6

Slum Upgrading and Housing Alternatives for the Poor

6.1 Introduction

In Africa today, in a majority of cities and towns, a twin development process is occurring wherein formal and informal cities are developing in parallel. In a majority of countries, informal cities, which are multidimensional in structure and scope, are predominating and transforming the urban landscape and environment. Cities are essentially being built back to front, with development taking place before the formulation of planning strategies and the implementation of control and management systems—building structures first and services afterward. This reversed development approach is also reflected in the housing development process, with the poor playing a leading role as the construction project manager, laborer, and finance provider.

Moreover, most African cities and towns today are characterized by a dual economy of formal and informal sectors, with the vast majority of the urban population operating within the informal economy, outside existing regulatory frameworks. The development, expansion, and proliferation of slums and informal settlements, in which the majority of urban poor households live and work, are the most conspicuous manifestation of this reality.

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This multidimensional informality (in land tenure, housing, servicing, and employment) has given rise to a prevailing urban condition that is evident in cities and towns across the continent, which Pieterse (2013) describes as the challenge of "slum urbanism." According to Pieterse, slum urbanism is driven by a self-fulfilling cycle that drives urban development patterns in most sub-Saharan African cities, as illustrated in Fig. 6.1. Hence, as the continent's urban population doubles in one generation, it can be expected that slum dwellers will continue to develop their own cities because the state and the formal market do not yet have the capacity to address the escalating demand for land, housing, and services. As discussed in Chap. 2, slums are generally the result of a combination of rapid urbanization and demographic growth, bad policies, and inappropriate incentive systems including poor governance, inappropriate

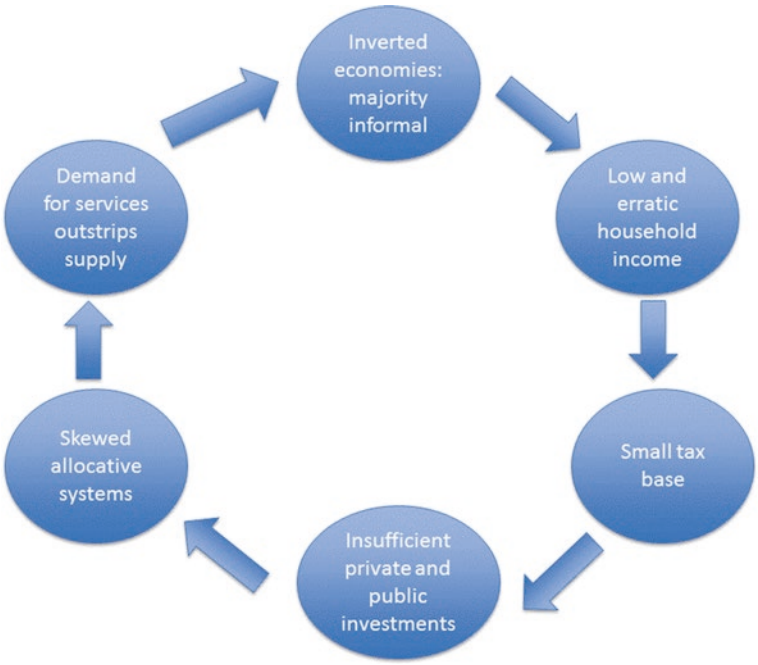

Fig. 6.1 Urban development cycle in Sub-Saharan Africa: "Slum Urbanism" (Source: Pieterse (2013))

regulatory frameworks, dysfunctional housing markets, and a lack of political will.

With the pace of urbanization and the scale of the urban housing challenge increasing at a rate never experienced before in almost all countries across Africa, the need for effective measures to improve affordable housing supply is becoming increasingly critical. If governments and local authorities are to deal effectively with this challenge, they must have up-to-date knowledge and understanding of housing market dynamics and housing policies; this will enable them to develop and implement effective interventions. Pieterse (2013) maintains that slum urbanism can only be "interrupted, disassembled, and remade" by the "articulation of an effective package of economic, governance, and political-cultural reforms, by civil society organizations rooted in the interest of the urban poor." While civil society organizations can take a leading role in that process, it remains that the role of governments and development partners should not be overlooked, if one is concerned with the implementation of such reforms.

It is noted that UN-Habitat and Cities Alliance have a vast literature on slum upgrading. The main findings are summarized in the discussions below. This chapter discusses the key issues related to slum upgrading and how one should ensure slum-upgrading programs are successful. It also highlights alternative methods for providing housing for low-income households to prevent the proliferation of slums.

6.1.1 The Slum Challenge

In 2012, an estimated 863 million urban residents worldwide lived in slum conditions, compared with 760 million in 2000 and 650 million in 1990. The proportion of the urban population living in slum conditions in urban areas was particularly high in sub-Saharan Africa (62 percent) and, to a lesser extent, in Southern Asia (35 percent), compared with 24 percent in Latin America and the Caribbean, and 13 percent in North Africa (UN-Habitat 2014b).

However, the incidence of slums varies widely across countries, as Table 6.1 shows. Cities in East Africa, for instance, have high levels of

Table 6.1 Variations in the prevalence of slums among African Countries

Very High (>80%)	High (60–79%)	Moderate (40–59%)	Low (<40%)
Angola	Botswana	Democratic Republic of Congo	Algeria
Benin	Burkina Faso	Lesotho	Egypt
Central African Republic	Burundi	Liberia	Libya
Chad	Cameroon		Morocco
Congo	Comoros		Namibia
Equatorial Guinea	Cape Verde		South Africa
Ethiopia	Côte d'Ivoire		Tunisia
Guinea-Bissau	Eritrea		Zimbabwe
Madagascar	Gabon		
Malawi	Gambia		
Mali	Ghana		
Mauritania	Guinea		
Mozambique	Kenya		
Niger	Nigeria		
Rwanda	Sénégal		
Sierra Leone	Zambia		
Sudan			
Tanzania			
Togo			
Uganda			

Source: Arimah (2010)

poverty and inequality, with the majority of growth occurring in slums and informal settlements. A high proportion of the population in countries in West Africa lives on less than US$1.25 per day, and with poverty and inequality intensifying, densely populated slums and informal settlements exist in most cities. Despite being generally rich in oil, minerals, forests, and biodiversity, Central Africa has a high number of slums and informal settlements as a consequence of deep poverty and inequality, compounded by pervasive poor governance systems. Countries in Southern Africa, with the exception of Angola, Mozambique, and Zambia, generally have a lower proportion of their urban populations living in slums and informal settlements than do countries in the rest of the continent but still face the same major challenges of poverty and inequality, substantial housing backlogs, inadequate infrastructure and service provision, urban sprawl, and the proliferation of slums and informal settlements (UN-Habitat 2014b).

Countries with a low incidence of slums include South Africa and the Northern African countries of Algeria, Egypt, Libya, Morocco, and Tunisia. Within this group of countries, fewer than 40 percent of urban dwellers live in slums, with Tunisia and Algeria having slum proportions of 3.7 percent and 11.8 percent, respectively. When compared with countries in the other regions, these countries have moderate to low urban growth rates, more stable economies, high levels of income, and low rates of poverty, all of which mitigate the proliferation of slums. The low prevalence of slums, especially in Egypt, Morocco, and Tunisia, reflects their "long-term political commitment to slum upgrading, slum prevention, and service provision for the urban poor" (Arimah 2010).

The number of slum dwellers in Africa continues to increase, in large part due to the accelerated pace of urbanization that the continent is experiencing (see Chap. 1). Indeed, more than 25 of the 100 most rapidly growing cities worldwide are in Africa (UN-Habitat 2014b). If these growth rates coupled with the rapidly expanding urban populations continue, it is doubtful that cities will have the institutional, infrastructural, and financial capacity to satisfactorily accommodate urban dwellers. The majority of new urban dwellers will therefore likely reside in slums and informal settlements. Hence, urban poverty and slum proliferation, which already characterize major cities continent-wide, will likely become even more ubiquitous under current urban development trajectories.

6.1.2 The Bottom-of-the-Pyramid Housing Market Opportunity

As elaborated in preceding chapters, housing markets in most African countries are characterized by input-side failures, such as the limited availability of residential land, inadequate basic infrastructure, lack of finance, and the high cost of building materials. These market dynamics have a bearing on the affordability of housing (see Chap. 5), particularly for bottom-of-the-pyramid (BOP) households. Today, BOP urban households in most African countries are trapped in a distorted and dysfunctional housing market wherein, "affordable housing is inadequate and adequate housing is unaffordable" (UN-Habitat 2005).

However, most developers and investors overlook the business opportunity at the BOP because of their perception that this is not a viable market due to the high risk involved (see Chap. 3). Yet, the BOP consists of 4 billion people, the majority of the world's population. With a total annual income of US$5 trillion, BOP households represent a potentially important global market, but one that varies substantially across regions, countries, and sectors in size and other characteristics. In general, BOP markets are very poorly served, are dominated by the informal economy, and are relatively inefficient and uncompetitive (Hammond et al. 2007). Africa is not an exception.

Housing is one of the bigger BOP markets, larger than transportation but smaller than energy sectors. It encompasses major spending items such as rent, mortgage payments (or imputed rents), maintenance and repairs, and other services. BOP households worldwide spend more than US$700 billion on housing annually. This varies from 8 percent of total BOP spending in Eastern and South-Eastern Asia to 23 percent in Central America and Caribbean (BOP Learning Lab, and Dalberg Research 2014). In Africa, the measured BOP housing market is worth US$19.3 billion (258 million people), and the estimated total BOP market is worth US$42.9 billion (486 million people) (Hammond et al. 2007).

However, low-income housing provision has proven challenging, owing to the many peculiarities of the BOP market: people's needs and preferences, legal and regulatory frameworks, and the difficulty of reconciling the interests of the different players in the housing market as discussed in Chap. 2. BOP housing markets are not simply a homogenous block whose housing needs can be addressed through a standard solution. Instead, the households that constitute these markets differ significantly and can be disaggregated and classified according to a range of criteria, such as current living conditions, income levels and sources, and future needs and aspirations (Stickney 2014).

The BOP housing market in Africa presents unprecedented and growing levels of demand, which should be seen as a major opportunity, particularly in light of the spreading economic uncertainty in the developed world. However, the high perceived and real risks inherent to the informality that characterizes the BOP housing market, in particular in Africa,

presents an exceptional challenge. Furthermore, in most African countries, the political will to develop and promote BOP housing does not exist.

6.2 The Twin-Track Approach to Address the Challenge

This section explores ways to address the failure of the housing market to provide an adequate supply of well-located and decent affordable housing, in particular for BOP households, which has been a contributory factor in the growth of slums. Such failures could be packaged under two main challenges. First is the need to improve the living conditions of the BOP majority households living in slums and informal settlements. Second is the equally urgent need to create housing markets in which all urban households, especially the poorest and most vulnerable, are able to access legal, appropriate, and affordable housing so as to prevent the proliferation of slums and informal settlements in the future.

The fact that these challenges are intertwined and of equal level of importance calls for a solution that addresses both issues simultaneously or in parallel. In other words, there is a need for a twin-track approach which focuses on slum prevention by improving the supply and affordability of new housing to reduce the growth of new slums, alongside implementing citywide and national slum-upgrading programs that can improve housing conditions and the quality of life in existing slums. Slum prevention requires comprehensive and forward-looking urban planning, appropriate and effective legal and regulatory frameworks, timely provision of affordable serviceable land, and the availability of affordable finance. It also requires demand-responsive mechanisms for the introduction of infrastructure and basic services, and the availability of adequate and affordable construction materials and components (Payne 2005).

Brazil's social housing program, Minha Casa, Minha Vida (My House, My Life), in combination with the Growth Acceleration Program for Slum Upgrading, is a notable example of the twin-track approach. Under this approach, curative and preventive programs are implemented con-

currently to improve prevailing poor housing conditions in slums and curtail both the expansion of existing ones and the development of new ones (UN-Habitat 2013).

6.2.1 Slum Upgrading

Slum upgrading is widely recognized as the most proactive and effective way of improving the housing conditions and lives of the millions of low-income and BOP households living in slums in African cities and towns, and thereby contributing to the achievement of Sustainable Development Goal 11: ensuring access for all urban households to adequate, safe, and affordable housing and basic services, as well as upgrading slums, by 2030.

In order to provide a comprehensive understanding of slum-upgrading dynamics on the continent, the following analysis in this section provides a review of the housing and slum-upgrading policies implemented in African countries. It also uses examples of slum-upgrading initiatives in Africa to dissect its key facets and components and then explores ways of crowding in private sector and more capital in slum-upgrading activities.

6.2.1.1 Housing and Slum Policies

As already discussed above, in recent decades, formal housing has rarely exceeded 10–15 percent of all urban housing production in sub-Saharan Africa, implying slums and informal settlements' expansion in most cities. This is partly due to the absence of effective policy implementation. Indeed, although several countries in sub-Saharan Africa may claim to have formal housing policies and strategies, and in some cases, relevant institutions and financing instruments, they are unable to offer a significant number of housing units for those in need.

Over the past five decades, authorities in African countries have adopted different attitudes toward the development of slums and informal settlements, and implemented various policies and strategies to address the challenges they present. These include benign neglect, laissez-

faire, forced eviction and demolition, resettlement or relocation, slum-upgrading programs, and the adoption of enabling strategies (Arimah 2010). Policies have evolved and are now formulated with recognition of the right to the city of slum dwellers.

Broadly speaking, the "Right to the City" included in the United Nations Rights to Housing seeks to promote equal access to the potential benefits of the city for all urban dwellers and encourages the democratic participation of all urban dwellers in decision-making processes, notably at the municipal level, so that they may fully realize their fundamental rights and liberties. This has significant implications for both slum upgrading and relocation and redevelopment initiatives, as well as rental and social housing. Brazil, for instance, has rebuilt its whole urban governance policy around the concept of the right to the city. A 2001 federal law, "City Statute," which regulates urban policy specifically recognizes the "right to the city" and mandates the inclusion of the dwellers in the urban planning process. However, the effective application of the "City Statute" depends on the political will of public officials at the local and state levels. Magalhães and di Villarosa (2013) provide useful recommendations for the design of public policies for slum upgrading and urban development. They specifically highlight the importance of key factors such as the following: (1) legitimacy based on social demand; (2) political will with involvement of key public actors; (3) a holistic approach with complementary policies addressing urban poverty and sustainability of programs; (4) attention to quality despite cost constraints. They also emphasized the need for flexible design; and proper geographical and social targeting of programs.

6.2.1.2 Key Elements for Successful Slums Upgrading

Slum upgrading is widely recognized as the most effective way to improve the housing and living conditions of the millions of low-income and BOP households for whom slums and informal settlements provide the only affordable housing option. Moreover, doing so will contribute to the progressive realization of their right to an adequate standard of living, and more specifically their right to adequate housing. Indeed, slum

upgrading is the principal component of the UN-Habitat Global Housing Strategy addressing housing conditions in cities. The five key dimensions of improving slums are summarized in Box 6.1.

Box 6.1 Five Key Dimensions of Improving Slums

Access to safe water	A household is considered to have access to improved water supply if it has sufficient amounts of water for family use, at an affordable price, available to household members without being subject to extreme effort, especially for women and children.
Access to sanitation	A household is considered to have adequate access to sanitation if an excreta disposal system, in the form of either a private toilet or a public toilet shared with a reasonable number of people, is available to household members.
Secure tenure	Secure tenure is the right of all individuals and groups to effective protection by the state against forced evictions. People have secure tenure when there is documentation that can be used as proof of secure tenure status, or there is either de facto or perceived protection from forced evictions.
Durability of housing	A house is considered durable if it is built on a nonhazardous location and has a structure that is permanent and adequate enough to protect its inhabitants from the extremes of climatic conditions such as rain, heat, cold, and humidity.
Sufficient living area	A house is considered to provide a sufficient living area for the household members if not more than two people share the same bedroom.

Source: UN-Habitat (2006).

Slum upgrading consists of "physical, social, economic, organizational, and environmental improvements undertaken cooperatively and locally among citizens, community groups, businesses, and local authorities" (UN-Habitat 2003: 165). Although there can be wide variation in the actual components in different projects, slum-upgrading interventions typically address the five key dimensions in Box 6.1 and include the fol-

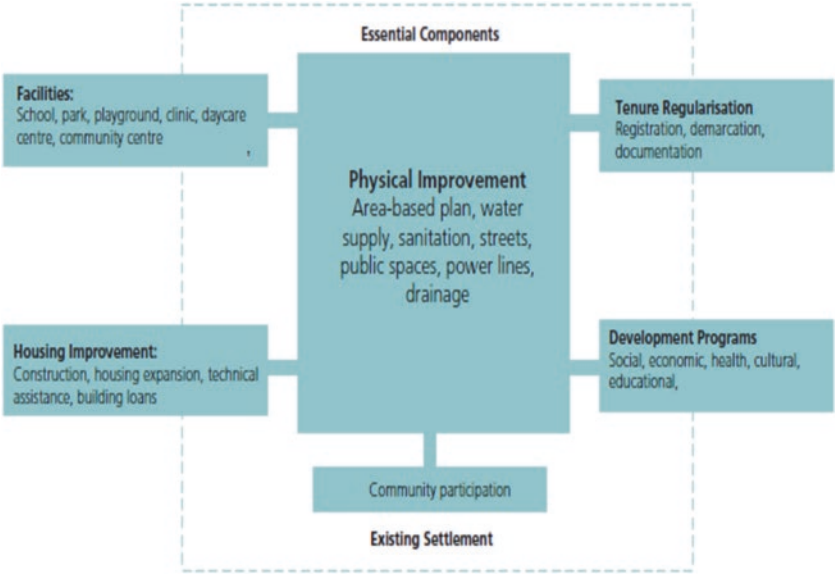

Fig. 6.2 Components of slum upgrading (Source: UN-Habitat (2012a))

lowing components: physical improvement (water, sanitation, power, etc.), tenure regularization, housing improvement, social facilities, and social development (Fig. 6.2). However, in the context of the commercialization of basic services within slums and a distorted wider housing market, conventional slum-upgrading interventions are not always successful in providing adequate housing to slum dwellers.

As the physical accessibility and habitability of housing units and their access to infrastructure and services are improved through upgrading interventions, tenure security is compromised by the market competition for these improvements. The market thus undermines affordability and tenure security while displacing poorer existing residents and denying them the benefit of convenient location. Cultural adequacy, which is closely associated with habitability, can play an important role in defining slum-upgrading interventions that do not undermine tenure security, affordability, and location (Majale 2013).

The way in which slum upgrading is implemented is hence critical to the success of such programs (Box 6.2). In this respect, gentrification and

Box 6.2 Factors Underpinning Successful Slum-Upgrading Strategies and Measures

Many countries have improved the living conditions and lives of slum dwellers through pro-growth urbanization policies and economic reforms, with targeted pro-poor dimensions, and by making urban poverty alleviation and slum improvement important components of their urban development policies. They have done so through four specific strategies:

(i) Enhancing the productivity of the urban poor by developing skills and providing access to microcredit
(ii) Improving the living conditions of the poor through the provision of basic services and in situ development of slum settlements
(iii) Providing security of tenure to poor families living in unauthorized settlements and improving their access to serviced low-cost housing and to subsidized housing finance
(iv) Empowering the urban poor through community development and encouraging their participation in decision-making

Other success factors include economic and social policies that have improved urban poor household incomes; the development of affordable housing policies that provide for land tenure regularization and slum upgrading, sites and services, and subsidized building material; urban infrastructure and social housing projects; and constitutional amendments that safeguard the right to adequate housing.

Source: UNDG 2010.

the displacement of tenants are potential adverse effects of slum upgrading if rents and housing costs become unaffordable as a result of the improvements. However, gentrification, which occurs when middle-income households displace low-income and BOP households, is also a consequence of the failure of housing markets to supply affordable alternatives for the middle-income households. Many governments have failed to recognize and address this problem (see Chap. 2). Hence, the institutional setup of slum-upgrading programs is important. Adequate legal and regulatory framework governing slum upgrading should be in place to avoid gentrification for instance. Slum-upgrading programs should be participatory and involve slum dwellers, which could be assisted by NGOs. The private sector can also play a key role in delivering infrastructure and finance. National governments and development finance institutions could play a facilitator role in support of slum-upgrading programs.

6.2.1.3 Slum-Upgrading Initiatives

Several countries in Africa have implemented or are implementing slum-upgrading programs and projects. Some have been carried out under the auspices of one or more of the three generations of World Bank urban projects; others have been central or local government initiatives.

A pioneering international best practice, which is often forgotten, derives from the Hai El Salam slum-upgrading and sites-and-services project in Ismailia, Egypt, which began in 1978. The strategy that was used in this context included limited land adjustment interventions, infrastructure installation, and an efficient and transparent financial support scheme. Slum dwellers upgraded their houses incrementally, and over time, as the area became more established, completely replaced the original poor-quality dwellings with good-quality, well-designed housing structures. Today, Hai El Salam stands as a formal residential area in the heart of Ismailia (AUC 2014). This example of self-redevelopment of a slum with minimal intervention from government or other external actors is worth exploring, especially in light of the limited resources available for dealing with slums in most African countries.

Another project with limited government intervention that was successful is the Mathare 4A Development Program in Kenya. This joint project between the government of Kenya and the German development agency, KfW, provided infrastructure, housing, and social facilities. It offers important lessons on how the standard of infrastructure provided in slum upgrading can mitigate the displacement of existing tenant households. However, although governments can quite easily review their regulatory frameworks to allow for lower, more affordable standards for infrastructure and building, most still have outdated and inefficient standards held over from colonial times (see Chap. 5).

Two major World Bank–funded slum-upgrading initiatives have been implemented in Douala, Cameroon, to improve the housing and living conditions of low-income and BOP urban households. The first urban project (PDU1) focused on the worst slum areas of Douala, offering shelter to 250,000 people. The project included the provision of water and sanitation, as well as the construction of primary infrastructure such as transit roads and central market stalls. The second phase of the project

involved continued work in the upgraded areas and the extension of infrastructure to other areas of Douala. Although the two projects succeeded in upgrading infrastructure, challenges to land titling remain in 7 of the 22 areas initially improved (World Bank 1996).

Another major World Bank project—an unsuccessful one—is the slum-upgrading component of the Lagos Metropolitan Development and Governance Project. This citywide slum-upgrading program was implemented between 2006 and 2013 in 9 of 42 slum communities through a US$200 million credit facility from the International Development Association. The program included the following components: (1) installation of water supply and public toilets; (2) improvement of roads and footpaths; (3) construction and rehabilitation of education and health facilities; and (4) skills-based training for youth. The World Bank rated the overall project outcome as *moderately unsatisfactory* and the risks to maintaining the development outcome as *high* (World Bank 2014).

Citywide upgrading programs were also undertaken in 2004 by the government of Morocco. The aim of the program, Villes sans Bidonvilles (Cities without Slums, or VSB) was to eradicate all slums, which at that time accommodated approximately 362,327 households in 85 cities and urban areas. The program includes three types of slum-upgrading and prevention programs: rehousing, resiting, and restructuring. The rehousing program involves the demolition of shacks and resettlement into new housing units, typically in four- to five-story apartment blocks, assigned to the former inhabitants at affordable prices. In contrast, resiting involves the demolition of shacks and relocation of residents to another site with newly serviced plots assigned to slum dwellers. The restructuring component refers to in situ upgrading, which involves improving the infrastructure while allowing the residents to remain on their plots. It includes the provision of services (water, sanitation, electricity, and roads) and a reduction of density in the most populated areas. Concurrently, the country adopted a large-scale affordable housing program under a public-private partnership (PPP) model. The VSB program provides important lessons that can be adopted by other countries. As of February 2015, 52 cities had been declared free of slums.

Currently, 24 African countries are implementing various programs under the Participatory Slum-Upgrading Program, launched in 2008. This is an initiative of the Africa, Caribbean, and Pacific Secretariat, funded by the European Commission and implemented by UN-Habitat. The program incorporates lessons learned from past slum-upgrading programs and addresses both key political economy issues and poor implementation capacity. The program's purpose is to strengthen the capacity of local, central, and regional institutions and key stakeholders in settlement and slum improvement through the use of good governance and management approaches and of pilot projects, where necessary.

6.2.1.4 Relocation and Slum Redevelopment

Oftentimes, the only safe and effective option is to relocate residents of existing slums and informal settlements from hazardous sites, encroached infrastructure, or proposed redevelopment sites. Relocation is also pragmatic when slums are located in high-risk or environmentally hazardous areas such as flood- and landslide-prone areas.

In contrast to in situ upgrading, slum redevelopment is a more complex strategy. It involves the demolition of existing slums and development of new housing, usually in the form of higher-density, multistory apartment blocks. In most cases, the new housing is subsidized in order to make it affordable for the original slum dwellers for whom it was targeted. But in too many cases, experience shows that even heavily subsidized housing is unaffordable for the originally targeted slum dwellers and ends up being occupied by middle-income households (see Chap. 2).

In the Integrated Urban Housing Program in Addis Ababa, Ethiopia, one of the predominantly implemented redevelopment approaches is relocation, which has multidimensional impacts on the people who are relocated. On the positive side, relocating slum dwellers from Addis Ababa's inner cities to other locations enables them to access better-quality housing with secure tenure, adequate water supply, and sanitation. But on the negative side: "Relocation erodes communities' access to all elements needed for their well-being—economic activity, social ties, and urban services" (Atlaw 2014). It thus compromises their right to the city.

In Kenya, the Kenya Slum-Upgrading Program involves the temporary relocation of slum dwellers of Kibera, the largest slum in Nairobi, to nearby "decanting sites" to enable redevelopment and the construction of new, five-story, walk-up apartment blocks into which they are expected to move. In our discussions with officials at the Ministry of Land, Housing, and Urban Development, they noted that the government recognizes that in order to be affordable to the target group, the apartment blocks will have to be very heavily subsidized and that the government is committed to doing that.

6.2.1.5 Cost and Financing of Slum Upgrading

Slum upgrading comprises a range of components, with very different financial implications. The most common investments are those for water, sanitation, drainage, roads, and land regularization. The most frequently observed add-ons are social amenities such as basic education and health facilities, and income-related interventions. Estimates of the distribution of infrastructure costs in slum-upgrading programs cited by Flood (2004) appear in Table 6.2. From these estimates, it can be seen that water supply and sanitation, which usually receives the most attention in slum upgrading, constitutes only about 9 percent of local infrastructure development costs. Integrated slum-upgrading programs can include even more components. The per capita or per household cost of slum-upgrading programs can thus rise drastically to unsustainable levels as more components are added. Hence, from a financial perspective, the first step in sustainable slum upgrading is to establish the cost limits

Table 6.2 Cost estimates for infrastructure provision in slum upgrading

Activity	Share of total costs (%)
Water supply	5
Sanitation	4
Drainage	11
Paved roads	40
Footpaths and lighting	19
Solid waste disposal	1
Schools and clinics	20

Source: Ferguson and Navarette (2003)

(Fergusson and Navarrete 2003). The high costs involved in slum upgrading call for sustainable financing mechanisms involving, beyond governments, several other actors such as financial institutions.

The costs of upgrading slums can be recovered in several ways. They include charging for land title regularization, basic services, and property taxes. However, it is difficult to collect for these charges as many households operate in the informal sector in order to avoid paying such costs. Indeed, they are able to connect to water and electricity lines illegally and access these services for free. This tension is especially acute when private companies operate such basic services.

Governments can also recoup the cost of regularizing land tenure by levying land rates or charging households for outright purchase of the land. Although the prices charged are often well below the market cost, the amounts raised can be significant and represent substantial cash inflows. McLeod (2004) provides a summary of some of the mechanisms that have been or could be used by governments, development partners, and NGOs to finance slum upgrading. The list includes municipal development funds, social investment funds, local development funds, multilateral development banks, cities alliance, slum-upgrading facility, and so on. Many of these mechanisms have also been used for other purposes while financing, to some degree, slum upgrading.

Nevertheless, as mentioned above, the major challenge that African cities face in implementing slum-upgrading initiatives is about financing the necessary infrastructure and services. The trend toward decentralization in many countries suggests that the provision of infrastructure and services is increasingly becoming the responsibility of city and municipal governments. There are various ways in which municipalities can access credit for infrastructure. A relatively new approach that is showing positive results in several developing countries is the use of municipal bonds. This financial instrument enables municipalities to access long-term investments directly from their country's capital markets. They can thus potentially mobilize private investment to supplement local and central government funding, as well as international development aid for slum upgrading (see Chap. 3). However, the effective use of municipal bonds in slum upgrading in African cities will require well-resourced, creditwor-

thy and well-governed local institutions. This may prove to be quite challenging in many countries in sub-Saharan Africa.

Housing microfinance (see Chap. 3) is a potential source of affordable funding for low-income households for housing construction and improvement. However, its utility in slum upgrading is limited by three main factors: (1) it cannot be optimally effective unless it is operating in a broader context that includes solutions to land availability, tenure security, and infrastructure provision; (2) in cases where multifamily construction is required, there is a separate need for construction finance; microfinance serves only as the take-out finance; and (3) in many instances, slum households cannot afford a housing microfinance loan adequate to finance a complete new dwelling; subsidies or planned incremental development must be part of the planning for upgrading (Merrill and Suri 2007).

6.2.1.6 Private-Sector Involvement

While working in low-income areas, the private sector faces a number of challenges and opportunities. Key issues involve the business environment which is not always conducive for private-sector activity. There are, for instance, some serious constraints related to the legal and regulatory framework facing the private sector. However, there are opportunities for both the private-sector and slum dwellers to benefit from the engagement of private entities (Baker and McClain 2008). The private sector has played a variety of roles in slum upgrading, and many innovative mechanisms have been piloted to encourage its involvement. The following discusses a few options through which the private sector can be involved in slum upgrading.

An interesting, albeit small-scale, example of private-sector involvement in slum upgrading is that of Entreprises de Construction et Aménagement Divers (ECAD) in Kigali, Rwanda. ECAD's approach involved buying rundown, owner-occupied, or rental housing structures in a slum; repairing and refurbishing them; and then selling or renting them at a profit, with an expectation of progressively upgrading the quality of housing in the slum. For example, ECAD would buy a housing

structure from a low-income owner for RF 8 million (about US$11,500), repair and refurbish it, and then sell it to a middle-income buyer at RF 15 million (US$26,582). Another example is Trust for Urban Housing Finance (TUHF) Limited in South Africa, which provides loans to entrepreneurs willing to invest in rental accommodation in inner cities. They can, for example, provide financing to renovate rundown buildings or transform old factory buildings into rental accommodation.

Despite the informality inherent to slums, private-sector companies can be involved in slum upgrading through the provision of basic infrastructure and services. In fact, in many cases, where upgrading interventions are implemented in the poorest and hence least attractive areas for private companies, governments can finance the capital cost of the services and then transfer responsibility for operation and maintenance to private companies. In some cases, especially for water provision, the government can offer subsidies to private companies to serve upgraded areas. Another approach is to cross-subsidize the cost of providing service to upgraded areas with that of providing service to business and higher-income consumers (Ferguson and Navarrete 2003).

6.2.2 Affordable and Decent Housing Alternatives for the Most Poor

One of the reasons why slums continue to exist and new ones are forming is because they provide the only affordable housing for low-income and BOP households in Africa's growing cities and towns, owing to the failure of the housing market. There are two key ways in which the expansion of existing slums and development of new ones can be prevented. The first is to effectively and sustainably address the failures of the housing market, and, more specifically, the failures on the supply side. Doing so will require lowering the cost and increase the efficiency of housing production. The second is to provide affordable housing alternatives, in particular for the most poor, but bearing in mind that there is also a dearth of affordable housing alternatives for middle-income households. Previous chapters have discussed in detail how to increase land supply and security for affordable housing, reduce construction costs, and provide housing

finance including to the poorest. In the next subsection, we discuss alternative mechanisms for providing affordable and decent housing to BOP households. It is emphasized that the drive to lower costs of affordable housing should not be at the expense of quality and adequacy to needs of families. Doing so will lower uptakes and drive up overall costs as infrastructure costs will be spread over fewer households.

6.2.2.1 Incremental Housing Development

In many African cities and towns, an estimated 75–90 percent of all new housing is built outside the official process for land development and housing construction. Most of this construction is done through an informal, incremental process. Indeed, self-built or auto-construction is the predominant method of incremental housing development for many low- and middle-income households in many sub-Saharan Africa countries today.

Incremental self-construction is also a pragmatic approach to homeownership for many low-income and BOP households, given their limited and often irregular income streams. Incremental construction enables households to enlarge and improve their housing progressively as their needs dictate and their financial circumstances allow. As a result, such houses vary considerably in size and quality. In most cases, only a small proportion of this housing conforms fully with formal legal, regulatory, and approval requirements and procedures.

Such construction typically involves households acquiring semi-urban plots, individually or in groups, and building their houses incrementally, over a long period of time (typically 10–15 years), through gradual investment according to their financial capacities. The building process may involve hiring skilled or semiskilled labor. Only a small proportion of this housing conforms fully with such formal legal and regulatory requirements as possession of a land title deed, payment of value-added taxes (VAT) on materials and construction, approval of building plans, and possession of building permits. At the bottom end of the scale are rudimentary dwellings built at a minimal cost on unserviced land with uncertain tenure, sometimes in hazardous marshy and hilly areas. At the

top end are modern, high-standard, expensive houses constructed on large plots, which are informal by virtue of the fact that they have not fully complied with formal housing development procedures and requirements.

In many African countries, self-build housing developers face numerous constraints. In addition to the challenges faced by formal developers detailed in preceding chapters, self-builders and owner-builders often lack the technical knowledge, skills, and resources needed for constructing houses. While the self-built option is conceivable in terms of affordability, it may induce significant security and well-being implications for slum dwellers in the long run, if appropriate policies and measures are not implemented. More specifically, self-built construction should comply with a minimum set of standards that ensure safety but do not increase costs unnecessarily. This can be achieved through skills development and capacity building programs on construction standards and norms targeting self-builders and workers involved in self-building processes. In so doing, it is obvious that government's intervention will be required, as well as supports from stakeholders such as NGOs and development partners. Local and central governments as well as NGOs interventions can help address some of these constraints through community involvement and the provision of housing support services, as occurs for self-help housing construction. Self-help housing involves households providing some labor and financing with the community or NGOs assisting them. The extent of community involvement and control varies from project to project. Significant costs savings can be achieved through self-help housing development. The People's Housing Process in South Africa and the Masese Women's Self-Help Project in Uganda are some examples of self-help housing construction methods on a large scale.

6.2.2.2 Sites-and-Services Programs

In contrast to the era of slum clearance by national governments in the 1960s, the self-help housing paradigm of the 1970s and 1980s in Africa was based on two approaches: in situ slum upgrading and the provision of sites and services (Gulyani and Connors 2002). Sites-and-services and

slum-upgrading projects represented a fundamental shift in policy from total public provision of housing to public assistance in private housing construction (an enabling approach). This shift was based on the realization that, in most developing countries, conventional housing was unaffordable for the majority of urban dwellers. The production of sufficient housing units by the public sector to meet urban demand required massive subsidies that most governments were either unable or unwilling to afford. Besides acknowledging that low-income households were building affordable housing through an incremental self-help process, governments also recognized that providing secure land tenure and basic infrastructure incentivized households to invest in housing construction and improvement. Sites-and-services projects aimed to translate these observations into practical solutions by implementing more affordable building standards and providing basic infrastructure services or core-housing units, instead of completed housing units. They thus provided households with affordable housing without the need for subsidies (World Bank 1993).

During the 1970s and 1980s, many African countries set up institutions to undertake sites-and-services provision, for example La Mission d'Aménagement des Terrains Urbains et Ruraux in Cameroon, la Société d'Equipement des Terrains Urbains in Côte d'Ivoire, and the National Site and Services Scheme in Nigeria. With the SAPs in the 1990s, however, most of the institutions faced financial difficulties and either reduced their programs or were liquidated (see Chap. 4).

Development partners also have been fairly supportive of sites-and-services during the 1970s and 1980s before reversing their position in the 1990s. Between 1972 and 1990, the World Bank, for instance, was involved in 116 sites-and-services and slum-upgrading projects in 55 countries including Botswana, Côte d'Ivoire, Kenya, Senegal, Tanzania, and Zambia. The average cost of the projects was US$26 million (US$42 million, if land acquisition costs are added). Project assessments conducted in the early 1990s found that these projects failed to meet their initial three objectives: affordability, cost recovery, and replicability (World Bank 1993; Davis 2006). This together with the rolling out of the SAPs brought the World Bank to discontinue its sites-and-services programs. However, Buckly and Kalarickal (2006), following a review of

30 years of World Bank lending to the housing sector, acknowledge that the concept of progressive development that underlies sites-and-services provision is sound. Moreover, Wakely and Riley (2011) argue that the aforementioned evaluated World Bank programs were not allowed enough time to fully develop before being evaluated.

The phasing out of the SAPs and recognition of the role that sites and services could play in response to the affordability question, brought some countries to revamp their sites and services programs. Currently, a few countries are still implementing site-and-services schemes. Côte d'Ivoire is implementing the program Lotissement d'Équipement Modéré (see Box 4.1 in Chap. 4). Since 2008, the government of Burundi has initiated a number of programs to promote urban planning and housing development, including a sites-and-services project that resulted in the production of 2443 plots in the capital, Bujumbura, and 2000 plots in four provinces. The government of Djibouti has also implemented sites-and-services projects for planned incremental housing development; and an estimated 6000 serviced plots have been supplied since 2000 (CAHF 2013).

6.2.2.3 Rental Housing

Rental housing is an important housing option, especially for the urban poor. With homeownership out of reach for many, rental housing provides a viable alternative. Renting gives people budget flexibility and the spatial mobility to look for better work opportunities. It is also an important option for transitory periods in people's lives. Yet many African governments have done little to support the expansion of affordable rental housing. Similarly, they have not made noticeable efforts to implement measures to improve the existing stock of rental housing units.

It is noted also that rental housing appears to be a promising option, if one is concerned with providing alternative affordable housing for marginalized groups such as women who are, by and large, excluded from land market. More women than men depend on rental housing. Because households headed by women generally have lower incomes than those headed by men, women are usually overrepresented among the tenant

population. In some places, this tendency is exacerbated by rules governing inheritance that exclude women from formal ownership. It is also more difficult for women to access homeownership through self-help because they are less likely to have the requisite skills to engage effectively in self-help construction. In addition, in some cities in Southern Africa, women migrants outnumber their male counterparts, resulting in a substantial proportion of tenant households being headed by women (Gilbert 2008).

Rental housing provided by the informal and formal sectors exists in all African countries. However, the sector lacks regulation of construction quality, facility size, and tenants' rights. Moreover, the inability of governments to collect fees and taxes makes rental housing a highly profitable activity (Poulais 2012). In most African cities, a vibrant informal rental market with widely different arrangements can be found in many low-income settlements. At one end of the spectrum are small-scale landlords who rent rooms on land where they also live. At the other end, large-scale, absentee landlords predominate—leading to considerable problems with the quality of accommodation owing to a lack of incentive to invest. In Nairobi, a staggering 92 percent of households in slums and informal settlements rent the dwellings in which they live (UN-Habitat 2011d).

Rents in informal areas vary greatly across the continent, but in general they represent high shares of the income of the poor. In Bomi County in Liberia, tenants pay about L$200–250 (US$2.67–US$3.33) a month for one room in a zinc or mud brick house without latrine, safe drinking water, or electricity while 50 percent of tenant households earn less than US$10 per month (UN-Habitat 2014a). Likewise, in Accra, Ghana, low-income households typically pay between C/4 and C/20 (US$1–US$5) per room (UN-Habitat 2011a). Monthly rents for single rooms (3 m × 3 m) in the high-rise tenements of Nairobi, Kenya, range from K Sh 2500 to K Sh 4000 (US$28–US$45). This is substantially higher than similarly sized rooms in low-rise, high-density tenements in slums and informal settlements, which typically range from K Sh 500 to K Sh 2500 (US$5.50–US$28) (Huschzermeyer 2007). In South Africa, the small-scale private rental sector has been growing, especially in the provision of rental accommodation costing between R300 (US$25) and R500

(US$42), with much of this growth taking place in existing townships. Indeed, of the approximately 2.4 million households in South Africa that rent their dwellings, about one in five (21 percent) rent informal dwellings; and empirical studies have found that rental is increasingly becoming the preferred choice of accommodation for poorer households (Melzer and Moothilal 2008).

Given the high deficit in affordable housing and the growing urban population, the condition of rental housing can be scaled up and be an important source of housing for all segments of the population. Although the private sector should be in essence the main player, the government should signal the importance of rental housing as a viable option and provide an enabling environment and incentives for the development of the sector (Shelter Afrique 2014). Clear policies geared toward setting up the legal and regulatory frameworks in the rental housing sector as well as those providing incentives for private-sector involvement are needed. On the demand side, cultural beliefs and norms related to homeownership (see Chaps. 4 and 5) can potentially prevent the adoption of rental housing. Therefore, policies and awareness programs geared toward promoting rental housing and eliminating cultural resistance should be implemented.

6.2.2.4 Social Housing

The concept of social housing is difficult to define accurately, especially because its content varies, to some extent, from one country to another. It is also called "affordable housing" or low-cost housing and generally means housing to satisfy the needs of low-income households (UN-Habitat 2011b: 15). It includes rental housing at below market prices to promote affordability.[1] Social housing is often provided by NGOs or through government interventions.

Several African countries are implementing national social housing programs, in one form or another, as shown in Table 6.3. As discussed in Chap. 2, the plan to provide affordable housing is very often high in politicians' agenda during election time, but very often do not materialize. In many cases, this is due to the fact that these programs have been launched

Table 6.3 Examples of social housing projects in Africa

Country	Housing program	Target units	Launch date	Comments
Algeria	2015–2019 Social Housing Program	1.6 million	2014	The housing sector is controlled by the state, resulting in large shortages despite government construction of about 2 million units between 2008 and 2013.
Angola	Meu Sonho, Minha Casa (My Dream, My Home)	1 million	2008	Implementation is ongoing, and the timeline has been extended to 2017. However, units are unaffordable for low-income households. Under this program, self-built dwellings are expected to account for 685,000 housing units; the public sector is expected to deliver 115,000 housing units; 120,000 units are to be provided by the private sector; and 80,000 are to be delivered by cooperatives.
Benin	Subsidized housing program	10,000	2008	Under this PPP, an estimated 2500 units have been constructed as of May 2016.
Burkina Faso	Subsidized and low-income housing program	10,000	2008	As of June 2014, 3500 units had been completed.

(*continued*)

Table 6.3 (continued)

Country	Housing program	Target units	Launch date	Comments
Burundi	Subsidized and low-income housing program	1000–5000	2014	The government signed an MOU with Biz Planners to develop a housing project; however, construction had not started at this writing.
Cameroon	Presidential program to build 10,000 units and service 50,000 plots	10,000	2009	An estimated 6000 houses have been constructed; however, these units are unaffordable for low-income families.
Cape Verde	Casa Para Todos (A House for All)	9400	2009	Implementation is ongoing. The program entails the construction of 8400 housing units across the country, 1000 units in rural areas, and rehabilitation of infrastructure in slums.
Chad	Presidential social housing program	15,000	2014	An agreement has been signed with the Moroccan property developer, ADDOHA, for the construction of social housing units.
Côte d'Ivoire	Presidential social housing program	60,000	2012	About 8000 units had been finished by the end of 2015.
Egypt	Social housing program for low-income families	1 million	2014	Implementation is ongoing with an expected completion date in 2020, with 200,000 housing units expected to be constructed each year until then.

(*continued*)

Table 6.3 (continued)

Country	Housing program	Target units	Launch date	Comments
Ethiopia	Integrated Housing Development Program	400,000 annually	2006	As of February 2015, over 396,000 housing units have been constructed.
Gabon	Program de 35,000 logements	35,000	2009	As of May 2015, 6370 units had been started.
Liberia	Affordable Housing program for low- to middle-income families	5000	2012	The project is ongoing.
Mali	Several programs	5174	2013	Programs were implemented in Bamako and other cities.
Mozambique	Affordable housing program	35,000	2014	As part of its five-year development plan (2015–2020), the government committed to build 7000 housing units per year.
Nigeria	Affordable housing program	1 million annually	2006	The annual target has not been met as of May 2016. Moreover, it falls short of the estimated 2.6 million homes needed each year.
Rwanda	Affordable housing program	7480	2015	The program is ongoing in Kigali and expected to be rolled out to other cities.
South Africa	National program	1.5 million	2014	Millions of government-built houses have been given free to low-income households since 1994.

Source: National sources

as election promise or as a result of a presidential directive; without serious planning taking into account the countries inadequate institutional framework, and lack of financial, human, and technical resources to implement them effectively. This has resulted mainly in low completion rates and selling prices that are not affordable by low- and middle-income households in most cases. It is also common that the housing units end up being acquired by households wealthier than those at the BOP.

Two vivid examples of unaffordable social housing are found in Angola and Cameroon. The initial selling price for social housing constructed in Kilamba, Angola ranged between US$ 150,000 and US$ 300,000. Following a massive public outcry, the government considerably subsidized the homes, driving down prices to USD 60,000. A rent-to-own program was also implemented wherein households could purchase a three-bedroom unit at a substantially subsidized rate: US$350 per month on a 15-year mortgage, an interest rate of 3 percent and a down payment of US$14,000. Even this reduced price of US$60,000 is 14 times the Angola GNI per capita in 2015, which suggests a highly unaffordable price for low- and middle-income households.

In Cameroon, the government launched in 2009 the Programme of Construction of 10,000 Social Housing Units and Development of 50,000 Serviced Plots (*Programme Gouvernemental de Construction de 10,000 Logements Sociaux et d'Aménagement de 50,000 Parcelles Constructibles*). The selling prices for units range from US$38,000 to US$48,000, which is 28–36 times the gross national income per capita of Cameroon in 2015.

The most affordable social housing is the free housing delivered under the Reconstruction and Development Program (RDP) in South Africa. Since 1994, the government has delivered over 2.5 million housing units and created over 1.2 million service plots. While this is a great achievement, it is widely acknowledged that the program is unsustainable and will not be able to fully address the housing issues in the country. This argument is supported by the increase in the housing backlog from 1.5 million units in 1994 to 2.1 million units as at end 2015, and the decline in the completion rates from a peak of 235,600 units in 1998/99 to 106,000 units in 2013/2014.

6.2.2.5 Housing Cooperatives

Cooperatives are recognized in the Habitat Agenda and the Global Plan of Action as important actors in promoting sustainable housing. They should be promoted and supported, as they serve three key enabling functions necessary to move toward the goal of adequate and affordable shelter for their members. A housing cooperative is a corporation owned by members through equity shares. They enable households to pool resources to acquire and develop land and housing, enable groups to join forces and reduce construction costs, and facilitate access to finance (UN-Habitat 2011b). Members of the cooperative live in housing provided by the cooperative, and they organize maintenance of housing units and common areas and run social activities. There are various forms of housing cooperatives with varying degree of ownership and selling price. A market rate cooperative sells share at full market value and does not restrict the future sale of units at market value. A limited equity cooperative, on the other hand, puts a limit on the sale price of units in order to maintain housing affordability. There are also leasehold cooperatives where the building are owned by a third party and leased by the cooperative, sometimes with the option to buy in the future.

Cooperatives are active in a number of countries, including developed countries. For instance, it is estimated that over 1.5 million households in the United States live in housing cooperatives. In Africa, housing cooperatives are very active in a number of countries such as Cameroon, Kenya, Senegal, South Africa, and Zimbabwe. For instance, the Zimbabwe National Association of Housing Cooperatives, an apex organization for housing cooperatives, has provided services to more than 20,000 plots and constructed over 10,000 houses in the country over the past decade.

A key challenge for cooperatives in Africa, including housing cooperatives, are the role of the state, the optimal size, and governance issues. Since independence, laws regulating cooperatives and the extent of state involvement in cooperatives have changed along with the dominant political economic environment. Just after independence, the state played a critical role in socioeconomic development and gave strong financial

and technical support to cooperatives. With the advent of the SAPs, new cooperatives laws were introduced in a number of countries from the 1990s to guarantee them self-reliance with no or minimal support from the state. This made housing cooperative less effective in view of high costs for land acquisition and bulk infrastructure provision. The second challenge is the optimal size of cooperative. To be effective, housing cooperative need a critical mass of individuals to pool their resources to face high investments required for housing construction. However, in many countries housing cooperatives are small and struggle to deliver housing units in a timely fashion. In addition, some cooperatives lack the governance structure to manage effectively their investments. Corruption cases in a few cooperatives discouraged people from joining cooperatives and prevent them from reaching the critical mass. Finally, the escalation of land prices and construction costs in most African countries make the work of housing cooperatives even more challenging as they require external sources of finance.

6.2.2.6 Housing Transformation to Meet the Needs of the Poor

An important mode of providing decent and affordable housing that is not widely recognized is user-initiated transformations of government-built houses. In a number of African countries, there are significant stocks of government-built housing which, for different reasons, are in poor physical condition or do not meet the space and accommodation requirements of the occupants. Many occupants consequently make substantial unauthorized changes and extensions (transformations) to their dwellings so that they are better suited to their needs.

Studies of user-initiated transformations to government-built housing in Bangladesh, Egypt, Ghana, and Zimbabwe found that relatively low-income households are capable of supplying new rooms and services both to improve their own housing conditions and to supply rental rooms or accommodation for family members. The quality of the new construction is often, at the very least, as good as the original structure, and sometimes it envelopes the original in a new skin. It is clear that transformation

adds accommodation and services to existing housing, upgrades the housing stock, and creates variety out of uniformity. The literature suggests that user-initiated transformations to government-built houses are a valid and important resource for housing supply both currently and in the future (Tipple 2000; Tipple et al. 2004).

6.2.2.7 Housing Support Services

Housing support services are commonly called "construction technical assistance" (CTA), or "nonfinancial services"; the two terms are often used interchangeably. Housing support services, combined with access to housing finance, can provide households with the necessary technical and financial information and resources to minimize the risk and maximize the impact of their housing investments. Two types of housing support services can be distinguished: nonconstruction and construction. Nonconstruction support services enable households and communities to access infrastructure and services, and are often provided in the preconstruction phase or before a new incremental improvement. They can include legal assistance for land tenure and the permitting process, design, training, and information access. Construction support services are directly associated with housing and infrastructure construction. As mentioned above, an estimated 75–90 percent of all affordable housing improvement is attributed to self-help initiatives; therefore, there is considerable scope to significantly affect housing outcomes using housing support services (Weir and Williams 2012). This alternative is quite useful and can go a long way to ensure that construction is affordable to BOP households, but also can help ensuring that quality and design of the housing meet the needs of the poor. While government could face challenges to implement such programs, it is important to put the necessary conditions for the private sector involved in the housing production value chain to offer such support.

LafargeHolcim is developing support services through its cement retailers and through partnerships with microfinance institutions (see Chap. 5). The company provides design assistance and training on construction techniques. Although the objective of the company is to increase

the sales of its products, the services can also increase quality and lower construction costs for its clients.

6.2.2.8 Public-Private Partnerships

African countries are increasingly adopting the PPP model of affordable housing provision. Under this model, governments use mechanisms such as policy reforms, land and tax incentives, and subsidies to incentivize the private and the not-for-profit sectors to engage in affordable housing development for the poor. The principal reason for adopting a PPP model for the provision of housing and urban development is that, if appropriately and effectively applied, this approach can offer greater value for money than traditional models. In addition, governments lack the financial capacity to directly provide affordable housing and urban infrastructure to a large and growing segment of the population. For these reasons, countries such as Angola, Cameroon, Côte d'Ivoire, Ethiopia, and Nigeria are using the PPP approach in their social housing programs. In the United States, PPPs have become the main delivery mechanism for social and military housing as it has been found to be more cost effective, yielding to savings of 20 percent compared to government projects (Apgar 2011).

However, applying the PPP approach to the urban sector presents a number of challenges. The most common challenges facing governments today, as identified by UN-Habitat, include the following: differing goals between the private actors with profit maximization objectives and government with social objectives; limited public acceptability of the housing constructed if cost-saving motives trump design and quality; limited local government capacity in negotiations, finance, and others skills required to manage complex projects; weak governance for sustainable development as projects' implementation units often do not include ministries of environment that have better knowledge of sustainability issues; and lack of financing due to high perception of risks related to housing projects (UN-Habitat 2011c). Moreover, contracts for PPPs may not be flexible, given that strong guarantees are required to attract private-sector involvement.

6.3 Conclusions and Recommendations

The analysis in this chapter revealed that African cities are being built back to front, with housing development taking place before planning. This is the result of the combination of rapid urbanization and demographic growth, bad policies, and inappropriate incentives systems including poor governance, inappropriate regulatory frameworks, dysfunctional housing markets, and a lack of political will. Consequently, slums and informal settlements are continuing to develop, proliferate, and expand in cities and towns across the African continent to accommodate BOP households. This dynamic constitutes a significant challenge for governments and policymakers.

This process has translated into a vicious cycle and kept BOP households in a poverty trap. It is argued in this chapter that if this process is to be halted and reversed, a twin-track approach is required. On the one hand, existing slums located in nonhazardous areas should be upgraded. This process is multifaceted, encompassing provision of basic infrastructure (roads, water and sanitation); improving security of tenure; ensuring decency and quality of housing (durability of housing and sufficient living area); enabling residents to upgrade their houses. These interventions lower public health risks and improve the well-being of slum dwellers. A participatory and community-based approach that includes all key stakeholders and the right institutional framework are key success factors.

The analysis also highlighted that the cost of slum upgrading can turn out to be very onerous, in such a way that microcredit and governments' traditional limited budget and transfers may not suffice to mobilize the required funding. This suggests that there is a need to encourage more sustainable financing schemes including governments' domestic resource mobilization, market-based solutions such as municipality bonds, and increased private-sector engagement through PPPs.

On the other hand, given the high urbanization rates, it is argued in this chapter that the large-scale provision of affordable and decent housing is necessary to prevent new slum formation. Countries need to adopt national urban plans and comprehensive national housing programs,

which can make a significant contribution to economic growth and development while providing significant livelihood enhancing opportunities to BOP households. It is therefore advisable that a combination of sites-and-services schemes and incremental auto-construction be considered as a viable way to provide housing for low-income households.

An interesting finding from this chapter is that most of the above-mentioned affordable and decent housing development schemes need government subsidy. The limited resources available to governments undermine the sustainability of government-sponsored schemes as well as the magnitude of their interventions. This suggests that there is a need to go beyond financing and put in place adequate institutional and policy frameworks that are needed to rationalize governments' spending. In addition, governments need to crowd in the private sector while putting in place with the necessary incentives mechanisms. In that respect, rental housing is an important affordable housing solution, especially for the urban poor who cannot be homeowners. Measures to govern and promote rental development should therefore be formulated. Such policies should take into account local dynamics and housing market conditions.

Notes

1. In South Africa, social housing refers only to rental housing provided by NGOs and community organizations at subsidized rates.

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