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STUDIES AND RESEARCH IN SPONTANEOUS HOUSING

ANNOTATED BIBLIOGRAPHY

JANUARY 1986

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INTRODUCTION

Recognizing the importance and dynamism of the spontaneous housing sector, the Agency for International Development's Office of Housing and Urban Programs undertook a literature search in late 1985 of research and studies pertaining to this subject.

This annotated bibliography represents about 40% of the articles, reports and studies that were reviewed. Included are those reports that most directly analyze the spontaneous or unregulated sector as this term applies to shelter, finance and urban issues and that appear to provide the most useful guidance to analysts and program managers seeking information about spontaneous housing.

A complete file of the reports and studies reviewed is available in the Office of Housing and Urban Programs. With the exception of two citations, the bibliography is limited to work completed in the 1980's and, thus, it represents current analysis and thinking.

The literature search was not completely exhaustive. What was not collected were some reports published overseas at universities, e.g., University of Nairobi; research organizations, e.g., Ardhi Institute in Dar es Salam; or international donors, e.g., ILO. Nevertheless, the number of studies which were obtained considerably exceeded expectations at the beginning of the work.

Another factor was that most studies or reports reviewed also contained a bibliography. Each of these bibliographies compounded the volume of spontaneous housing-related citations to track down and review. However, based on discussions with researchers in the spontaneous housing field and from impressions of the titles of studies not obtained, it is felt that most, if not all, the key projects, research findings and case studies have been included.

To maximize the usefulness of the bibliography, it has been organized into eleven subject categories that are tied to major areas of emphasis. These categories are set forth in the index to the bibliography.

A listing of individuals, contacts and libraries visited to develop the bibliography is contained as an annex to the bibliography.

ANNOTATED BIBLIOGRAPHY

I. Resource Mobilization Practices and Credit Mechanisms

A.* Hammam, Sonia, "Informal Financial Circuits in West Africa," Occasional Paper Series, Office of Housing & Urban Programs, US AID, 1984.

This study describes the mechanisms operating outside the framework of financial institutions to meet credit and investment needs in five West African countries. Applications of these practices to financing housing are specified.

This study effectively summarizes informal housing finance practices for anyone thinking of designing a project with informal sector involvement. It is concise, yet loaded with specific details. The characteristics of informal sector entities in general are fully explored and described:

- Largely unsecured credit;
- High risk in that the lender-borrower relationship involves extensive personal knowledge and continuous contact;
- Frequently high credit costs;
- Available credit is for very short terms.

The study also provides descriptions of operating practices by country for each type of informal sector financing source:

- Supplier credit;
- Salary advances & loans to employees;
- Consumer credit;
- Mutual assistance associations;
- Land leaseholds;
- Moneylenders;
- Kinship and friends.

B.* Madavo, Callisto, Savings Mobilization and Non-Formal Finance in Africa, Paper presented at the Eighth Conference on Housing in Africa, held in Gaborone, Botswana, 1982.

The following subjects are concisely and substantively analyzed:

- Why savings mobilization in African economies is currently difficult at a time when financing requirements for housing are growing.

- Sources and determinants of savings, including measures underway or that could be tried by African countries to mobilize savings.
- The amount of savings mobilization and informal finance directed to housing, including strategies that can be implemented to augment savings flowing into shelter.

The paper is very useful, particularly for an overview of the determinants of how much the formal sector saves, including the types of savings instruments used; why the informal sector grows into a major source of housing finance and the advantages that informal sector mechanisms have; and what housing finance institutions must deliver, whether they be formal or informal, to be competitive and to meaningfully address the housing finance needs of the population it serves.

C.* Miracle, Marvin & Miracle, Diane & Cohen, Laurie, "Informal Savings Mobilization in Africa", Economic Development and Cultural Change, Vol. 28 #4, July, 1980.

With the impression that the informal sector of African economies is larger and more complex than previously thought, the authors describe in detail how savings are accumulated through clubs or associations as well as how mobile bankers function. After the reasons for informal sector procedures are outlined, operational details are presented - e.g., savings mobilization, determination of creditworthiness, uses of loans made.

Housing construction or improvements are just one of many uses for which loans are made by these entities. However, the internal workings of the institutions which are examined are useful for housing specialists to understand because of their potential participation in housing project solutions.

D.* Timberg, T.A. and Alyer, C.V., Informal Credit Markets in India. World Bank Working Paper, Domestic Finance Studies No. 62, 1980.

An analysis of unregulated, urban credit entities in India is conducted - i.e., "indigenous bankers", finance "companies", and market finance brokers. They provide at least 50% of the credit provided by the commercial banks.

While they are directed primarily at commodity wholesale trade, they are marginally involved in low income housing finance. Their rates are slightly higher

than those charged by formal sector institutions and their transaction costs are usually lower.

The number of entities in the market, the instruments they use, their relative attractiveness to borrowers, their mode of operations, and the sectors they serve are identified. The conclusion assesses their overall impact on India's financial markets.

This study is well-written and easy to use as far as extracting practical ideas is concerned. Not directly related to informal housing but useful to informal housing specialists seeking alternative financing and savings mobilization ideas as well as institutional arrangements to promote low income housing.

E.* United Nations Center for Human Settlements (Habitat) report. Community Based Finance Institutions, 1984.

Community-based finance institution involvement in low income housing is analyzed. These institutions, known as credit unions, thrift societies or savings and loan associations, are run on cooperative principles without necessarily fulfilling rigid organization requirements laid down in cooperative related legislation. They are frequently unregistered, operating outside the formal institutional network in place.

Based on case study input from Kenya, Jamaica and Zambia, together with material from other countries, the magnitude of involvement of community based finance institutions is described as well as their various impacts on low income housing development and related savings mobilization. The conclusion focuses on identifying the operational factors that lead to the successful performance and growth of such organizations.

This report exemplifies the wealth of case study-generated findings that Habitat has documented. What still needs to be done is conversion of what is presented in this study into a form that can be easily incorporated into the thought process of housing program practitioners involved in project design.

F.* United Nations Center for Human Settlements (Habitat), Promoting Organized Self-Help Through Cooperative Modes of Participation, 1984.

This study specifies the requirements for effective cooperative involvement and the associated training needs for squatter settlement upgrading and sites and services

projects. The approaches recommended are supported by reference to case studies of urban housing projects funded by international donors.

This is a useful handbook of effective coop/self-help approaches to low income housing that international donor funded programs can develop into housing projects.

G.* United Nations Center for Human Settlements (Habitat) report. Promotion of Non-Conventional Approaches to Housing Finance for Low Income Groups, 1984.

This study is a comprehensive, substantive and well-organized study about the mobilization of financial resources for low-income housing based on what has been learned to date.

What is particularly useful about this report is its orientation: how and under what conditions credit lines can be made available to the poor who cannot meet conventional credit requirements.

Several case studies, supplemented by specific conclusions, examine the following factors:

- Non-conventional financing mechanisms and legal/institutional arrangements for providing credit for low income housing, infrastructure and services;
- Forms of savings mobilization implemented to finance low income housing related projects;
- Recommended roles that non-governmental institutions can play in low income housing, with special reference to financial problems.

This report presents many trends and technical strategies that are useful for the housing program manager. Given the direct applicability of the information presented to upcoming housing programs, the only task required is to convert the facts and ideas presented in this report into a quick-reference type format for housing project design practitioners.

H.* The Urban Edge (World Bank Periodical), 1) "The Evolution of Self-Help Housing," 2) "Informal Finance for the Poor: Breaking the Credit Bottleneck," Feb. 1984.

A one page evaluation of self help housing and a one page analysis of informal housing finance arrangements in which rotating credit associations are claimed to be the most effective. It suggests that private and public

financial institutions should therefore somehow link up with them, perhaps even providing them with some seed capital. Thought-provoking introductory material.

I.* Wegener, Raimund, "Low Income Housing Finance: An Integrated Approach," Habitat International, Vol. 6, #4, 1982.

This paper suggests that, with the fringe population tending to be excluded from conventional housing finance schemes, improvements are needed in:

- Overall provision of funds;
- Access to these resources;
- Finance terms, e.g.,
- Acceptance of informal income criteria;
- Adequate requirements for personal resources and collateral;
- Low loan amounts;
- Short maturities;
- Low interest rates;
- Flexible methods of payment.

Establishment of "thrift and loan associations" with a built-in contractual savings scheme is proposed as the primary mechanism to generate improvements.

The paper is useful in providing technical details regarding how formal finance systems are inadequate for the poor and the presentation of specific solutions.

II. Building Materials and Construction Practices

A. Strassman, Paul, Construction Employment, Skills, and Factor Substitution-General Principles and an Application to Core Housing, US AID Office of Housing and Urban Development, September, 1981.

Theoretical investigation of "the extent to which more or less onsite labor can be incorporated in structures, without economic loss, as wages rise or lag behind changes in non-labor costs". This article eventually reaches the conclusion that "if labor costs rise 10 percent compared with other inputs, a firm with 100 workers will lay off 8". Whether this trend is beneficial cannot be determined. Nor is a final conclusion reached regarding:

- Whether "persistent and acute shortages of skilled labor prevail in a city and sharply raise costs and inhibit building", or

- If labor is made more productive because of training, whether reduced unemployment will result.

While construction related employment related to informal housing construction is a significant issue, this article would appear difficult for informal housing managers to use to enhance project performance.

B. Strassman, Paul, "Employment in Construction: Multicountry Estimates of Costs and Substitution Elasticities for Small Dwellings", Economic and Cultural Change, Vol. 3 #2, January, 1985.

An academic discussion related to the "elasticity of substituting non-labor for labor in construction".

With the construction of small, minimal units considered to be a major generator of building-related employment activity, the proportion of labor to total costs in developing country housing projects ranges from 1/7 to 1/4, depending on the economic condition of the country (the poorest ones being up at one fourth). However, total housing costs remain around $3,600 per low income housing unit, with intercountry design variations attributable to climate and tastes of households/housing officials.

Data from surveys conducted in Columbia, Kenya, Pakistan, Sri Lanka, Tunisia and Zambia are included. The conclusions arrived at are tied to informal housing in a theoretical, general manner.

C. Stratton, A.W., "The Building Industry and Urbanization in Third World Countries: A Philippine Case Study", Economic Development and Cultural Change, Vol. 29 #2, January, 1981.

A study of the building industry in the Philippines is conducted. Since it plays a major role in low income housing, an understanding of this industry is considered to be important.

The industry in the Philippines is a conglomeration of different types of entities, from large modern firms using technology borrowed from western countries to small informal sector groups using little or no equipment. There is considerable interdependence and/or conflict between the different types of contractors, especially when the larger firms enter the low and middle income housing market previously dominated by the small, informal firms.

Consequently, the industry continually undergoes major changes not only as a result of external factors but also due to the interaction among different types of contractors.

D.* United Nations Center for Human Settlements (Habitat), The Construction Industry in Developing Countries, Vol. I and II, 1984.

A comprehensive construction industry profile, supported by nine case studies is presented. With the industry having its informal sector participants and with its significant involvement in informal housing, this study is useful background material for informal housing specialists who focus on construction involvement in informal housing related and employment/income impact issues.

E.* United Nations Center for Human Settlements (Habitat) report. Small Scale Building Material Production in the Context of the Informal Economy, 1984.

The dominance of informal sector enterprises in providing the bulk of building materials for low income housing is analyzed. Reasons for the inadequate supply of building materials of reasonable cost and quality are specified. Strategies related to basic inputs, regulations, application of related research and promotion of shelter construction programs to alleviate these constraints are then presented.

A very useful analytical component that housing specialists should incorporate in upcoming work, given the construction industry's alleged income, employment and skill generation impacts that accrue directly to the low income. This analysis represents a challenge as to how to more deeply build this aspect of housing into project design and evaluation efforts.

III. Land Tenure and Registration

A. Shahid, Saleem, "Land Management in The Katchi Abadis of Karachi" in Angel, Shlomo, et. al. eds. Land for Housing the Urban Poor. Singapore, Select Books, 1983.

In Karachi, Government has decided to preserve the informal housing stock by providing secure tenure through legalization of occupancy and provision of basic infrastructure with cost recovery features built in. The response of the inhabitants has been one of indifference. The reasons for this response are presented (e.g., cumbersome administration of the program) and general recommendations are set forth. Useful and well-written, with a few important lessons to be learned by informal housing project design specialists to bear in mind.

B. Silas, Johan, "Spatial Structure, Housing Delivery, Land Tenure, and the Urban Poor in Surabaya, Indonesia" in Angel, Shlomo, et. al. eds. Land for Housing the Urban Poor. Singapore, Select Books, 1983.

Surabayba low income housing is reported to face several dangerous trends. For example, the drive towards formalization and registration of land tenure has brought more land into the market and has stimulated speculative tendencies. This development has reduced community control of land transactions, with the effect of encouraging the transfer of land to more powerful owners of capital resources. Useful background reading, but very site-specific.

C. Wegelin, Emiel and Chanoud, Chantana, "Home Improvement, Housing Finance and Security of Tenure in Bangkok Slums" in Angel, Shlomo, et. al. eds. Land for Housing the Urban Poor. Singapore, Select Books, 1983.

Adequate security of land tenure, income level, and access to housing finance are found to be important pre-conditions for home improvement by slum dwellers in Bangkok. However, even at low tenure security and income levels, slum dwellers carry out critical home improvements. Lack of finance and fear of eviction are pointed to as the major reasons for holding back on home improvements.

D. Yahya, Saad, House Registration Handbook: A Model for Registering Houses in Unplanned Settlements, World Bank Technical Paper #4, Urban Development Dept., 1982

This is a practical step-by-step guide for registering houses and plots in unplanned settlements. This manual is presented within the framework of the costs and benefits of such an effort for housing program specialists as well as low income housing residents to focus on. All phases of this process are clearly discussed - organizational aspects, how the law can help, the public relations campaign process, problems to anticipate and records.

This study should be a key operational tool that is useful to informal housing specialists responsible for the actual mechanics of shelter improvement.

IV. The Role of Renters

A. Gilbert, Alan, "The Tenants of Self-Help Housing: Choice and Constraint in the Housing Markets of Less Developed Countries", Development and Change, Vol. 14, 1983.

Within the context of informal housing settlements growing dramatically in most Latin American cities, the poor are usually faced with either becoming owners in peripheral, spontaneous settlements or renting in the central slums or informal settlement.

In informal settlements surveyed, renters are alleged to comprise up to half of the total families. Given the prevalence of renters, this article examines the rental housing markets in general, and then for Bogota, Mexico City and Valencia.

With renters being such a dominant force in the economics of informal housing, they become an essential part of the "home consolidation process". This trend forces the housing specialist to focus on this sidelight in his project design and evaluation efforts.

This article presents a full array of facts and trends as far as determinants of the size of the rental housing market, who are the renters and how is the rental market organized.

B. Pornchokchal, Sopon, House Renters in Bangkok Slum And Squatter Settlements With Reference To 480 Existing Settlements, The Building Together Association, Bangkok, Thailand, 1984.

A statistical analysis of house renters in Bangkok's slum and squatter settlements and the factors affecting the number of such dwellers is conducted. With 15% of the population being slum dwellers, 28% of these slum dwellers are renters. The main factors that drive the proportion of renters in squatter settlements are found to be land ownership, size of the settlements, location, age of the settlements and development status.

Useful information about an important sub-area of informal housing is clearly presented, with the most unusual findings being the identification of variables that determine the magnitude of renter presence.

V. Community Participation in Upgrading and Sites & Service Projects

A.* United Nations Center for Human Settlements (Habitat), Community Participation in the Execution of Low Income Housing Projects, 1984.

Issues related to community participation in the execution of sites and services and squatter upgrading (informal sector) projects are discussed in terms of feasibility and lessons learned. What is analyzed in detail is the involvement of the urban poor in such project management functions as preparing and implementing plans and providing financing for such projects.

The study should be very useful for informal housing project design specialists.

VI. The Squatter Invasion and Development Process

A.* Boonyabancha, Somsook, "Causes and Effects of Slum Eviction in Bangkok" in Angel, Shlomo, et. al. eds. Land for Housing the Urban Poor. Singapore, Select Books, 1983. A systematic, well-written account of the slum and squatter eviction process, an increasingly frequent occurence in Bangkok endangering hundreds of thousands of its residents. The process analyzed delves into the magnitude of the problem, land ownership eviction areas, the locational pattern of evictions, government policies/actions and resistance of evictions. Useful background information to be familiar with for those considering informal housing for a project.

B. Jimenez, Emanuel , "Tenure Security and Urban Squatting", The Review of Economics and Statistics, Vol. LXVI #4, November, 1984.

The econometric model presented verifies that the difference in unit housing prices between the non-squatting (formal) sector of a city and its squatting (informal) sector reflects the premium associated with a secure tenure status. Using Davao, the Philippines as the laboratory, rentals are 18% higher and selling prices 58% more than in the informal sector.

These findings are significant benchmarks that could be critical in informal housing project work in other countries. However, a large part of the article concerns the econometric methodology used to reach these important results.

C. Jimenez, Emanuel, "The Value of Squatter Dwellings in Developing Countries", Economic Development and Cultural Change, Vol. 30 #4, 1982.

Using data from the Philippines, the following types of findings are set forth:

- While discrepancies between squatter owners' valuations of their own houses and that of independent appraisers are significant for individual properties, they are offsetting for reasonably sized samples;
- The determinants of the value of squatter dwellings tend to be similar to those of formal sector dwellings;

- The external appearance and quality of materials are among the most important determinations of market value. Water/sanitary facilities may not be valued as much as expected.

Very useful findings are presented, although a large part of the article, as in the above citation, dwells on econometric methodology.

D. Moser, Caroline, "A Home of One's Own: Squatter Housing Strategies in Guayaquil Eduador", Urbanization in Contemporary Latin America, Edited by A. Gilbert & J.E. Hardoy, John Wiley & Sons Ltd., 1982.

A detailed case study of housing outside the formal market in the Indio Guayas section of Guayaquil, Ecuador. Once the reasons for the rapid growth of this "suburbio", along with its informal housing market are specified, the eight alternative informal housing acquisition mechanisms available to the consumer are described. How much was paid, who the purchasers bought the housing from, informal housing construction practices, and prevailing government policies toward this informal development are specified.

The introduction and conclusion tend to be somewhat terminology - dominated. For example, the case study is introduced as a way to understand "the process by which self-help housing is transformed into its commodity form" and as a mechanism to understand "the limitations of viewing self help housing in terms of its use value". "The petty commodity production of housing in the various forms identified is integrated into the capitalist sector in a complex but subordinate way".

E. Van Der Linden, Jan, "Squatting By Organized Invasion in Karachi", Third World Planning, Vol. 4. November, 1982.

A case study of the forms that informal housing takes in Karachi:

- Unorganized invasion: These settlements come about without protection against eviction; little to no planning is done as to the lay-out of the settlement; the first settlers do not pay for their tenure.

- Illegal subdivision: Protection against eviction guaranteed although settlers get no documentation of tenure rights; the lay-out of the settlement has been planned, with rudimentary infrastructure; settlers

buy their plots for a nominal fee, followed by steep price increases and extensive buying/selling.

A tightly structured case study containing useful facts and their policy implications. An excellent building block to learn about the various forms informal housing takes in different markets.

VII. Employment and Income Formation Patterns of Informal Housing Residents

A. Bamberger, Michael and Kaufman, Daniel, Patterns of Income Formation and Expenditures Among the Urban Poor of Cartagena, World Bank, Water Supply and Urban Development Discussion Paper #5DD-63, 1984.

This study examines the significance of interhousehold transfers and the important functions that transfer networks play as an informal social security system and as a source of investment funds for shelter and other types of development projects. The magnitude of these transfers is such that, if they were taken into account in project design, they could significantly affect estimates of project affordability.

B. Gunatlilleke, Nimal, An Economic Analysis of Housing and Home Based Businesses in Colombo, Sri Lanka, Michigan State University, Economics Dept. Ph.D. dissertation, 1983.

This study provides an in-depth look at all housing markets and household characteristics in Colombo, Sri Lanka including informal and low income housing. Also included is a comprehensive analysis of the home improvement process, and related government policies.

This study focuses on the important role that home-based business, including the taking-in of lodgers, plays as a supplementary source of income at all levels of household income. Government's prohibition of such activity is criticized and alleged to be largely ignored by the population.

A problem confronting housing that is a major sidelight feature of this study is the inadequate volume of financial resources from a magnitude and access perspective. Details are provided that lead to the recommendation for more effective credit systems and related government policies for this purpose.

This 200 page housing encyclopedia is well-written and contains useful details used to develop policy and private sector-related recommendations that are in a form that could be transferred to other LDC markets in which housing projects are being designed. As with the Egypt study done for US AID in 1982 by Abt Associates, Inc., the unanswered question is how to convert this substantial body of information into a form that would effectively enhance the work of informal housing managers.

C. Marga Institute, The Informal Sector Of Colombo City (Sri Lanka), Colombo, Sir Lanka, 1978.

A description of the informal sector as applied to commerce, not housing, is presented. Based on a detailed survey, the legal and regulatory framework, combined with the social relationships that control informal sector economic activity, are analyzed. Case studies of several informal businesses (mobile food, passenger transport, vegetable, motor repair and tailoring) are included.

Housing is not featured in this study, except to mention that participants in informal sector economic activity do not have unique characteristics as far as the type of housing they reside in. The only distinctive feature is that they tend to live closer to their work (within 2 miles) than individuals involved in formal sector activity, and that the bottom rungs of the informal sector live in lower quality housing than the lowest rungs of the formal sector.

D. Strassman, Paul, Guidelines for Estimating Employment Generation Through Shelter Sector Assistance, Michigan State University, Housing in Development Unit, 1980.

A model to forecast employment generation resulting from shelter programs and to raise the employment pay-off and income generation without loss of shelter production is presented. The information base is 24 surveys in six countries and relevant literature.

Marginally useful. While the subject matter is important to housing, whether it be formal or informal, and the major employment generation variables are fully described, including an explanation of how they interact, there is no indication of what to do with or how to use this material.

This analysis is not specifically directed to informal housing, although it is applicable and relevant.

E.* Strassman, Paul, Home Based Restaurants, Snack Bars and Retail Stores: Their Contribution to Income and Employment in Lima, Peru, Michigan State University, Women in Development Institute, Working Paper #86, 1985

The businesses listed in the title of this paper are alleged to generate as much or more output with about the same amount of input as home businesses that produce

manufactured goods. The cafes and snack bars that are not productive in terms of income are often operated by women, leading to the conclusion that inferior performance is not due to the quality of the product or service, but due to inferior job opportunities for women.

The article's relevance to informal housing is not initially apparent. However, the housing specialist is presented with the idea of perhaps incorporating the likelihood of income generation from home-based business such as snack bars and restaurants that seem to blanket low income neighborhoods into future project design, along with other indirect income generating benefits of housing, such as the likelihood of renting rooms.

A related article on this subject to informal housing managers is Strassman's 1984 article, Home-Based Enterprises as a Target Group for Development Assistance (Michigan State). The prevalence and general characteristics of such enterprises are documented, with the implication that such economic activity should be a factor in measuring a community's income and in determining housing affordability.

F. Strassman, Paul, Housing and Employment in Lima, Peru. Study for US AID Office of Urban Development, Bureau for Development Support, 1981.

A building program that allows all types of construction to be carried out with whatever resources the owners and occupants of a house can save over a decade is proposed as the best policy for attaining a reasonable standard of housing by 1990. A methodology is then introduced to estimate employment effects that building projects, including informal housing projects, are likely to generate.

The methodology presented is a numbers-oriented, hard-to-follow exercise but is considered state-of-the-art and therefore worth reading. The findings reported are useful but overly site-specific to be meaningful to the housing project manager not involved in Lima.

VIII. The Impact of Infrastructure Access on Informal Housing Investment and Development

A. Strassman, Paul, "The Timing of Urban Infrastructure and Housing Improvements by Owner Occupants", World Development, Vol. 12 #7, 1984.

Several key informal/squatter settlement related findings from surveys in Lima, Peru are concisely and comprehensively presented:

- A household's willingness to carry out home improvements is primarily driven by its access to water and sewerage systems, a factor that is more significant in this respect than the household's economic ability to make such improvements.
- The type of home improvement likely to be made largely depends on the household's income, e.g., the lowest income favor water facilities and house reconstruction/ room additions while the higher income favor interior plastering and window/door improvements;
- The rate at which home improvements are made doubles with access to infrastructure.

This article is efficiently constructed from the perspective of a housing program manager interested in quickly learning about very specific trends in informal sector housing.

IX. How Low Income Housing and Informal Housing Markets Function - Site Specific

A.* Abt Associates, Inc. (Project Director: Steve Mayo), with Dames & Moore/General Organization for Housing, Building & Planning, Informal Housing in Egypt, 1982.

A 210 page description of informal housing in Egypt, based on in-depth surveys and interviews of the major participants and interest groups. Cairo and Beni Suef are the focus. The areas covered are:

- Reasons why the informal sector has grown and is thriving, and conclusions as to socioeconomic aspects of the informal sector, including policy implications.
- Characteristics of the parties who supply and occupy it.
- Processes governing its supply and demand.
- Major characteristics in terms of housing and neighborhood attributes and access to infrastructure.

The study defines informal housing as illegal housing, generally built in contravention of either zoning laws or building codes and hence unregistered.

Useful as a comprehensive guide to the characteristics, operations, and issues associated with informal housing markets.

B.* Blaesser, Brian, Clandestine Development in Colombia, US AID Office of Housing, 1981.

Pirate settlements are defined as an illegal subdivision in which families purchase home sites but obtain defective proofs of title from entrepreneurs operating outside municipal regulations. This study analyzes the pirate sub-markets and its settlements in Medellin and Bogota from an economic, legal and institutional perspective.

With quickly escalating land costs due to rapid urbanization, and limited land supply, unserviced lots on illegal subdivisions on the urban periphery were sold. The legal housing market could not compete with the pirate housing solutions. These pirate housing solutions provide access to a plot of land that appreciates over time. They also provide a special flexibility and economic feasibility of payment/financing terms targeted to a low income family's needs and interests.

The major conclusion is that these so called pirate subdivisions, while considered a legal problem, may represent a housing solution to public policy shelter concerns, particularly with respect to infrastructure costs.

A comprehensive, systematic and well-organized investigations about what actually goes on in the informal housing markets of two developing country cities and why. Most of the analysis is oriented to the information needs of a housing program specialist interested in becoming a player in informal housing.

C.* Carroll, Alan, Pirate Subdivisions and the Market for Residential Lots in Bogota, World Bank Working Paper #435, 1980.

Residential lots in Bogota, Columbia that are developed illegally and sold by entrepreneurs with little or no public services are compared to legally approved "minimum norm" developments (i.e., minimum norm levels of public services). The rates of returns for "minimum norm" is found to be much higher than for pirate developments due to the very limited supply of land zoned for "minimum norm".

Increasing the land available for "minimum norm" projects would be expected to reduce their relative profitability but not likely to eliminate pirate development. "Minimum norm" lots are also found to command higher prices than pirate lots due to the provision of more infrastructure.

A high-quality, readable housing market study in which the informal sector is alleged to comprise one third to one half of the residential land developed to date.

D.* Hamer, Andrew, Bogota's Unregulated Subdivisions, World Bank Staff Working Paper #734, 1985.

A case study of how large numbers of low income households enter the home ownership market and generate significant rental housing. When a lot is purchased, it contains little if any public utilities. It is purchased from a developer on an installment credit plan, with allowances made for delayed payments. The lots are developed over time by the owner in discrete stages, with the subdivisions eventually being regularized and the owners securing proof of ownership.

This detailed study is useful in understanding the evolution of informal housing, from when a lot is sold by a developer to a buyer, to when the lot and house becomes

part of the formal market. How transferable the findings about this process are to other LDC cities is unclear.

E. Instituto de Libertad Y Democracia (Lima, Peru). Studies for the Government of Peru, and related American newspaper clippings about Peru-from an informal sector file maintained by US AID Housing Guaranty Program (reviewed by request). The Instituto studies are only in Spanish. Also included in the Instituto studies are the Terms of Reference for a study of the informal sector specific to business enterprise formation.

1. A descriptive Instituto report that specifies the considerable size and growth of Lima's informal sector in terms of population, employment, housing units, and public investment in housing. The evolution of informal housing is traced, with an emphasis on the role of government and related housing policies and incentives, from 1930 to the present. The current valuation and construction costs of the typical house in an informal Lima neighborhood and the participation of local community organizations in housing are also specified.

2. An Instituto study that explains why the urban informal sector has grown so quickly throughout Peru. Emphasis is on an exhaustive documentation of the numerous steps and associated paperwork that a builder must go through with government agencies/regulators to legally acquire land and construct a house (included is the time required to pass through each step; total time required - 6 years, 8 months).

   The complex legal requirements associated with home ownership or construction are also presented in detail. The final conclusion is that the State has failed the people, resulting in the population, particularly low income, avoiding all government related procedures, and programs if possible.

These studies provide technical detail and insight into how the housing market actually functions in Peru and the specific responses of a growing segment of the population-various forms of informal housing. Useful for knowledge and understanding of informal housing in terms of what procedures and mechanisms informal housing participants are trying to avoid. The study lacks

specific recommendations to alleviate the housing problems documented.

F. Kerley, Janet and Lintz, Randolph. Research On Progressive Housing In Costa Rica And Hondruas, National Council of Savings Institutions research for the Regional Office of Housing and Urban Development in Honduras, 1985

The effectiveness of sites and services, wet core and basic core unit self-help housing is measured as far as meeting the housing needs of the beneficiary population. The conditions under which these self-help solutions are affordable to beneficiaries are described as well as the sacrifices incurred by families participating in self-help housing programs.

This analysis does not have informal housing and finance issues as its primary focus, although at least some of the housing analyzed is probably informal.

G. Knight, Alan, A Study Of Housing Finance in Sri Lanka With Particular Reference To Government's Million Household's Program, United Nations Center For Human Settlements (Habitat), 1985.

Government programs, the National Housing Development Authority and other financial institutions active in granting housing related loans are analyzed within the context of the demand for housing finance, with the system's inadequancies indicated, e.g.,

- Fiscal policy does not seem to be supporting the Government's intention of improving housing conditions;
- There is a large and increasing volume of funds collected from the people that is not available for housing loans;
- The two primary institutions involved in housing finance (State Mortgage and Investment Bank and Housing Development Finance Company) are hampered by high interest rates and a shortage of funds.

The prominence of informal housing finance arrangements is highlighted in that for every house financed through a formal housing institution, there are seven that are informally financed. However the study indicates little is known about this topic, and recommends a sample survey of informal sector housing finance mechanisms be conducted, for which a Terms of Reference is presented. The usefulness of knowing, for instance, how the Government's Million Households Program's loan terms compare with informal sector loan terms is noted among a lengthy list of unknowns to explore.

H. Roy, Dilip, "The Supply of Land for the Slums of Calcutta" in Angel, Shlomo, et. al. eds. Land for Housing the Urban Poor. Singapore, Select Books, 1983.

How the poor appropriate land for themselves, working against all legal, financial and social obstacles is described. These squatters successfully undertake the housing development process, from acquisition of land to collection of building materials to arrangement of financing. Government should therefore utilize their resources and skills in dealing with future housing intervention plans. A useful article for those questioning the housing management abilities of the low income when faced with the appropriate circumstances.

I. Strassman, Paul, The Transformation of Urban Housing, Baltimore, MD. John Hopkins University Press, 1982, 160 pages.

A World Bank-funded study of supply and demand for housing in Cartagena, Colombia among different socioeconomic groups, one of which being the low income, particularly those living in informal housing and squatter settlements. This survey also describes the roles of resource allocating mechanisms and identifies institutional, policy and material constraints.

Comprehensive treatment about the housing market in terms of public institution participants, credit systems, the housing stock and new construction, and other standard housing topics.

J. Ndulo, Manenga, An Analysis of a Low Income Housing Market in Urban Zambia, Michigan State University Economics Department Ph.D. dissertation, 1983.

A 160 page market analysis that quantitatively investigates how housing consumption is affected by income and household demographic characteristics, the process of home improvement among the low income, and the relative importance of housing attributes in determining the value of a house. The low income markets studied include both formal and informal sector. Informal is not highlighted.

A wealth of information is generated by the regression, hedonic and logit analytical techniques employed. Details on every aspect of Zambia's low income housing are presented.

K. Oxford Polytechnic study, Barracas and Clandestinos, An Analysis of Informal Housing Processes in Portugal, 1985.

A case study in which surveys were conducted to identify physical characteristics of informal settlements, including factors contributing to their present form, and to identify the socioeconomic characteristics of their residents. Individual and communal resources for housing are identified and government priorities for their future development are discussed.

A basic and simply laid out case study of informal housing that touches all of the bases that housing specialists usually examine in depth. A useful introduction to the what's-out-there type of analysis, supplemented by the standard types of financial and project options to enhance low income participation in the housing market.

X. Informal Housing Overview - Definition, Operating Characteristics, Participants, Lessons Learned, etc.

A. Altmann, Jorn, "Self-Help Housing in Urban Squatter Settlements", Habitat International, Vol. 6 #4, 1982.

Measures to promote self-help housing in squatter neighborhoods are succinctly set forth, e.g.,

- Free squatters from the stigma of illegality;
- Better integrate squatter areas in local, regional and national planning;
- When it is not feasible to preserve existing squatter lodgings, attempts should be made to retain the inhabitants within their neighborhood by gradually demolishing and restructuring houses, instead of shifting whole groups to other sites outside the original squatter area.

B. Annez, Philippe and Wheaton, William, "Economic Development and the Housing Sector: A Cross National Model", Economic Development and Cultural Change, Vol. 32 #4, July, 1984.

An analysis of the income and price elasticities measured in different types of low cost housing is made based on a housing model using data from 24 countries. In the course of this housing economic research presentation, numerous relevant and unusual points are made, e.g.,

- Informal housing is defined not in the standard manner in which illegality is the main feature, but as housing at levels below what is considered socially desirable, with such low standards and conditions that they are not recognized as being part of the official housing stock.

- The informal housing sector frequently experiences rates of price inflation that exceeds that of the larger economy, thereby generating a form of economic growth that will not result in the improvement of actual housing conditions. In response, governments tend to intervene with earmarked funds carrying preferential interest rates and other subsidies to various groups of the population.
- Existing construction data tend to grossly underestimate the creation of new units, thus making housing sector measurements difficult.

If the reader has the patience to sift through this academic article, he will extract a variety of unusual

findings and insights about informal housing and related research methodologies.

C.* Christian, James, Housing Finance for Developing Countries, Monograph prepared for International Union of Building Societies & Savings Associations, 1980.

Housing finance trends in developing countries are comprehensively surveyed, e.g.,

- Alternative techniques for savings mobilization and lending;
- Housing finance system support facilities;
- Management practices in savings institutions, and:
- Informal sector finance.

In this latter section, the operating characteristics, causes for the existence of the informal sector, and description of the various types of informal sector entities and their advantages over formal sector institutions are summarized. A useful introduction to the informal sector.

D. Mehta, Meera, "Urban Informal Sector: Concepts, Indian Evidence and Policy Implications", Economic and Political Weekly (India), Vol. XX, Feb. 23, 1985.

A synopsis of the major urban informal sector studies and definitions is presented. The emphasis is on the development of alternative definitions of the "urban informal sector". This theoretical article is only useful to the housing specialist in the process of thinking about how to define the informal sector.

E. Moser, Caroline, "The Informal Sector Reworked: Viability and Vulnerability in Urban Development", Regional Development Dialogue, Vol. 5 #4, Autumn, 1984.

An esoteric but well-organized review of:

- Theoretical developments which have led to the adoption of the informal sector concept by international agencies;
- Informal sector studies, mainly those dealing with employment, with the objective of indicating their scope and limitations in analyzing the informal sector;
- Directions that future informal sector research should take.

This article is not housing specific but urbanization/employment oriented. It is only useful to housing theoreticians concerned with the range of "informal sector" definitions, the issues that resulted in the evolution of this term, the findings of business enterprise based studies and some general ideas for methodologies.

F.* No author, "Housing Finance for the Urban Poor", entire issue of The Urban Edge, Vol. 7 #4, a World Bank periodical published 10 times/year, May, 1983.

This issue of the Urban Edge is a substantive and articulate summary of the following areas of "non-conventional" housing finance:

- Why non-conventional housing finance programs are needed;
- The most do-able non-conventional approaches;
- What should an effective housing finance system be expected to provide;

Supplementing this analysis are summary case studies of the Philippines, Morocco, Korea and Brazil in which the constraints to housing for the low income are specified, followed by what is being done or recommended to alleviate these constraints.

Highly recommended. This review is heavy on details as well as concepts.

G.* PADCO, The Informal Sector of Housing, Working paper prepared for RHUDO/ROCAP in Honduras and given at the Sixth Central American Housing Conference, 1978.

This paper presents the general characteristics of informal housing and related infrastructure, and implications for future urban development. The findings are based on Central America and Caribbean projects in which PADCO participated. Concise but comprehensive summaries of what is being discussed across the map of informal housing research and project development are presented, e.g.,

- Working definition of informal housing;
- Basic characteristics of informal housing populations, including why they end up in informal housing;
- Housing production trends and the construction process in effect for informal housing;
- Available financial resources;
- Direct benefits of informal housing;
- What institutional modifications should be analyzed to enhance informal housing performance;

The paper provides a useful overview of lessons learned about informal housing up to that point and, in many aspects, are similar to findings of many of the lengthier case studies subsequently done in the 1980's.

H. Peattie, Lisa, Shelter, Development and the Poor, Unpublished MIT paper to be included in a UN book to be published in 1986, 1985.

A stimulating think piece that makes a variety of statements and asks tough-to-answer questions about low income (including informal) housing policies, e.g.,

- It suggests that in housing project design and analysis, learning about how the institutions constituting our shelter systems are created, managed and maintained through qualitative data in the form of interviews and case studies should take much higher precedence over quantitative data collection that is frequently oriented to project costs and numbers of beneficiaries.

- It questions whether shelter provision should be provided by small enterprise production, large corporations, the State or some mix? What are the market niches for each type of firm?

- The providers of low income housing should allow beneficiaries to freely use their shelters for income-producing activities such as rental. The construction impacts of low income shelter can be a major source of employment. Project design should more clearly incorporate these factors.

- Consider, as part of project design, the possible convertability of housing into cash. If upper income individuals can sell houses, why frown on the poor man's attempts to turn his asset into liquid capital?

Useful reading also in that alternative approaches to standard low income housing project design by international donors are introduced.

I. United Nations Center for Human Settlements (Habitat), Human Settlements, Policies and Institutions: Issues Options, Trends and Guidelines, 1984.

A summary of the following topics, based on materials drawn from UN member governments and existing Habitat documents:

- Options available to governments considering a housing program.
- Strategies and institutional arrangements that governments have adopted to handle their housing and urban development problems.
- Trends in developing housing and urban development related strategies and programs.

An encyclopedia of what is known about the full range of developing country urban problems that affect the poor and how they are being addressed by governments. Within this context is an explanation of the issues and existing efforts underway that are related to informal housing. Very basic but clearly presented.

XI. Design and Evaluation of Housing Projects With Informal Components

A.* Bamberger, Michael, et al, Evaluation of Sites and Services Projects: The Evidence from El Salvador, World Bank Staff Working Paper #549, 1982.

B.* Bamberger, Michael, et al, Evaluation of Sites and Services Projects: The Experience from Lusaka. World Bank Staff Working Paper #548, 1982.

Both of the above, although not about informal housing, are well-organized, thorough evaluations of sites and services projects. The analytical framework process could be useful to international donors in evaluating future informal housing investments

C. Cooperative Housing Foundation, Contribution of the Informal Housing Sector to the Construction of Housing, US AID Office of Housing, 1984.

The contribution of the informal sector to the production of shelter in Tegucigalpa, Honduras is quantified. Useful in that the methodology required and data sources are presented in a manner that could be replicated in upcoming activity. Furthermore, the approach presented appears do-able within a short-term assignment timeframe.

A seven page informal sector bibliography is subsequently presented. The references making up this bibliography are grouped into generic categories such as "General Studies of the Informal Sector" and "Economic Aspects of Informal Sector".

The reader needs to be guided through these titles in terms of what is worth reading to be knowledgable about informal housing activities and their application to housing programs. Instead of a judgement-guided bibliography, this listing is a laundry list of titles of varying usefulness as far as informal housing is concerned

Methodology suggestions for further study of the informal sector are then introduced. Although superficial, they are well-organized and pose what appear to be appropriate questions to explore in order to maximize the effective incorporation of the informal sector process in future housing programs.

D. Keare, Douglas and Parris, Scott, Evaluation of Shelter Programs for the Urban Poor. World Bank Staff Working Papers #547, 1982.

Sites and services and squatter area upgrading projects in El Salvador, the Philippines, Senegal and Zambia are evaluated. They are given favorable reviews-impacts on the housing stock greater than anticipated; projects are affordable; self-help construction methods promoted were efficient, etc. Various problems are acknowledged-implementation delays, material loan components not up to par, cost recovery bottlenecks, etc.

It is recommended that design of future projects encourage efforts to push housing costs even lower and include explicit opportunities for rental arrangements as well as provide alternative credit provisions tailored to meet the needs of targeted families.

Although the projects evaluated are not generally considered informal housing as it is usually defined, some of the solutions border on the informal. The recommendation that future projects consider alternative credit provisions implies informal housing finance.

This evaluation is useful reading, for it sets a disciplined, analytical framework that could be applied, with some modification, to evaluating informal housing.

E.* No author, "New Directions in Bank Urban Projects", entire issue of The Urban Edge, Vol. 9 #3, a World Bank periodical published 10 times/year, March, 1985.

This issue describes where urban projects have been and what current Bank projects are trying to accomplish based on lessons learned to date. The shift currently underway is away from delivering a product or service at a project site, towards helping to improve the ability of an implementing agency with urban management responsibilities to deliver its services citywide.

A summary of urban-related projects approved in 1984-85 by country is provided. From this description, it appears that while low income housing and finance is a major urban project category being funded, the focus is limited to whatever low income housing that falls within the authority of government agencies.

The institutional base of this activity, in which projects concentrate on improving the capabilities of

housing related government agencies to plan, control and deliver services, largely precludes informal housing and finance. No emphasis is put, for example, on promoting "non-conventional" approaches to finance low cost housing.

F. Nolan, Christine, An Evaluation Of U.S. Save The Children Federation's Housing Project At Kirillapone Shanty, Colombo, Sri Lanka, Save The Children Federation, 1984.

The planning, administration and overall progress of the Kirillapone "shanty community" housing project (partly funded and supported by Save the Children) is assessed. From this report, it is difficult to determine if this low income housing project is informal. However, from the evidence, it does not seem to be.

This report lacks direction. It would be mainly useful to those directly involved in this project, since it assumes that the reader is familiar with the project and the related issues.

G. Turner, Margery and Struyck, Raymond, The Housing Quality Simulation Model: Basic Description, U.S. AID Office Of Housing, 1985.

A computer simulation model to analyze the impact of government intervention in the housing sector on the quality of housing occupied by households in different economic, tenure and initial housing quality circumstances is described. Its use is intended to assist in the evaluation of alternative strategies for government intervention in housing markets.

Applicable to informal housing, with informal housing residents (i.e., those without clear title) included in the household data base.

H. United Nations Center for Human Settlements (Habitat). Formal and Informal Financing in a Sites and Services Project in Kenya: A Case Study, Mazingira Institute, August 1983

This study examines the financing mechanisms utilized in a World Bank-financed sites and services project implemented by the Nairobi City Council. It looks at the Standard financing provided forthe basic unit by the NCC's Housing Development Department and then identifies the additional sources of finance, both formal and informal, used by project beneficiaries to complete their units, examines the terms at which various sources of non-

conventional finance were provided and assesses the effectiveness and potential for non-conventional financing mechanisms.

The study found that after some 6-8 years beneficiaries had built an average of 3.9 rooms per plotusing self-help construction. They had mobilized from their own resources six times the money available from the NCC project loan fund. Most of the financing came from household savings (48%) almost as much came from loans (45%) including the NCC loan fund and the rest came from gifts. Savings were generated from income including rental income from rooms in the house. Higher income people utilized savings mor and lower income people used loans.

A useful evaluation of what happens in a sites and services project after several years.

I. United Nations Center for Human Development (Habitat), Barrio Escopa: Experiences With an Integrated Approach to Improving a Low Income Community, 1983.

Lessons learned from projects intended to improve marginal settlements in the Philippines are specified. Basic improvements are alleged to have come about by attacking the socioeconomic problems facing these settlements in conjunction with resident participation and their organizations as well as with various government and quasi-government agencies. Housing and finance were two areas in which improvements were sought.

A useful, well-organized and substantive case study.

J. United Nations Center for Human Settlements (Habitat), Guidelines for the Preparation of Shelter Programs, 1984.

This manual does not focus on informal housing exclusively but on sites and services and squatter upgrading projects. The authors state that it is designed to address alternative types of low income housing projects. The questions to investigate and required analytical frameworks, from assessment of needs to program formulation to monitoring/evaluacion, are systematically laid out in a user-oriented, comprehensive form.

A useful management guide for housing, but particularly informal housing, as far as what should be analyzed and how a project should be structured.

K. Urban Development Dept. of the World Bank/PADCO, The Bertaud Model: A Model for the Analysis of Alternatives for Low-Income Shelter in the Developing World, 1981.

This model specifies the physical design, project financing and cost recovery questions that should be addressed in designing feasible settlement projects. The model's user steps are presented. All inputs are quantified into an equation or formula.

It is considered a leading analytical tool for low income housing analysis and therefore should be reviewed. The quantitative frameworks are comprehensive and clearly laid out.

L.* The World Bank Urban Projects' Division for Europe, Middle East & North Arica, Project Officer: A. Guinard, Morocco Informal Housing: Upgrading and Prevention Policies and Programs. Sector Paper-1983, Initiating Project Brief-1984, Project Brief-1985.

This $50 million project, with a foreign exchange component of 35% of project cost, proposes to:

- Upgrade 5 major informal housing settlements in the form of providing new and/or rehabilitating existing infrastructure (i.e., water, electricity, sewerage and street surfacing projects);
- Construct community facilities through the Government budget as a loan condition;
- Provide major trunk infrastructure for further development of low-cost serviced land in the vicinity of upgraded informal settlements;
- Develop fully serviced land and construct low-cost housing to relocate households displaced because of upgrading activities in existing settlements;
- Provide technical assistance/training to improve the management capacity of institutions responsible for financing and implementing projects.

These reports comprise a comprehensive and well-organized project analysis of informal housing. It is lengthy only because every angle directly related to this project and the informal sector has been meticulously investigated.

This overall report not only includes many of the approaches to informal housing and related issues presented by informal sector literature, but contains a methodology that touches many of the appropriate

bases that should be covered in the course of a project mission framework.

Its limitation is that the project primarily focuses on infrastructure, not getting involved in some of the other areas of informal housing, such as construction, home improvements and use of informal financing entities as a supplement to formal institutions.

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