

Housing Policy Dialogue: *Moving Towards Implementation of the New Urban Agenda*

Applying the lessons from 50 years of housing policies in Latin America to
rapidly urbanising countries in Africa and Asia

*Synthesis Paper on Roundtable Discussion of Key Housing
Policy Lessons*



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Introduction

On September 9, 2016 a small group of experts drawn from academia, multi-lateral financial institutions, public policy, private sector and civil society,¹ gathered together to discuss and debate the applicability of lessons that might be drawn from 50 years of experience in Latin American housing policy to see what role they might play in achieving Goal 11 of the Sustainable Development Goals and in formulating policy under the anticipated New Urban Agenda (NUA). While potentially applicable in a wide range of settings, focus in this conversation was on those areas of the world that are most rapidly urbanizing.

With the majority of people now living in urban areas, Latin America is the most urbanized of the developing regions and therefore has encountered in varying forms some of the challenges being encountered by other countries today.

Ford Foundation hosted the meeting at its offices in New York City, and IHC Global organized and convened the meeting which was structured in the form of roundtable discussions. The seven lessons on which the Dialogue focused are outlined below and are contained in a paper reflecting an integrated reading of Latin American research outcomes authored by Eduardo Rojas. The September 9 meeting served a peer review function in order to nuance and deepen the insights and validate the lessons in advance of presenting a revised paper at Habitat III (Phase 2) and entering into dialogue directly with policy makers and others concerned about rapid urbanization (Phase 3) as they move into implementation of the NUA.

¹ See Annex A.

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Purpose and Objective

Goal 11 of United Nations's Sustainable Development Agenda, which encompasses 17 Goals, known as Global Goals or Sustainable Development Goals (SDGs), focuses on cities and calls for cities to become more inclusive, safe, resilient and sustainable places. The New Urban Agenda (NUA)—a planned outcome of the October 2016 UN Habitat III meeting— envisions that housing will play a prominent role in urban development. IHC Global believes that housing can indeed become a driver for more equitable cities and the achievement of Goal 11 and the effective implementation of the NUA. In fact, IHC Global believes that housing is central in the sense that unless cities are able to make adequate housing widely accessible, they cannot achieve Goal 11. However, housing cannot be delivered effectively without attention being paid to many other aspects of urban development, such as fiscal policy, spatial and other planning, responsive governance and participation, and service delivery, among others.

The challenge presented by Global Goal 11 and the NUA is an enormous one. The pursuit of their objectives will certainly require great political will, new financing mechanisms, and strengthened local institutional capacity. Moreover, it will also require the close cooperation of private and public actors in the design and implementation of a complex set of public policies that will promote and guide both public and private investment in cities. The lessons from past experiences in urban development and housing can make a significant contribution in designing and implementing this endeavour. Moreover, these lessons have the potential to help cities and countries “jump start” their implementation of the NUA. In other words, lessons from past efforts can be viewed as an asset on which to draw as countries and cities work to achieve Goal 11 and implement the NUA

IHC Global thinks that there is much to be understood and learned from such experience, particularly that of Latin America, which has faced many of the challenges that other countries are now facing. The most urbanized developing region of the world, Latin America offers more than 50 years of experience with an array of housing policies and approaches. So, IHC Global has sought to draw relevant evidence-based policy lessons from this experience targeted at policy-makers.

There is a growing body of research and evaluation documenting Latin America's housing experience although with uneven results. A recent study by the Urban Institute reviewed over 1,000 publications on the subject and concluded, “Despite the volume of publications that the researchers reviewed, there is still a general paucity of rigorously produced evidence around housing issues in the Latin American and Caribbean region. Like housing research in other regions, there are few resources for conducting experimental or quasi-experimental studies at the household level, coupled with the many challenges of designing research at the urban scale where “comparable” cities and metropolises do not exist.” (2016:52) Notwithstanding the limitations of the existing

academic literature IHC Global is convinced that an integrated reading of the findings of the recent studies for Latin America can yield useful lessons for housing policy design and implementation

Through this integrated reading, IHC Global seeks to make relevant and applicable the lessons learned from 50 years of housing policy experience in Latin America in several stages:

- First by convening, in partnership with the Ford Foundation, a group of key actors in housing policy to a Roundtable to discuss the pertinence and further nuance the lessons drawn from an analysis that has been carried out of the Latin American experience.
- This activity forms part of a wider Housing Policy Dialogue and Dissemination Program that will then continue in Quito at the time of Habitat III with a meeting convoked under the auspices of the Ford Foundation and the World Stage to gather key actors to discuss the results of the dialogue and begin a fruitful engagement with policy makers, leaders from civil society, local governments, and researchers from Sub-Saharan Africa and Southeast Asia, the developing regions where most urban growth will take place in the coming decades.
- Further activities not yet defined and depending in part on the outcome of these two sessions are envisioned to include country specific dialogues and advice in policy formulation and implementation.

Background

The years 2010s brought a renewed interest in studying housing issues in Latin America, something that had not happened since the early 1990s the times of the academic and policy debate that led to the formulation of the “enabling markets approach” to housing policy (UN HABITAT 1988, World Bank 1992, Inter-American Development Bank 1995). The recent studies focus on a wide range of aspects of the evolution of housing in a continent that urbanized very rapidly in the last half of the 20th Century and that have experimented with a wide variety of housing policies. Recent studies cover a diversity of topics ranging from: the evolution of housing conditions in the region (Rojas and Medellin 2011) and the state of the housing sector in Latin America (Bouillon et.al 2012) and in the Caribbean (McHardy and Donovan 2015) to the urban impacts of housing policies (Rojas 2016) and include studies of topics like the state of the rental markets (Blanco et.al 2014) and the evolution of housing finance in the region (Bebczuk and Demaestri 2014, Sancho et.al 2012, Cohen et.al. 2007). Other studies focus on the effectiveness of multilateral assistance in housing (Buckley and Kalarickal 2006), on policies to reduce informal settlements (Herzog 2016), and proposals to manage the rapid expansion of cities (Angel 2011). A full list of housing policy related publications since 2000 is included in the Urban Institute study (Urban Institute 2016).

Key Housing Policy Lessons: Phase 1 – Housing Policy Dialogue in NYC

At the day long Housing Policy Dialogue held at the Ford Foundation in New York City, a group of experts providing different perspectives debated the draft paper prepared by Eduardo Rojas, “No Time to Waste: Lessons from 50 Years of Housing Policy Experience” which sets out seven key lessons focused on housing but understood and placed into the context of urban development.

Rojas’s integrated reading of the findings of the recent studies (Rojas 2016b) reveals valuable lessons for housing policy design and implementation that can be of use for rapidly urbanizing societies. The analysis indicates that there is no substitute for rapid social and economic development to improve the living conditions of the population; however the fact that countries with similar growth paths exhibit differences in the quality of housing available to their populations suggests that housing policies and programs do matter. There is a positive relation between urbanisation and per capita income growth; thus, as countries urbanize and get richer it can be expected that the households have more resources to solve their housing problems. To a great extent this relation holds for Latin America but with differences that suggest that housing policies also play a role. However, it is also true that economic development and income equality do not always go hand in hand.

1 The housing improvement attained in several Latin American countries support the proposition that housing policy matters (Angel 2000). Markets do not provide good housing for all, and differences in housing quality among social groups are one of the dimensions of social inequality that tend to increase with economic growth. Seeking a more egalitarian distribution of the benefits of growth and more integrated societies governments implement a variety of social policies including housing programs; in the majority of Latin American countries government interventions explain a significant part of the improvement in housing conditions observed in the region. **The analysis of these policies indicates that isolated low-income housing programs do not work and housing policies must promote the effective functioning of the whole housing sector.** This finding confirms one of the assertions of the “enabling markets approach to housing policy” that to effectively reach the poor with good housing the housing sector of the economy must be capable of satisfying the needs of all social sectors simultaneously otherwise higher income groups displace lower income households from their houses.

2 Governments alone cannot solve the problem so it is necessary to mobilize the resources of all social actors. The experience of public housing programs that fully subsidize the supply of houses to the population proved incapable of solving the problem and did not mobilize the beneficiaries’ full repayment capacity. Countries that succeeded

in reducing the housing deficits mobilized the resources of the beneficiaries in proportion to their capacity to pay through a variety of financial mechanisms including: programmed savings to contribute to partially finance the highly subsidized solutions they received from the governments; micro-credit for incremental construction and improvement of houses; and repayment of mortgage-based loans to purchase finished houses. The active participation and resources of all actors are needed to expand the supply of houses including the capacity of low-income families to self-build their houses and private capital for financing mortgages for households capable of servicing a debt. Housing policies play a key role in allowing all actors to contribute and in coordinating their interventions including promoting long-term savings and the development of effective private mortgage financing institutions and micro credit for home construction and improvements.

3 It is about building cities, not just houses. Good houses improve the quality of life of the population in significant dimensions. However not all the housing services required by the households are provided by the house; actually the majority of these services—supply of potable water and sanitation, access to employment centres, health and education services, recreation, and many others—are provided by the neighbourhood and the city. Housing policies focused on individual entitlements supporting households to access a minimum house do not satisfy all the needs of the population highlighting the need to closely link efforts to improve housing conditions to the provision of city and neighbourhood services and infrastructures. In many countries good houses located in underserved subdivisions and neighbourhoods lie empty, as their occupants could not satisfy all their needs in these locations.

4 It is cheaper to prepare for rapid urbanization than retrofitting informal settlements. Lack of access to good houses produced by the formal sector drove large numbers of households to build their houses in informal settlements that lack basic services. Latin American countries have a large experience in upgrading informal settlements to retrofit them with good infrastructure and urban services. The experience shows that retrofitting is always more expensive than planning and investing ahead of land occupation. Preparing land with basic infrastructure for orderly occupation is a forward-looking strategy that can reduce significantly the volume of resources required to provide good living conditions to the population and good basic services to productive activities. However, this strategy complements and does not substitute the interventions needed to upgrade existing informal neighbourhoods and improve self-build houses, programs for which have successfully implemented by most countries in Latin America.

5 The solution to housing problems is mostly a local challenge. Housing policies in most Latin American countries are designed, financed, and implemented by the Central Government and conceived mostly as a social policy providing support to individual households. Similarly, other intersecting policies, such as finance and property rights, are also the province of the Central Government. However, with respect to housing delivery, the results of national policies are felt locally requiring city governments to provide the

urban services demanded by the new population placed in their jurisdictions either directly by the Central Government housing institutions or by private developers responding to Central Government incentives and directives. Municipalities rarely have the resources needed to supply all the neighbourhood and city services required by the population. And often they do not have the institutional or technical capacity. Several Latin American experiences suggest that there are gains in transferring the responsibilities for detailed design and implementation of housing programs to city governments when coupled with financing and technical support from the central government to provide the necessary neighbourhood and city services.

6 Incremental housing is part of the solution, not the problem. With rare exceptions, in most Latin American countries more than 30% of the housing stock of cities is incrementally self-build by low-income households. The experience shows that over time these houses attain most of the attributes of a house build by the formal sector although the process forces the families to live for a long time lacking some of the services. Incremental construction has been part of the solution to the housing problems of the region and there is substantial evidence that the construction process can be greatly improved with adequate support including, the provision of expandable houses, technical assistance to self-builders, micro-finance and adequate building materials, and importantly security of tenure.

7 Rental markets play an important role in the housing sector. They need development and diversification. Well-functioning housing markets invariably supply sufficient rental properties to satisfy the needs of households that do not need or do not want to own a house. Most housing policies favour house ownership and some over-protect tenants. This policy option, together with the reluctance of governments to finance public rental houses due to the negative experiences of developed countries in the last century, lead to underdeveloped rental markets in Latin America. Housing policies need to support rental housing to cater for the needs of an estimated one third of the households that at different phases of their family cycle prefer renting to ownership. This support must also seek to make informal renting by low-income households more efficient and affordable.

Housing Policy Dialogue Activities and Results

Activities

A selective group of policy-makers, practitioners and scholars met at the Ford Foundation in New York on September 9, 2016. They **reviewed the seven key housing policy lessons from Latin America present in the Rojas paper.** The relevance of the policy lessons for **rapidly urbanizing countries** particularly in Sub-Saharan Africa and South Asia was also considered.

Lesson 1: The paper's observation that free-standing low-income housing programs often failed to meet their objectives was considered too narrow. The broader consensus was that "policy matters", and, that effective regulation was necessary for successful implementation. Consideration of this Lesson also raised a call for more context for various policies and their results. In the subsequent discussion it was noted that growth itself was not enough to produce good housing outcomes.

Lesson 2: The consensus on the second lesson that the public sector could not accomplish housing goals on its own was again broadened to emphasize all stakeholders. In particular, it was observed that the private sector in its many roles in housing should be given more attention in the story being told about Latin America. This was labelled a holistic approach backed up by better measurement of outcomes.

Lesson 3: An example of the previous lesson was the proposal to shift the focus to the city. The paper attributed selective progress to this change both because considering the larger context such a shift provides more levers to achievement of goals as well as because the city served as a more credible platform for fighting poverty and promoting equity than just housing itself. However, it was agreed that "getting housing right" could support "getting urban right," and that "getting urban right" requires attention to "getting housing right."

Lesson 4: Although this lesson brought forward the now popular idea that it must cost less to "get ready" for future immigrants to Latin American cities, the discussion transitioned into a point about the role of government in general in urbanization and housing. This particular issue highlighted how even light regulatory actions such as freezing road right of ways and preparing full physical community plans could dramatically alter the quality of urbanization at very low levels of public expenditure. Long term this more planned approach to urban expansion also reduced the cost of housing and raised the quality in many ways.

Lesson 5: Everyone agreed that there were many actions that local authorities needed to take to promote successful urbanization and housing. They also recognized the weak state of local finances in most countries despite the generation of decentralization and local democracy. The workshop also asked that critical issues that cannot be resolved at the local level, such as property rights, regulation of the financial system and macroeconomic management not be forgotten.

Lesson 6: The informal (outside most regulations) process of incremental housing construction was endorsed as a solution to low, unpredictable incomes rather than a problem to be eradicated. The policy most likely to make phased construction successful was Lesson 3, appropriate regulations and Lesson 4, planned urban expansion.

Lesson 7: Making rental housing an integral part of housing policy was also strongly endorsed. The paper quite correctly did not set this up as a case for or against public

rental housing but rather as a choice that should be available. This sort of holistic view of the housing sector was seen to rely more on good policy and balanced regulations between landlords and tenants than a story of public provision.

The second topic discussed at the roundtable was how best to transfer the lessons from Latin America to regions yet to experience or currently experiencing rapid urbanization, mostly in Asia and Africa. The roundtable members noted the significant income differences in favour of Latin America during rapid urbanization. On the other hand research has suggested that income differences are less important than good policy. High variation among countries in Africa and Asia were also mentioned to likely influence success.

Suggestions put forward at the roundtable included creation of a “do and don’t” list, an abbreviated reminder of the lessons, and best and worst practice lists. The general view at the roundtable was that the Latin American experience was worthwhile for Asia and Africa.

Results

Based on the results of the New York Housing Policy Dialogue, IHC Global will prepare a Base-document for Phase 2, an event in Quito at the time of Habitat III held under the auspices of the Ford Foundation as part of the World Stage activities, to present and discuss the lessons and their applicability to housing and urban development policy under the NUA.

The IHC Global event will gather policy-makers, practitioners, scholars, and representatives from civil society and non-governmental organizations from Latin America, Sub-Sahara Africa and Asia. Represented countries could include: Argentina, Brazil, Chile, China, Colombia, Costa Rica, Ethiopia, Gabon, India, Indonesia, Jamaica, Kenya, Malaysia, Mexico, Mozambique, Niger, Pakistan, Philippines, Tanzania, South Africa. The final list of participants will depend on the review of the lessons, and the interest from participants of the invited countries. The group will be kept at around 20 to facilitate discussion and debate

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