

Dialogue on Core Issues re Access to Functioning Financial Mechanisms for Slum Inhabitants

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Key words: Slums, functioning housing market, the role of surveyors.

SUMMARY

Slums represent a market, a fact little known by formal housing finance institutions. Cities in developing nations worldwide give clear evidence to the thesis that progress creates poverty through constraints on the access to land. Without access to functioning financial mechanisms (institutions as well as instruments), one milliard people is kept from achieving an acceptable housing standard.

FIG and UN Habitat have joined forces in a Project leading up to a two-days Seminar and Workshops **Improving Slum Conditions through Innovative Financing** in Stockholm 2008. The two themes are linked together:

- **Securing tenure as the key to efficient finance and housing** and
- **Functioning financial markets for housing finance.**

We need to start working together! We need to openly start sharing information and experience. We need to look beyond our immediate gain and understand the larger picture. A Dialogue should be held as part of this project and starts during this FIG working week in Hong Kong May 2007. The dialogue will be based on Real-life experience brought to the table by each participant. Within the Project, the collective experience will be added on to by well-prepared future oriented crosscheck surveys and thematic analysis. Careful thoughts shall be given to what type of result that can be expected at the end of the project, to whom it should be delivered and in what form.

Successfully performed and continued will the Dialogue make a useful contribution. Enlarged and better functioning networks of practitioners. Better understanding and cooperation amongst experts. Recognition by forerunners in the financial sector that Slums represent a market.

Affordable and adequate housing is a problem for “Us”-not for “Them”. It need be addressed by developing global partnerships, stretching out to reach each other.

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1. THE CORE ISSUE

The Universal Declaration of Human Rights stipulates: "Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services". It was adopted and proclaimed December 10 1948.

Over these 60 years that have passed, the world has changed in many ways. The slum problem is constantly growing while "the right to adequate housing" has been better understood.

The right to housing should not be interpreted in a narrow or restrictive sense, which equates it with, for example, the shelter provided by merely having a roof over one's head or views shelter exclusively as a commodity. Rather it should be seen as the right to live somewhere in security, peace and dignity. This is appropriate for at least two reasons. In the first place, the right to housing is integrally linked to other human rights and to fundamental principles like "the inherent dignity of the human person. This requires that the term "housing" be interpreted so as to take account of a variety of other considerations, most importantly that the right to housing should be ensured to all persons irrespective of income or access to economic resources.

The right to adequate housing applies to everyone. The phrase "himself and his family" reflects assumptions as to gender roles and economic activity patterns commonly accepted decades ago and cannot be read today as implying any limitations upon the applicability of the right to individuals or to female-headed households or other such groups. Thus, the concept of "family" must be understood in a wide sense. Further, individuals, as well as families, are entitled to adequate housing regardless of age, economic status, group or other affiliation or status and other such factors. In particular, enjoyment of this right must not be subject to any form of discrimination.

A number of factors must be taken into account in determining whether particular forms of shelter can be considered to constitute "adequate housing" in any particular context. They include the following: (a) Legal security of tenure, (b) Availability of services, materials, facilities and infrastructure, (c) Affordability, (d) Habitability, (e) Accessibility, (f) Location and (g) Cultural adequacy. To take these factors into account requires capacity and competence in land policies and legislation (a), construction economics and management (b) and (g), land and property markets, housing finance, valuation and the management of real estate (c), land and geographically related information and spatial information management (d-f). To put it short: Surveying in all fields and applications.

2. A PERSISTENT PROBLEM THAT IS DEEPLY ROOTED

Let me quote the quote made by Dr Klaus Töpfer in his Opening key note address at the 23rd FIG Congress in Munich last October: “*Everything is already said, but not yet from everybody*”. It is certainly true when it comes to the much-contested debate on adequate and affordable housing for all!

A recent summary of lessons learned from Latin America provides some insight into the issues that are truly critical, which are sometimes quite different from those that are most obvious or present in the public agenda.

2.1 Implementation of Effective Land Policies

Urban problems are not the result of absence of land policies, or the capacity to implement them, but rather the existence of inefficient land policies. Effective policies include taxation of land and recovery of publicly generated land value increments. A significant number of slums and deteriorated settlements began as emergency camps. Specific public housing projects have been negatively affected by elitist norms that are hard to comply with. The norms give negative effects on land prices. Clientelistic “traditional practices” distort the delivery of public infrastructure and services. Also many regularization policies on informality indicate negative effects.

2.2 Unavailable or Untapped Resources

The development and execution of good projects is frequently affected by the lack of operational capacity or unscrupulous behaviour of authorities when managing existing resources. More creative means of leveraging existing resources can on the other hand also be shown. One example given was the use of transferable development rights as “currency” in costly expropriations or compensations of land needed for key public infrastructure, the Porto Alegre Brazil inner-city transportation corridor. It is summarized that the resources exist, but not the capacity or willingness to tap into them. The socially skewed concept of “privatization of benefits and socialization of costs” is still predominant.

2.3 Lack of Existing Information or the Capacity to use it

Relevant land information often exists, but not the capacity to find, recognize, organize and, above all, interpret it. The valuable, rich information is at best applied superficially or ceremonially. The root problem is public officials’ inability (let alone unwillingness) to turn such information into operational results.

2.4 Discontinuity in Program Implementation

The “rules of the game” vary due to political and administrative discontinuities that disrupt, derail or terminate even the most successful projects. Land use development is a long-term decision, and the degree of permanency is a major component in the behaviour of private actors. Many promising ideas were never implemented successfully because of petty political

or economic interests. Distrust and suspicion toward the seriousness of administrative action undermines decisions from the very inception.

2.5 Lack of Dialogue between Urban Planners and Public Finance Officials

Planners are mostly concerned with the quality of the built environment, even in the small, restricted areas, while the fiscal officials seek to maximize the public revenues. Planners in practice often overlook how the projects should be financed and how urban form affects the tax base or impacts of tax collection on land uses. The real costs of gentrified enclaves are ignored or unaccounted for. With a holistic and sequential planning process the economic or fiscal benefits would not be as socially and spatially circumscribed.

Basically all these five problem areas have to do with missing links. Scattered efforts, occasional and random capacity building, mistrust and lack of communication all play in the hands of those few who benefit from poverty in a narrow perspective. The issue of an enabling institutional framework is the central one. Building one is a process over time and requires open access to relevant and validated information that could build sufficient pressure behind necessary changes. So everything has been said, but who has listened?

3. COULD SURVEYORS PLAY A KEY ROLE?

Surveyors play a key role in linking functioning markets for housing and finance. Support to this aim is being provided, but despite 30 years of efforts, political commitments and reiterated priority to the issue, little has been achieved. Some of the basic problems are shown above in chapter 2. Building up *the key institutions* that can manage the public systems providing *key public goods*¹ is –at best – “a slow process”. Not until the state can set up an enabling regulatory framework for this, the poor will stop paying relatively more for inadequate services. And the poor do pay for their housing.

This initiative has been taken by the two responsible agencies in Sweden for key public goods in housing markets and housing finance. These institutions have developed from a policy based on the need for integration, justice and equality, to combat overcrowding and poor living conditions, less than a century ago. Today we face a reality where global actors and local needs outpace the institutional development on a national, and even more- a city level.

So, what could be done at the global or international level? When the state has obvious difficulties in delivering the enabling framework, when bilateral assistance in the area can address some of the bottlenecks, but seldom achieve sustainability of the efforts and institutional capacity building in the long run.

¹ Like: Policy coordination with land, infrastructure, legal, and financial systems, appropriate regulations in respect to land-use, zoning, and building, enforceable property rights and a range of tradable property rights, a sustainable finance system for the housing sector including effective assistance to those unable to look after their own shelter needs, and timely provision of infrastructure.

3.1 A Surveyors Role

A surveyor is a professional person with the academic qualifications and technical expertise to understand the functioning of land and property markets, to assemble and interpret land and geographically related information and to use that information for planning and efficient administration of the land. Land and its division into sustainable properties form the basic task of the land surveyor.

Surveying is a cross cutting issue that encompasses all the three pillars of sustainability. Land economy and transactions, including taxation and valuation. Looking at land from the natural resources perspective makes it possible to judge the habitability and allocate functional properties for various purposes in a society. Sustainable development above all requires a strong human basis, such as people capable of acting effectively. It involves, in the first instance, meeting the *basic needs* like access to suitable and hygienic housing, *social integration* inclusion of, or participation by, the entire population in social and political life, and *empowerment*, especially of disadvantaged groups. Social inequalities with regard to income and opportunity are important factors influencing sustainable - and economically sound - development. *Thus strategies for social development aim to reduce poverty and dismantle inequalities.* This need be reflected in legislation and practice regarding land use, land parcelling and urban development.

Traditionally the surveyor (in Sweden) has the role as mediator between conflicting interests on land use or land economy. The role is founded on the surveyor's key expertise in understanding land policies, their effects and implications in a specific (part of the) society. The International Federation of Surveyors is an international, non-government organisation whose purpose is to support international collaboration for the progress of surveying in all fields and applications. Slums is an important and most challenging issue, both within the FIG working programme and on the international agenda.

3.2 Shelter Delivery Chain

Let me turn back to the articulation of what is needed for adequate and affordable shelter for all, as briefly quoted in Chapter 1. Each paragraph in the General Comment is also a link in the shelter delivery chain. The Links: Mapping-Planning- Property and Land rights- Cadastral services- Valuation- Accessible markets- Functioning Finance, have to connect and form a chain if the market should function.

3.2.1 Mapping and geographical information systems

Is needed to ensure the "Habitability. Adequate housing must be habitable, in terms of providing the inhabitants with adequate space and protecting them from cold, damp, heat, rain, wind or other threats to health, structural hazards, and disease vectors. The physical safety of occupants must be guaranteed as well."

3.2.2 Planning

Connects to “Location. Adequate housing must be in a location, which allows access to employment options, health-care services, schools, child-care centres and other social facilities. This is true both in large cities and in rural areas where the temporal and financial costs of getting to and from the place of work can place excessive demands upon the budgets of poor households. Similarly, housing should not be built on polluted sites nor in immediate proximity to pollution sources that threaten the right to health of the inhabitants;”

The planning also should govern “Cultural adequacy. The way housing is constructed, the building materials used and the policies supporting these must appropriately enable the expression of cultural identity and diversity of housing. Activities geared towards development or modernization in the housing sphere should ensure that the cultural dimensions of housing are not sacrificed, and that, inter alia, modern technological facilities, as appropriate are also ensured.”

“Availability of services, materials, facilities and infrastructure. An adequate house must contain certain facilities essential for health, security, comfort and nutrition. All beneficiaries of the right to adequate housing should have sustainable access to natural and common resources, safe drinking water, energy for cooking, heating and lighting, sanitation and washing facilities, means of food storage, refuse disposal, site drainage and emergency services;” This is the component where a good dialogue between the Planners and the Financial managers will seek the best solutions.

3.2.3 Property and Land Rights

The framework for Property and Land rights should govern the “Accessibility. Adequate housing must be accessible to those entitled to it. Disadvantaged groups must be accorded full and sustainable access to adequate housing resources. Thus, such disadvantaged groups as the elderly, children, the physically disabled, the terminally ill, HIV-positive individuals, persons with persistent medical problems, the mentally ill, victims of natural disasters, people living in disaster-prone areas and other groups should be ensured some degree of priority consideration in the housing sphere. Both housing law and policy should take fully into account the special housing needs of these groups.”

3.2.4 Cadastral Services

Cadasters provide the information on “Legal security of tenure. Tenure takes a variety of forms, including rental (public and private) accommodation, cooperative housing, lease, owner-occupation, emergency housing and informal settlements, including occupation of land or property. Notwithstanding the type of tenure, all persons should possess a degree of security of tenure, which guarantees legal protection against forced eviction, harassment and other threats.”

3.2.5 Valuation- Accessible markets- Functioning Finance

To make the markets work, independent information on prices and market value is of course essential. Access to market is built on information. The financial costs for housing is closely linked to the security in tenure and the transparency of the housing markets. “Affordability. Personal or household financial costs associated with housing should be at such a level that the attainment and satisfaction of other basic needs are not threatened or compromised. In accordance with the principle of affordability, tenants should be protected by appropriate means against unreasonable rent levels or rent increases.”

3.2.6 Requests to the State Parties

The principle of sovereign states is central to all international collaboration. States commit themselves to international agreements, action plans etc. Clear requests are therefore being put on the States parties:

- The Committee encourages States parties to comprehensively apply the Health Principles of Housing prepared by WHO which view housing as the environmental factor most frequently associated with conditions for disease in epidemiological analyses; i.e. inadequate and deficient housing and living conditions are invariably associated with higher mortality and morbidity rates.
- Within many States parties increasing access to land by landless or impoverished segments of the society should constitute a central policy goal.
- Discernible governmental obligations need to be developed aiming to substantiate the right of all to a secure place to live in peace and dignity, including access to land as an entitlement.
- States parties should consequently take immediate measures aimed at conferring legal security of tenure upon those persons and households currently lacking such protection, in genuine consultation with affected persons and groups.
- Steps should be taken by States parties to ensure that the percentage of housing-related costs is, in general, commensurate with income levels.
- States parties should establish housing subsidies for those unable to obtain affordable housing, as well as forms and levels of housing finance, which adequately reflect housing needs.
- In societies where natural materials constitute the chief sources of building materials for housing, steps should be taken by States parties to ensure the availability of such materials.

International cooperation aims to support the States when taking on these challenges. International organisations neither could nor should try to play the role of a Super State taking over the national responsibilities. The international level can at best provide an opportunity for efficient support. The most important prerequisite to be able to do so is a dialogue where actors involved can understand where we are, where to begin and where to go.

“Only the far-sighted will be able to make real progress.” Dag Hammarskjold, former UN Secretary General.

3.2.7 Connecting the Links to a Chain

Slums represent a market. The “demand” side, of 3 billion people needing new housing in the coming 25 years – a little less than 100 000 housing units per day! – corresponds to financial needs. The amount is staggering, but we are also talking about 40% of the world’s population. Applying the Human rights-perspective on the fact that each third city inhabitant has inadequate housing, because the adequate is unaffordable, *Slums represent a market failure!*

Supply meets demand in the marketplace. A chain of links need to be developed between housing finance, that is getting global, and the local market needs. Access to reliable, transparent and validated information is essential. Only a clear ownership of such institutional capacity can safeguard its sustainability. Thirty years of experience is out there to be tapped through a well-prepared dialogue between actors prone to assume responsibility for their link in the chain. These actors understand how to connect to the other links. Affordable and adequate housing is a problem for “Us”-not for “Them”. It needs to be addressed by developing genuine partnerships, stretching out to reach each other.

You will find all the links in this Shelter delivery chain within the FIG work programme. We are practitioners in the field. In my opinion, the key role that could be played by Surveyors is the role of well-informed mediators, connected through an international network facilitating our contacts and crossing borders, and applying our holistic understanding of land and property markets. You will find that your particular contribution could be fit in or that you know of someone that could provide a valuable input. The chain will be strong and well connected if we all are eager to learn and listen.

4. STARTING THE DIALOGUE - SOMETHING TO BUILD ON

“It is important to take a hard look at the reality on the ground and develop solutions that can fit that reality and that will work.” K Topfer.

We are starting the Dialogue here and now in Hong Kong. A Dialogue built on real life experience and lessons learned. Not a competition for best project, tool, model, mechanism or facility in show. A Dialogue driven by the possibilities at hand, and taking on the hardest challenge of them all – Collaboration!

The concept of a functioning market can easily be misunderstood and (or) misinterpreted. A functioning market is a market for all. The one thing we know for certain is that such a market does not develop through internal forces. Corruption, crime and general disorder keep the poor in poverty. The antidote of poverty is freedom. Kofi Annan summarized it beautifully in his speech “In Larger Freedom”. We need freedom from want, we need freedom from fear, and we need freedom to live in human dignity. Those three are very intensively interrelated. Freedom to live in human dignity! Meaning the respect for human rights, respect to good governance, to the rule of law. Freedom from want can only be if we have a sense of fairness in a rule based system of property rights and secure tenure. Freedom from fear is built on mutual trust. And trust comes from understanding “the other”.

4.1 Part 1: Land use management and Property rights. Implications for access to finance Tuesday 16-17

Urban poverty in the midst of social and economic progress is related to the conditions under which land is made accessible for individuals and for the community at large. This connection between poverty and land is established both directly and indirectly. Land prices and rents directly influence the peoples' income at disposal, and land prices indirectly gives an effect on profits, investments and wages. Cities in developing nations worldwide give clear evidence to the thesis that *progress creates poverty through constraints on the access to land*.

There is a gap between alternative forms of tenure and the corresponding financial mechanisms, by which the urban poor can access housing finance. While the formal mortgage market caters for individuals with leasehold and freehold title, more effort is required to develop appropriate financial mechanisms for alternative forms of tenure, such as group titles, or intermediate options, such as licences for temporary occupation, progressively increasing land-use rights, etc. *Informal land markets* provides economic opportunities for the wealthier and increases the cost of housing for the poor. Contrary to common sense, informality is not a cheaper or an opportunistic way to "beat the system". The urban poor in informal settlements often pay more than residents in the formal city for services of much lower quality. The reason is simply that the informal market is the only way for many poor and middle-class families to access the city. The predominant form of access to serviced land is through informal market transactions, and no longer through squatting or invading. More than two thirds of new housing in Latin America is built outside the formal market.

Invitation to Inputs:

- Economic consequences of the informal market transactions. Facts and figures.
- Provision of serviced land. State of Art. Existing procedures and institutional capacity.
- Analysis, crosscheck surveys on Land tenure and Urban Upgrading programs.
- Spatial information management towards legalizing informal urban development. Innovative tools and institutional requirements. (WPLA Athens seminar output.)

Comparing Regional experiences. Proposed Key issues:

- Property taxation. Ideal models compared to current situation.
- The increasing number of informal land occupations evolving into consolidated irregular settlements. Monitoring the situation.
- Incremental value of land development. Size and beneficiaries. Who could/should be tapping this potential and How?
- Implications of the new terms and conditions, due to the globalisation of finance.

Tentative Outputs: How to get the Property rights system to work in a globalized financial market?

- Understanding the present. Informal market size, economic value, beneficiaries.
- Gaps in procedures and institutional capacity: Efficient provision of serviced land.
- Conclusions and recommendations based on analysis of experiences.
- Times, Targets and Responsible "agents" to implement the recommendations.

4.2 Part 2: Land management practices and tools and their links to efficient finance.
Wednesday 11-12.30.

Development of Pro Poor Land Management and Land Administration² has to keep up with the rapid development of informal urban housing. This dialogue will build on a synthesis of the results from a broad range of activities during the last couple of years aiming at appropriate concepts and tools for land administration and land management with regard to the specific institutional and operational context of countries with urban slums.

Invitation to Inputs: Overview, analysis and lessons learned, relevant to urban slums

- The development of pro poor land management approaches in urban areas.
- Improvements of land tenure security. The role of gender-issues.
- Solutions to combine formal land delivery process and customary approaches (neo-customary) land delivery process.
- Simple, low cost solutions for creating sustainable land administration.
- UN Habitat Global Campaign for Secure Tenure. Four years of experience.
- Advance and low cost technology to support the development for sustainable and pro poor land mgmt and land adm. Electronic conveyance and governance.
- Enhancing Land Registration and Cadastre for Economic Growth in India. Results from the International Conference New Delhi, India, 31 January-1 February 2006.

Key issues proposed:

- Legislation. Appropriate regulations in respect to land-use as well as enforceable and tradable property rights.
- Necessary legal and institutional framework and other conditions for the creation and development of a sustainable urban development in cities with slums.
- Security of tenure required for various financial institutions?
- Public and private roles in land administration
- Sensible forms of land taxation for funding land reform and upgrading programmes

Tentative Outputs could be:

- A capacity building approach for pro poor land management in urban areas
- Model of necessary elements in the Land Administration Chain.³ Assessment of the Chain in reality (based on the Model). Initial assessment of up to 20 countries. Mapping studies of a representative selection of 5-10. Actor's analysis. Crosscheck survey of bottlenecks and remedies.
- Awareness concerning the role of surveyors in this field amongst stakeholders
- Encouraging knowledge, skills and capabilities of surveyors in this field
- Advancing land administration and land management for improved access to finance.

² Land administration includes determining, recording, and disseminating information on the ownership, value and use of land. Land management is the implementation of land policy, by a wide range of instruments (e.g. land reform, land consolidation, land markets, land taxation).

³ The Chain of a functioning market consisting of the following Links: Mapping-Planning- Property and Land rights- Cadastral services- Valuation- Accessible markets- Functioning Finance

5. SUMMARIZING THE WORK TO BE DONE

Adequate and affordable housing means the right to live somewhere in security, peace and dignity to all persons irrespective of income or access to economic resources.

Capacity and competence for Surveying in all fields and applications are keys needed to unlock the market failures that are leading to a rapid growth of slums. Understanding land policies and legislation can design appropriate systems for Security of tenure, construction economics and management can ensure the Availability of services, materials, facilities and infrastructure, and Cultural adequacy. Capacity and competence in land and property markets, housing finance, valuation and the management of real estate are prerequisites for Affordability. Land and geographically related information and spatial information management is needed to judge Habitability, Accessibility and appropriate Location.

Through this start of a Dialogue on *Improving Slum Conditions through Innovative Financing* we shall build on our collective experience and knowledge, while understanding the roots to the problem. It means:

- *Inviting our Networks.* Locating and highlighting the untapped resources
- *A Homepage.* Making the existing information available and user friendly and at the same time building the capacity to use it.
- *A long-term engagement.* Continuity in implementing and follow-up of effective measures.
- *Open minds and hands on.* Design and implementation of effective land and housing policies.
- *Fostering a genuine Dialogue.* Urban Planners, experts involved, decision makers, the financial sector and the affected persons and groups.

The States have obvious difficulties in delivering the enabling framework. Bilateral assistance in the area can address some of the bottlenecks, but seldom achieve sustainability of the efforts and institutional capacity building in the long run. What could be done at the global or international level?

We should connect and strengthen the Shelter delivery chain through open access to valid and relevant information.

The work programme is outlined. Let us meet!

Tuesday May 15 at 16 pm. Land use management and property rights and their links to finance.

Wednesday May 16 at 11 am. Pro poor land management and tools. Links to efficient finance.

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BIOGRAPHICAL NOTES

M.Sc. Environmental Engineering (Land Surveyor), Royal Institute of Technology, Stockholm 1980,
Masters education in Development of Democracy Uppsala University 2002-3

Areas of work: Sustainable Development. Policy analysis. Urban environment issues. Environmental Management. Development of Democracy. Water-resources Management. The global Energy sector-prospects and challenges of the future. International Conventions and Agreements in Environment (MEAs) and related issues.

Specializes in Institutional development and Pre- and post project/ programme evaluations.

Worked internationally since 1993 as Senior Adviser Environmental Matters at Sida (Swedish International Development Co-operation Agency) and as Director of International Affairs at IVL Swedish Environmental Research Institute. Own consultancy firm since 2002- energy environment & sustainable development, eesd. Business Concept: Improve international cooperation towards a sustainable and equitable global development

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