal sector; each plays a vital role in the production of housing (e.g. Smets 2004; Simone 2010).

Whether it concerns owner-occupied or rental housing, dwellings should be built and basic facilities provided. Therefore, land, construction materials, building skills and knowledge, and finance are required. Each is outlined in the following paragraphs.

Although housing occasionally may be constructed above water, land is generally a necessary component of housing construction. The discussion on land and land titling – as a means

to ensure security of tenure – has received a boost since the publication of De Soto (2001). The assumption is that land titling will help households and individuals realize asset value that encourages self-help construction and improvement. Although these assumptions have been criticized (Gilbert 2002; Smets 2003), titling processes nonetheless are widespread. Payne (Chapter 2) elaborates on such land issues.

Moreover, construction materials have received attention since cheaper materials could lead to lower production costs. The literature generally calls this low-cost housing rather than low-income housing (Smets 2004). More recently attention has also been given to the sustainability of building materials (see Kessler, Chapter 5).

As building skills and knowledge are necessary for shelter construction, building skills development and the transfer of this knowledge to self-builders is required. Some initiatives involved in building skills and knowledge aim at sustainable house construction, for example those provided by the Technical Training Resource Centre in Karachi. Other examples encompass private sector organizations such as the CEMEX cement company in Mexico (see Box 15.2) and many housing non-governmental organizations (NGOs) (see also Bredenoord and Van Lindert, Chapter 4).

Finally, unless compensated by self-help, finance is needed for all parts of the construction process. Although finance can be derived from the formal financial sector, it is not easily accessible for the poorer segments of society (Ferguson and Smets 2010; Smets 1997). Therefore, dwellers also use informal forms of finance such as small loans from family members, colleagues, neighbours, friends, moneylenders, and pawnbrokers, as well as funds from financial self-help groups (Smets 2004).

Governance and the stakeholders

Over the past few decades, the 'enabling approach' has gained a permanent place in the international habitat discourse (UNCHS 1990). It became generally accepted that the principal role of governments should not be the provision of housing to all citizens but rather the enabling of 'housing markets to work' (Mayo and Angel 1993). It was not coincidental that this shift took place in an international ideological environment of neoliberal supremacy. In the context of renewed market thinking and a gradual retraction of the state, the role of central governments and multilateral development institutions is also restrained within the public sector in habitat sector policies. Priority was given to the development of more efficient finance systems for housing construction by the formal sector, for example the national housing banks. Thus, there was an increasing awareness that the state could not – and should not – act as the provider of housing. The initiatives from civil society and the private sector are influenced by the 'new' role of the state concerning the responsibility to establish the appropriate financial, legal and regulatory frameworks.

In the 1990s, much work was done on the development of the roles, values and responsibilities of governments with respect to the urban habitat. A leading motive was that self-help initiatives by households and communities, which account for the lion's share of total urban housing supply and neighbourhood upgrading, should be stimulated as much as possible by means of a proactive attitude on the part of the government. As such, the role of the government was to shift towards other activities such as the guaranteeing of housing security, the supply of land for housing, the facilitation of credit facilities, the development of an appropriate public transport system, adequate solid waste management and basic service provision in

general. In addition, local government should be better equipped to complement the many neighbourhood level initiatives and interventions in a strategy of citywide inclusive development. The worldwide trend towards public sector reforms and the decentralization of political power and public responsibilities to municipalities also supports this new role of local government with respect to housing and the provision of collective services (van Lindert and Verkoren 2010).

In the 1990s and 2000s the acknowledgement of the important role that local governance has to play became firmly rooted in general thinking about sustainable urban development. Testimonies to this paradigm shift were the Local Agenda 21, launched at the important Earth Summit in Rio de Janeiro in 1992, and the Habitat Agenda, proclaimed at the City Summit in Istanbul in 1996. Both agendas aim at an enhanced involvement of civil society and the private sector, in order to arrive at truly participatory planning processes at the municipal level (Metropolis 1994). Starting from the principles of partnership, capacity strengthening, and the exchange of knowledge, the Habitat Agenda expressly claims that cooperation between all actors, from public to private, including community-based organizations, non-governmental organizations and individuals, is necessary in order to arrive at sustainable urban development. The Habitat Agenda attaches major significance to the strengthening of civil society at all levels and to the participation of all actors in the decision-making process (UNCHS 1996).

Today, after over two decades of systematizing available knowledge on urban development interventions, it has become generally accepted that the design of sustainable urban and housing development strategies should be based on the following three basic principles.

First, it is recognized that sustainable urban development will only be possible if policies and strategies are embedded in a multi-disciplinary, holistic, and pluralist approach, and that long-term programme support is needed for institutional capacity building. As such, good local governance and urban management, appropriate regulatory frameworks, sustainable environmental management, and the development of local – often neighbourhood-based – economic activities, are essential preconditions to reduce urban poverty and to redistribute resources in such a way as to include the urban poor in the formal city (Gilbert *et al.* 1996; Shah and Shah 2006).

A second key principle – partnership – focuses on cooperation between the public, civic, and private sectors. Local multi-sector partnerships may create the synergies that are absolutely necessary for a successful approach to urban development (Batley 1996; Payne 1999; Corrêa de Oliveira 2004). External partnerships are just as important, as strategic alliances with donor organizations may provide complementary human and material resources that are indispensable for urban development programmes (Brinkerhoff and Brinkerhoff 2004; Smets and Salman 2008).

The third essential ingredient for successful development programmes is the active involvement and participation of the inhabitants. Ownership and empowerment, both important catchwords in the general development discourse, have also secured first rank positions on the agendas of urban planning and housing. Without an outspoken population that has access to decision-making in all stages of project and policy formulation, from the very first stages of needs assessments until the final implementation phase, the chances of attaining sustainable solutions are slim (Abbott 1996; Moctezuma 2001; Van Lindert and Nijenhuis 2003).

In the thematic and country policy chapters that follow in this book, many examples will expose the relevance of these principles. Indeed, none of the various national housing policies in the Global South escapes from the rule that proper institutions are vital to an

effective functioning of land and housing markets. Collaboration between the public and the private sectors with respect to the provision of land, housing, and collective services is also an issue that is highlighted in various chapters of this volume – in particular by Ikejiofor in Chapter 23 on public–private partnerships in Nigeria (cf. Ibem 2011). In India, the so-called Transferable Development Rights (TDRs) instrument has motivated private land developers also to include elements of affordable (low- and middle-income) housing provision in their essentially profit-driven ventures (see e.g. Chitekwe-Biti *et al.*, Chapter 8; Sengupta, Chapter 9; and Box 2.1). Close and interdependent relations also exist between public institutions and the financial sector. Exemplary in this respect is the so-called *Ahorro-Bono-Crédito* or ABC model, as developed in Chile and replicated in many Latin American countries (see the chapters on housing policies in Colombia, Peru and Ecuador). In the ABC model, the central state supplies subsidies while the mortgage loans are provided by the private financial system. Housing construction is entirely realized by private companies. Outstanding mortgage loans are guaranteed by a public (housing) bank.

In the low-income housing sector a myriad of actors engage in the everyday art of housing production. The producers of housing include, for example, formal construction companies, private land and housing developers, informal contractors, local craftsmen, NGOs, housing cooperatives, housing associations, and last but not least the residents themselves. Once the residents of informal settlements perceive their tenure condition as being sufficiently secure, they will often engage over the course of many years in self-help and self-managed incremental construction activities.

At the same time, however, the ambition of many of the urban poor to realize 'a home of one's own' (Moser 1982) is still far from reality. Therefore, the rental housing segment is also of great importance for the functioning of urban housing markets. In Chapter 6, Gilbert focuses on that important modality of housing tenure. Rented housing meets in particular the needs of youngsters, students, retired people and low-income families without purchasing power for decent housing, as well as temporary workers and first stage migrants who do not have the possibility of self-managed housing. However, the production of public and private rental housing lags behind the demand, as a consequence of inadequate political attention to (financing of) social rental housing units by governments, the presence of defective housing associations and the one-sided attention on the stimulation of private house property.

Many of the chapters in this volume also demonstrate that the traditional forms of vertical hierarchies of power and centralized decision-making have been slowly eroding. Although powerful patterns of patronage and clientelism still exist, solutions are sought to deal with them. Van der Linden (1997: 89) remarks that in a patronage-dominated environment:

the rights and interest of the poor are probably best safeguarded by a rather centralized top-down approach with no tolerance for exceptions. ... Having access is the best guarantee for participation and seemingly democratic procedures stand in the way of participation. ... [This is because] poor people are very dependent on their leaders and will not easily antagonize them. Therefore, in a culture of patronage, having a say or a vote is not as meaningful as it might seem. At the same time, when government officers try to communicate with the people through their leaders, they confirm and even reinforce the leaders' claims that nothing can be done except through them, thus increasing people's dependence instead of empowering them at the grassroots level.

Once people at the grassroots come up with their own organizations, Van der Linden (1997: 89–90) identifies three points of attention. First, organizations representing the grassroots are more effective in doing so when they are not set up by a public sector organization. Second, representative leadership is best enabled when people have access to goods, services and information, even without those leaders. Third, public officers and leaders should discuss matters in open meetings and decisions taken should be made accessible to the public. In this way, scarcity as well as the distance between public sector institutions and citizens declines.

In the relationships between civic society and the state, newer forms of engagement and popular participation have emerged. Local governance is increasingly characterized by 'institutionalized' interactions between public, private, and civil society sectors (communities and citizens). The resulting 'governance networks' may then 'contribute to agenda setting, decision-making, or policy implementation' (Van Bortel 2012: 93; cf. Baud *et al.* 2011). The thematic chapters on the potential of assisted self-help housing (Bredenoord and Van Lindert, Chapter 4), on housing cooperatives (Ganapati, Chapter 7) and on the vitality of community-led development (Chitekwe-Biti *et al.*, Chapter 8) explicitly focus on the functioning of such governance networks; many country policy chapters also underline the relevance of co-production (Mitlin 2008), as the examples of housing cooperatives, community contracting and community-led development in particular demonstrate.

Sustainability

Popularized by the Brundtland report (WCED 1987), sustainable development is commonly defined as the long-term balance between society, the environment and economic growth – a world where human and natural systems can continue to exist and even thrive in tandem over a long period of time. However, due to global warming and its effects, the long-term prospects for the healthy urban habitat are under threat of climate change. Climate change increasingly affects several countries, and many urban neighbourhoods and even whole cities are threatened by rising sea levels, flooding rivers, tsunamis, hurricanes, heavy rains and severe drought. These conditions make urban planning more important than in the past, as adequate planning, such as risk- and water management can prevent houses from being built in danger zones. The construction of houses in risk zones – for example areas prone to earthquakes and volcanic eruptions, but also where heavy industry is located or hazardous materials are stored – must be prevented or restricted. Yet making reliable weather and climate predictions in order to determine the best-planning path is difficult in areas with changeable weather patterns. However, while minimizing risk is possible through climate change adaptation or mitigation, depending on the available options, as well as available climate change finance and calculations of risks, making decisions on disaster reduction strategies is a political task. Yet as a public and communal responsibility, governments as well as households must be aware of the consequences and possibilities for prevention, protection and mitigation (e.g. Urry 2011).

Sustainability also has become an important concept in relation to environmental integrity. Human intervention results in the pollution of land, air and water, but also the disturbance of nature's equilibrium, including the loss of biodiversity. Therefore one should look into 'alternatives to traditional patterns of physical, social and economic development that can avoid problems such as exhaustion of natural resources, ecosystem destruction, pollution, overpopulation, growing inequality, and the degradation of human living conditions' (Wheeler 2003: 487).

Insights concerning environmental sustainability can also be applied to low-income housing in the urban Global South. Specifically, more attention should be paid to the interplay between technical and social solutions for sustainable change with respect to behaviour, economic or governance shifts (Williams 2009), which are mediated through physical spaces and the built environment (Keivani 2009).

In order to unpack the complex relationships between sustainability and low-income housing in cities, it is useful to distinguish the following five relevant fields: ecology and energy; technology and production; economy; social considerations; and targeted policies (based on Dietz and O'Neill 2013; Keivani 2009; McGranahan and Satterthwaite 2003; Thiele 2013; Williams 2009).

First, low-income urban housing cannot be made sustainable unless the themes of ecology and energy are taken into consideration. Sustainability may be improved, for example, through interventions that lower the carbon footprint and hazard-resilient measures as well as by urban planning that leads to a densification of the built-up area. Moreover, there are many other planning measures that prevent or counteract housing situations that are far from sustainable.

Second, technology and production can play an important role in the development of sustainable disaster-proof building materials. For example, prefabricated building components can be recycled and locally produced building materials minimize transport costs; each improves the sustainability of low-income housing.

Third, the economy is another important determinant of sustainability. As such, one should also take into account the limits of the neoliberal models exemplified by the recent global financial crisis. Moreover, dwellings should offer the possibility of home-based economic activities which in turn can stimulate the development of local economies. This could occur through community contracting for dwelling and neighbourhood improvement (for more on community contracting, see Steinberg, Chapter 12).

Fourth, the social component of sustainability should not be forgotten. Here one could think of community development and involvement, local culture, identity formation, social cohesion, as well as feelings of social investment in the form of responsibility and ownership.

Fifth, targeted policies are needed to reduce carbon emissions and prevent man-made hazards as well as to guide sound and informed city planning that includes pro-poor measures. Targeted policies are also needed for increased collaboration between national and local state levels as well as urban management to urban governance.

Figure 1.1 illustrates a model based on natural ecosystems whose existence over time is determined by 'sufficient self-directed identity as well as flexibility to change' (Lietaer *et al.* 2010: 5). Here, the flexibility to change – also called resilience – refers to 'the capacity of a system to absorb disturbance and reorganize while undergoing change so as to retain essentially the same function, structure, identity, and feedbacks' (Walker *et al.* 2004). This model also can be applied to housing provision and the complex relationships between sustainability and low-income housing in cities particularly regarding the five fields outlined above.

Ecosystems survived over time by adjusting to changing circumstances resulting in a search for equilibrium between the two opposing poles of efficiency and resilience. The healthiest systems have an optimum balance between the two extremes, which may be described by the term sustainability (see the window of viability in Figure 1.1). Once the balance between resilience and efficiency is disturbed the system becomes unstable. Too much efficiency leads to fragility, which goes together with too little diversity and connectivity. Moreover, too much resilience causes stagnation accompanied by too much diversity and connectivity (Lietaer *et al.* 2010: 6).

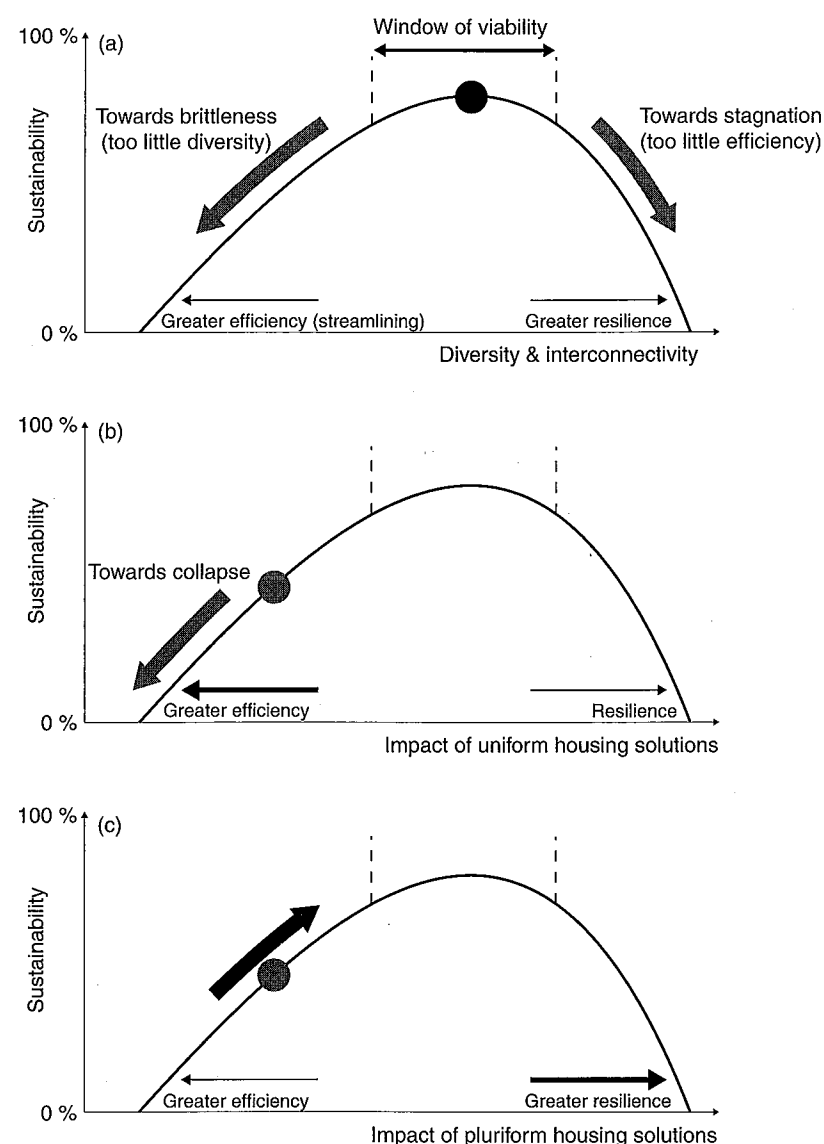


FIGURE 1.1 Sustainability and complex flow networks as function of the trade-offs between efficiency and resilience (Lietaer *et al.* 2009).

As with natural ecosystems, the modern urban world is characterized by constant improvements in system efficiency. However, too much efficiency will lead to brittleness and little diversity resulting in crashes and destruction, whereas too much resilience is characterized by too much diversity and a lack of coherence and purpose to growth, eventually leading to little efficiency and stagnation (see second graph in Figure 1.1).

Based on economic logic, similar analogies can be applied to our global financial system, which attempts to improve economic efficiency. However, the World Bank could trace more than 96 banking crises and 176 monetary crises since the early 1970s, when President

Nixon introduced the floating exchange regime. These crashes can also be found back in Schumpeter's notion of 'the creative destruction of capitalism' referring to the rise and fall of enterprises (Caprio and Klingebile, in Lietaer *et al.* 2010: 3). The financial crisis, which started in the United States and has spread over many parts across the globe, is already having a detrimental impact in cities in the Global South (see Ferguson *et al.*, Chapter 3 in this volume).

The tendency when coping with a crisis, whether it is from an economic or housing perspective, is to increase efficiency and to start again from the bottom line up. By so doing, the window of viability will not be reached at all. Once the focus is on creating diversity, a balance between efficiency and resilience can be more easily reached. This is especially true of housing solutions (see graph at bottom of Figure 1.1).

The sustainability model discussed above is also useful to understand the relationship between sustainability and the provision of low-income housing. A simple example will do. In the past, sites-and-services schemes were seen as a universal solution for dealing with the housing deficit, but in reality many sites-and-services were rather desolated areas that did not serve their target group. A better approach is to create a diversity of housing options for the urban poor, as illustrated for example by Hasan (Chapter 10). Once there is a housing diversity, chances that sufficient housing solutions will survive – and thus will reach the window of viability – are big. This is where sustainable shelter solutions can be found.

Finally, Thiele (2013: 198) warns us that '[s]ustainability is Janus-faced and two handed. It is future-focused but with an eye to its inheritance. And while it deftly manages the rate and scale of change with one hand, it also firmly grasps the need to conserve core values and relationships.'

Affordability

To discuss the concept of affordability, three different approaches will be used in the following order: (1) housing expenditure-to-income ratio; (2) the residual income approach; and (3) the incremental affordability approach.

Both in practice and in literature, affordability is a fuzzy concept with different meanings. Nonetheless, affordability has to do with a combination of the household's earning capability, as well as the availability of savings and credit. Housing loans will normally be provided if the lender is to a large extent sure that the loan will be repaid. In general, the affordable amount of a housing loan is determined by taking into account the capital costs required, the financing terms, the size and regularity of the household income and physical possessions, and the propensity to 'consume' housing. The most widespread idea is that once capital cost, terms, and household income are known, the ability to buy housing and the readiness to invest will automatically follow (Lee 1990: 64). Such discussions about affordable housing started at the end of the nineteenth century/beginning of the twentieth century in the western world. Initially, affordability was seen as 'one week's pay for one month's rent'. Mortgage providers started to use a housing expenditure-to-income ratio; this was a maximum of 25–30 per cent of the average household income that could be spent on housing. Here, housing expenditures could entail construction costs or rent paid for a dwelling. In addition to the housing expenditure-to-income ratio, attention also will be paid to the residual approach and the incremental affordability approach. The housing expenditure-to-income ratio is a rule of thumb measure which is often used for public policy purposes, for describing typical household expenditures for

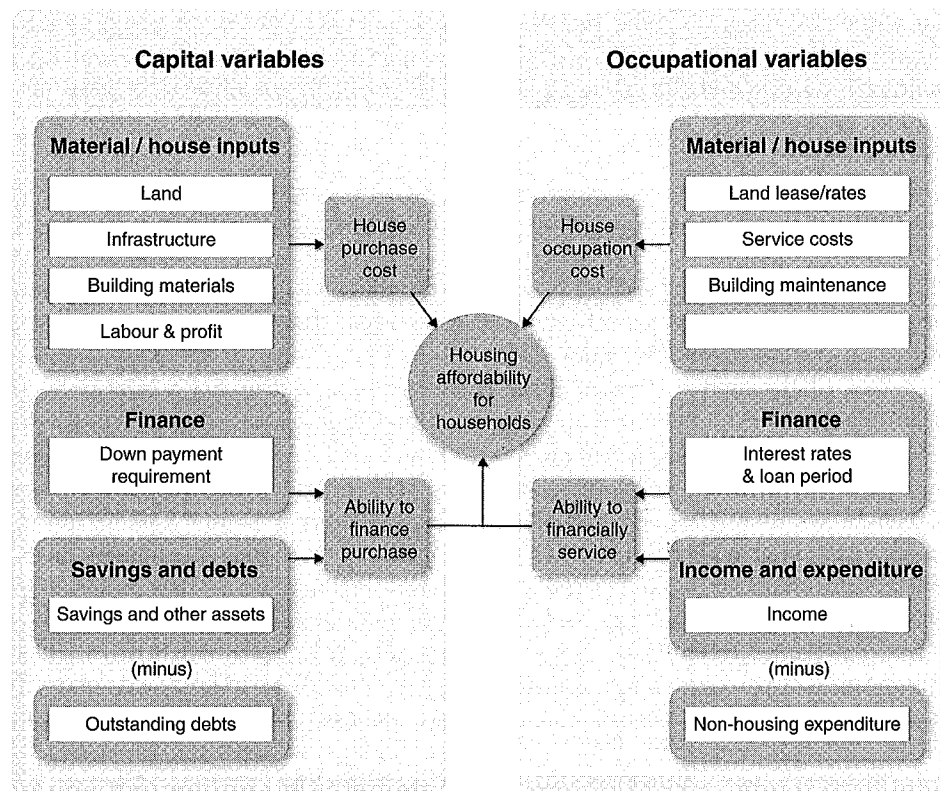


FIGURE 1.2 Housing affordability: basic components.

Source: Majale *et al.* (2011: 11).

housing, predicting the household's ability to pay a rent or housing loan instalment, or selecting households for a rental unit or housing loan. Although this measure is criticized because of the imprecise determination of a household income and the assumption that people are willing to spend this proportion of their income on housing, it is still widely used (Hulchanski 1995: 471–484).

Apart from looking at the size of the household income, housing can also be made affordable by reducing the housing costs by means of economizing on the construction costs, or by providing subsidies. Here the focus is low-cost housing, implying that low costs make the house affordable (see e.g. Baker, as discussed by Sengupta, Chapter 9).

Although a ratio provides insight into the affordability of housing costs – rent or repayment of a housing credit – it does not take into account that sufficient means remain for other necessities of life to avoid falling below the poverty line. Stone (2006) argues that the ratio approach provides misleading figures. A more realistic picture can be given by looking into the interaction between income, housing cost and the costs of non-housing needs which are also determined by the size of the household. Therefore, a second measure – called the *residual income approach* – offers measures which better reflect reality.

Above, affordability is seen as an income problem, but it can also be treated as a housing market problem. This implies that once it is considered a market problem, public intervention

is needed to provide physical housing. For this purpose the government takes into account the adjustment of the denominator of the rent-to-income ratio (Linneman and Megolugbe 1992: 387).

Affordability has many components and measures, which are presented in Figure 1.2.

Here a distinction is made between capital variables (house purchase costs) and occupational variables (costs associated with keeping the house). A household's ability to buy a house depends on the purchase costs (including land, infrastructure, building materials, labour, and profit) and the ability to obtain financing; these in turn are mainly determined by the amount of down payment required, household savings, and the size and length of the instalments to repay the housing loan. After purchase, occupation costs encompass immaterial costs such as land lease, service costs, and building maintenance, but also financial costs dependent on the loan term, interest rate and the available household budget once the non-housing costs are deducted. This model goes beyond the simplified house-purchase-price to household-income model (Majale *et al.* 2011: 10–11). '[T]he lack of housing finance or unsupportive finance terms (for instance, high down payment requirements, high interest rates, and short loan periods) also directly limit housing affordability especially for lower- and middle-income groups' (Majale *et al.* 2011: 11).

Finally, the *incremental affordability approach*, which entails the incremental financing of smaller, short-term loans, should be applied alongside incremental building practices. With small and irregular incomes, such loans fit the livelihood strategies of the poorer sections of society. People with small budgets require flexibility in expenditure patterns that allow for possibilities of changing priorities. Consequently, expenditures on housing can only last for a relative period of time (e.g. Smets 1999, 2004, 2006; Ferguson and Smets 2010; Ferguson and Navarette 2003). In the Indian city of Hyderabad, Smets (2006) initially found that housing loans among the urban poor can last up to five years. However, a more in-depth analysis conducted by Smets – although not yet published – shows that the poorest sections take out credit for a maximum of three years, but preferably less than this.

The incremental affordability approach has been criticized by, for example, Pugh (1994) and Malpezzi (1994), who claim that Turner's self-help approach misconceived the economics and finance of self-help housing. However, their line of affordability thinking neglects the livelihood strategies of the urban poor; they state that decisions concerning the construction of a dwelling would be more efficient if financial decisions could be separated from individual building decisions. This would permit building a house now and paying for it later, which means repaying the housing loan in instalments. It is suggested that it is better to enjoy the benefits of a complete housing unit now, instead of consuming it incrementally. To take the argument one step further, one could say, by referring to Renaud (1987: 30), that the methods of financing dictate the mode of construction. Larger loans would lead to building in one go, which avoids the waste of resources. As incremental building often takes place with inferior materials, the improvement or extension of the existing structure requires that parts of the shelter frequently have to be demolished. Sometimes, only a fraction of the material can be reused. Despite these critiques on the incremental affordability approach, the urban poor will be better helped with affordability measures that fit their livelihood strategies.

Even though the concept of affordability can be used for all income groups, in this book the focus is entirely on affordability for low-income households. However, one should take into account that the use of affordability criteria should be adjusted to the specific contexts.

Moreover, housing can be made affordable by cross subsidies, which Payne, for example, illustrates in Chapter 2. Moreover, this volume also illustrates special arrangements such as in India, where developers are allowed to avoid building norms if they allocate a certain percentage of the buildings to low-income families.

Contents of the book

The book consists of four parts. The first part deals with low-income housing and the components needed for its production. The following sections cover a series of selected countries in Asia, Latin America and Africa. The book ends with drawing conclusions as well as a look ahead.

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PART I

Thematic perspectives Introduction

Peer Smets, Paul van Lindert and Jan Bredenoord

The production and consumption of owner-occupied and rental housing cannot be seen as separate from the fundamental elements needed for the construction process: land, finance, construction skills and building materials. Such elements of the building process are needed locally but should be seen from a political economy perspective. The political economy perspective offers insight into the impact of neoliberalism, different crises concerning finance, climate, energy and resources, but also into the policies and practices of global institutions such as the World Bank and UN institutions. Moreover, the fulfilment of public tasks concerning urban planning and development – in other words creating good conditions for housing – is difficult enough for national and local governments, which have certain limitations regarding the investment in housing. This is why poor residents cannot count on their governments alone for housing. The involvement of the private sector – e.g. building companies, financial institutions and banks – and resident participation is essential for large-scale house production in developing countries. This thematic part will discuss insights in construction elements, low-income housing types and its embeddedness in the local context. Below, the different contributions will be presented.

In Chapter 2, *Geoffrey Payne* addresses ways in which urban land markets are managed and assesses a whole range of constraints that restrict access to land, housing and services to large sections of urban populations. Such constraints are of a political, legal, technical, regulatory, financial or attitudinal nature that may operate independently, but often reinforce one another. Using a political economy perspective, Payne argues that it is extremely challenging to remove market constraints on affordable and sustainable land because it is the leading stakeholder groups that actually benefit from the status quo. In fact, Payne continues, in order to meet these challenges, 'elite' groups must be convinced that changes in the functioning of the land markets can be in their interest, as much as it will be in the interest of those without access to land, failing which alternative 'champions of change' will need to be identified and supported. A precondition is to assert the right of the poor to the city. That should be a first priority to all those with professional responsibilities in urban planning and land use management. The contribution of the poor majority to solving urban housing deficits should also be promoted in ways which can be integrated into existing plans.