

# Housing developers: housing development and procurement modalities in the developing world.

*International Encyclopedia of Housing and Home.*

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## Abstract

This chapter explores housing development and procurement modalities in the developing world, outlining how houses get produced and by whom. In the developed world the presence and influence of housing developers in the housing sector is well understood. In the developing world, however, these actors have received very little attention. This chapter demonstrates that contrary to prevailing thought there is a strong prevalence of housing developers in the developing world. Although they have different characteristics than the commonly understood conception of a housing developer derived from the developed world context, they also share many similar characteristics, both essentially actors who modify the physical environment in an effort to add value for economic gain.

The dominant housing developer modality in the developing world is that of the unauthorized owner-occupier residing in slums, squatter settlements, and informal settlements who incrementally build and improve their house through a variety of building and development strategies. The scale of this housing development mode is immense with nearly a billion people living in such locales. One out of every three urban citizens in the developing world resides in a slums or informal settlement (UN-HABITAT, 2003a). Such informal and mostly unplanned human settlement development represents the leading approach to the development of cities today yet it is not the only housing development modality in the developing world.

Housing modes in the developing world are traditionally divided into binary formal-informal categories. This chapter, however, structures developer modalities by situating them along a 'formality continuum', from informal to formal, with hybrid modes in the middle. Each housing developer modality is outlined, highlighting the process and the actors involved, and supported by examples. The chapter ends by offering several reflections on what these modalities mean for housing sector policy and practice in the developing world, providing keys to slum prevention and sustainable human settlement development.

## Introduction

The majority of the housing stock in cities of the developing world is built by informal self-built housing processes. Rapid urbanization and population growth, lack of formal employment and insufficient supply of affordable housing forces a significant proportion of urban dwellers in the developing world to become housing developers who plan, finance and construct their house outside the domain of official planning and development control. This production of housing comes about in much less well-defined manner than housing development in the developed world. In the developing world, housing development that follows the conventional developed world approach accounts for only a small minority of the housing stock.

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It is ironic, then, that these self-builders who are incrementally developing their housing, are not conventionally considered to be housing developers. A 'housing developer' can be defined as a person or entity that modifies the physical environment, creates new uses to land and develops it in an effort to add value that is captured when it is traded. In order to pursue its mission, a housing developer needs to acquire fundamental resources once land is secured. In other words, a housing developer commonly mobilizes financial resources required to assemble land on which housing is to be developed, in addition to obtain building materials and labor that are needed to erect the building structure(s). The design and technical specifications are inherent of this process. Often, basic infrastructure such as water and sanitation are provided by public purpose entities, and in exceptional cases inserted as integral component of the housing development project. While much has been written on housing developers in the developed world context, there is very little on housing developers in the developing world.

There are many housing development modalities in the developing world with informal self-built housing, as described above, being only one. This chapter aims to outline the different modalities of housing developers with the aim of providing a broad overview of housing development and procurement methods in the developing world. Uncovering the wide range of modalities is important because too often it is assumed that the urban poor of the developing world live in the same housing situation and obtain housing through illegal squatting, yet this is an over-simplification and the reality is much more nuanced. Such an overview is important for housing policy, to enable countries to develop housing policy that responds to the multiple modalities to address the pressing housing shortage and meet demand.

The concept of 'housing developer' is useful to undertake this analysis. By looking at the field through the lens of 'housing developer' we can look at the housing system in terms of adding value, rather than just the initial provision of houses for immediate commercial gain. Therefore, we can include things such as incremental housing processes, and slum upgrading even though it typically does not include the direct provision of housing units.

The chapter therefore aims to give an overview of these different modalities to illuminate housing development processes in the developing world. It argues that cities of today in the developing world are not built by formal systems, but by informal processes operating outside formal controls. There are many different modalities of housing developers in the developing world and we argue that these should be located on a continuum from informal to formal, rather than be seen as a formal-informal binary.

The scope of the chapter is limited to only housing developers and therefore developers of commercial property are excluded from our analysis. Furthermore, the chapter does not cover the underlying causes of the different procurement methods (for instance, what leads low-income people to squat on a piece of land and incrementally build their house). Rather, it focuses on describing the broad range of housing developer modalities in the developing world.

## **Housing developers**

In the developed world context a 'housing developer' is traditionally considered to be an actor who's central activity is the modification of the physical environment for the purpose of their own economic gain. It entails the development of land and creation of new uses. They can be one person, a group of people, or a partnership or corporation. Housing development is a commercial enterprise that is profit-driven and highly speculative. Their primary commercial activity is investing in land and/or buildings and subsequently improving them, typically through the construction of new buildings or the provision of infrastructure and services. Therefore, a property developer seeks to *add value* to the physical environment and capitalize on this added value through selling the improved property to extract the added value.

Using this conceptualization of a housing developer as an actor who seeks to add value and create wealth by the modifying of the physical environment, there are many actors in the developing world that can be considered housing developers. There are those who follow a similar model to

developers in the developed world: private companies who work within the formal real estate sector to produce housing with the aim of making a profit. Likewise, governments of developing countries act as housing developers, either directly or indirectly for low-income housing. There are also a variety of informal housing developers operating in the developing world.

By far the most significant is the unauthorized owner-occupier self-build developers who occupy slums and squatter settlements that currently account for a significant proportion of the world's construction activity. They are not 'commercial housing developers' whose primary activity is conventional housing development as noted above, but rather can be considered as 'everyday developers' whose development activities are tied-up with daily living activities, a motivation to attain shelter and improve their economic situation. There is also a unique type of housing developer widely active in Asia and Latin America that illegally subdivides land, sell plots to individuals who will ultimately build their homes on it with or without support from the land developer. Cities like Bogota, São Paulo, Bogota and Karachi have large parts of their territory developed through this informal land sub-division modality.

There are, therefore, key differences between housing developers in the developed and developing world, even though they are both engaged in the same process of producing housing. Housing developers in the developed world are risk-averse, driven almost exclusively by economic gain, and work at large scales in a fast manner. In contrast, informal developers in the developing world often take high risks, are motivated primarily by their shelter needs, and predominantly work at very small scales, often the unit of the household, at a much slower pace dictated by financial capability. So, although both aim to, and do, produce housing, we see distinct motivations, traits and approaches. Nevertheless, both are developers as they aim to add value through modifying the built environment in an effort to improve their financial situation.

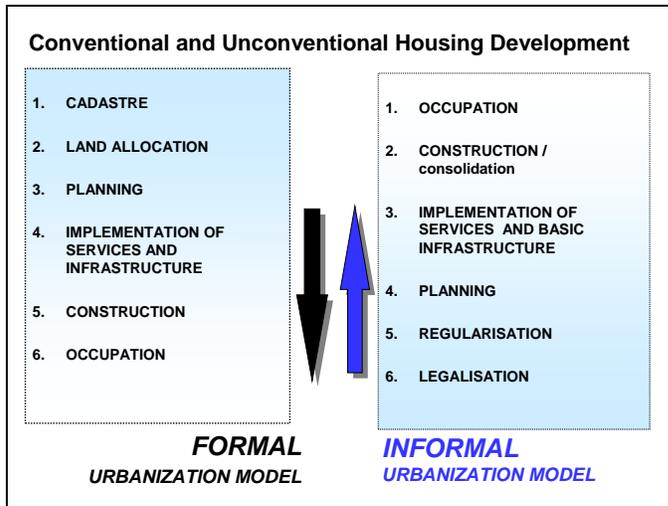
### **Informal/formal: the formality continuum**

It is not the aim of this chapter to debate at length the many conceptualizations of what constitutes a formal housing system and what constitutes an informal housing system. Rather, it notes that housing developer modes in developing countries have typically been referred to as either formal or informal. In practice the conceptual binary is between the informal illegal squatter settlements and the formal private sector and government housing development. The level of formality typically concerns the degree to which an entity acts within the government regulatory framework. This includes aspects such as housing finance, real estate, and infrastructure: and relates to if the entity acts within the official structure (for instance, pays taxes and for municipal services, obtains building consents, etc). While it is a conceding narrow conceptualization based on the legality of actions, it is one that is utilized here to underpin the housing formality continuum used in this study.

There have been very few studies that have conceptualized the overall state of housing approaches of the urban poor in the developing world. Studies typically focus on one mode (for instance slums and squatter settlements (Davis, 2006; Turner, 1972; 1976), government housing transformations (Tipple, 1996; 2005), co-operative housing (UNHABITAT and ICA, 2001)). Drakakis-Smith (1981) provides an overall conceptualization of the housing sector, and divides housing production into conventional and unconventional (formal and informal). Kievani and Werna (2001) develop Drakakis-Smith's framework but retain the conventional-unconventional binary. The conventional modes are public, co-operative, and private. Unconventional modes are squatters, informal subdivision, and rental.

Baross' work is instrumental to support the arguments raised in our article. His pioneering work highlighted the failures of housing provision in the developing world due to the inadequacy of conventional housing and development models (Baross, 1987). According to him, the planning, servicing, building and subsequent occupation (PSBO model) was an inadequate method to provide housing in a context of rapid urbanisation and increasing demand for housing, land and infrastructure such as those found in the developing world. He suggested an alternative model (OBSP model) which adopts the logic of the informally self-built housing and settlements: occupation, building, servicing and planning (Figure 1). This conceptualisation reinforces our argument about the key characteristics of a housing developer in the developing world and is the

predominant model of urban development in the majority of cities in the developing world (Acioly, 2010).



**Figure 1: Conventional and Unconventional Housing Development (based on Baross, 1987 and Acioly, 2010)**

This chapter develops the framework developed by Drakakis-Smith (1981) and Kievani and Werna (2001) by replacing the dichotomy of informal/formal with a formality continuum. Rather than seeing housing production as pertaining to either a purely formal or informal system, we posit that the many housing developer modes sit along a continuum from informal to formal. In doing so we are able to better reflect the intricacies of different housing development methods, especially, as will be demonstrated, those ‘hybrid’ approaches that include both formal and informal components and processes as demonstrated in Figure 1.

### The many modalities in the developing world

The eleven prevailing housing developer modalities are outlined in Table 1<sup>3</sup>. Following this table each modality is then discussed.

*Table 1: Housing developer modalities in the developing world.*

	Type	Characteristics	Key actor/s leading development	Geographic location and examples
Informal	1. Unauthorized owner-occupied self-build	Incremental construction of housing units over many years and decades led by households on land that is occupied illegally (squatted on).	Low-income households and self-formed neighbourhood organisations	Throughout the developing world, especially in countries that have tolerant government to such processes.
	2. Unauthorized subdivision	Land is sub-divided into individual plots and either sold on the informal market, or housing units developed and then sold.	Private developers acting outside formal system. In some cases, ‘land grabbers’.	Pirate land sub-dividers of Colombia; clandestine land sub-dividers of Brazil; ‘land grabbers’ in Pakistan.
	3. Rental units	Construction of units or rooms for rent by low-income households and recent migrants, outside formal controls.	Middle- and upper-income citizens, dedicated rental property developers, landowners	Africa, with very low-quality construction, very common in West African cities; The <i>Bustees</i> of Calcutta.

<sup>3</sup> While there are other modes of urban poor housing such as squatting in derelict buildings and street-sleeping, these are not ‘developers’ and are therefore not included in this analysis.

			Unauthorized self-builders who have incorporated rental rooms/units into their houses	Very common in Latin America: rooms/units in self-built unauthorized house
<b>Informal- formal hybrid</b>	4. Community slum-upgrading and resettlement	The community organizes themselves, agrees on their needs and priorities, works with the government to secure funding, and implements the urban upgrading or resettlement project	Community organizations, often with support from NGOs; local government; local and international funding providers.	E.g. Resettlement partnership in Manila, Philippines <sup>4</sup> . E.g. Baan Mankong Programme, Bangkok, Thailand <sup>5</sup> .
	5. 'Self-help' housing	Government provision of serviced plots of land on which residents incrementally construct their house, often known as 'Sites & Services'. Sometimes incremental land development schemes, thus un-serviced land	Government leads land and service provision, after which low-income households lead the house building process.	E.g. Villa El Salvador, Lima, Peru <sup>6</sup> . E.g. Samambaia, Brasilia, Brazil.
	6. Co-operative housing partnerships	Co-operatives organize themselves, save, obtain land from government and construct houses either communally or individually	Co-operatives lead the process, often with support from NGOs, with government support through land provision.	E.g. Barrio Hardoy, Buenos Aires, Argentina <sup>7</sup> E.g. Prek Toel, Phnom Penh, Cambodia <sup>8</sup>
	7. Owner-occupier transformations of public housing	Occupants who have received a government 'public' house incrementally modify/enlarge it	Once occupied the owner-occupier leads the process. Government regulations and building type restrict opportunities.	In Egypt, even mid-rise multi-family blocks have been subject to informal expansion.
<b>Formal</b>	8. Government-led slum upgrading	Informal slum settlements are upgraded through infrastructure and service provision and regularization of tenure, which can add considerable value.	National governments, local authorities, NGOs, professionals (architects, engineers, etc.)	E.g. Favela Bairro project in Rio de Janeiro, Brazil <sup>9</sup> E.g. Kampung Improvement Programme (KIP) in Indonesia.
	9. Legally established community groups	Organised community groups, recognized by law, apply for public funding, and develop housing on self-management, mutual aid and assisted self-help building processes supported by technical assistance from NGO's	Community-based organizations, supported by NGO's	Sao Paulo's FUNACOM programme, later brought to scale for the State of Sao Paulo and now a national model recognized by the Brazilian National Social Housing Fund <sup>10</sup> .
	10. Private	Typically either speculative or individual owner-occupier. Profit-seeking developers often	Commercial housing developers, Built environment	Throughout the developing world but especially in countries

<sup>4</sup> UN HABITAT and UN ESCAP (2008) *Housing the poor in Asian cities: community-based organizations: the poor as agents of development*. UNON: Nairobi. p.13

<sup>5</sup> UN HABITAT and UN ESCAP (2008) *Housing the poor in Asian cities: community-based organizations: the poor as agents of development*. UNON: Nairobi. p.15

<sup>6</sup> Ivo I. and Jeff R. (2003) *Slum Upgrading and Participation: Lessons from Latin America*. The World Bank.

<sup>7</sup> Almansi, F. and Tammarazio, A. (2008) Mobilizing projects in community organisations with a long term perspective: neighbourhood credit funds in Buenos Aires. *Environment and Urbanization*, Vol. 20, No. 1, pp. 121-147.

<sup>8</sup> UN HABITAT and UN ESCAP (2008) *Housing the poor in Asian cities: community-based organizations: the poor as agents of development*. UN HABITAT: Nairobi, Kenya, p.11

<sup>9</sup> Machado, R. (Ed) (2003) *The Favela-Bairro project*. Harvard: Harvard University Graduate School of Design.

<sup>10</sup> Denaldi, R. (1994) *Viable self-management: the FUNACOM housing programme of the Sao Paulo Municipality*. HIS Working Paper. Series No. 9. Institute for Housing and Urban Development Studies.

		partner with governments for low-income housing (“Public-private partnership”).	professionals, Middle- and high-income citizens.	with well functioning construction industries and supportive regulatory frameworks: El-Salvador, India, Brazil, Malaysia, Zambia.
	11. Direct government ‘public housing’	Land and housing is developed by the government (via the private sector) and is sold to low-income households.	The government leads the process with support from the private sector.	Many experiences in the developing world: e.g. Ethiopian Condominium Housing Programme; South Africa national housing programme.

### **Informal modes**

It is generally accepted that throughout the developing world informal housing production accounts for the majority of housing activity. According to UN-HABITAT, in Africa and some sub-regions of Asia urban growth is largely synonymous with slum formation, meaning that cities are growing on the basis of informal land and housing developments and not as a result of planned processes. For example, in Sub-Saharan Africa urban growth and slum growth are almost identical: 4.58 and 4.53 per cent respectively (UN-HABITAT, 2005). Informal modes of housing are those that are undertaken outside of the official planning framework, often contravening building codes and norms, and out of the control of the state, city or local authorities. Informal modes are not regulated by state building and planning codes, are financially independent (they do not pay taxes or receive any subsidies), and, at least initially, are not formally recognized by any state agencies (for instance, listed on land and building registries). A key feature of informal development is the reversal of formal development stages, as discussed above (Baross, 1987).

The prevalence and scale of informal development depends on several factors. Along with rapid population growth, high levels of rapid urbanization have significantly increased urban housing demand. Vast numbers of poor rural migrants, who relocate to the city in search for employment and greater opportunities, seek housing that is affordable and centrally located for employment purposes. Informal housing such as squatter settlements and slums suits the needs of recent migrants (Turner, 1967; 1972) and are much cheaper than formal housing. Combined with this demand, there is insufficient supply of affordable housing, especially centrally located housing. Formal housing is prohibitively expensive in terms of the initial purchase price and operating costs. Resulting from this drastically mismatched supply and demand, informal housing developers construct a significant proportion of the housing stock in the developing world. Generally, informal housing development depends on land availability, with cities that have large tracts of public land have higher rates of informal settlements than those with higher levels of private land (UNCHS, 1996), as well as the level of tolerance and lenience afforded by the national and city governments to informal development.

There are three main informal developer modalities in the developing world: unauthorized owner-occupier self-builders (by far the most widespread), unauthorized land sub-dividers, and rental property developers.

### ***Unauthorized owner-occupied self-build***

This mode of housing provision includes squatter settlements, informal settlements, and many self-built slums. Throughout the last three decades it has been the dominant method of housing provision. The unauthorized owner-occupier developer secures a plot of land (either squatting illegally, through organized mass-invasion or gradually by families or small groups, or informally through de-facto tenure agreements with landowners) and constructs a housing unit, usually illegally but always without official permission or registration.

Although there is regional variation, the housing development process follows a similar general trend. Initially the shelter quality is rudimentary, constructed from inexpensive and impermanent materials. Seldom is there infrastructure and service provision. If eviction is resisted and de-facto tenure secured owner-occupiers consolidate the rudimentary shacks into more permanent often multi-storied houses. Concurrent with individual house development, the neighbourhood secures services such as electricity, water, and sanitation and installs infrastructure such as roads, street lighting and public spaces. This process typically takes many decades after which time these informal settlements are often indistinguishable from neighbouring formally developed areas. The consolidation process, however, is not a given and it does not always take place; often the rudimentary settlements remain so, depending on the level of community cohesion, investment capacity in housing, tenure security and owner occupation (Gilbert, 1990).

While the unauthorized self-build housing developer is largely independent, acting according to their own interests and financial capacity, they often have connections to local neighbourhood organizations, working with them to improve communal neighbourhood aspects and lobby the state for title registration and service provision. The initial house is largely constructed by the owner-occupier, yet specialized, or sometimes all of the construction tasks for the consolidated house are outsourced to informal building contractors (Drakakis-Smith, 1981). Housing finance is largely dependant on the individual developer's resources and capacity. In many parts of the developing world this mode is increasingly difficult for the low-income sector due to increased pressure on limited land supply that forces prices up and reduces the number of invasions (Ward and Macoloo, 1992).

### ***Unauthorized subdivision***

Unauthorized subdivisions are developed by small- and medium-sized private developers who secure an area of land, undertake a detailed site survey and divide the land into plots that are then sold to owner-occupier self-builders. The whole process is by-and-large undertaken outside government control. This mode contrasts the unauthorized owner-occupied self-build mode in terms of the initial land acquisition and development process however the house-building and infrastructure provision process is largely the same. As inner-city land for squatting becomes increasingly unavailable this mode is increasingly becoming the dominant form of settlement approach in developing countries (Kievani and Werna, 2001; UNCHS, 1996; Baross and Van de Linden, 1990). These developments are often located on the periphery of cities where there is a greater availability of land and greater chance the land capture and resale will be unchallenged by authorities.

The approach is very similar to formal land speculators but these developers operate outside the formal system, thus no formal planning approval is sought and the settlement may not meet official urban planning and land use regulations (for instance minimum plot size, right of ways, density limitations, floor area ratio, etc). Service provision is not usually given at the time of individual plot sale due to the high costs incurred by the developer. Rather, un-serviced plots are sold under contract between the developer and the purchaser. Then, as with unauthorized owner-occupier self-build, houses are incrementally constructed, often with a greater reliance on sub-contraction of construction tasks and a greater focus on speculation than in the typical squatter approach. Over time infrastructure and service provision follows and it is rather common to find small-scale informal building contractors operating on the basis of commissioned tasks of the housing construction process. In some cases, such as in Bangkok, these developers also build low-income housing on the plots, yet this remains a uncommon approach and the main business of the developer is to expedite the development and sale land plots (Kievani and Werna, 2001).

The land can be both private and public and in both cases the developer is the central actor negotiating the development proposal and financial incentive for the existing land-holder. In both cases, because of the nature of land subdivision schemes, there is an intrinsic illicit practice of securing land and make it available for housing. Conversion of use is often not authorized by government planning agencies, and the land holders may not be necessarily the same entity as land owners meaning that land has been grabbed and used without knowledge or permission by the one who has the freehold rights.

For private land the developer negotiates the extent of the proposed development and the financial compensation arrangement. For public land the developer may find ways to unofficially negotiate with government officials to ensure that the proposed land-development will go unchallenged, with officials receiving financial benefit either through personal allocation of plots or a proportion of overall development profit (Kievani and Werna, 2001).

This form of development is common where customary land ownership exists, such as in many West African countries, where tribal chiefs, rather than the state, have strong control of land and are therefore relatively capable of facilitating this process unhindered by state regulations. It is also evidenced in Latin America, for example the *Ejidal* in Mexico that are developed outside state control (Gilbert and Ward, 1985; Moser, 1982). This modality best illustrates the fact that in the developing world housing is produced under different modalities which are bound to the local political context and the degree of government tolerance towards certain modes of production, even if they contravene the law.

### ***Rental units***

A significant proportion of low-income urban dwellers in the developing world rent rather than own the housing they occupy. This is especially the case with the 'poorest of the poor' and recent urban migrants who are financially excluded from formal housing systems, cannot afford to purchase land through unauthorized subdivisions, or secure housing in informal settlements. Rental housing has benefits and disadvantages: it is cheap, centrally located and offers flexibility, yet it can place renters in situations of exploitation by landlords, it is of a very low physical quality, and tenants lack of security of tenure (UN-HABITAT, 2003b).

There are two main types of informal rental housing developers in the developing world. The first type is dedicated rental property developers who specifically develop rental accommodation on a large scale outside formal controls. They take a variety of guises: property owners who develop their property independently, middle-men who operate on behalf of property owners, and dedicated informal private enterprises that develop property in opportune locations specifically for rental. They either build new units or adapt existing buildings to many accommodate units for rent. In general the dwelling quality is low, which keeps rental costs low (desirable for the low-income tenants). The *Bustees* of Calcutta provide a clear example of the large-scale development of rental property by property owners and middle-men.

The second type is small-scale rental property developers who develop their informal owner-occupied house to include rental accommodation. As they incrementally consolidate their house owner-occupiers add extra rooms or independent housing units to accommodate other households or extended family. Such development is financially advantageous as it generates an income that can be used to further improve the house, construct additional units, and increase the overall financial security of the landlord. Such small-scale rental property development is common throughout the developing world, especially in countries with high housing demand (due to high urbanization and population growth rates) and already dense inner-city informal settlements where land is scarce.

Both types are informal in that they are developed outside official planning and city development plans, their developments do not conform to building and planning regulations, and they do not pay taxes. Therefore, rental properties and arrangements are usually kept quiet and as a result the scale and intricacies of this mode of housing provision are the least documented and understood (UN HABITAT 2003b).

### **Informal-formal hybrid modes**

Housing development in much of the developing world is neither strictly informal (such as squatting on a piece of land and building housing illegally) nor formal (registered with the state, meeting all relevant laws and codes, utilizing formal finance, and sold through the formal real estate market).

Rather, many housing developers combine elements and processes of each in an effort to produce housing and add value.

There are four main semi-formal housing developer modalities: community slum upgrading, 'self-help' housing, co-operative housing, and owner occupier public housing upgrading. In each, certain formal actors are involved, for instance the national government, local authorities, NGOs, and international organizations, and therefore their involvement necessitates a certain level of adherence to formal legal and regulatory frameworks. However, at certain points in the housing development process these formal actors and systems work alongside informal systems that are not regulated by the state, for instance financial, construction, and real estate systems. They are therefore a hybrid between the informal and formal systems.

### ***Community slum-upgrading and resettlement***

Slum upgrading primarily concerns the improvement of services and infrastructure and the regularization of land to secure tenure for residents living in informal slum areas. While it typically does not include the provision of housing units, it does represent the development of a residential area in which value is added, and consequently the housing units are subsequently improved by their owner-occupiers as well. Slum upgrading has been a dominant approach in the last two decades towards improving the living conditions of the urban poor living in informal settlements and slums.

Community (neighbourhood) based organizations (CBOs) can play a central role in the upgrading or resettlement of their neighbourhoods. They are comprised of elected representatives of residents of the neighbourhood who lead the development, articulation of needs, and negotiation with NGOs, international donors and governments. NGOs and International Organizations play a central role in slum upgrading, working closely with community organizations and lobbying for project funding. NGOs in particular play a facilitating role, often providing technical assistance to project planning, management and implementation, strengthening capacities of CBOs and establishing linkages between grassroots processes and government agencies. Even if external funding is not sought or provided, CBOs can play an instrumental role in improving neighbourhoods through the collective provision of infrastructure, construction services, and micro-finance schemes for example, outside the formal system, in which their participation in construction work often plays a key part of upgrading process.

### ***'Self-help' housing***

Self-help housing is associated with approaches called 'sites and services', 'sites without services', and 'core housing'. Self-help housing approaches were popular between the 1970s-1990s, responding to the prevailing theories of low-income housing development that placed significant value on the ability of low-income households in the developing world to solve their own shelter needs provided the government gave adequate support (Turner, 1967; 1972, Pugh, 2000). 'Sites and services' pertains to the formal provision of serviced plots of land upon which the occupants incrementally build a house. Core housing is the formal provision of a small unit that can be occupied immediately and to which occupants can incrementally build a house.

The key attribute of self-help housing is the developer's role played by local or national governments, NGOs, and International Organizations in delivering a part of a housing environment (surveyed and registered land, sanitation core, infrastructure and services, or initial housing unit) within the formal development system. Once delivered, the occupant acts largely outside the formal system to improve their housing conditions, usually incrementally, according to availability of resources, building materials and skilled labour, without checks on building regulations, or recourse to professional design or financial services.

These schemes have had varying levels of success. The main challenge has been the low demand by low-income sector due to the limited affordability resulting from increased compliance costs, undesirable poorly located sites on city peripheries, the time consuming and expensive project costs,

and low output of such schemes. Example: See boxed text: Villa El Salvador (*Note to editor: this box is optional and depends on space*).

**- Villa El Salvador: State-assisted self-help housing. Lima, Peru**

Villa El Salvador in Lima is a clear example of state-assisted 'sites and services' scheme. The official community of Villa El Salvador was borne in 1971 following the invasion of thousands of families to the suburbs of southern Lima. Local organisations, the government and the central government social development agency saw this move as an opportunity to join forces and work on an ambitious plan to develop a new settlement. Initially, the government obtained a flat piece of desert near the southern exit of the Pan American Highway and divided the site into a grid so they could begin to allocate small plots of land. Infrastructure was nonexistent at first and the first inhabitants had to negotiate with the government to obtain improvements, "Under the Velasco administration, the government was very responsive and took it upon itself to provide access routes for tank trucks to deliver water, to bring electricity and to build the first primary school."<sup>11</sup> The informal settlement became a thriving city in only a few years with infrastructure extending to its corners and industry taking hold,

Villa El Salvador is a case that demonstrates the vitality of individuals and their organizations acting as truly housing developers. Its' success was the result of a winning collaboration between the community and the state and the communities had gained enough diplomacy experience in their interaction with the government to enable them to maintain their push for improvements on their own, after the fall of the Velasco regime. What was unusual was that high-level government officials were in direct communication with residents which led to the creation of a clearly defined supply structure and rules to accommodate a gradual development process.

***Co-operative housing partnerships***

Co-operative housing is a development method whereby a co-operative, formed by a group of people, act together to develop land and housing, usually to meet their personal dwelling needs rather than for immediate commercial gain. Co-operatives have three basic functions: the pooling of resources, facilitating access to finance, and reducing construction costs through sharing of labour, all of which aim to acquire and develop affordable land and housing (UN-HABITAT and ICA, 2001). They can be formed through workplace connections or physical location (neighbourhood co-operatives). The former usually have a set structure, are formally registered and can have a clear management structure whereas the latter are often more unstructured.

Housing co-operatives seek to work with the formal system in terms of securing and negotiating for access to land. The development process varies widely. For some housing cooperatives their main purpose is financial savings and gaining strength through numbers to secure land for housing and to then build at a scale that attracts medium-sized contractors. For other co-operatives, it is not only the financial savings component but also the co-participation in the construction of each other's houses to reduce costs, usually outside formal controls, and hence the semi-formal nature of their development. The form of cooperative housing ownership varies: from individual owners of house and land, communal ownership of land but individual ownership of houses, through to collective ownership of houses and land. Additionally, it is worth mentioning that the housing development model through cooperative has a strong social component and often results in community strengthening and social cohesion. For example, in Uruguay large parts of the housing stock have been built through housing cooperatives, supported by technical assistance by NGO's and backed by a very progressive national legislation that helped to trigger strong national social mobilization.

Generally the scale of co-operative housing in the developing world is small, although in some countries for instance Turkey, co-operative housing has contributed a notable proportion of total housing supply (for instance, more than 13 percent between 1978-1980 (Okpala, 1992, cited in Kievani and Werna, 2001). Co-operative housing development faces, among other limitations, difficulties in accessing land and financial resources, a negative policy framework that often does not

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<sup>11</sup> Ivo I. and Rustler. (2003) *Slum Upgrading and Participation: Lessons from Latin America*. The World Bank: Washington. p. 74.

support co-ownership, lack of resident co-operation in urban areas, and a considerable time commitment to save, negotiate and acquire land for housing (UN-HABITAT and ICA, 2001).

### ***Owner-occupier transformations of public housing***

Another semi-formal housing developer mode is the owner-occupier who modifies their housing unit that was originally produced by the government, a mode that has been an under-researched and under-considered housing development approach (Tipple, 2000). Alterations are motivated by the desire to accommodate extended family, improve the congruence of the physical house with daily living patterns, and to tailor the house to express occupant identity (Tipple, 2000). Also, importantly, alterations are an important form of investment, adding value to the housing unit that can ideally be recovered upon sale.

The degree of alteration depends largely on the physical form of the existing house: single storey houses offer more opportunity to alter (add rooms) than multi-storied condominium blocks. On 'suburban' public housing schemes where sufficient land is available additional self-contained housing units are often built at the rear of the plot and are then either rented or sold. The mode is semi-formal as technically the house is formal (it has a legal address and met building codes when it was built, etc), but the transformation is largely, if not completely, informal, undertaken outside the formal planning, construction and real estate systems. It is often incremental and does not necessarily utilize technical support of architects and engineers in design and building processes.

### **Formal**

Formal housing developers are those that act completely within state legal frameworks to produce housing without any recourse to informal systems (finance, land, labour, real estate). Because housing produced within the formal sector is generally more expensive and takes longer to plan, implement, and complete due to the regulation requirements, it is mainly utilized by high-income groups. There are four main formal housing provision modes in the developing world: government and local authority slum upgrading schemes, legally recognized community groups, private housing developers, and direct 'public housing' provision by governments.

### ***State-led slum upgrading***

As noted above slum upgrading typically does not include the provision of housing units, it does represent the development of a residential area in which value is added. However, new housing provision is sometimes undertaken in slum upgrading projects for relocating those residents whose house must be demolished to make room for roads and infrastructure. In this formal mode the state, city, or local authorities become the lead developer of slum upgrading projects. They are the major actor leading development by identifying areas of need, coordinating the project, and undertaking the project completely within formal channels. Often project finance comes from NGOs or international organizations and involves partnerships with the private sector for implementation. State-led slum upgrading is an approach particularly evident in Latin America where the informal settlements are older and more developed compared with their African counterparts. For example, the national Argentine Programme Mejoramiento de Barrios (PROMEBA) in Argentina and the Favela Bairro programme in Rio de Janeiro.

### ***Legally recognized community groups***

Community groups, often led by grassroots leadership, that organize themselves in forms of self-help mutual aid associations have become a particular model of autonomous housing development operating within the formal housing system. These groups establish themselves as legal entities with the sole purpose of building housing for their members in a collective and well-organized process. These community groups receive funding directly from the government, typically through large-scale programmes, and therefore adhere to the legal and regulatory frameworks for the duration of the development process, also drawing on technical expertise to improve the quality of construction and meet the required building standards and regulations.

The clearest example of this modality is from Brazil. The FUNACOM project, which emerged in the municipality of São Paulo late 1980's, was inspired by the housing cooperative movements of Uruguay. In essence it was a municipal credit fund with the sole purpose of financing social housing through self-management and mutual aid housing groups guided and supported by technical assistance entities which were recognized and accredited at the municipality's housing secretariat (Denaldi, 1994). This programme was later brought to scale at the provincial level (State of São Paulo) and has been brought to the national level as an important element of the National Social Housing Fund established by the Federal Government of Brazil.

### ***Private housing developers***

A private housing developer is a person or entity who acts within the formal regulatory framework but without any direct involvement by other entities (the state, community organizations, NGOs, etc) and therefore independently directs the housing development process. Compared with the developed world, in the developing world there are relatively few private housing developers. Those that do exist focus mainly on middle- and high-income sector housing and are often overlapping with builders and contractors. In the big cities of the developing world, it is common to see developers, real estate agents and construction companies frequently playing identical roles or being identified as one window company.

There are two main types of private housing developers. The smallest and least commercially orientated are individual owner-occupiers who commission and finance the construction of their private house, employing professionals (architects, engineers) and small-scale contractors for construction. The other type is speculative housing developers that exist as commercial entities for the purpose of developing housing projects for sale upon completion. While the physical form of their projects varies globally, the predominant approach in urban areas is multi-storied condominium housing that maximizes the return on land investment through increasing the number of housing units for sale. While these units are often small and relatively affordable, they still remain out of financial reach of the low-income sector and therefore mainly cater for the middle-income sector.

The perpetual predicament has been that it is not financially advantageous for speculative housing developers to involve themselves in the production of low-income housing. In the last two decades public-private partnerships have gained prominence as a housing provision mode for low-income housing. Governments provide incentives (for instance, land price subsidies or tax incentives) for private developers to carry out low-income housing projects deemed of social importance. The recent multi-billion dollar national programme "Minha Casa Minha Vida" (My House My Life) under implementation in Brazil does exactly this. It calls upon private sector developers and construction companies to join forces with municipal governments to provide housing for the popular sectors of society. Municipal governments are in charge of providing land while the Federal government provides finance and technical support.

### ***Direct government 'public housing'***

The government acts as a housing developer when it leads the planning and implementation of housing projects, typically large scale, mass-building programmes that aim to cater to the low-income sector. At the present time this approach is far less common compared with during the 1950s-1970s where it was the favored approach to addressing the massive housing demand. Apart from Hong Kong and Singapore, large-scale government housing projects were largely unsuccessful as their design was not responsive to user needs and aspirations, the units were small and of low quality, they were unaffordable for the urban poor, placed extreme financial strain on governments, were located in undesirable peripheral locations, and often were not low-cost due to the large-scale and shortage of skilled labour and materials. Nevertheless, large-scale government involvement in housing production still occurs, for example the Condominium Housing Programme in Ethiopia, where the government has targets to build 400,000 units within five years. As described above, however, in most developing countries public-private partnerships have replaced direct government public housing development.

## Implications for policy and practice

Having outlined the eleven main housing developer modalities in the developing world, this section briefly outlines some implications of these methods for policy and practice.

Informal developers *are* producing housing and rental units. Local and international policy must acknowledge that the informal sector is a major force of housing production in the developing world. Furthermore, having looked at the field through the conceptual lens of 'housing developer' this chapter has highlighted that low-income citizens are not only striving for basic shelter but to use housing as a form of investment and security, and, importantly, for economic gain. Many see housing as a guarantee of pension and social security for their old age and for their family. Policy and practice should likewise recognize that in reality modes of housing production do not fit neatly into the formal-informal dichotomy. Rather, within each mode there is either more or less influence of informal and formal elements. There is certainly no 'one model fits all'.

With such a range of modalities, the challenge for the public and private sectors is how to encourage and facilitate the growth of all modes of housing provision in order to 'go to scale' and meet the high demand. While the growth of informal housing modes is no desirable per-se, attention must be given to the hybrid approaches (for example housing co-operatives) as well as government-supported self-management models and autonomous housing building process to ascertain how they can be supported because it is highly unlikely that the formal market alone will meet the massive housing demand—both existing and future—in developing countries.

This massive demand reflects the pressing need to improve the living conditions of a sizable proportion of the world's population. The Millennium Development Goal Target 11 aims to achieve 'a significant improvement in the lives of 100 million slum dwellers' by 2015. How can we meet this goal and address the massive demand for adequate and affordable housing? While this chapter has not provided answers to such questions, it is underpinned by the belief that outlining the range of modalities and bringing them to scale are important steps in understanding the housing sector and developing a supportive regulatory framework that supports the production of affordable low-income housing by harnessing a range of housing development modalities.

## Conclusion

There are significant differences between housing developers in the developed and developing world, yet there are also many similarities: they mobilize resources and modify the physical environment in an effort to add value. In outlining the eleven main housing developer modalities the chapter has demonstrated the wide spectrum of housing approaches in the developing world. In doing so it has highlighted that the majority of the cities of today are being built by informal housing developers who act outside official control in a variety of ways. The challenge, then, is how governments in the developing world can capitalize on this creativity and entrepreneurship to improve the living conditions of the low-income sector. An important first step, which this chapter has done, is to understand, on a formal-informal continuum, rather than a binary formal-informal conceptualization, the many housing development modes in the developing world.

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