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ABSTRACT

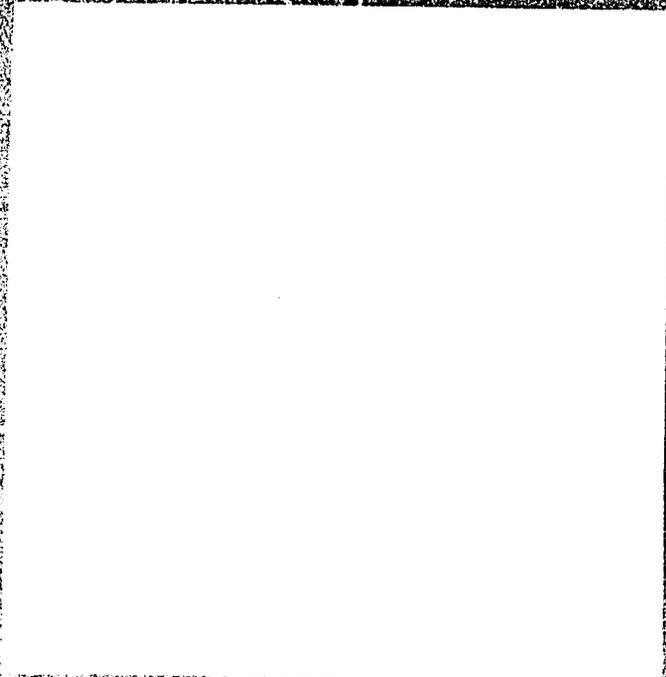
The Informal Sector in Housing and Urban Development: A Review and a Road Map

This report was commissioned by the Office of Housing and Urban Programs to review the available research on the informal sector. Four related purposes served by the report are as follows:

- to examine, through a review of the literature, how the informal sector impacts various parameters of housing delivery (e.g. land, finance),
- to identify policy and program issues for the Office of Housing and Urban Programs to consider as it seeks various approaches to the informal sector,
- to analyze the implications that a growing and increasingly dynamic informal sector holds for urban development and management, and,
- to develop an operational framework by means of which future Office of Housing and Urban Programs and RHUDO research or program activities related to the informal sector can be assessed.

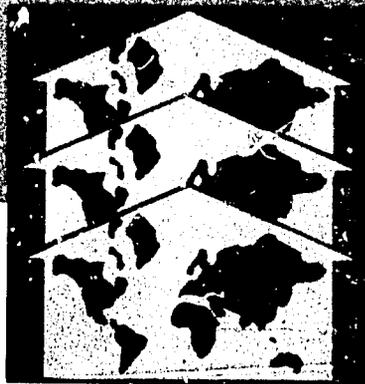
The report addresses itself to policy concerns within this context, and has two important characteristics that distinguish it from previous studies:

- it provides an overview of the linkages between the formal and informal sectors with respect to shelter and urban development, and
- it makes a case for an integrated approach to informal sector issues.



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**The Informal Sector
in Housing and Urban
Development**

A Review and a Road Map

March 1990

Prepared By:

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for:

**Office of Housing and Urban Programs
U.S. Agency for International Development
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*The views herein are those of the authors and do not necessarily reflect those of the Office of
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THE INFORMAL SECTOR IN HOUSING AND URBAN DEVELOPMENT:
A REVIEW AND A ROAD MAP

Table of Contents

Executive Summary	i
I. Introduction	1
A. Purpose of Report	1
B. Defining the Informal Sector	2
II. What the Literature Tells Us	4
A. Scope and Methodology	4
B. Cross-cutting Issues	5
1. Finance Issues	5
2. Land and Land Tenure Issues	7
3. Infrastructure Issues	7
4. Production and Construction Materials Issues	8
5. Environmental Impact Issues	8
6. Institutional/Regulatory Issues	9
7. Gender Issues	10
C. Research Emphases of RHUDO's	11
1. RHUDO for East and Southern Africa	11
2. RHUDO for West and Central Africa	11
3. RHUDO for Near East and North Africa	11
4. RHUDO/Caribbean	12
5. RHUDO/Central America	12
6. RHUDO/South America	12
7. RHUDO/Asia	12
III. Approaches to the Informal Sector	13
A. Understanding the Informal Shelter Delivery Process: Formal and Informal Sector Parallelism and Interface	13
1. Descriptive Analysis of Formal Sector Shelter Delivery Process	13
2. Descriptive Analysis of Informal Sector Shelter Delivery Process	16
3. Schematic Model of Formal and Informal Shelter Delivery Processes	20

IV. Policy and Program Strategies for Dealing with the Informal Sector	24
A. National and Urban Policy Considerations	24
1. National Policy and the Informal Sector	24
2. National Policy and Local Government Policy/Practices	25
B. Urban Management Implications	25
1. Revenue Generation	26
2. Institutional Capacity	27
3. Informal Sector Support	27
4. Land Tenure	28
5. Spatial Development	30
C. Role of Non-traditional Shelter Delivery Organizations	30
1. Building the Partnership	31
2. Establishing other Linkages	32
V. Informal Sector Program Design and Implementation Issues and Guidelines	33
1. RHUDO Strategic Aims with respect to Informal Sector	33
2. Defining the Informal Sector in relation to RHUDO Programs	33
3. Informal Sector Assessments	34
4. Policy Implications of Working with the Informal Sector	35
5. RHUDO Programmatic Aims with respect to the Informal Sector	35

Annex A: Literature Reviewed

Annex B: Analytical Framework

Annex C: Additional Sources Consulted

List of Figures

- Figure 1: Regional Breakdown of Informal Literature Reviewed by Focus, Topic, and Methodology.
- Figure 2: Linkages Between the Formal and Informal Sectors in Shelter Delivery.
- Figure 3: Estimated Populations in Informal Settlements: 1980 and 1990.

EXECUTIVE SUMMARY

In the urban areas of most developing countries there are countless people -- both rich and poor - - who derive their livelihoods in the informal sector and there are also large numbers of communities in which housing has been informally developed -- housing ranging from shanties with no services to fully serviced, high cost residences.

Because of the perceived dynamism of the informal sector, there has been considerable interest since the 1970's in ascertaining the role that it can and should play in economic and social development. One of the results of this interest is the development of a body of research, which approaches the sector from various points of view, including that of its economic characteristics, its sociological aspects and its relationship to urban issues. In this body of research, there are almost as many definitions of the informal sector as there are reports written on the subject. Most would agree, however, that the informal sector is generally characterized by its lack of formal sanction and therefore also of regulation. It operates outside of governmental control and, in extreme cases, it all but supplants the "official" system.

A. PURPOSE OF REPORT

This report, "The Informal Sector in Housing and Urban Development: A Review and a Road Map," was commissioned by the Office of Housing and Urban Programs to review the research and other studies on the informal sector. The four related purposes served by the report are as follows:

- to examine, through a review of the literature,¹ how the informal sector impacts various parameters of housing delivery (e.g., land, finance),
- to identify policy and program issues for the Office of Housing and Urban Development to consider as it seeks various approaches to the informal sector,

¹The literature consisted of over fifty works most of them commissioned by the Office of Housing and Urban Programs and the seven RHUDO's. Included in the review were over fifteen research studies of informal economy characteristics; ten studies that looked at socio-economic characteristics of informal settlements, including specific community surveys; papers and proceedings from five different RHUDO-sponsored conferences and meetings; four program evaluations; two sets of generic program development guidelines; and fifteen institutional assessments, principally of housing finance institutions. The breakdown of the literature reviewed by major focus, topics covered, and methodology used is shown in Figure 1 contained in the body of the report.

- to analyze the implications that a growing and increasingly dynamic informal sector holds for urban development and management, and
- to develop an operational framework by means of which future The Office of Housing and Urban Programs and RHUDO research or program activities related to the informal sector can be assessed.

B. LITERATURE REVIEW AND GENERAL CONCLUSIONS

The Office of Housing and Urban Program literature related to the informal sector reflects both commonality and diversity in the issues confronted by the individual RHUDOs with respect to shelter delivery and urban development. It also reflects diverse definitions, programmatic concerns and approaches to understanding the informal sector. However, within that diversity, it is possible to make some generalizations about the workings of the informal sector with respect to shelter delivery and its urban management and development implications. Central to the conclusions of the report are the following:

- In order for effective interventions to be made with respect to shelter delivery and urban development, the informal sector must be understood in its relation to the formal sector. The shelter delivery system must be understood and approached as a whole.
- The informal sector is not monolithic and more often than not so-called "informal development" is a hybrid of formal and informal systems.
- The informal sector is not synonymous with the below median income target group of the Office of Housing and Urban Programs; thus, program design must be informed by an empirical understanding of the particular characteristics of the informal sector in any given urban area.
- A policy of encouraging the informal sector is something of a double-edged sword for municipal governments: on the one hand, the public sector cannot meet existing demand and so relies on the initiative and energies of the private (informal) sector to shelter itself; on the other hand, to the extent that the informal sector takes over these responsibilities, the authority of the municipal government is undermined and its potential revenue base diminished.
- Regularizing or otherwise accommodating informal sector activities must be approached from the perspective of the overall urban management implications as well as from that of the informal sector itself. The efficiency and effectiveness of the shelter and urban service delivery system as a whole -- including both its formal and informal aspects -- must be weighed in the balance.

In reaching the preceding conclusions and the later policy and program approaches to the informal sector, the report considers the literature from the point of view of seven general issue categories

that cut across all regions and which to some extent shape the shelter delivery process; these include the issues of finance, land and land tenure, infrastructure, production methods and construction materials, environmental impact, institutional capacity and regulation, and gender impact.

These categories of issues, defined by the Terms of Reference for the study, provide the opportunity to gather together in one place accumulated knowledge with respect to each as revealed in the research commissioned. It also provides the opportunity to review each of them from the perspective of a program geared to understanding what accommodations are desirable and feasible, given the constraints of the both the formal and informal sectors and the relative effectiveness of the various coping strategies with respect to each that have been adopted by the informal sector.

Overall, the Office of Housing and Urban Program literature substantiates that informal shelter delivery is both constrained and encouraged primarily by the presence or absence of formal mechanisms and the relative ease of access to these mechanisms, at each step of the shelter delivery process.

C. POLICY ISSUES AND APPROACHES

In order to optimize the effectiveness of the shelter sector as a whole, the Office of Housing and Urban Programs may provide support for various types of accommodation between the formal and informal sectors through policy dialogue, selective investment, and institutional interventions, growing from a comprehensive assessment of the informal sector shelter delivery process. The following issues help to shape the overall policy context within which the Office must work:

1. National Policy and the Informal Sector

a. Issue: Often the national policy context for shelter delivery is defined by considerations unrelated to the need for shelter. Such considerations include the climate for general economic growth, investment strategies and incentives, and the overall role of government. These can often have a dampening effect on the formal shelter sector and the resulting encouragement of the informal sector shelter delivery process can be seen as by-product rather than an intended result of national policy.

b. Approach: The linkages between the informal sector and other economic policies should be understood and articulated. They should be a component of Shelter Sector and Urban Assessments and should form the basis both for policy dialogue with government and for the selection of the appropriate intervention points.

2. National Policy and Local Government Policy/Practices

a. Issue: Stated national policy for informal sector development and shelter delivery is often contravened by programs at the local government level. Often the national

government will recognize the vitality and potential importance of the informal sector to economic growth and seek to foster a constructive relationship with it but the local government, motivated by local issues, will seek to obstruct it.

b. Approach: Where there is a conflict between national policy and local practice, it is not always immediately apparent because it is usual for at least lip service to be paid to national policy. Resolution of such a conflict requires an understanding of the urban management practices and of the reason for local government's conflicting practices; only then can an effective alternative approach can be devised and matters resolved.

3. Local Government Revenue Generation

a. Issue: Insofar as municipal governments want to regularize the informal sector, they are often motivated by the opportunity to increase their revenue base.

b. Approach: In order for a municipal government to have true autonomy and to be able to serve its people, it must have a revenue base. Therefore, it is important that it find means to generate revenue. The *quid pro quo* in these instances should be that the citizens believe that some benefits accrue to them from such fees and taxes -- they get better services and/or they feel more secure in their position in society. In many cases, however, neither services nor security are increased and the net benefits of "regularization" are not clear to the citizens themselves.

4. Local Government Institutional Capacity

a. Issue: In many places, local municipal government is institutionally weak. It does not have the capacity -- manpower, structure, or resources -- to assume many of the responsibilities that it is required by law to carry out.

b. Approach: Consistent with its policy of supporting government in the role of enabler or facilitator rather than the direct supplier of services, the Office of Housing and Urban Programs can work with municipal governments to help them to analyze those functions which it can share with the private sector. In many cases, this may require a brokering role with respect to national government (see 1 above). In addition, the Office can assist municipal governments both to develop a comprehensive understanding of their relationship with the informal sector in all of its aspects and to develop a strategy for dealing with it, taking into account its own institutional capacity and the other factors (revenue, political support, land, and spatial development) to determine where and how it would like to work with the informal sector.

5. Informal Sector Support

a. Issue: In many countries, the informal sector, simply by its size, constitutes a significant political force. To the extent that the informal sector contains people who are not among

the disenfranchised by virtue of their economic position² vested political interests will come into play. Therefore, it is critically important to recognize that programs and activities related to the informal sector are not neutral.

b. Approach: Public participation in various forms, importantly including work with community based organizations and local leadership are key components of any effective intervention in the informal sector. Participation in the planning (and so the priority setting) and implementation of any proposed activity is particularly important.

6. Land Tenure

a. Issue: Conventional wisdom would have it that lack of legal title is a pervasive characteristic of the informal sector. However, while land tenure is an important general issue, it has several different manifestations, and lack of formal title does not always imply insecure tenure.

b. Approach: Land titling and tenure practices vary considerably from country to country. They are part and parcel of each country's social and cultural heritage. It is important to any program design to understand the nature of the tenure tradition and process and the relative security or lack of security felt by those lacking title. These two considerations will determine what type of formalization of title may be required, desired, and/or possible. In many places, this will mean an accommodation between traditional and modern practices.

7. Spatial Development and Physical Environment

a. Issue: Informal settlements usually develop without reference to any governmental authority. Thus, they may very well defy land use planning standards, threaten ecologically sensitive land areas, or inhibit an economic return on the land. On the other hand, they develop also in response to people's basic need for shelter and by the appropriation of land resources that are otherwise idle. If urban governments are to be able to manage and direct the growth of the areas for which they are responsible, they must be able to exercise some control over the area's spatial development.

b. Approach: In very few instances will a municipal government start from ground zero, for most local governments are already faced with the issue of a significant amount of development taking place in the informal sector. When this is not the case, however, the local government can avoid the issue by planning for growth, setting aside land and

²For example, it has been estimated that between 20 and 40% of those living in the informal sector do so out of preference rather than economic necessity. Some make a decision to live in informal housing because of other priorities: they would rather spend their money on education, household purchases, building a house in a rural area. Still others live in informally provided housing simply to avoid payment of taxes, such as transfer fees, stamp taxes and monthly carrying costs, such as insurance changes and loan servicing fees.

anticipating the need for low income shelter. In most cases, however, there is already an existing problem, so some sort of accommodation must be found. In some cases, this will include the extreme step of resettlement. Usually a better approach is to determine the impact that the informal settlement is having on the spatial development of the urban area and to work with the community groups -- perhaps through non-governmental organizations -- to take community-based steps to address the problems.

8. Role of Non-traditional Shelter Delivery Organizations

a. Issue: The gap between the formal and the informal sectors is one that can be bridged only selectively by local government. It is outside its capacity to regularize all of the informal activity associated with shelter production and delivery. Indeed, it is inconsistent with its overall interests to attempt to do so. However, it is in local government's interests to foster the positive productive elements and contributions to the local economy made by the informal sector.

b. Approach: Encouraging appropriate informal sector activity can often be assisted effectively by an intermediary group. Such an intermediary group should itself be outside of the formal shelter delivery system and so be able to serve as a broker of sorts between the two potentially conflicting sets of interests and, indeed, assist in determining where commonality between the two might lie.

D. PROGRAM DESIGN AND IMPLEMENTATION ISSUES AND APPROACHES

Awareness of the eight preceding policy issues and suggested approaches provides a context for policy decisions and an initial point of departure with respect to approaching the informal sector. However, there must also be an underlying strategy and a supporting set of actions taken by the individual RHUDOs if any given policy or programmatic intervention is to be successful. This operational framework is outlined below.

1. RHUDO Strategic Aims with respect to Informal Sector

a. Issue: The dynamism of the informal sector can be curtailed if heavy-handed attempts are made to regulate or direct it; the ability of municipal governments to govern and manage urban development can be diminished by a wholly autonomous informal sector.

b. Approach: RHUDO's strategy should be based on the policy of accommodating the informal and formal sector processes with respect to shelter supply and delivery and urban development in order to promote the overall efficiency and effectiveness of the system as a whole. A strategy founded on this principle can be developed in any given country and/or municipal area based on a comprehensive and integrated understanding of the informal and formal processes and the urban management needs and capabilities of local governments.

2. Defining the Informal Sector in relation to RHUDO Programs

a. Issue: There exists today considerable confusion about the "informal sector," what it is and what development agencies' stances should be in relation to it.

b. Approach: In order to assure appropriate policy implementation, the Office of Housing and Urban Programs, based on the research carried out to date, the findings of the literature review, and its own programmatic agenda, should develop guidelines to direct its programmatic relationship to the informal sector; these should include several important elements (detailed in the report), including the central importance of understanding the sector as a whole, with the informal systems considered in relation to the formal.

3. Informal Sector Assessments

a. Issue: In order to understand the informal sector's dynamics and governing aspirations, it is important to understand it in a comprehensive way.

b. Approach: An assessment of the informal sector should parallel that of the formal sector. It should address the issues associated with shelter delivery and development systematically and where a shelter sector assessment focused primarily on the formal shelter sector has already been made, it should provide an analysis of the common linkages between the two, similar to the model set forth in Section III of this report. Where a new or updated shelter sector assessment is to take place, a portion specifically addressed to the informal sector should be included. It should also be examined in light of the formal sector characteristics and the municipal government capacity. Based on these analyses, decisions about policy approaches, program interventions and urban investments can be made, in order to maximize the effectiveness of the system as a whole in meeting the needs of its low income citizens who live and work in the informal sector for shelter and urban services.

4. Policy Implications of Working with the Informal Sector

a. Issue: Attempting to regularize the informal sector in all of its aspects is unrealistic and, doubtless, even if it could be achieved, undesirable. Nonetheless, if local governments are to be able to govern effectively, there is a certain degree of control that is necessary since program interventions that undermine or contravene the authority of the local government can be counterproductive in many ways.

b. Approach: In order to assist in the achieving of the appropriate balance between regularizing and encouraging the informal sector, RHUDOs should be aware of the inherent tension between activities in the informal sector and many governmental objectives. Program interventions should be preceded and accompanied by policy dialogue to ensure that the balance sought is being attained.

5. RHUDO Programmatic Aims with respect to the Informal Sector

a. Issue: Lack of definitional clarity and/or an imprecise understanding of the informal sector can result in initiatives with respect to the informal sector that are separate from RHUDO's overall programmatic aims.

b. Approach: Once a comprehensive understanding of the informal sector is developed, then, decisions can be taken about how interventions in the informal sector and/or efforts to bring the formal and informal processes into more complementary relationship can be taken, including, for example, such initiatives as combining resources to expand nontraditional credit availability for shelter and leveraging programmatic resources of other USAID missions and agencies to support community-based shelter-related efforts, such as low technology environmental improvements.

The Informal Sector in Housing and Urban Development: A Review and a Road Map

I. Introduction

In most developing countries, the formal economy, together with its supporting institutional structure, is unable to employ or provide adequate shelter and services for all citizens. What cannot be provided within the formal economy is provided by the informal sector -- sometimes well and sometimes poorly. Thus, in the urban areas of most developing countries there are countless street vendors, skilled craftsmen, unskilled laborers, and entrepreneurs who derive their livelihoods in the informal sector. There are also large numbers of communities in which housing has been developed without formal sanction -- housing ranging from shanties with no services to fully serviced, high cost residences.

While the dynamics of the informal sector vary from place to place and are not always well understood, it has become an almost universally acknowledged fact in the development community that the informal sector makes positive and significant contributions to economic development. In Kenya, for example, it is the stated national policy that the activities of the informal sector be fostered.¹

The informal sector has been the subject of considerable research, since the 1970's. The research has taken many forms, although primarily focusing on "sociological variables rather than asking whether capital accumulation is possible in this sector."² Nonetheless, Program-related research, however designed, has been given impetus primarily by a desire in the development community to explore ways in which the energies and resourcefulness of the informal sector might be marshalled in support of organized development efforts or conversely, how formal interventions might stimulate and strengthen the informal sector.

A significant subset of program-related studies and papers on the informal sector has been commissioned by USAID's Office of Housing and Urban Programs and its Regional Housing and Urban Development Offices (RHUDOs). This research portfolio focuses attention on the role of the informal sector in the provision of shelter and services, particularly for those below median income levels.

A. Purpose of Report

This report was commissioned by the Office of Housing and Urban Programs to serve four related purposes. These are:

¹Republic of Kenya, "Economic Management for Renewed Growth, Sessional Paper No. 1 of 1986," (Nairobi, Kenya: 1986), pp. 54-57.

²Philip Amis, "African Development and Urban Change: What Policy Makers Need to Know." Development Policy Review, 7:4, (December 1989) p.383.

- to examine, through a review of its literature, how the informal sector impacts various parameters of housing delivery (e.g., land, finance),
- to identify policy and program issues for the Office of Housing and Urban Development to consider as it seeks various approaches to the informal sector,
- to analyze the implications that a growing and increasingly dynamic informal sector holds for urban development and management, and
- to develop an operational framework by means of which future Office of Housing and Urban Programs and RHUDO research or program activities related to the informal sector can be assessed.

The report addresses itself to policy concerns within this context, and has two important characteristics that distinguish it from previous studies:

- it provides an overview of the linkages between the formal and informal sectors with respect to shelter and urban development, and
- it makes a case for an integrated approach to informal sector issues.

It can be seen as a companion piece to the earlier Office of Housing and Urban Programs report³, which provided a menu of possible interventions in the informal shelter delivery process.

B. Defining the Informal Sector

There are almost as many definitions of the informal sector as there are reports written on the subject. Most would agree, however, that the informal sector is generally characterized by its lack of formal sanction and therefore also of regulation. It operates outside of governmental control and, in extreme cases, such as the recently documented example of Lima, Peru⁴, it all but supplants the "official" system.

For the purposes of this paper, the informal sector is considered in relation to shelter delivery and its implications for urban development and management. Therefore, the paper **does** not focus on the scope and nature of the informal sector's general economic or sociological activity and characteristics, except insofar as these relate to shelter availability and issues associated with urban growth.

³U.S. Agency for International Development, Office of Housing and Urban Programs, Randolph S. Lintz, Support Strategies for Informal Production of Housing and Urban Services, (August 1989).

⁴Hernando de Soto, The Other Path: The Invisible Revolution in the Third World, (Harper & Row: New York, March 1989).

Even within this narrowed definition, however there are four persistent myths about the informal sector. In order for the Office of Housing and Urban Programs, or indeed any other development organization, to devise an effective strategy with respect to the informal sector, it is critically important that these myths be dispelled:

Myth 1: The informal sector consists entirely of people who exist "outside the system," both living in informally provided housing and working in the informal economy.

Fact: While there are many people who function exclusively in the informal sector, informal housing and informal livelihood do not always go together. It cannot be assumed that those who live in informally provided housing always work in the informal sector, nor that those who work in the informal sector always live in informally provided housing.

Myth 2: The informal sector is composed only of poor people -- the target group of most development programs.

Fact: While there are many very poor people who have no choice but to live in informally provided housing and/or to work in the informal economy, there are also many people of significant means who choose to live in informally provided housing and/or work in the informal economy.

Myth 3: Informally provided housing is informal in all its aspects -- land acquisition, finance provision, construction methods and standards, infrastructure standards, general regulatory compliance.

Fact: In many instances the formal and the informal systems intersect, resulting in shelter that is a hybrid of the two.

Myth 4: An established and functioning formal housing sector and support institutions exist in all developing countries.

Fact: In many developing countries the existing formal housing sector and support institutions are relatively new, inexperienced, and ineffective; they attend the needs of only a small number of the citizens, upper and middle income families by their choice and lower income families by the "luck of the draw."

Given the persistence and pervasiveness of these myths, of the danger of their becoming unquestioned program assumptions is real. Therefore, it is important to stress the obvious: A well-founded policy or program intervention with respect to informal sector housing or urban development in any particular city, country or region must go beyond the myths, examine all assumptions carefully and be empirically based.

II. What the Literature Tells Us

The Office of Housing and Urban Program literature related to the informal sector reflects both commonality and diversity in the issues confronted by the individual RHUDOs with respect to shelter delivery and urban development. It also reflects diverse definitions, programmatic concerns and approaches to understanding the informal sector.

This part of the report sets out the major findings of the literature review. It is organized as follows:

- **Section A** outlines the scope of the study and the methodology used;
- **Section B** synthesizes and addresses the common issues found across Regions during the course of the review;
- **Section C** identifies regional differences among RHUDOs as indicated in the studies and reports produced.

A. Scope and Methodology

The literature reviewed consists of over fifty documents identified by the seven RHUDOs⁵ and provided by the Office of Housing and Urban Programs.

Included in the review were over fifteen research studies of informal economy characteristics; ten studies that looked at socio-economic characteristics of informal settlements, including specific community surveys; papers and proceedings from five different RHUDO-sponsored conferences and meetings; four program evaluations; two sets of generic program development guidelines; and fifteen institutional assessments, principally of housing finance institutions.⁶ The breakdown of the literature reviewed by major focus, topics covered, and methodology used is shown in Figure 1; the individual documents are keyed by number (in parenthesis following identifier) to the full citation contained in the bibliography.

Each of the documents was reviewed and analyzed in terms of a common framework, including consideration of the informal sector's needs, constraints and strategies with respect to each major step in the shelter delivery process. The analytical framework is included at Appendix B.

⁵East and Southern Africa, West and Central Africa, North Africa and Near East, Asia, South America, Central America, Caribbean.

⁶Literature reviewed listed at Appendix A.

B. Cross-cutting Issues

This section considers the literature from the point of view of seven general issue categories that cut across all regions and which to some extent shape the shelter delivery process. The issues are as follows:

- finance
- land/land tenure
- infrastructure
- production and construction materials
- environmental impact
- institutional/regulatory
- gender

These categories of issues, defined by the Terms of Reference for this study, provide the opportunity both to gather together in one place accumulated knowledge with respect to each and to review each of them from the new perspective.

Each of the major issues related to shelter delivery is discussed below in terms of the findings in the literature. In addition, each is also briefly addressed in terms of major common issues identified, various informal sector strategies to circumvent existing barriers, and characteristic formal sector constraints which create the barriers in the first place. The discussion of each provides a synthesis of the findings of the literature reviewed. In addition, the discussion of the issues draws the formal and informal sectors into relation with each other by looking at the issues from the points of view of both -- the coping strategy being employed by the informal sector and by the underlying problem as perceived and reflected by the formal sector.⁷

As revealed by the literature reviewed, informal shelter delivery is both constrained and encouraged primarily by two major factors:

- availability of formal mechanisms, and
- access to formal mechanisms.

1. Finance Issues: Lack of a system for financing informal sector housing is a critical and well recognized issue. There are two sides to the coin:

- access to finance for those who work in the informal sector, and
- access to finance for those who do not have legal title.

⁷Because of USAID's concern for those below the median income, the literature focuses primarily upon that portion of the informal sector which has few resources of its own and so is unable to manipulate the formal system. That said, however, except for the issues related to income level, most of the issues examined have impacts at all points of the income spectrum.

In both cases, however, the literature shows that savings mobilization is possible in the informal sector. Studies carried out in areas as diverse as India, Central America, and North Africa support this conclusion. What is usually lacking, however, is the incentive to save, absent the possibility of obtaining credit.

a. Informal Sector Strategies: Perhaps the single most common strategy used by the informal sector to cope with the lack of credit is not to use any: an incremental materials acquisition and/or building strategy is used as the individual's current resources permit. That said, however, there are several different strategies employed by the informal sector, according to the nature of the barrier to credit that they are confronting:

- For those who work in the informal sector without significant collateral, the following strategies are used: self-financing; informal, usually community-based money lenders; traditional credit schemes (e.g., tontine or adaptation thereof); relatives, friends or employers; cooperatives.
- For those who do not have legal title, most of the same strategies apply, with the exception that if they are employed in the formal sector, they may have access to credit unions or other savings societies, which may lend on a co-signatory or other collateral basis without requiring a mortgage on the property. In addition, a common scheme is to request credit for reasons other than for shelter (e.g., educational purposes or consumer loan), but to use the money for home improvements.

In the cases where informal credit is obtained from outside sources, the cost of the credit is generally disproportionately high in relation to the lender's risk.

b. Formal Sector Constraints: The constraints faced by the formal sector with respect to the provision of finance to the informal sector are many and real. It is for these reasons that the gap between the informal sector and formal sector institutions remains.

Often the formal sector financial institution is constrained by macro economic policies that hold interest rates chargeable artificially low and limit the resources available for investment in shelter.

In addition, however, formal sector financial institutions are constrained from serving the informal sector by their inherent and quite natural conservatism, both with respect to perceived and actual lending risks and to dealing with an unfamiliar (unproven) clientele. The perception of these risks continues, even with substantial experience from groups as diverse as the Grameen Bank, the Housing Development Finance

Corporation of India, and CHF which indicates that low income earners in the informal sector are not poor credit risks.

Reinforcing the inherent conservatism are the existing mortgage instruments and credit practices of formal sector institutions and the lack of decentralization and so lack of contact with the clientele.

2. Land and Land Tenure Issues: Clear legal title to land is a common constraint; however, legal title (and so more ready access to finance) is not the same as secure title. In some cases, title secured by custom or political clout is preferred over legal title. Severe shortages of land available for shelter development as well as of serviced land are in many cases more severe constraints, which encourage squatting, invasion, and illegal development.

a. Informal Sector Strategies: To acquire land, diverse strategies are used. These include individual or group (possibly cooperative), sometimes illegal purchase (i.e., either not officially sanctioned or not from the legal owner); organized/planned invasion; individual encroachment; densification; vertical expansion; in some cases, working with local authorities or on a community-organization basis, contribution of unskilled labor or other resources for infrastructure installation.

b. Formal Sector Constraints: The constraints faced with respect to land are usually shaped by a multiplicity of factors. They include historical land ownership patterns; inappropriate zoning and/or land use standards; cumbersome bureaucratic procedures, sometimes causing land market inefficiencies; conflicting legal and customary practices with respect to land transfer and development; lack of legal title by occupants and/or illegal use of land; and inadequate resources/capacity to develop land for shelter purposes.

3. Infrastructure Issues: A basic distinction that can be drawn between formally sanctioned and informally developed shelter is the level and/or adequacy of infrastructure and services available.

a. Informal Sector Strategies: In order to cope with inadequate levels of infrastructure, the informal sector uses numerous strategies, all of which are geared to increasing access. They include pirating of water and electricity supply; development of small business enterprises and/or community-based organizations for management of services, such as solid waste disposal and water supply; application of political pressure on local government. Other strategies prevail as well, they include unsanitary disposal of wastes and acceptance of the low levels of services. It is important to note, however, that community priorities vary and that the

strategies employed to gain access to infrastructure and services are determined by community priorities.

b. Formal Sector Constraints: The constraints faced by the formal sector in the provision of infrastructure to informal communities include inadequate supply of land; lack of jurisdiction over adjacent available (or encroachable land); lack of capital for development; lack of capacity to collect revenue for services already delivered; illegality of delivering services to unauthorized occupants and/or unsanctioned developments.

4. Production and Construction Materials Issues: Affordability of housing is determined to a large extent by the availability of construction materials; in many places, construction materials are imported and/or are in scarce supply, driving costs up. In addition, production of housing generally favors those in the upper income strata of societies, with a disproportionate share of production directed toward housing development for them (both for shelter and for investment).

a. Informal Sector Strategies: Informal sector strategies to cope with production and construction materials issues focus on maximizing the resources available to them. Incremental building is the prevalent strategy throughout the developing world. In addition, the use of any type of construction and/or salvageable materials for initial shelter construction (including packing cases, sheet metal, cardboard) is a common practice; as are self-help construction material production, often through community-based organizations, and component construction at site to eliminate transport costs. Informal sector construction also often relies on self-help; where contractors are used, individual masons or other skilled workers contracted on an as-needed basis for specific activities in the construction process. In cases where indigenously produced materials are available, these are also used.

b. Formal Sector Constraints: Formal production of housing is constrained in many ways, including: the unavailability/scarcity of natural resources that are important to construction industry; macro economic policies impacting imported materials; distribution systems; market conditions inhibiting development of indigenous industries, including both construction materials production/ distribution and shelter development for lower income groups.

5. Environmental Impact Issues: The issues of environmental degradation that are related to housing and urban development are generally those associated with poverty. They include those caused by use of marginal land (erosion, soil depletion) and those by inadequate sanitary and solid waste disposal methods (water pollution and environmental contamination). In addition, there is an important set of environmental issues that affect vulnerable portions of the urban

populations that arise outside of the settlements themselves (eg., polluted drinking water from inadequate industrial waste disposal).

a. Informal Sector Strategies: As a by-product of poverty and the necessity of having to struggle simply to acquire minimal shelter, these issues are often seen as having a low priority within the communities themselves. However, there are important examples, where the informal sector has used self-help and community-based programs for solid waste disposal and popular education and for other types of activities, such as community tree plantings and gardens to stem soil erosion and community maintenance of communal water supply. In addition, informal sector groups have used political clout and lobbying to bring about desired changes.

b. Formal Sector Constraints: The constraints here tend to be crosscutting and outside the jurisdiction of a single entity. They include national economic development objectives and the resulting tax policies/incentives/regulatory environment for industry; lack of knowledge at all levels of government and within the private sector of the real costs and benefits (short, medium and long-term) of various environmental controls; cumbersome procedures for enforcement; inadequate resource base for provision of services; legal conflict caused by any sanctioning (such as delivery of municipally-supported services) of illegally developed land.

6. Institutional/Regulatory Issues: With the exception of policies and procedures of financial institutions, issues related to the institutional and regulatory environment manifest themselves primarily in the public sector. They do so in two primary ways:

- In the first case, the formal public sector institutions themselves are unable to carry out their responsibilities effectively. This is usually due to staff inadequacies -- shortages, inappropriate training, lack of motivation deriving from compensation structure and personnel policies -- and also sometimes to inadequately developed institutional framework, with unclear and/or duplicative division of responsibilities, authority and resources among participating institutions.
- In the second case, the policies and procedures of the institutions are themselves cumbersome, inappropriate, expensive and time-consuming.

a. Informal Sector Strategies: The most common strategy used by the informal sector in the matter of institutional or regulatory issues is to bypass the authority in some way. This includes partially completing required steps (e.g., applying for but not in the end receiving a building permit; requesting a survey) and proceeding directly without official

sanction (e.g., building outside existing codes). In some cases, the informal sector uses organizational techniques (e.g., formation of a cooperative) to ease the dealing with the bureaucracy.

b. Formal Sector Constraints: The formal sector is constrained usually by legal requirements which it is not at liberty to ignore.⁸ These legal requirements have often been inappropriately incorporated into the existing law from Western countries, where the structures and other conditions are quite different from those found in the developing country itself. Nonetheless, changing the policy and initiating legal change is hindered by bureaucratic inertia, inappropriate education of policy makers (this is often so in the case of standards), and, importantly, vested interests in the status quo.

7. Gender Issues: The literature reviewed for the most part did not focus on gender-related issues with respect to shelter delivery and urban development.⁹ In future work, RHUDOs particularly might wish to address these issues more systematically.

Issues that were identified include the fact that a large number of households in the low income informal sector are headed by women and that a disproportionate number of such households are in the lowest income deciles. In addition, traditional self-help schemes for low cost housing construction and credit programs have failed to serve women well. However, one study concluded that the major approaches to poverty alleviation are gender neutral.¹⁰

a. Informal Sector Strategies: The major issue of poverty among urban women and women-headed households is addressed in a variety of ways, usually having to do with home or community-based businesses (food vending, water selling, charcoal making), characterized by one study as "low productivity" areas. One study in the Asia region found that a strategy of assets accumulation as opposed to income augmentation was most effective in improving women's positions and the asset most desired

⁸It should be noted, however, that while this statement is generally true, there are also instances where the formal sector itself, including government entities, ignore or circumvent the required procedures and, in this sense, themselves participate in the informal sector.

⁹However, the Office of Housing and Urban Programs has commissioned various studies related to gender and housing, including Resources for Action. Women and Shelter. USAID, Office of Housing and Urban Programs, (Washington, D.C.: January 1984). See also Annex C: Additional Sources Consulted.

¹⁰ See Vinay D. Hall, ed. "Informal Sector and Development Planning," Society for Development Studies (New Delhi, India: 1989) p.39.

was land and/or a house. Women themselves use self-help and cooperative techniques to improve their positions, including savings clubs and informal credit mechanisms.

b. Formal Sector Constraints: Constraints of the formal sector include cultural or traditional bias reflected in legal or regulatory requirements and institutional practices; lack of access to or familiarity with women as clients; low level of education or skills among women as a group making them appear poor credit risks; inadequate knowledge base about the issues as they impact women.

C. Research Emphases of RHUDOs

Although there were not articulated research agendas with respect to the informal sector, it is possible through the analysis of the studies conducted by the Office of Housing and Urban Programs and by individual RHUDOs to ascertain a pattern in the lines of inquiry, which reveals to some extent the nature of the issues faced in each region¹¹. A brief summary of these follows.

1. RHUDO/East and Southern Africa: The research commissioned by this RHUDO focused on two areas of primary concern -- the problems of finance, particularly how to expand the access of the poor employed in the informal sector to finance for improved shelter, and also the relationship of the informal sector to urban development, including analyses of its broad economic structure in order to assess the merits of infrastructure investments.

2. RHUDO/West and Central Africa: This RHUDO's research with respect to the informal sector focused on the understanding of informal finance and credit mechanisms with an eye to improving linkages between formal and informal processes and thereby expanding access by the informal sector to finance for shelter and on various approaches to the possible privatization of urban services commonly delivered by the public sector.

3. RHUDO/Near East and North Africa: In this region, among RHUDO's principle concerns were with land tenure issues, including the intersection of modern and traditional practices and their implications for development at all

¹¹The literature that was provided to CHF by the Office of Housing and Urban Programs for review included various types and forms of material such as research papers, reports, proceedings of workshops and seminars, etc. The literature had been prepared for the Office or one of its RHUDOs, a USAID mission and, in a few instances, for other purposes, i.e., reports or publications on the subject of the informal sector. The literature included papers and reports in draft, interim, and final reports of various lengths, approaches, and comprehensiveness; for example, one of the documents was a comic book on the formal and informal housing sectors.

points in the income spectrum, and with the design and implementation of integrated urban community upgrading projects, including specific community case studies and service priority analyses.

4. RHUDO/Caribbean: Research of this RHUDO focused on strategies employed by the informal sector in various parts of the region to obtain adequate housing. As a result, the literature was primarily in the nature of case studies, reports on strategies and functions of the informal sector in the various islands of the region, papers for presentation at informal sector workshops, summary of the workshop, a study of the effects of Hurricane Hugo in Jamaica.

5. RHUDO/Central America: A diagnosis of informal enterprises in low income neighborhoods in Tegucigalpa and San Pedro Sula, Honduras, a report on the organization of two informal settlements in Honduras, a proposal for the investigation of informal sector in the economy of Honduras were the major studies of this RHUDO. The research focus was the informal economy and housing sectors in Honduras.

6. RHUDO/South America: In this region, the research included reports for national and regional seminars and workshops on the informal sector, summaries of the seminars or workshops, investigations of the urban growth and informal settlements of three urban centers in Ecuador. The focus of these studies was the investigation of the growth of selected urban centers in Ecuador and the role of the informal sector, sponsoring seminars and workshops to share information/experiences on the informal sector, preparation and dissemination of information on the seminars and workshops. This RHUDO provided the largest number of pieces of literature for the study.

7. RHUDO/Asia: In Asia, the primary research interest was housing finance as it relates to the informal sector. A secondary focus was on land development in urban and surrounding fringe areas.

In addition to the RHUDO research, the Office of Housing and Urban Programs commissioned some research materials. These had a worldwide perspective and included an annotated bibliography on the informal sector (both economy and shelter, but predominately the first), a seminar paper on suggestions for a home improvement program strategy to deal with the informal sector, and a summary of a workshop on the informal sector.

III. Approaches to the Informal Sector

The individual pieces of research and related work carried out by the RHUDOs to investigate the informal sector have tended to focus on discrete parts of the sector. For example, some studies have focused entirely on lending practices of financial institutions; others have examined the economy of specific informal communities; and still others have delineated patterns and practices of land tenure. Each of these provides an insight into the workings of an aspect of the informal sector and, by implication, into the constraints imposed by the formal sector.

However, with few exceptions, the studies do not draw the informal and the formal sectors into relation with each other. Neither do they examine the impact of the informal sector on the shelter delivery process as a whole or its implications for urban development and the management of urban areas.

It is beyond the scope of this study to develop a paradigm for the relationships between the informal and formal sectors with respect to shelter delivery and urban development. Nonetheless, within the context of the literature reviewed and the relevant work already undertaken by the Office of Housing and Urban Programs and the RHUDOs, it is possible to develop a generalized working model of these relationships. In so doing, the intent is to emphasize the following factors:

- The informal system usually does not entirely circumvent the formal system; there are numerous linkages and intersections between the two.
- The urban management implications of informal development are double-edged. On the one hand, the public sector cannot meet existing demand and so relies on the initiative and energies of the private (informal) sector to shelter itself. On the other hand, to the extent that the informal sector takes over these responsibilities, the authority of the municipal government is undermined and its potential revenue base diminished.

What follows here is a generalized descriptive analysis of the formal and informal shelter delivery process (Sections 1 and 2) and a schematic rendering (Section 3, Figure 2) of the relationship of the two processes with respect to each step in the shelter delivery process.

A. Understanding the Informal Shelter Delivery Process: Formal and Informal Sector Parallelism and Interface

1. Descriptive Analysis of Formal Sector Shelter Delivery Process

The formal sector is composed of shelter institutions and individual enterprises which together constitute the system by which shelter is produced and delivered. They are legally established, are officially registered or licensed, operate in compliance with the law, and observe various specified procedures for shelter delivery. Regardless of the size or function of the institution or enterprise, it will work within the existing legal and

regulatory framework which governs the way in which land will be developed and houses constructed.

At each of its stages, the formal sector delivery process depends upon structured relationships between service provider and beneficiary.

Formal Sector Network

The institutions and individuals that work within the formal urbanization and housing construction system are legally recognized, i.e., have legal status and are officially registered, and are usually, but not always, supported by other entities that work within a legal framework with the established guidelines and standards. The support organizations include several types of organizations:

- those involved in housing finance, such as savings and loan associations, commercial banks, secondary mortgage institutions, and credit unions;
- those involved in the sale of land and residential property, such as land owners and real estate firms;
- those involved in the construction of a project or house, such as a construction contractor; and
- those involved in servicing a loan or mortgage, such as savings and loan associations or commercial banks.

What follows is a generalized model of the formal shelter delivery system:

a. Land Acquisition

Land acquired through formal sector procedures is secured by a registered land title, free hold lease agreement, or some other officially recognized mechanism for selling, granting, or awarding tenure. In some instances, official recognition of possession of land, especially in a rural setting, is sufficient to qualify for a formal sector classification, however, legal title is usually a prerequisite for formal sector development.

b. Infrastructure

Governments usually provide off-site and sometimes on-site infrastructure; private developers (including individual owners) provide on-site infrastructure. Normally, formal sector shelter would be serviced by finished streets; curbs and sidewalks; storm drains; street lighting; and electrical, water and sewer systems for the houses. Subdivisions and/or individual houses are built according to the approved plans and specifications. There is sometimes an inspection system.

c. House Construction

Formal Sector houses are fully built in accordance with an approved plan. Occasionally a public sector housing institute will build either a floor slab, a roofed floor slab, a wet core, a core house, or a combination of different house components in a project for low income families. Private developers do not normally engage in such types of construction for low income families.

d. Construction Materials

The construction materials used by the institutions or individuals working within the formal sector are purchased from formal sector suppliers, from informal sector suppliers, or manufactured by the institution or individual developing the housing project or house. The decision of which option will be used for the acquisition of the building materials is made by the individual or individual and is usually based on the per unit cost.

National housing agencies and private developers sometimes use new construction systems and materials in an effort either to reduce the cost of the housing unit or to increase profit. They are able to use new building systems and materials because of the scale of construction that they carry out.

Private developers or individuals building a single or several units probably will use building systems and materials well known and accepted in the country.

e. Forms of Labor

Institutions or individuals working within the formal sector may build a housing project or a single house by contract, force account, self help, or a combination of two or more of these methods. Public housing agencies and local private, non-profit development organizations are more inclined to use self help techniques than private developers. The latter prefer to finish their work on the houses or house, sell them, and leave some work to be completed on a house by the owner after they have taken occupancy rather than use a self help component in the construction.

f. Financing

The financing for subdivisions and housing projects constructed within the formal sector may come from both formal and informal sources. For example, a private developer of a subdivision may finance the purchase of the land and the urbanization work with personal funds (informal); loans from relatives, friends, or

private investors (informal); a loan from a formal finance institution; or a combination of these methods. A private developer would obtain the interim or construction financing for a housing project from the same sources; however, it is generally necessary for the developer have an arrangement with a formal finance institution to provide the long term mortgage financing for the house. If the builder/developer does not have such an arrangement, it is not uncommon for the unit to be sold to an individual who then either pays cash or obtains his or her own financing.

A public institution building a housing project within the formal sector system is likely to have all of the financing arranged and available before it begins work on the project. Such funding comes from the formal sector financial institutions, such as the government, an international donor, its own funds, or a combination of these.

An individual purchasing a building plot and/or constructing a house within the formal sector system might fund it with personal savings, loans from relatives or money lenders (informal), or a loan from a formal sector finance institution.

When loans are obtained from formal finance institutions, the property itself is mortgaged so that the finance institution has a secured interest in case of default by the borrower.

g. Closing Costs and Monthly Carrying Charges

An individual purchasing an urbanized building plot and/or a house produced within the formal sector system is obliged to pay closing costs before getting title. These costs are calculated on the value of the property and include such items as loan origination fee, legal fees, property taxes, and transfer and stamp taxes. If the individual secures a long term mortgage loan to purchase the property, he or she will usually make monthly payments, at the contracted interest rate to pay off principal and interest for the agreed to life of the loan. In addition, other payments such as amounts for life insurance, fire insurance, and possibly a fee for servicing of the loan, are often included in the monthly payment.

2. Descriptive Analysis of Informal Sector Shelter Delivery Process

Shelter delivery in process of the informal sector is the flip side of the formal sector in general, it can be seen as operating without reference to established legal requirements and outside the governing institutional framework. In most cases, there is a mix of formal and informal development processes used, and for the purposes of this analysis, if shelter is developed and delivered outside of any of the formal processes, excepting certain types of financing, it is considered to be informal, in other words, it does not have total legal sanction.

The dynamics of the informal delivery process are determined by the individual householder, based on his/her assessment of the bureaucratic bottlenecks involved and the risks of circumvention, on his/her ability to acquire land and the risks involved in the manner of acquisition selected, and on his/her ability and/or willingness to pay for shelter and related services. An important auxiliary to and result of the individual's relation to the informal sector is the community-based organization, which usually plays a vital facilitating and energizing role in the shelter delivery process, particularly with respect to service and infrastructure.

Informal Sector Network

The informal sector is supported by a network of individuals and organizations, including some who are normally associated with the formal sector. For example, informal settlement organizers or promoters, lawyers, politicians, government officials, land owners, construction contractors, skilled labors, and money lenders, commonly work with informal communities. The informal sector also is supported by others in the informal sector itself, such as, the extended family group, residents of the same settlement, and organizations of more than one informal settlement.

In some instances, individuals or organizations associated with or part of the informal sector may acquire formal sector status and even work within a formal sector setting. For example, the association representing an informal settlement might obtain an official, legal status. In such a case, a formal organization would represent its members who are building their houses by the informal manner but who are using their legally recognized organization to deal with formal sector institutions to get needed land tenure, physical and social infrastructure, and financing. Another example might be a group of residents living in an informal settlement who organize into some type of cooperative association to resolve a common problem such as credit, housing, or food shopping. A cooperative, as a legal, official type of organization and part of the formal sector, could exist and often operates very effectively within an informal sector environment.

a. Land Acquisition.

The entities and individuals operating in the informal sector acquire land in various ways. For example, some families purchase land from land owners or their agents in subdivisions that are not officially approved or planned according to the established regulations. In this case, the family usually makes a monthly payment for the land in accordance with their agreement with the land owner or agent. After the agreed upon amount has been paid off, the land owner or agent gives the buyer title to the land. This title is not always legally recognized.

In other cases, families form or join an organization for the purpose of buying land with the idea that by purchasing land they can select its location and get a better price because of the large amount being purchased. The elected board of directors of the organization negotiates with land owners or agents for the purchase of the land. After an arrangement has been made, the families take

occupancy of the land. Once the families have paid for the land, they receive a title to it from the seller.

Some families form or join organization for the purpose of invading private or public land. Before and after the invasion the families work with and through an elected board of directors of the organization. The board works to get the approval of the authorities to remain on the invaded land, to get physical and social infrastructure installed or constructed in the settlement, and gain some recognition of land tenure for the families in the organization. The board seeks the support and cooperation of government agencies, government employees, politicians, and anyone else whom they feel might be able to assist their cause.

Some families move onto unoccupied land and build a shelter. The land might be in a flood plain, along a highway or railroad right of way, a secluded section of a large public or private property. In these instances, the family uses the land but generally will not be able to secure legal title.

b. Infrastructure

In informal settlements, the general rule is that there is no infrastructure provided by the municipal government. The exception to this is when land is invaded and/or densified beyond the original intended capacity of the infrastructure. In most cases, the quality of services is marginal and well below established standards. Frequently, there is no provision for individual water connections or for individual latrines. However, despite the marginality of the infrastructure in an informal settlement, the priority of the installation of the physical and social infrastructure is determined by the resident families since what is installed comes directly from their own resources. For example, the top priority in many communities is observed to be roads to enable water trucks to enter to sell water to the residents and public transportation to serve the settlement.

Another characteristic of informal communities is that the physical and social infrastructure are often installed or built on an incremental basis, either by the association representing the families in the settlement, a government agency, the municipality, or the utility company responsible for the particular service. For instance, water might initially be provided by communal faucets for a number of families. This provisional arrangement may be replaced, over time, by a water system with individual household meters to measure the consumption of water. A provisional school might be built by the informal residents of discarded materials until an official, permanent one is built by the appropriate agency. Usually, when water is provided on a provisional basis no charge is made to the informal settlement residents for the installation of the water line of the consumption of the water.

c. House Construction

Informal houses are normally constructed on an incremental basis by the residents themselves. The progress of the construction of the house depends on the availability of funds for the purchase of construction materials and the contracting, if necessary, of skilled labor. What is built depends on the needs of the family. The incremental construction process can take years and is generally considered as finished by the individual when he or she has a house with connections to the completed physical infrastructure.

d. Construction Materials

The materials used in the construction of the initial shelter, especially one erected on a plot claimed during a land invasion, include salvaged and scrap materials. After the land tenure situation has been addressed, the improvements and expansions are made of commercially and/or locally manufactured building materials.

The construction materials used by those within the informal system can be purchased from either formal or informal suppliers, manufactured by the builder, or a combination of these. The quality of the materials used in the permanent construction stage is probably as good if not better than those acquired by developers or public institutions using the formal system. The materials purchased for the expansion of an existing initial or provisional structure or its consolidation are those used traditionally in middle to upper cost constructions.

Because of attitudes related to the investment value of the house and its associated role in conferring status, few individuals will willingly purchase or even use free innovative types of construction materials regardless of their being promoted by a local agency or international non-governmental organization, although there are instances where locally produced materials will be accepted as substitutes for imported materials (e.g., in East Africa, the use of sisal cement roof tiles is becoming quite common).

e. Forms of Labor

In many instances, the families in informal settlements do most of the work to construct their houses by self help, sometimes with the aid of family members or relatives. Some families hire a skilled worker to prepare the house plan and budget and build the house. Other families hire skilled workers such as a mason, carpenter, or electrician to help them on an as-needed basis. One survey of the methods of construction in an informal settlement showed that the families constructed their houses as follows: 46% by self help with assistance

from relatives and friends, 44% used small contractors, and 4.5% worked with small contractors¹².

f. Financing

The financing for the purchase of the land by an individual participating in the informal system comes from his or her monthly income, savings, friends, relatives or money lenders. Sometimes money is borrowed from a non-traditional housing finance institution (e.g., credit union or cooperative) that does not require a mortgage for security or a regular monthly income. The terms and conditions of the repayment of loan would depend on the negotiations between the borrower and the lender.

g. Closing Costs and Monthly Carrying Charges

No loan origination fees or closing fees are incurred by an individual participating in the informal system to purchase a building plot because he or she are not dealing with formal finance institutions. A loan origination fee, legal fees, and servicing might be charged when a home improvement loan is taken out from some formal finance institutions.

3. Schematic Model of Formal and Informal Shelter Delivery Processes

As the preceding analyses of the formal and informal approaches to shelter delivery show, the steps that must be taken by an individual to acquire shelter are the same: Land must be acquired; tenure of some sort must be established; the level of services, construction methods and materials that are to be installed or used must be decided; and some means of paying for the land, services and construction must be found.

The steps in shelter delivery may be the same in the formal and informal sectors; however, at each step, several options of how to proceed present themselves. The choices made (or required) determine whether the resulting housing will be considered to be formal or informal.

Figure 2 shows the options open to people with respect to each of the major steps in the shelter delivery process. The columns on either side of each option show whether it is commonly taken in the development of informal or formal sector shelter. In some cases, the options (for example, the financing of land acquisition through personal savings or borrowing from credit unions) might be exercised by both; in other cases, the

¹²"The Solanda Integrated Shelter and Urban Development and Lucha de los Pobres: An Evaluation of a Formal Community Development Compared with an Informal Settlement," D.M. Vetter, J. Bordenave, and A. Jarrin (August 26, 1988).

options are associated solely with one or the other type of housing (for example, loans from housing banks go only to formal sector housing).

What Figure 2 shows is that there are many points in the process of shelter delivery that the distinctions between the formal and informal systems blur. In many cases, the development is a hybrid of the two systems. Whether a house is finally considered to be formal or informal is determined to a large extent by the relative predominance of legally sanctioned or institutionally affiliated options exercised.

Figure 2

Linkages between the Formal and Informal Sectors in Shelter Delivery

FOPMAL SECTOR	Land Acquisition	INFORMAL SECTOR
•	inheritance	•
•	purchase	•
•	traditional possession	•
	invasion	•
	encroachment	•
	Land Tenure	
•	registered title/legal right of occupancy	
•	culturally recognized title/right of occupancy	•
	unauthorized title	•
	no title/right of occupancy	•
	Land Financing	
•	personal savings	•
•	housing banks/other financial institutions	
•	credit unions/savings cooperatives	•
•	personal loans from family/friends	•
•	traditional moneylenders	•
•	savings clubs	•
	House Financing	
•	personal savings	•
•	housing banks/other financial institutions	
•	credit unions/savings cooperatives	•
•	personal loans from family/friends	•
•	traditional moneylenders	•
•	savings clubs	•
	Construction Materials Acquisition	
•	purchase	•
	self-manufacture	•
	recycling	•
•	bartering	•
	Construction Management	
•	approved plan/construction permit	
•	developer	
•	self-management	•
	self-help	•
	mutual aid	•
	Basic Services (water, sewer, drainage, access)	
•	minimum planned and/or installed	•
•	optimum planned and/or installed	•
	none planned and/or installed	•

2/a'

B. Informal Sector Shelter in Context

As documented in the Office of Housing and Urban Program and RHUDO literature and other studies, informal settlements and large numbers of people working and living in the informal sector can be found throughout the developing world. The impact of the informal shelter delivery system varies from region to region, and within region, from country to country. Some generalized conclusions can be drawn, however, in order to place the implications of the informal shelter delivery process within an urban management system in perspective.

Illustrative examples¹³ of populations living in informal settlements in selected cities in selected countries follow for each of the RHUDO geographic areas:

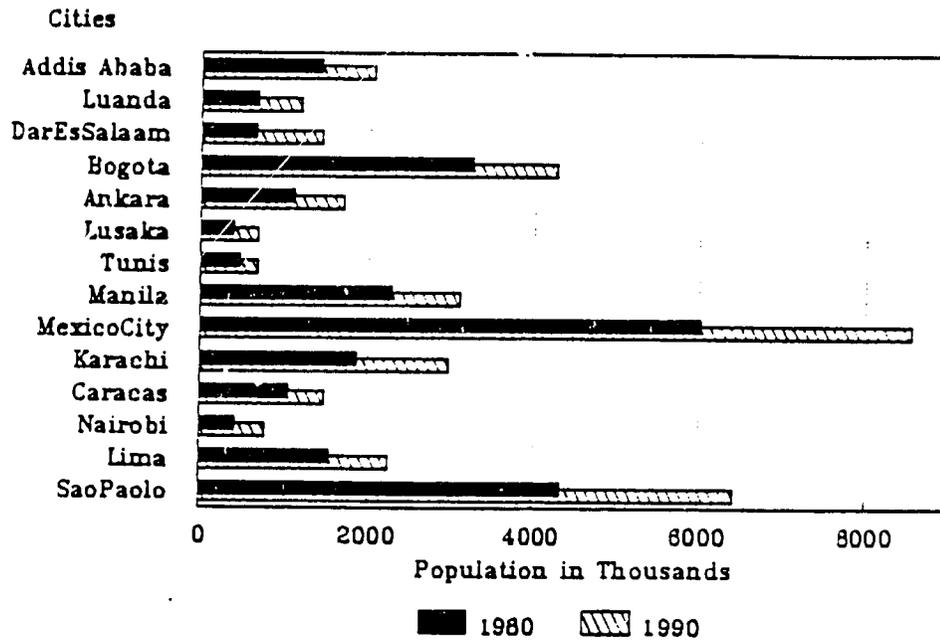
1. **Caribbean:** An estimated 50 to 70% of new housing is produced by the informal sector. In Kingston, Jamaica 34% of the land is occupied by squatters. In St. Vincent/Dominica, squatters constitute 42% of the population.
2. **Central America:** Between 50 and 70% of housing produced is produced informally. In Honduras, the estimated range is 54 to 50% of the total population living in informal settlements, and in El Salvador it is approximately 50%.
3. **South America:** In this region the estimated percentage of people living in informal settlements ranges from anywhere between 30 and 70%. For example, in Ecuador, the number is estimated to be 70%; in Columbia, 52%; and in Peru, 47%.
4. **Near East and North Africa:** In this region, the range is wider -- an estimated 25% in parts of Morocco to 45% in Tunisia and 51% in Turkey.
5. **Asia:** In the Philippines approximately 40% of the urban population lives in informal settlements, in Pakistan approximately 37%, in Sri Lanka 50%, and Thailand 25%. However, overall in the region an estimated 60 to 80% of shelter is delivered through the informal system.
6. **West and Central Africa:** This rapidly urbanizing region has an estimated 20 to 40% of its populations in large urban areas living in the informal sector.
7. **East and Southern Africa:** The largest city in the region is Nairobi, Kenya, where an estimated 38% of the population live in the informal sector; in neighboring Somalia, an estimated 40% of the urban population live in the informal sector, as do 75% Zambia.

¹³These estimates have been taken from the literature reviewed.

While the figures set out above are simply illustrative, it is nonetheless clear that the numbers of people involved are enormous. In addition, Figure 3 provides a graphic representation of the growth in informal settlements over the past decade. This growth.

Figure 3

Estimated Populations in
Informal Settlements: 1980 and 1990



Sources: CHF Extrapolation from The World Bank, World Development Report 1988, Oxford University Press, 1988 and United Nations, Patterns of Urban and Rural Population Growth, Population Studies No.68.

As shown in Figure 3, the absolute numbers of people living in informal settlements are staggering. In 1990, these estimates range from approximately one million people (Nairobi, Lusaka, Tunis) to eight and a half million in Mexico City. For each of these urban areas and the many others which face similar challenges, the question to be posed and, indeed, one of the basic questions underlying this paper, is how best can local governments cope with this phenomenon? It seems clear, thus, that any efficiencies that can be introduced and any productive reconciliation between the two would have a significant beneficial impact on the lives of millions.

IV. Policy and Program Strategies for Dealing with the Informal Sector

It has been the assumption of this paper that the objective of the Office of Housing and Urban Programs in dealing with the informal sector is to broaden the reach of its activities and so to serve greater numbers of people in developing countries. It has been the further assumption that the defining structure in which it will achieve this objective remains that of the formal sector. In short, the overall strategy of the Office of Housing and Urban Programs is to work with existing (formal sector) institutions in order to assist them to accommodate and respond better to the needs of the informal sector for shelter and service delivery and, where appropriate, to work with informal sector groups to assist them in participating within the shelter delivery process.

This section highlights the issues that will be central to the Office of Housing and Urban Programs as it implements this agenda with respect to the informal sector.

The Office of Housing and Urban Programs will provide support primarily through policy dialogue, selective investment, and institutional interventions, growing from a comprehensive assessment of the informal sector shelter delivery process. Specific types of assistance that can be foreseen are set out in this section under the proposed approach to each of the key program and policy issues identified.

A. National and Urban Policy Considerations

1. National Policy and the Informal Sector

a. Issue: It is necessary to underscore that in many parts of the developing world, the national policy context for shelter delivery is defined in large part by considerations unrelated to the need for shelter. Such considerations include the climate for general economic growth (including the role envisioned for the private sector), investment strategies and incentives, and the overall role of government. These can often have a dampening effect on the formal shelter sector and, by implication, the consequent fostering of the informal sector role in the shelter delivery process can be seen as by-product rather than an intended result of national policy.

b. Approach: The linkages between the informal sector and other economic policies should be understood and articulated. They should be a component of Shelter Sector and Urban Assessments and should form the basis both for policy dialogue with government and for the selection of the appropriate intervention points.

2. National Policy and Local Government Policy/ Practices

a. Issue: The articulated national policy with respect to informal sector development and shelter delivery is often at odds with the implementation of programs at the local government level. It is more often the case that the national government will recognize the vitality and potential importance of the informal sector to economic growth and seek to foster a constructive relationship with it than will local government. Local government policy is often not proactive in this regard¹⁴; instead it is either acquiescent and/or obstructive to informal sector development.

b. Approach: Where there is a conflict between national policy and local practice, it is not always immediately apparent because it is usual for at least lip service to be paid to national policy. Thus, recognition of such a conflict implies an understanding of the urban management practices. Once recognized, then, an understanding of the reason for local government's conflicting practices must be developed in order to before an effective alternative approach can be devised and matters resolved. A similar approach must be taken when local governments are obstructive to informal sector development. The municipal government must perceive that suggested ways of dealing with the informal sector serve its interests as well as those of the informal sector.

Where local governments are simply acquiescent to informal sector development, an understanding of the linkages between the informal and formal sectors can be developed and the potential benefits to both formal and informal sectors of bridging the gaps between the two can be clarified.

B. Urban Management Implications

The relative dominance of the informal economy both in general and with particular reference to the supply and delivery of shelter holds important implications for the role of municipal governments. These include the effectiveness with which municipal governments are able to carry out their specifically prescribed functions and, indeed, their basic capacity to govern. It is not realistic to assume that municipal governments will or should take either of the extreme positions: it is not possible to disregard totally the informal sector; neither is it possible to reserve unto itself all those functions carried out by the informal sector. At best, municipal government must be engaged in a difficult balancing act. It must seek to channel and facilitate the channeling of the

¹⁴There are important exceptions to this generalizations, such as the case of a neighborhood in Fez, Morocco. See Belhaj Abdelaziz Felali, Agence Nationale de Lutte contre l'Habitat Insalubre, "The Process Involved in Restructuring A Clandestine Settlement: The Montfleuri Experience," 1988.

energies and resources of the informal sector in ways that will both meet individual needs and promote (or at least not transgress) the general good.

The manner in which the balance is achieved is vitally important, too, to the Office of Housing and Urban Programs, as it pursues a policy to support decentralization of government functions and to strengthen local government. The manner in which the informal sector is accommodated and/or regulated by municipal government therefore will have bearing on the effectiveness of its own policies and programs.

1. Revenue Generation

a. Issue: Basic to the desire of most municipal governments to regularize the informal sector is the desire to increase their revenue base. This is true whether it be by means of providing regularized land title (often at a cost to the holder), by enforcing permit systems (and so collecting fees), or simply by adding to the number of tax payers. The **quid pro quo** in these instances should be that the citizens believe that some benefits accrue to them from such fees and taxes -- they get better services and/or they feel more secure in their position in society. In many cases, however, neither services nor security are increased and the net benefits of "regularization" are not clear to the citizens themselves.

b. Approach: In order for a municipal government to have true autonomy and to be able to serve its people, it must have a revenue base. Therefore, it is important that it find means to generate revenue. In some cases, this will be a matter of national policy and/or legal authority. However, it seems fundamentally important to any policy of decentralized authority that the local government be able to generate revenue. In addition, given the prevailing economic climate in many countries in the developing world (external debt burden and high inflation), it is unlikely that revenues for urban management and/or shelter delivery will be forthcoming in sufficient quantities from central government or, indeed, other sources.

Even when there is authority to collect, it is often the case that both tax collection and revenue management procedures are deficient. It is important therefore that municipal government develop an equitable means of handling revenue. Then, when an informal process is formalized, whether it be the enforcement of permit requirements or the granting of land title, it is important that the payees both receive and perceive that they are receiving tangible benefit from that payment.

This type of linking of cost to benefit has been done effectively on a project level, where land title and upgrading of infrastructure, paid for by the community residents, results in -- for example -- water-borne sewerage, more convenient water supply, a local health clinic. In such

cases, however, experience has shown that it is critical that community priorities for services to be provided be ascertained before any regularization is undertaken, for if these priorities are in conflict, then, the process will be circumvented (by non-participation), in the same way that it has in the past.

The type of assistance that can be offered by the Office of Housing and Urban Programs includes technical and management consultation.

2. Institutional Capacity

a. Issue: In many places, municipal government is institutionally weak. It does not have the capacity -- manpower, structure, or resources -- to assume many of the responsibilities that it is required by law to carry out.

b. Approach: Consistent with its policy of supporting government in the role of enabler or facilitator rather than the direct supplier of services, the Office of Housing and Urban Programs can work with municipal governments to help them to analyze those functions which it can share with the private sector. In many cases, this may require a brokering role with respect to national government (see 1 above). In addition, the Office can assist municipal governments both to develop a comprehensive understanding of their relationship with the informal sector in all of its aspects and to develop a strategy for dealing with it, taking into account its own institutional capacity and the other factors (revenue, political support, land, and spatial development) to determine where and how it would like to work with the informal sector.

The types of interventions that would be appropriate here include training, consultation, and development of reference materials and similar resources.

3. Informal Sector Support

a. Issue: In many countries, the informal sector, simply by its size, constitutes a significant political force. To the extent that the informal sector contains people who are not among the disenfranchised by virtue of their economic position¹⁵ vested political interests will come into play.

¹⁵For example, it has been estimated that between 20 and 40% of those living in the informal sector do so out of preference rather than economic necessity. Some make a decision to live in informal housing because of other priorities: they would rather spend their money on education, household purchases, building a house in a rural area. Still others live in informally provided housing simply to avoid payment of taxes, such as transfer fees, stamp taxes and monthly carrying costs, such as insurance changes and loan servicing fees.

Therefore, it is critically important to recognize that programs and activities related to the informal sector are not neutral.

b. Approach: Public participation in various forms, including importantly, work with community based organizations and local leadership are important components of any effective intervention in the informal sector. Participation in the planning (and so the priority setting) and implementation of any proposed activity is particularly important, as was borne out by the Montfleuri experience in Morocco, where much of the effectiveness of the intervention was attributed to the cooperative residents association.

The Office of Housing and Urban Programs can offer local governments training in community organization and development with specific reference to shelter delivery.

4. Land Tenure

a. Issue: Conventional wisdom would have it that insecure land tenure (lack of legal title) is a pervasive characteristic of the informal sector. As this paper has attempted to illustrate, while land tenure is an important general issue, it has several different manifestations. These issues of title can be divided as follows:

- unavailable legal title (land not available for sale or lease)
- inaccessible legal title (cumbersome titling procedures)
- unaffordable legal title (cost of land exceeds ability of people to pay)
- substitute for legal title (land occupation recognized by custom that conflicts with existing laws)

b. Approach: Land titling and tenure practices vary considerably from country to country. They are part and parcel of each country's social and cultural heritage. That said, however, it is important to any program design to understand the nature of the tenure tradition and process and the relative security or lack of security felt by those lacking title. These two considerations will determine what type of formalization of title may be required, desired, and/or possible.

A brief description of possible approaches to each of the manifestations of the land tenure issue follows:

- With respect to **unavailable legal title** because of lack of land resources, there is little to be done except to redesignate land use areas and/or to provide incentives for land sale or lease. When there is no more land to be

developed, then, acceptable densification strategies must be found.

- In the case of **inaccessible legal title** stemming from cumbersome procedures or unrealistic requirements (such as survey requirements that cannot be met by existing manpower), then, working with municipal government to streamline procedures and develop appropriate substitutes can yield good results. However, this should not be done in isolation from the constituent group, the informal sector; as stressed earlier the desirability of obtaining title from the informal settlement resident's point of view should be known in order to ascertain if this is an appropriate remedy. If it is taken, then, once reforms are in place, some sort of outreach program informing the informal sector residents about the new processes should be undertaken by local government.
- When the costs associated with obtaining legal title are too high for the occupants and government is the owner of land and/or can acquire the land, then revaluation may be a feasible approach. The costs and benefits of this should be weighed against the expected revenues that the local government can gain through regularized title. If land costs cannot be reduced, then densification strategies could be employed by which the squatters voluntarily relocate on the land, freeing up part of it for the owner's use, similar to a strategy being employed in Bangkok.

Other costs associated with legal title, such as legal fees, transfer tax and the like should be analyzed in terms both of affordability and of perceived benefit. They should also be analyzed in terms of revenue gained and revenue lost due to circumvention.

- In many countries, **substitutes for legal title** are very common. These generally occur when a traditional system (e.g., the distribution of tribal land by chiefs) is at odds with modern legal requirements. In these cases, customary rights are recognized and acted upon by the population. Often the government does not wish to challenge these rights. A practical approach is to find a way to accommodate the customary practices within the legal framework; however, that is frequently a more complex and politically difficult process than it might at first seem. With respect to the narrow purpose of formalizing tenure and/or conferring rights and benefits associated with

regularized tenure by municipal government, short of restructuring the entire system, it is sometimes possible to permit such substitute title to provide security for loans and other similar purposes. It is important that international donors and lenders as well as local institutions should be flexible in this matter.

5. Spatial Development and Physical Environment

a. Issue: Informal settlements develop without reference to municipal government. Thus, they may very well defy land use planning standards, threaten ecologically sensitive land areas, or inhibit an economic return on the land. On the other hand, they develop also in response to people's basic need for shelter and by the appropriation of land resources that are otherwise idle. If urban governments are to be able to manage and direct their own growth, they must be able to exercise some control over the area's spatial development.

b. Approach: In very few instances will a municipal government start from ground zero, for most local governments are already faced with the issue of a significant amount of development taking place in the informal sector. When this is not the case, however, the local government can avoid the issue by planning for growth, setting aside land (as has been done successfully in countries such as Botswana) and anticipating the need for low income shelter.

When there is already an existing problem, however, some sort of accommodation must be found. In some cases, this will include the extreme step of resettlement (although this is avoided where possible because of the potential for political disruption). Where there is resettlement, particularly where this is prompted by upgrading of infrastructure, then provision should be made for land allocation within the vicinity. In most cases, however, a better approach is to determine the impact that the informal settlement is having on the spatial development of the urban area and to work with the community groups -- perhaps through non-governmental organizations (see below) -- to take community-based steps to address the problems. These can include community-based, low technology strategies for addressing environmental degradation problems (e.g., tree planting, community maintenance of water supply) or community incentives for arresting encroachment on agricultural or other valuable land. As was the case in Fez, this can also include a concerted effort to modify the existing urban plan.

The Office of Housing and Urban Programs can work with municipal governments to provide planning assistance and training to local non governmental organizations.

C. Role of Non-traditional Shelter Delivery Organizations

The gap between the formal and the informal sectors is one that can be only selectively bridged by local government. It is outside its capacity to regularize all of the informal activity associated with shelter production and delivery. Indeed, it is inconsistent with its overall interests to attempt to do so. However, it is in local government's interests to foster the positive productive elements and contributions to the local economy made by the informal sector.

Encouraging appropriate informal sector activity can often be assisted effectively by an intermediary group. Such an intermediary group should itself be outside of the formal shelter delivery system and so be able to serve as a broker of sorts between the two potentially conflicting sets of interests and, indeed, assist in determining where commonality between the two might lie.

In particular, the Office of Housing and Urban Programs should assist municipal governments to create liaison with non-governmental organizations for specialized issues (such as those associated with a specific project intervention or investment) or community associations for understanding the internal dynamics and priorities of individual informal settlements. These groups can also facilitate public participation (see B.3.a above).

Roles of intermediary groups can potentially include:

- community development and education
- credit facilitation
- community survey and priority development
- technical assistance
- information exchange

1. Building the Partnership

a. Issue: The state of development of such intermediary groups is not very advanced in many countries. Furthermore, funding and other support for them is not readily available.

b. Approach: Although it is unrealistic to assume that large amounts of funding will be forthcoming to develop such organizations, small investments can have considerable payoff. Seed monies and other resources from the Office of Housing and Urban Programs and RHUDOs, USAID missions, and perhaps organizations like Peace Corps and the African Development Foundation, could be made available to assist in the initial creation of a dialogue.

The best approach is to work with community-based groups, including residents associations and cooperative groups, that have a vested interest in and established credibility with informal settlements. They are in a position to sustain any undertakings and/or dialogue with the municipal governments. In addition, technical non-governmental organizations could assist in the establishment of similar groups to operate within communities on an economic basis to assist with house and infrastructure construction and other items associated with shelter development.

The Office of Housing and Urban Programs can assist in a sustained way by designing and carrying out training and workshops for these groups. In addition, within the overall RHUDO strategy (see section V) in a given country, a small-scale pilot effort to work with a community-based organization in a particular informal settlement in an urban area could be designed and implemented over a period of time to develop linkages between the informal sector and local government.

2. Establishing other Linkages

a. Issue: The informal system exists because of inadequacies in the formal system. Some of these cannot be compensated for directly, such as the availability of finance through established housing finance organizations.

b. Approach: The Office of Housing and Urban Programs should adopt a strategy of making credit accessible to those in the informal sector by creating linkages with non-traditional institutions. These could be cooperatives, credit unions, and mobile (branch) banking facilities structured on traditional credit practices. Such activities can be scaled to affordability levels and mobilize resources. CHF, for example, as well as other groups have successful experience in working with such nontraditional finance organizations.

The Office of Housing and Urban Programs can offer support to this type of undertaking by the design and implementation of small-scale pilot demonstration projects, including training and institutional development components for the indigenous organizations.

In addition, intermediary community based organizations can be enlisted to assist informal communities to establish linkages with other private sector entities, such as small contractors and the suppliers of indigenous building materials.

V. Informal Sector Program Design and Implementation Issues and Guidelines

Awareness of the issues and suggested approaches set forth in Section IV of this report provides a context for policy decisions and an initial point of departure with respect to approaching the informal sector. However, there must also be an underlying strategy and a supporting set of actions taken by the individual RHUDOs if any given policy or programmatic intervention is to be successful. This operational framework is outlined below.

1. RHUDO Strategic Aims with respect to Informal Sector

a. Issue: The dynamism of the informal sector can be curtailed if heavy-handed attempts are made to regulate or direct it; the ability of municipal governments to govern and manage urban development can be diminished by a wholly autonomous informal sector.

b. Approach: RHUDO's strategy should be based on the policy of accommodating the informal and formal sector processes with respect to shelter supply and delivery in order to promote the overall efficiency and effectiveness of the system as a whole. A strategy founded on this principle can be developed in any given country and/or municipal area based on a comprehensive and integrated understanding of the informal and formal processes and the urban management needs and capabilities of local governments.

2. Defining the Informal Sector in relation to RHUDO Programs

a. Issue: There exists today considerable confusion about the "informal sector," what it is and what development agencies' stance should be in relation to it.

b. Approach: In order to assure appropriate policy implementation, the Office of Housing and Urban Programs, based on the research carried out to date, the findings of the literature review, and its own programmatic agenda, should develop guidelines with respect to its programmatic relationship to the informal sector. In these guidelines, the following points should be made clear:

- the informal sector must be understood in relation to the formal sector;
- the informal sector is not monolithic;
- strategic interventions with respect both to shelter delivery and to urban development and management can be made but only when the sector as a whole is understood;
- the informal economy and the informal sector as it relates to shelter delivery are not synonymous.

3. Informal Sector Assessments

a. Issue: In order to understand the informal sector's dynamics and governing aspirations, it is important to understand it in a comprehensive way.

b. Approach: An assessment of the informal sector should parallel that of the formal sector. It should address systematically the issues associated with shelter delivery and development and where a shelter sector assessment focused primarily on the formal shelter sector has already been made, it should provide an analysis of the common linkages between the two, similar to the model set forth in Section III of this report. Where a new or updated shelter sector assessment is to take place, a portion specifically addressed to the informal sector should be included.

An assessment of the informal sector should include the following analyses:

- Land acquisition -- tenure patterns, practices, incidence, procedures
- Infrastructure -- services and standards, priorities
- House construction -- practices, standards
- Construction materials -- types, costs, methods of acquisition
- Forms of labor
- Finance -- sources, terms and conditions, loan recuperation
- Fees and Monthly costs -- fees paid for permits or other rights acquired, housing carrying costs

In addition, the informal settlements should be characterized (income levels, density, predominant social groups, etc.) and an understanding of the major constraints and bottlenecks to the supply and delivery of shelter in the informal sector be developed.

When this assessment is completed, it can be analyzed in light of the formal sector characteristics and the municipal government capacity. Based on these analyses, decisions about policy approaches, program interventions and urban investments can be made, in order to maximize the effectiveness of the system as a whole in meeting the needs of its low income citizens who live and work in the informal sector for shelter and urban services.

4. Policy Implications of Working with the Informal Sector

a. Issue: Attempting to regularize the informal sector in all of its aspects is unrealistic and, doubtless, even if it could be achieved, undesirable. Nonetheless, if local governments are to be able to govern effectively, there is a certain degree of control that is necessary and program interventions that undermine or contravene the authority of the local government can be counterproductive in many ways.

b. Approach: In order to assist in the achieving of the appropriate balance between regularizing and encouraging the informal sector, RHUDOs should be aware of the inherent tension between activities in the informal sector and many governmental objectives. Program interventions should be preceded and accompanied by policy dialogue to ensure that the balance sought is being attained.

5. RHUDO Programmatic Aims with respect to the Informal Sector

a. Issue: Lack of definitional clarity and/or an imprecise understanding of the informal sector can result in initiatives with respect to the informal sector that are separate from RHUDO's overall programmatic aims.

b. Approach: Once a comprehensive understanding of the informal sector is developed, then, decisions can be taken about how interventions in the informal sector and/or efforts to bring the formal and informal processes into more complementary relationship can be taken. Examples of the types of interventions that RHUDO might make are as follows:

- combining resources to expand nontraditional credit availability for shelter;
- leveraging programmatic resources of other USAID missions and agencies to support community-based shelter-related efforts, such as low technology environmental improvements;
- developing training programs to enhance the understanding of the urban government decisionmakers of the shelter delivery process, its bottlenecks and compensating efforts by the informal sector, and the urban management implications of the system;
- providing short term technical consultancies to assist municipal governments to adapt their practices to accommodate the informal sector.

- providing training to community based organizations to allow them to work within their informal communities and to serve a liaison function with local governments.
- implementing pilot projects within the context of an overall program agenda for the urban management system to assist in developing appropriate linkages between informal sector communities and local government in order to improve efficiency and effectiveness.

ANNEX A
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ANNEX B

Analytical Framework

ANNEX B

Analytical Framework for Document Review

Each document listed in Appendix A was abstracted according to the following framework:

- Document title
- Document author
- Document date
- Document characteristics

In addition, each document was analyzed in terms of the following categories:

- Research objectives
- Methodology
- Target populations researched
 - definition of target group used
 - definition of informal sector used
- Applicable programmatic area impacts and interventions
 - land, land tenure
 - finance
 - infrastructure
 - environment
 - construction materials/methods
 - labor practices
- Significant findings
- Determined impacts, if any
- Recommendations

Once individual documents were abstracted and analyzed, an additional, regional analysis was made to synthesize findings, ascertain patterns and trends to the extent that these existed, and to generalize conclusions.

45

ANNEX C
Additional Sources Consulted

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