

The Housing Challenge:

Avoiding the Ozymandias Syndrome





Cover: 47,547 Homes. Ixtapaluca, Mexico.
Credit: Livia Corona, 2000.



This paper summarizes a meeting held in Bellagio, Italy, in October 2014. The meeting was attended by experts and academics whose countries are undertaking large, multi-billion-dollar housing projects. The summary of the meeting was written by Robert Buckley, Achilles Kallergis, and Laura Wainer, who also provided the graphics and managed the logistics flawlessly. Janet Byrne tirelessly edited it and her suggestions were always very helpful. It is based on the discussions at Bellagio and on background papers by Gilles Duranton and Paul Collier. Alissa Chisholm very effectively managed the process and provided a range of background work. Thomas Disley and Achilles Kallergis prepared Annex 1. Gilles Duranton, Amar Nath, Ivan Turok, and Vanessa Watson provided detailed comments on an earlier version of the text. We also received helpful comments from Alain Bertaud, Jose Castillo, Michael Cohen, Claudia Juech, Bill Morrish, Eduardo Rojas, and Kevin Villani. We would also like to extend a special thanks to Rob Garris for all of his work to make this effort possible.

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Executive Summary

In the past few years, long after the well-known claim that government support for cities served both as the key explanation for “why poor people stay poor” and as a rationale for limiting such support, sixteen developing countries have mounted multi-billion-dollar urban subsidy programs. Unfortunately, as currently structured, very few of these programs will help address the housing challenges faced by cities. They are deeply flawed even if they come with support from leading think tanks such as the McKinsey Global Institute (2014) and from foreign advisors and investors. They often repeat the now severely criticized approaches pursued by OECD countries in the early post–World War II years, when a similar moment in urban policy arose.

Participants at the Rockefeller Foundation’s Bellagio Conference Center discussed the proposed approaches and concluded that while a new urban policy trajectory is very welcome, the approaches taken too often entail regressive, opaque subsidies that will do little to address either the affordability problems or the slum conditions that usually motivate the public expenditures. The shift toward recognizing the important role housing can play in enhancing urban development makes clear sense in a world that between 1950 and 2030 will see urban population growth more than nine times larger than the increase that took place in the two hundred years before the mid-twentieth century. But the new emphasis on addressing the housing challenge will not create cities that will be, as one observer, Edward Glaeser, put it, man’s greatest invention. In places where many basic services are in short supply and almost all employment is in the informal sector, one does not have to worry about whether these agglomerations will be centers of innovation and creativity. They will not be.

In these densely populated areas, the issue is not how to quickly become “world-class” cities, as some aspire to, but rather how to provide the basic services that are lacking, so that daily life for most of the population does not entail pestilence, crime, and lack of opportunity, as it does now. The issue is how to prevent a continuation of the extremely adverse health conditions and the increasing unemployment and exclusion that limit opportunity. Before ambitious multi-billion-dollar plans are launched, simple efforts to address fundamental flaws should first be undertaken.

Nor are these problems new ones. Engels’s (1844) contention that living conditions in England during the Industrial Revolution were equivalent to “social murder” was not an exaggeration. His study—which is now regarded as one of the first detailed statistical analyses of urban family life—showed that urban child mortality rates were a multiple of those in the countryside. But neither is his description an exaggeration today. According to the African Population and Health Research Center (2000), infant health conditions in slums are not only more

dire than those in the countryside, they are also considerably worse than those in nearby neighborhoods that are not slums. In such a context, the idea of building industrial-scale new housing on the outskirts of cities, or of developing totally new cities with extraordinarily expensive infrastructure, is ridiculous. Indeed, it rings of Percy Bysshe Shelley's poem "Ozymandias," in which a "traveller from an antique land" says:

*"Two vast and trunkless legs of stone
Stand in the desert. Near them, on the sand,
Half sunk, a shattered visage lies, whose frown
And wrinkled lip, and sneer of cold command
Tell that its sculptor well those passions read
... on the pedestal these words appear:
'My name is Ozymandias, king of kings:
Look on my works, ye mighty, and despair!
Nothing beside remains. Round the decay
Of that colossal wreck, boundless and bare
The lone and level sands stretch far away."*

In other words, to place these new programs within the perspective of Shelley's traveller, they will do nothing to prevent the urban disease vectors that plague many cities in lower-income countries. In fact, a more likely result will be the creation of colossal wrecks that stand as mute testimony to misdirected adventures.

Without change, millions of children will die from lack of access to basic services such as sanitation—which in sub-Saharan Africa has failed to improve over the past 20 years, despite a 50 percent increase in per capita income. Nor are such consequences the only problem. In order for populations to "catch up" with the income levels of developed economies, countries must urbanize. If cities offer pestilence and congestion rather than Jane Jacobs's "ballet" of the streets, the engine of growth will have been undercut. There will be a dimming of prospects for development, particularly in cities that harbor more sickness and offer less hope.

Expenditures on isolated, expensive enclaves such as the nearly \$4 billion Chinese investment in a new city twenty miles outside of the capital of Angola will do little to boost Luanda's ability to serve as a platform for inclusive growth. The oil revenues of poor countries should not serve as collateral for such expensive investments as they did in this case. Nor should the public interest research arm of one of the world's leading consulting firms, McKinsey (2014), glibly recommend relying upon long-dismissed approaches such as production of large-scale housing developments. This approach was a component of the outdated notion that the house was a "machine for living," which, if acted upon, would have seen the destruction of most of central Paris.

In sum, the current approaches to addressing the housing challenge will result in little being done to confront basic urban problems. They will also result in large-scale unproductive public expenditures that will for many years scar the landscape rather than enhance living conditions. And while cities in middle- and

higher-income countries do not face such extreme dystopias, and in many cases have improved the effectiveness of their assistance, they too will continue to face daunting housing affordability problems already endemic in New York, London, Paris, and elsewhere.

The present monograph summarizes discussions engaged in by twenty-four people who came together at the Rockefeller Foundation's Bellagio Center. The participants were from thirteen countries and three multilateral financial institutions. All are involved in studying and implementing new approaches to urbanization. The discussions are a first attempt to focus on extraordinary changes in the evolving policy perspective on housing challenges. As a result, they are by no means a definitive analysis of this complex question. But they are a beginning, and they suggest that the problems are real and growing.

Rather than attempting to describe the problems associated with so many highly idiosyncratic programs in many different contexts, we distil a series of questions—five of them—that policymakers can reflect upon as they develop plans for affordable housing. In a sense, the questions respond to one raised by a participant: How should a public servant respond when asked by political decision makers to build 300,000 new housing units? While we do not provide simple answers, our discussion offers a list of some of the most important elements of decision making that should be taken into account when planning affordable housing. Our questions are meant to help identify why housing challenges arise, so that public servants who implement policies can avoid the syndrome raised in Thomas Pynchon's well-known aphorism: "If they can get you asking the wrong questions, they don't have to worry about answers." The participants believe that addressing these questions will both reduce the likelihood that new, misdirected programs will be undertaken and ensure that more constructive ways of addressing the urban challenge will be developed.

The discussions also led to a conjecture about the urbanization process in lower-income countries, and particularly those of sub-Saharan Africa, that, while not backed by evidence, may help identify early warning signs of disturbing trends. Africa's urbanization appears to be unique in many respects. For instance, it appears to be the locus of most of what Watson (2013) has described as fantasies about how cities are developed and contribute to inclusive growth.

We conclude with a number of recommendations about how this discussion might be carried forward, so that the urbanization policies under way in so many countries might be reconsidered. The perspective of our recommendations is similar to that of one of the foremost observers of housing policy, the late John Quigley, who suggested (2007) that it is impossible to understand housing policy without historical context. He argued that if housing policy in the United States were being designed on a blank slate it would take a very different, much more effective, form.

Quigley's argument is relevant when one considers the billions of dollars now being spent to address the housing affordability challenge. Unfortunately, rarely are these expenditures structured in a way that will result in either improvement in housing affordability or more inclusive cities. While the aspiration of creating an efficient, transparent, well-targeted assistance scheme may be too ambitious, it is important to recognize that even within our more limited perspective, in many places significant levels of government expenditure are being wasted on regressive, opaque housing projects. Indeed, these cures may be worse than the disease.

The Questions

1. Is the Social Contract for Urban Development with Cities or Housing Suppliers?

An important part of the housing challenge requires balancing new development with the existing urban fabric. Housing plays a special role in this process because it determines where people live and which kinds of spatial arrangements will regulate the city's productive structure and its ability to generate inclusive growth. When housing policy is not seen within a broader urban perspective, it can result in outcomes such as the 700,000 subsidized but now empty housing units in large-scale projects ringing many Mexican cities.

2. Are Urban Regulations a Central Cause of the Housing Affordability Problem?

Almost all cities have both building standards and rules governing population density. Such regulations can generate standardization, making properties easier to value, and can determine how spread-out a city will be—due to building height limitations, for example. When standards are too rigid, as is the case with Mumbai's restrictions on building heights, they can have severe adverse effects on both city development and housing affordability.

3. Which Kinds of Urban and Related Financial Regulations Are Essential?

Among the most fundamental of regulations are those that standardize the hard-to-observe qualities of a property, or those that protect consumers from exchanges they do not fully understand. Such details allow housing markets to function much more effectively. For instance, decisions with respect to borrowing to finance a house purchase typically entail fairly unsophisticated, undiversified borrowers in exchanges with more sophisticated, diversified financial institutions. When the regulation of complicated transactions is insufficient, as was the case in Hungary when the payments on mortgage loans denominated in Swiss francs suddenly increased by 20 percent, a financial crisis has occurred.

4. How Can the Existing Urban Capital Stock Help Address Housing Affordability?

When the long-term nature of housing stock is considered, it is clear that new production never accounts for more than a very small percentage of the existing stock. There are many ways to make the existing urban capital stock more responsive to demand: reduce height restrictions on buildings, lower minimum plot sizes, or permit more downsized units. When expensive land is covered with low-rise units or slums, as is the case in Nairobi, one of the key incentives offered by city living—the ability to substitute structure for land—is lost. Small improvements in the use of the existing stock can have the same impact as large-scale increases in new housing production.

5. How Can Subsidies Help? The issue of how well expenditures are targeted to those who need the assistance is important, because in some housing production schemes—for instance, in the approach taken in the Democratic Republic of Congo (DRC)—the housing produced by the government is affordable without subsidy only to the richest 6.5 percent of the population. When governments produce only very expensive housing, as in Angola and the DRC, only the rich can afford to occupy them and even they often need subsidies. In such cases government expenditures do not address affordability concerns.

A Conjecture

Is urbanization in sub-Saharan Africa different, and, if so, does development there require a different approach?

In recent years, seven African countries have launched major urban subsidy programs: Angola, Ethiopia, Ghana, Kenya, Nigeria, Rwanda, and South Africa. In many of these instances—in the Eko Atlantic of Lagos, or with the clearing of the central city of Kigali—one sees work that harkens back to Haussmann's clearance and rebuilding of Paris in the mid-nineteenth century: large-scale displacement of occupants with little notice and even less recourse to resistance or alternatives. In other places, the new programs are more similar in structure to the six new capital cities that were initiated in Africa in the early days of independence. But there are important differences as well.

First, at independence, Africa was overwhelmingly rural, and countries were attempting to move away from the colonial segregation that characterized their cities. Over the past half-century since then, it has become the most rapidly urbanizing region in the world. Its urban population will triple over the next generation. However, unlike other regions, where cities provided people with both a better venue for productive employment and a better quality of life than they had in rural areas, in Africa the demographic shift to urban areas has not always been prompted by the bright lights of the cities. In fact, in many African countries urbanization has been driven by choices made under duress. That is, the motivation to migrate has been due to difficulties in the countryside—for example, drought, conflict—rather than opportunities in the city.

Second, in many African countries, rapid population growth is occurring at much lower income levels than elsewhere in the world. In 2010, for example, the mean per capita income in many African countries was less than half the level achieved by, for example, Great Britain during its nineteenth-century urbanization. Furthermore, this urbanization often takes place in countries that are so small—20 of them have populations of less than 5 million—that they have not developed the hierarchy of cities that leads to a spontaneous distribution of population across locations. In the coming years, African cities will triple in size with the world's youngest population. Can these rapidly growing cities, which are often located in countries that are de-industrializing, house and employ these large numbers? Can the much better record of economic growth experienced by so many sub-Saharan economies in recent years be built upon in ways that contribute to their cities' becoming platforms for development?

Recommendations

1. Convene a broader meeting of the parties involved. The new programs contain an extraordinary amount of detail regarding the allocation of resources. It is impossible to do justice to all the programs without knowing all the relevant facts and motivations. Nevertheless, billions of dollars' worth of investments are being made. A gathering of the countries involved could lead to opportunities for learning from each other. The World Bank Institute (2012), in partnership with the governments of Brazil, India, and South Africa, has already initiated a dialogue among some of the countries involved. It would be important to prepare for such a meeting by placing special emphasis on emerging problems and solutions. Answers to the questions raised here may provide a basis for such an evaluation. Alternatively, or in addition, it would be useful to convene smaller meetings and to undertake more research that focused on specific aspects of the approaches taken with countries interested in those particular issues.

2. Many cities have very limited governance capabilities. In such places, community groups are an essential policy instrument. The Cities Alliance (2013) detailed the low level of local governance capability that characterizes cities in many sub-Saharan countries, showing that many have little in the way of resources, and even less autonomy. In many of these cities, public provision of city-wide basic services—such as sanitation and water—will not be a realistic option for many years to come. Nonetheless, in some cases enormous cities, such as Kinshasa, have already emerged. In such places, more attention should be given to the engagement of community groups to carry out the functions that are basic to neighborhood well-being. Our discussion emphasized how difficult it can be to scale up the efforts of community organizations to meet such challenges, but as a participant from Thailand indicated, local organizations can often be very effective and are now supported by the Thai government.

3. The financial details of the new approaches should be carefully evaluated, particularly in Africa. The World Bank has begun an extensive research program on African urbanization. This work could have very high payoffs in terms of how we think about housing affordability and the urbanization process. However, it is unlikely to address questions regarding the feasibility of the new approaches now being developed. Impartial analysis of such proposals would be helpful in understanding the viability, risks, and distributional consequences of many of the new programs.

Many of the schemes that have been proposed so far have been badly structured, often with little attention paid to their inherent flaws. For example, UN-Habitat's review (2014) of a proposed \$11 billion plan for slum upgrading in Kenya provides a positive review of a program that was deeply flawed and effec-

tively stillborn. Similarly, McKinsey's recommendations (2014) for addressing the global affordability challenge would be rejected out of hand by most analysts. Finally, many well-known engineering/architectural firms have provided plans for reimagining cities—in Kenya, Rwanda, and Ghana—but rarely do these “fantasies,” in one participant's terms, correspond to reality.

4. Better data and research on urbanization, not just new data, are needed. The new UN Sustainable Development Goals call for increased attention to urban issues. However, more data is not necessarily better data, and the current African data remains weak and unimproved—see the 2014 report by the Center for Global Development and the African Population and Health Research Center. Better information on the markets and outcomes that determine how well a city is functioning is essential. Without better data, accountability for public expenditures cannot be achieved. Like the attempt to construct new cities without addressing the fundamental problems besetting the existing ones, attempts to create new urban indicators fail to appreciate just how weak existing African data is.

In the end, the housing affordability challenge is not one issue but many different sorts of challenges. Nevertheless, at its core it is simple: How should government react to the increasingly widespread problem faced by cities—the lack of affordable housing? Billions of dollars are now being spent around the world in attempts to help cities remain the centers of culture and creativity they have always been. Unfortunately, as often seems to be the case with the initial stages of many large-scale programs, rarely are these expenditures structured in a way that will improve housing affordability or result in more inclusive cities. Indeed, in many places the programs could have long-term detrimental effects. Moreover, as the experience of a number of countries indicates, once an approach has taken root it is very difficult to change.

The discussions summarized in the present monograph pose a series of questions that the participants believe can accelerate improvements in the design of such programs. Answering these questions, we believe, will help make public expenditures more effective and accountable, as well as encourage healthier, more productive cities. We also argue that while it is unnecessary to repeat the mistaken approaches of many of the OECD countries, given demographic trends, there is some urgency that new, more effective programs be designed and implemented.

Introduction

Motivation. Over the past decade there has been a sudden, extraordinarily large, and simultaneous expansion of multi-billion-dollar housing subsidy programs in many emerging economies—all the so-called BRIICS (Brazil, Russia, India, Indonesia, China, and South Africa), as well as Angola, Argentina, Colombia, Ethiopia, Ghana, Kenya, Mexico, Mongolia, Nigeria, Rwanda, and Sri Lanka, among others. Countries and cities, too—New York, Paris, and Delhi—have agreed to move forward with large-scale programs. (See Box 1: Map of Analyzed Countries, Levels of Urbanization, Urban Poverty, and New Housing Programs.) Cumulatively, the places that introduced these programs—in Africa they are often built around the construction of new cities—account for more than half of the world’s population. However, despite the breadth and scope of these programs and widespread news accounts of concerns with housing affordability, such as in the *Economist* (2014), there has been little independent analysis of either the issues involved or the programs’ effects, other than a recent study by the McKinsey Global Institute (2014). That study, like many of the news accounts, identifies a looming world-wide housing affordability challenge and suggests a variety of ways to solve this problem.¹

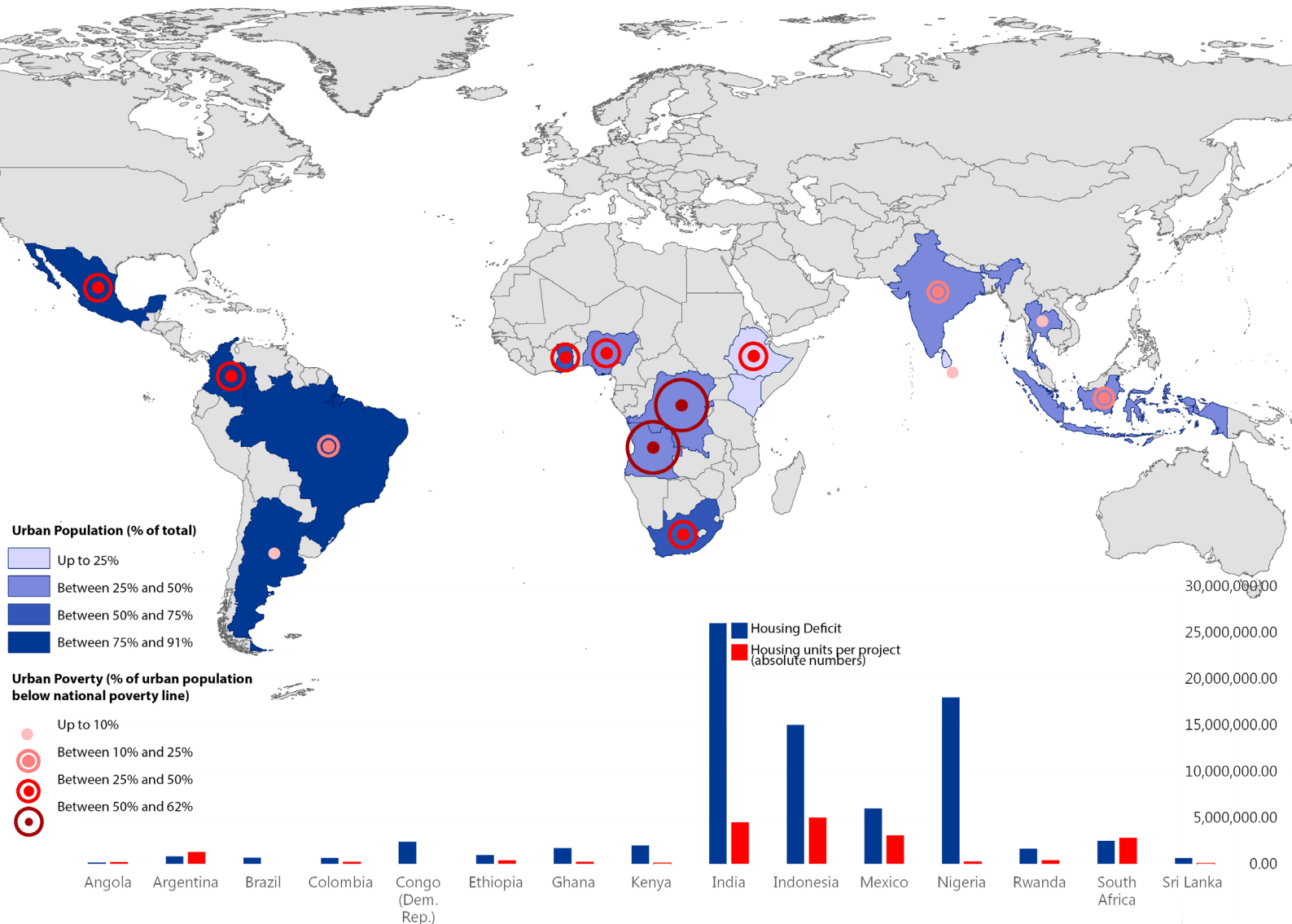
Against this background of increased public attention, and in light of the staggering government resources devoted to the problem, the Rockefeller Foundation funded a convening at its Bellagio Center to discuss the issue of housing affordability. The objectives of the convening were: first, to bring together policymakers, experts, and academics from around the world (participants came from 13 countries and 3 multilateral financial institutions) to discuss emerging approaches, as well as alternatives; second, to achieve a better understanding of how alternative programs would work so that resources can be used to simultaneously maximize benefits for the poor and create an improved urban environment; and third, to produce an impartial written report that would be accessible both to policymakers and experts.

Participants raised concerns about some of the approaches that have been adopted or recommended—such as the McKinsey proposal to rely on industrially produced housing. Indeed, one strong through line was the view that many of the emerging programs seemed to harken back to those pursued with disastrous consequences in the 1960s in OECD countries such as France and Britain, and perhaps most notably to the transformation of New York City.²

1. McKinsey, *The Housing Affordability Challenge*, Oct. 2014. The report also recommends greater reliance on provident and pension funds to finance housing and the use of tradable development rights on a large scale. The former make use of the savings of pensioners to provide lower-interest rates to mortgage borrowers by reducing the return to retirees. The latter allow higher height limits on buildings in return for the provision of low-income housing. It usually entails the removal of one distortion on what can be produced in return for a seemingly costless provision of subsidies.

2. The New York City work was directed by Robert Moses, who guided much of the city’s development from the 1930s through the 1960s. His efforts displaced a half-million people and had an outcome

Box 1. Map of Analyzed Countries, Levels of Urbanization, Urban Poverty, and New Housing Programs



Source: based on World Bank Database and descriptions of the new programs and housing deficit estimates that are referenced in Annex 1.

This map shows the relationship between the urban population and urban poverty among the study cases. Blue color gradients illustrate the urbanization level for each country; the darker blue are the more urbanized populations. Red circles represent the percentage of urban population below the poverty line. The map shows that more urbanized countries tend to have lower levels of urban poverty. Only Argentina, Sri Lanka, and Thailand have percentages of urban poverty below 10 percent. Less urbanized and lower-income African countries present more critical situations with respect to urban poverty. More than 50 percent of the population are urban poor in the Democratic Republic of Congo and Ghana.

The map also shows estimates of housing deficits. India and Nigeria present critical cases on this score because the scale of the estimated deficit is more than four times the size of the national housing policy. This situation might be even more critical considering demographic trends.

In short, while many emerging countries have simultaneously begun to spend billions of dollars pursuing an unquestionably worthwhile goal, it appears that they are doing so through extremely expensive approaches, of the kind that have often produced lasting failures.³ Moreover, when many of these practices are encouraged by one of the world's leading consulting firms, questions arise as to whether conditions have changed so much that we now have more reason to be optimistic about the approaches being recommended. Or is history simply repeating itself, as the mistakes of the past are reproduced in today's emerging economies? And, if it is the latter, are there ways the approaches can be improved so that the shortcomings of past programs can be avoided?

"What debates are old and what is new about these policies? Many of these discussions are part of an unsolved legacy."—Margarita Gutman⁴

The three-day convening at the Bellagio Center was designed to begin to come to terms with these questions.⁵ The idea was to provide, if not answers, questions and some perspective that a policymaker might consider if, as one participant suggested, his political masters asked him to build 300,000 housing units. What are some of the principles he or she might consider so that the increased attention to affordability concerns does not result in a missed opportunity as well as wasted resources? This paper attempts to synthesize our discussions into a set of questions and conjectures about the housing affordability challenge.

Our main conclusion was that if housing assistance programs are to help accommodate the almost 2 billion additional people who will live in cities over the next 35 years, as well as help address the sometimes extreme housing affordability problems that already occur, the approaches taken so far must be changed. Not only are the new programs often repeating the mistakes of the past, they are doing so at great cost and in ways that could have adverse effects on the structure of cities for generations to come.

Whether these projects will warrant being torn down, as occurred with so many of the U.S. projects when they were seen to be blights on their respective cities, remains to be seen.⁶ Or perhaps they will become investments that beget yet more public investments to offset the distress caused by the mistakes of the initial projects, as occurred, for example, in France in recent years. The \$50 billion follow-up investments that took place in the French *banlieues* in 2008 after three

detailed in Robert Caro's Pulitzer Prize-winning *The Power Broker* (1974).

3. For a discussion of the U.S. programs see, among others, Quigley (2007) and Rybczynski (1995). For an analysis that emphasizes the French experience but discusses the U.K. as well, see Cupers (2013).

4. This quote and the italicized quotes that follow were made by the participants at the Bellagio meetings.

5. See the Annex for the convening agenda, a description of the discussions, and a list of the participants.

6. Public housing projects in Chicago, St. Louis, and Newark, among other cities, were abandoned and then torn down well before the completion of their expected life span. The YouTube discussion of Pruitt-Igoe's end is a particularly vivid example of this result.

weeks of rioting were an effort to restructure these communities and address past systemic failures of the public housing programs, often through tearing down previous buildings (see the *Economist*, Feb. 2013).

Certainly, as Quigley (2007) argues, housing policies depend very much on history and previous policy. Completely new approaches are for one reason or another unable to start on a blank slate. Policy seems to iterate slowly toward more effective approaches. But, as Quigley (2007) and Witold Rybczynski (1995) indicate, many policy beginnings can be very costly and indeed may produce adverse effects that are lasting and difficult to change. In one sense, the discussions at Bellagio might be viewed as an effort to help clarify how and why policies can go wrong and to help set in place a conversation about some of the more cost-effective ways to improve urban livability and arrive at housing affordability.

Background. The discussions at the convening identified a number of questions that we believe can help avoid some of the more egregious implementation errors. Perhaps the central theme of these principles is that houses are not, as Le Corbusier claimed, “a machine for living.” Just as the post–World War II housing boom saw the implementation of some of his plans, the current period, with its massive wave of urbanization, may also be a time of vast housing needs.⁷ In the earlier period, because of the privations of the Great Depression and World War II, there had been very little building activity in the United States and Europe for many years. It was not until the 1950s that long-delayed investments in housing were made.

As Rybczynski (1995) said about the public interest in housing that arose at that time: “It was high time [for such increased production]. In addition to fifteen years of neglect, cities like New York and Chicago had a nineteenth-century heritage of hurriedly built tenements with truly awful living conditions” (160–61). In Europe, housing conditions were of course much worse due to the war’s destruction. But, as Rybczynski goes on to say, “the massive injections of capital into urban areas were a Pyrrhic victory...the [expenditures] wrought physical havoc in the established urban fabric, reducing the older urban housing stock, creating physical barriers between neighborhoods, and...accelerat[ing] central city decline.”

7. Both the housing developments and slum clearances in New York City and many of the housing developments built in France were completely consistent with Le Corbusier’s approach. It is, of course, important to note that the failings of Le Corbusier–type projects often had more to do with the implementation and upkeep policies that followed than with the designs themselves.

Box 2. From Concept to Practice in Mexico and Ethiopia

Below are renderings and drawings of projects published on official websites, and pictures of the same or very similar projects. The latter are taken by individuals, organizations, and the media. Our aim is to capture the mismatch between the narrative and the actual state and evolution of the projects. The third column shows the type of urban developments these projects create, stressing the idea that the quality of urban design is much worse than the quality of the architecture.

Mexico



Mexico: Initiated in 2006, the EETC program administered by the Comisión Nacional de la Vivienda (CONAVI) seeks to improve access to housing for households that, even when eligible for a mortgage, would receive an insufficient amount to purchase adequate housing. The government supports the acquisition/construction of housing in several ways. The most important are Infonavit/Fovissste loans, which carry an implicit subsidy for specific houses usually produced on the outskirts of cities. The Infonavit/Fovissste funds provide retirement pensions. They are collected through a tax of 5 percent of the wages of formal private sector workers and federal employees, which are then deposited into the funds.

Ethiopia: The largest ongoing project is the Integrated Housing Development Program (IHDP), proposed in 2004 and initiated by the Ministry of Works and Urban Development (MWUD) in 2005.¹ The primary goal of the project is to deliver affordable housing to low- and middle-income groups, with the stated objective of creating 400,000 units. The project has been financed through public resources, with both regional and city administrators purchasing \$246 million in bonds from the Commercial Bank of Ethiopia (CBE).

Ethiopia

PROJECTS (drawings)

PRACTICE (pictures)

CITIES (pictures)



<http://www.afd.fr/>

<http://www.cn15mcc.com/>



<http://www.urbanafrika.net>



<http://www.africatopsuccess.com/>

Credit: HGW/Marc Schindler Saint-Val

There are to be 122,000 housing units for a “20-80 scheme” and 10,000 housing units for a “40-60 scheme,” both of which would be financed in a similar manner. Demand for these three schemes has been high to date, with a total of 865,000 people registered so far.²

1. The World Bank (2011).

2. “All Africa, Ethiopia: Billion Br Construction of Additional 40/60 Houses Commenced,” accessed January 26, 2015, <http://allafrica.com/stories/201406101524.html>.

Our concern is that the new housing programs are prompted by a constellation of factors similar to those stressed by Rybczynski. Just as the post–World War II years were seen as a period of needed catch-up after the destruction of war and years of neglect, so too does the projected demographic shift to cities over the eighty years suggest potentially severe imbalances in the supply of housing. As Pieterse (2009) shows, the demographic shift to cities in the Global South is more than nine times larger than the increase that occurred in the Global North in the two hundred years prior to 1950. Over the next two generations, as this shift to an urban world comes to an end, and as the world completes what Angel (2012) refers to as a ten-generation urbanization project, one has to wonder what kind of cities will be created. It is understandable, given the increasing affordability concerns that have already arisen, that many governments have begun to take significant actions to address this problem. The issue is: Are many of the proposed cures worse than the disease?

Because cities in emerging economies now seem to stand at a crossroads, as did many of today's OECD countries in the 1950s and 60s, the five questions we have identified focus on three topics: The first two questions consider the rationales for public policy in addressing the housing affordability challenge that go beyond distributional concerns; second, because many of the public policies take the form of regulation, questions three and four focus on how such regulation should guide actions, as well as how these regulations have tended to create housing affordability problems; and finally, given that the new programs universally entail enormous government expenditures, our last question discusses how these expenditures might be most effectively targeted, giving particular attention to the role of land.

In developing these questions for policymakers it is of course necessary to consider the use of instruments, such as industrially produced housing, as used in Angola, Ethiopia, Nigeria, Kenya, South Africa, and Mexico, even if, according to Jackson (1976), such policies were often dismissed in OECD countries within a decade of their implementation. What, if anything, does the seemingly endless supply of vacant industrially produced housing units on the outskirts of Mexican cities tell us about the effectiveness of such schemes? (See Box 2 on Mexico and Ethiopia's housing programs.) Similarly, what does the reliance on opaque and unbudgeted tradable development rights that are producing "vertical slums" in India portend?⁸ Or finally, how equitable and efficient will it be to use implicitly subsidized resources—unwittingly provided by pensioners, in Brazil and elsewhere—to finance housing for people who may well have higher incomes than the pensioners?⁹

8. See Bharucha (2011).

9. A recent World Bank (2011) study of the Chinese Housing Provident Fund describes it as one in which "lower-income savers cross-subsidize a smaller number of better-off borrowers because all contributors receive below-market interest rates on their savings while borrowers pay below-market interest rates on their loans" (3).

That the McKinsey study gives currency to these deeply flawed approaches is misdirected, and underscores the seriousness of what we believe is an urgent agenda. If massive amounts of resources are not to be wasted, and cities are not to be scarred with pockets of rapidly dilapidated and segregated housing, the orientation of the policies being used to address the housing challenge must change.

In addition to identifying questions about how to address housing affordability, the convening also developed a conjecture about more general housing problems in sub-Saharan African cities. While at this stage our hypothesis is not based on firm evidence about how sub-Saharan African cities and housing markets function, the discussions suggest that it is appropriate to investigate these conditions more fully. For example, it was noted that the World Bank has just begun a research program on Africa's urbanization, and ideally, that work will provide the data needed to more fully explore our conjecture. But even before such evidence is available, the sense was that current urbanization conditions in sub-Saharan African cities were sufficiently troubling to a number of the participants that the conjecture is warranted.¹⁰ For one thing, these countries are often rapidly urbanizing at much lower levels of per capita income than in other parts of the world or in previous periods of rapid urbanization.

Moreover, sub-Saharan Africa seems to be the only region of the world where foreign consultants are some of the major proponents of designing totally new cities such as those being developed as "Tech Cities" in Kenya and Ghana or as hub cities as in Angola. Not surprisingly, however, given the risks involved in developing totally new cities, these designers rarely if ever have their own capital at risk. (See Box 3: Map of International Linkages of New Housing/Urban Programs.) Consequently we offer the conjecture that these circumstances may well raise a potentially very different and more extreme set of development concerns relating to housing affordability. In particular, are the long-known criticisms of the high costs and capital intensity of "new cities," such as were developed shortly after independence in Botswana, Côte d'Ivoire, Tanzania, Nigeria, and Malawi—made in previous decades by the World Bank (1979), Harris (1978), and Myers (2012), for instance—no longer applicable? And are slum conditions in many sub-Saharan African cities so dire that the agglomeration economies traditionally associated with the urbanization process are being lost?

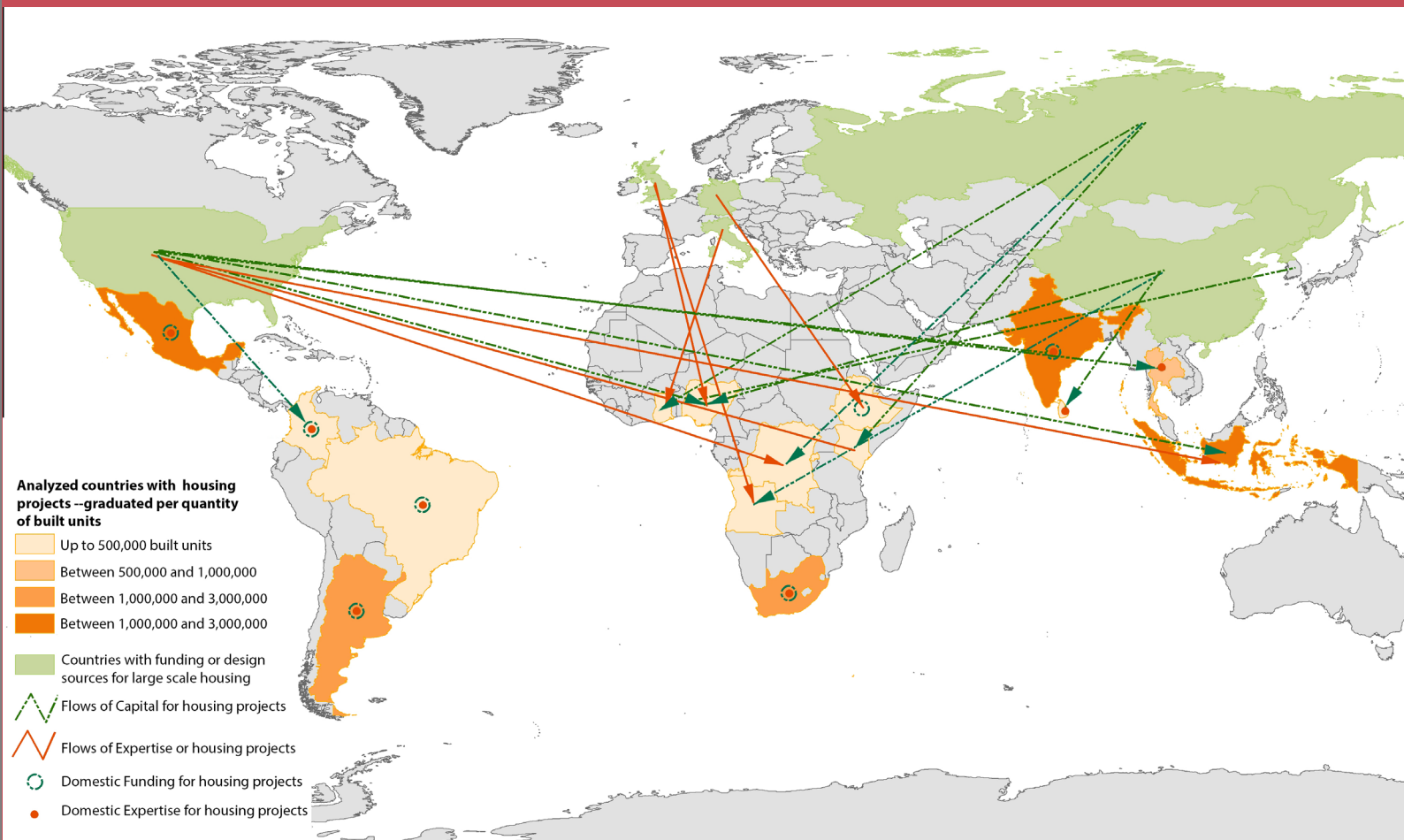
Further research in clarifying these conditions and the way that industrial-scale policies are being implemented is needed. In many of these cases, it appears that billions of dollars of public money is being spent on projects that will provide little to no assistance to address housing affordability concerns even if those concerns are one of the primary motivations for the expenditures. Moreover, whether these projects contribute to a more orderly, effective urbanization process at all is an open question.

10. A recent analysis of data in sub-Saharan economies by the Center for Global Development and the African Population and Health Research Center (2014) indicates that overall data provision there is weak and not improving. As a result, it is difficult to do more than make a conjecture about trends. However, to many observers current urban trends in sub-Saharan Africa are alarming.

In the next section we summarize the findings of the convening in two ways. First, we enumerate five questions and discuss why we believe that if policymakers considered these questions it would result in more effective ways to meet the housing affordability challenge. Second, we elaborate on the African cities conjecture, which we believe can be inferred from the discussions. We also provide some of the reasons why we believe both that housing conditions in sub-Saharan Africa may be very different from those that occur elsewhere, and why many aspects of urbanization policies in Africa bear considerably increased scrutiny.

Indeed, in many ways, this emerging urban agenda in Africa has qualities that exploit African resources in ways that largely benefit investors, such as China and some of the largest international engineering/architectural firms. It appears that very little foreign capital is at risk and a great deal of local money is being mobilized in highly opaque, and what appear to be dubious, investment schemes. A final section makes recommendations about how to proceed.

Box 3. Map of International Linkages of New Housing/Urban Programs



Source: our elaboration based on World Bank Database and Annex 1 research.

This map shows the flows of capital and knowledge. The flow of capital reflects funding sources, and the flow of knowledge represents the location (domestic or foreign) of project expertise and know-how regarding design and management. Orange countries are the study cases (where projects have been implemented), with darker shadings representing larger projects. Green countries are countries that participated by providing funding, expertise, or both. China, Russia, and the United States (including the World Bank and the UN, and multilateral institutions) represent the main source of capital flow. Countries receiving funding from the United States are mainly Asian (India, Thailand, and Indonesia). Capital from Russia and China is mainly allocated in African countries. The flow of expertise in design and management is from the United States and Western Europe (U.K., Germany, and Italy) to African countries.

Latin American countries use their own funding sources and expertise. South Africa follows the same trend as Latin America. This does not mean that these countries did not receive aid at all, but the main funding source is domestic.

Findings

Questions for Policy Development

The convening discussions ranged over a variety of topics and examples of how new housing assistance programs were and are being designed and implemented. What follows attempts to cull a series of questions from the discussions. We begin by suggesting what the objective should be for these programs, arguing that it is urban conditions rather than housing conditions that should frame discussions. Making cities more livable includes making housing more affordable. However, the opposite does not hold—that is, making some housing more affordable may not make cities more livable and productive. Hence our first question is: Shouldn't the social contract for providing affordable housing be one that involves a diverse range of actors and interventions well beyond the narrow concerns of housing suppliers?

“Should policymakers try to develop housing programs that actually address problems which belong to other agendas, such as labor or environmental ones?”

—Gilles Duranton

But this question, in turn, raises the question of why cities should be the target rather than housing more generally. Our answer has to do with understanding the way decisions about the amount of residential density that is permissible have enormous implications for the way cities function. Decisions with respect to density determine how quickly and easily people can move through cities as well as the quality of the urban environment. How much open space is there, and how many parks, amenities, and locations for interaction?¹¹ If low-density housing is provided in areas that can accommodate higher density, the supply of housing can be, as Glaeser (2009) shows in an analysis of New York City, deeply constrained. Alternatively, if high-density housing is built on the outskirts of cities, as it was in the former Soviet Union, the result is much higher commuting costs, as shown by Bertaud and Renaud (1996).

But it is also important to recognize that density poses a different set of problems in very poor cities. In these places households cannot afford the fixed amount of square meters of floor space built out of concrete that would permit them to live in a multistory building. As a result, populations in what might be thought of as horizontal slums are perhaps actually much denser than populations in areas with high-rise buildings. Households in these slums consume very little floor space. When income is below a threshold that allows for the construction of high-rise buildings, living area may be deeply constrained in size. In such

11. Bruckner et al. (1999) compare Detroit and Paris with respect to the effect that amenities have on house values.

places, infrastructure improvements and better transport provide much more help to poor households.

Thus, our third and fourth questions emphasize the need to recognize all the complicated indirect costs associated with policies that govern density. Importantly, however, while our discussions were often very critical of the adverse effects of many urban regulations, they also emphasized that there is indeed such a thing as the effective regulation of housing markets. The point is that many regulations are essential for effectiveness when transactions involve complicated goods such as housing.

Our fourth question emphasizes that all of the emerging programs have focused on the production of new housing, whereas almost all housing services are provided by the existing stock. Rarely does new construction account for more than a small fraction of the housing services consumed. So, while it is of course important to increase the responsiveness of new production to increases in demand, it is also important to recognize that the existing stock can be developed in ways—often much less costly ways—to do the same thing. Making improvements in how the existing housing stock is regulated and managed can be an extraordinarily effective way to respond to housing affordability concerns.

Our fifth question details how the subsidies are often excessively large, mis-targeted, and provided with little or no inputs from the beneficiaries. Finally, because of the almost universal reliance on using inexpensive land to locate the assisted housing, we raise a sub-question that focuses on the use of land as an input in housing provision. Our basic point is that inexpensive land has that quality for a reason—it is, for example, often inaccessible to jobs.

Question One: Is the Social Contract for Housing Affordability with the City or with Housing Suppliers?

In his opening remarks, Jose Castillo discussed the Mexican housing program and the attempts to restructure it after it produced the more than 700,000 vacant units that are now on the outskirts of Mexico's cities. He indicated that the reforms aimed to move assistance away from the urban periphery but suggested that the jury was still out on whether this could be accomplished, in large part because of the higher land prices in the central city. His presentation suggested that even though reports by the Mexican agency involved, Infonavit (National Workers' Housing Fund Institute), indicate that the program's resources have been very badly allocated, reform remains very difficult. Once again, this point—that the design of new programs is important—is one of the convening's major points of emphasis. It is very difficult to modify programs once they have begun.

Convening participants Alfredo Garay and Michael Cohen argued that a social contract was needed but that it should be between the population and the city government and not with just the providers of housing. Cohen suggested that for too long institutions like the World Bank, where he led the urban work for

many years, had entered the city through the bathroom and the kitchen, and not through an understanding of the processes involved with making a city a vibrant place. In this respect, his views are quite similar to those of Jane Jacobs (1961), who opposed virtually all single-use development but particularly what she called “massive public housing projects.” She argued that such developments “tend to cause their city surroundings to deteriorate,” in turn causing the streets near them to go into decline, with the result that “as time passes, less and less healthy adjoining city is available to tie into.”

In her admiration for cities as “delicate, teeming ecosystems,” Jacobs criticized public housing projects as concrete monocultures without diversity. The street-level actors who kept neighborhoods safe by their presence were typically displaced by housing projects that left public housing tenants without grocery stores, restaurants, or services. Like Jacobs, many participants stressed the challenge of how government can help make cities not only more efficient but more equitable and sustainable as well.

“Bureaucratic planning loses the capacity for creating complex, diverse and rich urban landscapes, which is usually the result of hundreds of thousands of individual decisions.”—Alfredo Garay

An important part of this challenge requires balancing new development with the existing urban fabric. Housing policy plays a special role in determining not only where and how people live but also which kinds of spatial arrangements will regulate the productive structure and its potential to generate growth and inclusiveness. So while housing policy is important, this perspective implies that housing programs should be part of a broader social contract. This broader contract should recognize that besides the direct concern with whether people can afford basic shelter, housing provided in cities is important for two larger reasons: first, because it provides access to the most productive jobs and so can improve welfare; and second, because housing in cities allows for sharing infrastructure costs by more users, thereby significantly lowering costs.

In this context, policies to improve housing affordability should not be manifested in discrete, large-scale housing projects in which the city merely agrees to fund a certain number of units to be provided in a specific location. Indeed, a number of the convening participants argued that policies that focus on housing in isolation from urban dynamics prohibit those who are already underserved from being able to fully exploit the advantages of urbanization.

What does this perspective imply for emerging economies concerned with housing affordability? Besides discussing what he calls the “second great urbanization wave,” Edgar Pieterse (2013) provides some additional insights. He says that in many countries migrations to cities are often not driven by demand for jobs, and that the reproduction of the informal environment becomes the main form of urbanization. But, perhaps most importantly, we suggest that there is a general perception that urban policy is unable to manage this process, even within favor-

able macroeconomic contexts.

From this perspective, one of the biggest challenges of growth in developing countries is whether investments in cities' housing stock will keep pace with the extraordinary growth in urban population. In other words, can the quality and quantity of the built environment allow the agglomeration economies offered by cities to be realized?¹² For example, despite a 50 percent increase in per capita income in sub-Saharan African countries between 1990 and 2010, there has been no improvement in access to improved urban sanitation (WHO/UNICEF 2012). When access to sanitation is available to less than half of urban populations, as the WHO/UNICEF data show it is in sub-Saharan Africa, density can be deadly rather than productive. In this sense, given the percentage of residents housed in slums—numbers range from more than 60 percent of the population in sub-Saharan cities to 40 percent in Asia—the number of affordable units being provided to expand access to live in the city is insufficient.

“We are now living in a period of urbanization of people but not urbanization of the economy. There are not enough triggers from industrial production. What is the housing supply responsiveness to urban growth? Which is the pattern of housing investment in low-income countries?”—Somik Lall

Certainly, at least in the midterm, a significant share of the housing supply will continue to be provided through informal markets. Once again, these problems appear to be particularly acute in many of Africa's cities. Moreover, in a recent publication, one participant, Paul Collier (2014), argues that even where such urban investments are sufficient they are not being coordinated, so that a government failure still occurs.

Thus, an important part of the so-called urban contract must focus on the inclusiveness and social cohesion that can be achieved through access to more affordable housing. And while the greater inclusiveness implied by such a focus is important for its own sake, it is also critical because of the way that it contributes to improving productivity. Ricardo Hausmann (2014), for instance, argues that urban inclusiveness should be stressed because it is a strategy that allows for the exploitation of the returns to scale of large fixed infrastructure investments. He argues that a strategy for inclusive growth not only offers distributional benefits, it also lowers the cost of paying for the fixed infrastructure costs that connect underserved populations to networks of production. It is, as a result, more productive as well as more equitable.

In contrast, large-scale housing projects on the outskirts of cities that deny residents access to the labor markets—as is the case in Angola's new \$3.5 billion city that is almost twenty miles from the capital—do not afford such opportunities. Without local centers or mixed uses, they do not lead to inclusion; nor do they allow for exploiting the returns to the existing urban fabric. In this sense, the

12. Agglomeration economies occur when firms and people locate near each other. As firms cluster together in cities, their costs tend to fall, and productivity increases.

putative cost savings of industrial housing projects can be very misleading. They may be able to produce housing at lower costs, but these measures do not include the much higher transport and commuting costs, as shown by Bertaud (2008) for South Africa. Nor do they produce the spillover effects on productivity provided by more integrated communities, as shown by Glaeser (2008) and Carlino, Chatterjee, and Hunt (2006).¹³

Additional evidence of these sorts of problems was recently demonstrated by Celhay and Sanhueza (2011), who surveyed 813 slum dwellers and 776 public housing residents in Santiago, Chile. They showed that public housing projects there created social isolation and limited access to real economic opportunities. Slums dwellers, in their analysis, were shown to have better socioeconomic outcomes, higher rates of labor participation, and better employment rates than formal housing beneficiaries. Lall et al. (2012) reach similar conclusions about South Africa, where people often choose to live in a better-located shack than in a subsidized higher-quality unit that provides less access to job opportunities. Among other outcomes, they show that public housing provision results in less maintenance and upgrading of the facilities provided.

Both examples suggest that a lack of inclusiveness often comes with industrial-scale housing projects. Once again, such methods may produce housing services at lower costs, but they fail to produce housing in locations that exploit the full range of opportunities offered by urban living. They are, in a word, creating cities comprised of isolated, often car-based neighborhoods, which the Mexican and South African examples suggest frequently become deserted.

The Mexico example is particularly apposite. According to Christopher et al. (2012), between 1980 and 2010 the urban population in Mexico doubled, but at the same time the urban footprint grew sevenfold. Between 2001 and 2011, Infonavit originated 4.3 million loans, expanding the supply of housing enormously. During this period, private developers were the ones who defined—through the public housing finance system—how the urbanization patterns for the expansion of the cities would work. The result was large shares of new housing in the peripheral areas of cities. A 2010 Infonavit study estimated that two out of every ten homes purchased with public financing support were uninhabited, and almost a third of home abandonment occurred because the houses were too far from school, work, or family (Christopher et al. 2012).

In contrast to the approaches taken in Mexico, Brazil, and South Africa, which attempt to scale up housing supply by relying on large-scale industrially produced units, the experience of the Asian Coalition for Housing Rights (ACHR) illustrates how in many instances scale can be achieved, perhaps more slowly at first, by working with active community engagement. This approach, as described in Boonyabancha (2012) and presented during the Bellagio convening, implies

13. For example, the latter study demonstrates that patent intensity is positively related to the density of employment in the highly urbanized portion of metropolitan areas: All else being equal, a city with twice the employment density (jobs per square mile) of another city will exhibit a patent intensity (patents per capita) that is 20 percent higher.

a shift from policies focused strictly on producing new housing units to an approach focused on improving the living conditions of the population within the city itself. While the approach may have start-up costs, it offers greater durability and integration into the urban context.

For example, within three years, one of ACHR's programs, funded by both the Gates and Rockefeller foundations, had branched out across 165 cities in Southeast Asia. It relied on an incremental process based on four relatively simple steps that address the mix of market and government failures that adversely affect housing conditions of the urban poor: First, it provided small, carefully targeted subsidies for neighborhood-level infrastructure, addressing the externalities that arise due to the lack of publicly provided services; second, it provided finance for housing improvements at interest rates that overcome the many financial sector distortions that increase interest rate margins; third, it got involved in land market development by securing land rights for in situ slum dwellers on the same basis afforded to private developers; and finally, and perhaps most importantly, it provided communities with architectural and planning advice in ways that take their views into account. Not only did this last step improve the use of resources, it mobilized the community to take a more active role in development.

When compared with other approaches to upgrading low-income areas—such as public housing, or sites and services programs—ACHR's program performs strongly. Greater community buy-in not only assures that there is much better maintenance and improvement, detailed statistical analysis shows it also results in improvements in social indicators (see Box 4). Moreover, when the success of these efforts becomes clear, in many cases local governments build upon the successes and bring more resources to bear on previously overlooked public service failings (see World Bank 2014).

Of course the success of community involvement in achieving significant scale is one area where further systematic evidence is needed. Nevertheless, there are examples where this approach has been successfully introduced through national large-scale policies, such as the Baan Mankong program of the government of Thailand. Implemented through the Community Organizations Development Institute (CODI), which operates within the Thai Ministry of Social Development and Human Security, the Thai program suggests the existence of a national institutional framework that could be examined for possible replication elsewhere. As participant Vanessa Watson noted, one of the merits of the Thai government approach is that residential development is not detached from city building processes. Nor are slum dwellers unceremoniously pushed off their land. The following figure provides a sense of how the program is organized, and some photos of the types of projects it has implemented.

“Why are innovations so difficult to implement on a large scale? What does it mean to scale up now?”—Rama Chorpash

Box 4. Scaling-up: Evidence from Thailand and the Baan Mankong Program

The U.S. \$100 million Baan Mankong Thai government program was designed by Somsook Boonyabancha, the director of ACHR, and borrowed from the structure used in the Community Mortgage Program in the Philippines. Boonyabancha was also the first director of CODI, so, unsurprisingly, the CODI structure is quite similar. In other words, CODI's structure and operation are built very carefully on the Thai experience, which grew out of an NGO movement and now provides about U.S. \$20 million per year of similarly structured assistance to communities throughout Thailand. Like ACHR, CODI focuses on community engagement as the key stratagem in allocating resources and assuring that those resources are used effectively and maintained.

Indirect evidence as to the likely success of an expanded ACHR program can be garnered by examining the evidence of the effectiveness of the CODI program, which was recently subjected to a rigorous statistical evaluation. This evaluation is a quasi-experimental empirical analysis by the Thai Development Research Institute (TDRI), a well-regarded Bangkok-based think tank. Discussions with the authors indicate that communities assisted by the program have had significantly improved conditions relative to those in similar communities that did not receive assistance. House values increased by significantly more than the subsidy amount, implying that the market value of the subsidy was higher than the government expenditure. In addition, families in assisted communities increased their educational expenditures for their children and had much better business prospects than those in similar, but unassisted, communities. The subsidy expenditures per unit under this program are much lower than those realized by the parallel housing program operated by the Thai government and by the sorts of housing programs generally adopted by governments. One of the findings of the study was that, compared with traditional public sector supply-side programs, a public sector agency that engages with local communities and expends funds over a long period of time can expand its reach enormously and improve basic living conditions of many more households. In many ways, the CODI program represents what might be viewed as the best practice frontier for public sector engagement in slum upgrading.

Consequently, in many ways ACHR's newest multicountry approach can be viewed as the regional implementation of both the Thai national program and the original ACHR approach. However, instead of being run by a government—particularly in countries with very low public institutional strength—it is managed by the long-serving effective NGO. Importantly, in the ACHR programs, as in the Thai program, decision making has been decentralized to a network of like-minded local organizations, and these organizations, in most instances, appear to have shown that they, too, are able to work credibly and effectively with poor community groups.

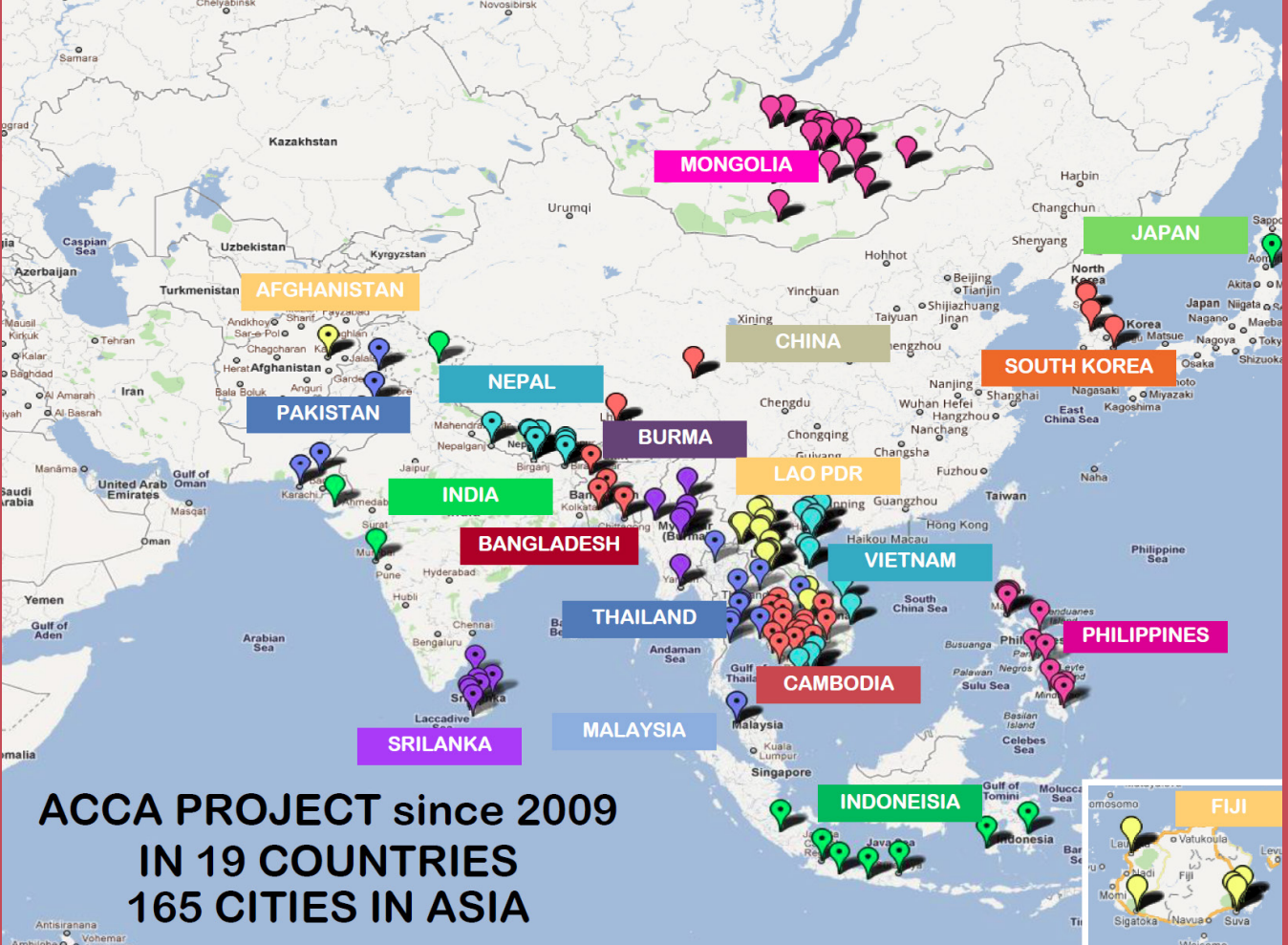
Source: World Bank (2014)



Before



After



**ACCA PROJECT since 2009
IN 19 COUNTRIES
165 CITIES IN ASIA**

Source: <http://www.achr.net>

To sum up, our discussion of the nature of the urban contract that underlies a concern with affordable housing has a number of implications for policy: First, it appears that in many ways current urban planning has moved away from the precepts articulated by Jane Jacobs and moved toward the “meat ax” approach that characterized Robert Moses’s expansive development of public housing in New York City. In the view of the participants, even if Le Corbusier–designed housing represented a significant step up on the slums they replaced, helping to make housing more affordable does not imply that housing should be viewed as a machine for living, nor should slums be seen as cancers to be excised from the urban fabric. Therefore, policymakers concerned with housing affordability should be less focused on the large-scale, neatly arranged mechanical schemes and more linked to improving the ways existing cities work. Many participants of the convening envisioned that this type of development would require a shift in the social contract of housing supply, where the contract would be between cities and communities and not with housing suppliers.

While this view of a broader urban social agenda seems more in keeping with an organic development of cities, its efficacy is much less easy to measure. In particular, how does one measure success? What evidence can be adduced about what was or was not achieved? The general lack of data is an impediment to gaining a clear understanding of the cost and efficacy of fixing poorly designed neighborhoods and incorporating them into the ongoing dynamics of cities. Without better measurement, the role of urban planning as a legitimate practice is unclear. For instance, what skills do practitioners need to have to develop effective strategies? And what do local urban planners have to do to recover the legitimacy and authority needed to help shape cities for the future within a broad urban social contract? See Box 4 for one simple measure of performance.

There are no simple answers to such questions, as shown by another participant, Durantou (2012), who argues that urban policy, like national policy, functions in what economists refer to as a “second-best policy environment”—an environment in which it is difficult to infer the outcomes of specific policy changes. But, just as Hausmann and Rodrik have developed a diagnostic scheme to evaluate national policies, Durantou suggests that a similar scheme could be developed for urban policy. We will return to this point in our recommendations.

Question Two: Are Urban Regulations a Central Cause of the Housing Affordability Problem?

The regulations that govern so many urban transactions fall under many different dimensions, but the two that have the most significant effect on housing affordability have to do with density and building standards.

Density. A number of observers at the convening—for example, Collier and Cohen—suggested that construction density should be viewed as a public good. Urban density is a topic that has long been taken into account by urban planners but is relatively neglected by economists. As an example of the former, Joel Kotkin, author of *The City*, says that those who are “densifiers,” like New York City’s former mayor Michael Bloomberg, are essentially proponents of a dream “of a future where urban dwellers live cheek by jowl in ever-closer proximity.” This view essentially sees construction density as conferring spillover benefits from proximity. Others, such as Kotkin himself—and many leading planners before him, such as Lewis Mumford (1961)—call instead for the sort of lower-density development that would be more reflective of “people’s actual preferences.” Proponents of this perspective in effect want city officials to lower densities to a more human scale—that is, to reduce the adverse congestion effects of too many people living too close together.

Other observers, such as Bertaud, say the public sector should stay out of this decision and leave density formation to the market: “In market-based economies, planners cannot “design” higher density....the mayor of New York cannot “densify” the city by fiat....When it comes to densities, the market does a reasonably good job of reflecting people’s preferences.” He goes on to say that “density is simply a land consumption indicator. High land prices tend to reflect consumers’ preferences for a particular location (though in some cases high land prices also reflect land-use regulations that artificially constrain supply). Where land is expensive, the price per square meter of housing will be higher. “ It is no surprise to Bertaud that people consume less land and floor space where land is expensive, which in turn leads to higher densities.

Clearly Bertaud is correct that government cannot simply densify or dedensify by dictate, although in recent years the intensity of land development in many Chinese cities—such as Guangzhou and Shenzhen—has increased by 40 percent or more.¹⁴ The sort of lower density that Kotkin calls for is exactly the sort of minimum standard that has so often been used to effectively keep the poor out in so many places, and which we discuss further below. His standard of “people’s actual preferences” may have little or nothing to do with what people can actually afford. The imposed high standards, such as the ones he wants, may produce cities that are less congested, but if the houses cannot be afforded, the result is that people live illegally at standards less than the minimum. Their illegality of tenure, in turn, often creates a series of disincentives to maintain and/or improve their housing, as one participant suggested is the case in Delhi.

Moreover, Kotkin’s aspirational argument is flawed for more basic reasons. In particular, he ignores the fact that his preferred standards systematically consign large sectors of the population to being ill-housed because they are financially constrained—so that they cannot afford to consume the amount he thinks appropriate. Are those with incomes too low to afford what he depicts as a humane standard somehow less than human? Finally, what do his judgments on density

14. Government of China and World Bank (2014), 13.

imply about the kinds of trade-offs that lower density might necessitate with regard to access to work and the ability to improve living conditions such as privacy or health?

On the other hand, while Bertaud's aspiration of relying on market mechanisms to determine density may well reflect the sort of basic information about land value that the public sector should rely upon, it does not reflect the decision-making situation anywhere in the world, with perhaps the notable exception of Houston, which has no zoning ordinances. In virtually every other case, the public sector has an overriding say in determining built-up density or, more accurately, in dictating floor area ratios.¹⁵ It also determines density through the expansion of infrastructure, the extension of the grids, etc. Hence, whether or not public officials want it, or are even aware of their role in setting it, their decisions often have an enormous effect on urban density and the cost of city infrastructure.

If officials attempt to limit density too much, the result will be much higher land prices, such as those observed in Mumbai, which approach those of New York City, a place with much higher per capita income. Or the situation could approximate Detroit, as described by Jane Jacobs: "[It] is largely composed, today, of seemingly endless square miles of low-density failure" (1961).

"Housing density is vital to economic productivity. One of the reasons Africa is no able to make the needed transition to large-scale production is the form of its cities."

—Paul Collier

The market cannot be expected to produce decisions about the highest and best public use of land in the form of provision of public parks, schools, cultural centers, roads, and hospitals. The UN, for example, reports that cities in sub-Saharan Africa provide on the order of 11 percent of their land area for roadways (UN-Habitat 2013). New York City, in contrast, often described as the most market-oriented city in the world, provides 36 percent of its land area for roads (Angel 2012). Decisions about infrastructure will inevitably be made by the government institutions that provide the services—such choices simply cannot be avoided. Mobility, among other things, is exceedingly important if a city is to be able to provide the agglomeration economies that characterize denser living (Henderson 2009).

Mobility is also a characteristic that will affect preferences for density. For example, the lower or more unstable a person's income, the more he or she values accommodation close to income-earning opportunities (Satterthwaite 2011), and hence the greater the density he or she will be willing to consume in order to be near jobs. This effect is compounded in lower-income cities in which the cost of building taller buildings increases housing costs by so much that the poor cannot afford to substitute structure for land by building taller buildings. In these locations, low-rise slums are very dense.

15. In effect, as Bertaud shows in an NYU blog post, density can be higher in areas with very low floor area regulations, as they are in Mumbai's slums.

As Paul Collier put it, “Density is a public good: It benefits everyone through opening the possibilities of production-at-scale. With respect to housing, the form of investment necessary to achieve density is that structures [in many parts of cities] should be multi-story. Often, the ideal structures will be a cluster of four- or five-story apartment blocks [if that can be afforded]. As with infrastructure, this is very costly to do retrospectively and piecemeal in slums. Further, because density is a public good, the private incentive for such investments is too weak. Only if everyone else in the slum replaces their shacks with multi-story buildings will the density of the slum rise to an efficient level...[one that may even be lower than the density of the existing slum]. So, as with the upgrading of housing quality, the upgrading of housing for density is a costly process.”

Collier expands, arguing that the low productivity in African cities stems in part from the fact that these economies are trade-based rather than production-based, and built upon unsophisticated systems supported by fragile built environments. But achieving optimal density requires more than a multistory building. Housing investment needs to take into consideration location issues with respect to education and job access, as well as the mix of uses between shops and residences.¹⁶ Managing the public-good dimensions of density—the trade-offs between congestion and positive spillovers—is perhaps one of the biggest challenges in creating affordable housing policy.

Thus, in the end, it is not an accident that almost everywhere, decisions with respect to density are made by the public sector—unfortunately, all too often without city officials realizing it. Whether density is indeed a public good or simply reflects the underlying land value, decisions made with respect to it matter a great deal in the provision of affordable housing. At least as importantly, they also matter when one considers a host of other potential benefits.

For example, when the market suggests that local regulations dictate a density below the optimal level, increasing it can promote: (i) resource efficiency and new technologies (for example, for energy provision and saving), (ii) less development on rural land (by developing brownfields or building high-rises), (iii) decreased use of fossil fuels (through walking, biking, and use of public transport), (iv) improved accessibility (because of mixed use and a larger population base for providing universal infrastructure and services), (v) lower infrastructure cost (due to more efficient use of urban services), (vi) higher quality of life (owing to a richer urban fabric and sociocultural interaction), (vii) more innovation and economic development (resulting from more competition, lower transaction costs, and numerous opportunities for creative meetings), (viii) social cohesion (for example, through reduced segregation), and finally, and perhaps most directly, (ix) more housing consumption.

16. For a focused look on the intersection of urbanization, development, and youth employment, see the Centre for Development and Enterprise’s 2014 report. Paul Collier is among the contributors to this report, and density is noted as a critical component of sustainable urban growth due to its ability to increase quality of life by generating employment opportunities. Additionally, this report offers useful policy suggestions for South African cities.

Box 5. Managing Urban Expansion

As shown by Angel et al. (2010), the footprint of cities throughout the world is growing both rapidly and largely haphazardly. While expansion is the obvious way to increase the supply of housing, when provided in an unplanned way its benefits are greatly reduced. As shown by O’Grady (2014), in a recent study of New York City’s 1811 street grid—a plan that Koolhaas (1978) called “the most courageous act of prediction in Western civilization”—the effort to lay out the streets before development has resulted in enormous efficiency gains. Among these gains are the benefits stemming from the initial partition of land into uniform rectangular blocks, which limits incentives to form incompatible subdivisions and reduces irregular property shapes. Perhaps more importantly, the grid increases connectivity, offers better coordination, and encourages investment, easier access, and lower input requirements for public networked infrastructure through what O’Grady (2014) characterizes as the predictability of expansion.

The New York grid offers important insights particularly for cities that are currently urbanizing. For many of these cities, planning ahead for rapid urban growth has not been a priority. Policy and planning interventions have been rather sporadic and uncoordinated. Often, as UNDESA (2011) and Bertaud (2013) argue, decisions aiming to plan for future urban expansion were framed on the basis of political and ideological considerations confronting two paradigms: that of urban containment, designed to limit the development of land outside a defined urban area while encouraging infill development and redevelopment inside the urban area (Nelson, Sanchez, and Dawkins 2004: 342); and what Angel et al. (2011) refer to as “making room,” arguing that there is a need for at least minimal preparation for the growth and expansion of cities in urbanizing countries. In the literature, these two paradigms are often seen in opposition: a laissez-faire approach to planning versus rigid technocratic master plans. What should cities strive for? And how can future urban expansion be accommodated?

Planning ahead, as Angel et al. (2005) noted, is “the key issue facing public sector decision-makers—at the local, national and international levels.” The question, they note, “is not whether or not urban expansion will take place, but rather what is likely to be the scale of urban expansion and what needs to be done now to adequately prepare for it” (Angel et al. 2005: 91). As they further prescribe: “Developing country cities should be making realistic—yet minimal—plans for urban expansion, designating adequate areas for accommodating the projected expansion, investing wisely in basic trunk infrastructure to serve this expansion, and protecting sensitive land from incursion by new urban development.”

Building Standards. All cities need building standards, which protect against defects or less than obvious features of a good—such as how well the sewer line is connected. In addition, standards are often much easier to observe and implement during construction than after completion, and their existence obviously generates standardization, which can make housing easier to value. When standards are appropriate for actual and anticipated income, they function as a form of mental shorthand that reduces decision costs.

In 1947 Britain suddenly and substantially raised its housing standards (the Parker Morris standards) and implemented them through the Town and Country Planning Act. Unfortunately for Africa, the British government also promptly enforced the 1947 Town and Country Planning Act in its colonies. Hence, upon independence, many African governments and Indian states inherited building standards that were grossly inappropriate for many of their residents' level of income. This was not immediately apparent, because in the early 1960s African cities were still small and occupied predominantly by well-paid government officials and expatriates. It would have been an act of extraordinary courage and insight for newly installed governments to lower standards: The new African political elite wanted to join modernity, not dilute it. As historian Bill Freund (2007) put it:

...independence was not in fact a remarkable break in African cities. Generally speaking, in the first years, the character of planning and structures of the late colonial period remained in place...and modernism was harnessed to suit the self-image of the new elite (146–47).

And so Africa was stuck with building regulations which, had they applied to nineteenth-century London, would have undoubtedly frustrated formal housing provision for ordinary households.

In many postcolonial African and Indian cities, regulations covered building standards, such as wall thickness, room size, and depth of foundations, as well as minimum size of plot. For example, in Nairobi the minimum legal plot size is 1/16th of an acre, which is unaffordable for ordinary households. Not only were these standards not revised downward, they inevitably conveyed the impression that modernization would, if anything, require that from time to time standards should be further raised: Hence, for example, in Dar es Salaam the minimum plot size is 500 square meters, but the authorities are currently discussing whether to raise this to 700 square meters. In East Asia, in contrast, authorities took a more independent view: For example, in the 1980s Thailand reduced minimum housing standards. We consider the issue of effective regulation in more detail under the next question. But, first, consider some of the ways that seemingly benevolent, well-intended housing regulations have affected housing affordability.

In particular, to begin with, just how out of line with African incomes were the standards of the 1947 British Town and Country Planning Act? They were clearly ambitious in relation to 1947 British incomes, and indeed even during the

1980s some aspects of them were seen as being so excessive that they were revised downward. The contrast becomes more striking in purchasing power parity terms. Most African per capita income today is radically lower than British incomes of 1947. Indeed, incomes in most African countries are well below the level achieved in Britain in the late nineteenth century. The time it will take Africa to attain the income levels achieved by Britain in the immediate post–World War II period is considerably longer than any reasonable horizon for the durability of basic housing.

The key indication that regulations are excessive is that housing construction has bifurcated, with regulations being ignored in the informal market, which caters to most ordinary households. The homes of the elite, on the other hand, are individually designed, and adhere to building standards. For ordinary people informal housing is the norm. Their homes do not adhere to building standards, which are unenforceable because they would impose excessive costs, and consequently their design is highly idiosyncratic.

An important consequence of informality is that such housing is hard to price. It is nonstandard, and key aspects of its quality, such as the depth of foundations, cannot be observed. In turn, the fact that it is hard to value, and often illegal because it broaches one or more regulations, impedes entry to the resale market, and means that it cannot serve as collateral for a loan.¹⁷

“Housing policy is destroying cities. Land uses, density regulations and infrastructure costs are not part of the problem they are often the major distorting factor.”
—Ana Marie Argilagos

While African urban land rights have usually been privatized, they have seldom been clarified. In some cities, such as Freetown in Sierra Leone, a history of dysfunctional registration has left land ownership radically unclear: The same piece of land may have several claimants, each supported by some sort of documentation. Clearly, the number of claimants to a plot is likely to increase in response to construction, since ownership becomes more valuable: The rights to property constructed on the plot follow directly from the rights to the plot. Resolution of these disputes through the court system is neither reliable nor swift. Indeed, the legal basis for settlement is often still in dispute: For example, in Ghana lawyers have been attempting to resolve the rules of urban land rights for four decades. In other cities de facto ownership is accepted, but the owner does not have legal title. These weaknesses in land rights may make both land and property constructed on it less marketable, and clearly make both less able to function as collateral.

To sum up, housing affordability concerns can arise for any number of reasons: a very rapid increase in demand while supply responds only slowly—as for example precipitated much of the rent control regulations implemented during

17. If, in fact, a loan market existed that did not suffer from the very high interest rate margins that characterize most African financial systems.

World War II; topography considerations, such as steepness of the hills on which a city is located or the wetlands it may contain; and the natural connectivity and access afforded by the land mass (Mumbai's Island City is not yet connected to the mainland).

But housing affordability is also almost everywhere affected by often well-intended regulations that dictate various aesthetic views of what appropriate standards should be. As shown by Bertaud (2010), Glaeser, Gyourko, and Saks (2005), and Hammam (2014), these standards often act very much like an implicit tax on real estate and particularly on the real estate of the poor, who, because of these regulations, have to pay higher costs for properties that remain outside of the ambit of legal transactions.

When considering how to most effectively address housing affordability concerns, the first step must be to reflect on how regulations affect the use of and access to housing services. Changing some of these regulations is in principle costless since such regulations control behavior but do not mandate public expenditures. However, even if the reforms are in one sense costless, they do entail winners and losers. Lower standards that make housing more affordable also reduce the value of existing housing whose owners will oppose such measures. Hence, while identifying the reforms is not difficult, implementing them often is. Seen in this light, housing subsidy programs are often public interventions that are demanded because existing interventions—excessive regulations—make housing less affordable.

“Institutions determine the transaction costs of diverse actors and their capacity to supply affordable housing. We should create adaptive policy: progressive standards, construction phases...which blur the boundaries between formal and informal.”

—Bimal Patel

While it is recognized that excessive regulations often create housing affordability concerns, it is important to realize that many of the regulations that govern housing transactions are needed. Indeed, their existence is essential for housing markets to function effectively. It is also important to recognize that the various regulations may interact with each other in important but not obvious ways. For instance, Lall et al. (2006) show that in Brazil, whether lowering minimum lot size affects the rate of slum development depends upon how other regulations work. In distorted regulatory environments such changes in minimum lot size by themselves can increase the size of slums. Hence it is also important to have a sense of the cost-benefit ratio implied by the many regulations that are necessary for urban housing markets to function. That is the topic of our next question.

Question Three: Which Kinds of Urban and Related Financial Regulations Are Essential?¹⁸

At the convening, Bimal Patel presented a discussion of the very lengthy and time-consuming process involved in clarifying land ownership and the development of real estate in the Indian state of Gujarat. The lesson was clear: The regulations, as well intended as they might be, were excessive and significantly increased the cost of housing. However, as the discussion following Patel's presentation made clear, there are clearly a number of regulations that are not only effective but essential. One needs only to consider the deaths of more than 1,000 workers in Dhaka's Rana Plaza to realize just how essential certain regulations are; the 2013 tragedy was caused by the illegal addition of four floors and the use of substandard construction materials.¹⁹

A house is usually most families' largest single purchase, and decisions made with respect to its acquisition can profoundly affect the well-being of buyers and their children. But not only does housing account for a large share of wealth, it is also a complex, multifaceted good whose many different, and often not obvious, characteristics can have implications for both how effectively a property is valued and how different people might value the same place. Finally, housing is a good that has unusually high transaction costs.²⁰ With such expensive, complicated goods regulatory guidance is unambiguously important.

For example, regulations identifying who owns a particular property are important underpinnings to the kinds of real estate transactions that make a housing market function effectively. Similarly, regulating many hard-to-observe characteristics of housing is a low-cost way of assuring basic quality. But constraints on the choices people can make—such as fixing the minimum amount of land or floor space—should not be constrained by planners' decisions.

Nevertheless, at the end of the day housing decisions often involve transactions between, on one end, fairly unsophisticated borrowers, with very limited ability to diversify, and, on the other, sophisticated financial institutions that have many more ways to diversify. Given the nature of these exchanges, it is not surprising that in many countries there are loan provisions that allow households to "back out" of a decision to finance a property, permitting families to carefully consider what they are doing before they make a purchase worth a number of years of annual income.

At the other end of the spectrum are regulations that entice unwitting bor-

18. Much of this section is based on a background paper by Collier and Venables (2014).

19. Ker Than, "Bangladesh Building Collapse Due to Shoddy Construction," *National Geographic News*, Apr. 26, 2013, <http://news.nationalgeographic.com/news/2013/13/130425-bangladesh-dhaka-building-collapse-world>, accessed Apr. 6, 2015.

20. Smith et al. (1988) describe housing markets as follows: "... although housing is a commodity that responds to market forces it has a number of special characteristics (heterogeneity, durability, and spatial fixity), which require that the standard neoclassical model be modified if they are to be adequately analyzed."

rowers to take risks they should not assume, thereby more than failing to provide the underpinnings of an effectively functioning market. Two housing finance–related regulations, seemingly innocuous and now in use in many countries, help ensnare consumers and have significant implications for the way the housing and financial markets more generally function. They are:

- The regulations governing the ability to finance low-income housing with loans that are denominated in foreign exchange, as has been practiced, often with disastrous results, in many of the reforming socialist economies—such as Hungary, Romania, and the Czech Republic.
- The regulations that allow lenders to garnishee future earnings of borrowers if the house value has fallen below the outstanding mortgage at the time of loan termination.

When this latter policy, as practiced in a number of European countries, is combined with relatively strong incentives for families to take on mortgage debt, as was the case in the Netherlands (Buckley et al. 2006), the result can be a contract that distributes macroeconomic risks on those least able to bear them. Instead of carefully underwriting property value and not making loans for properties that do not have adequate collateral, diversified lenders are allowed by law to make poorly collateralized loans and then pass this risk on to undiversified families who may have to pay for it for many years. In the United States, the practice of permitting families to borrow more than 100 percent of their house price during the housing bubble had similar results for the millions induced to borrow under programs supporting homeownership.

Similarly, allowing families to obtain mortgages in a currency different from the currency of the households' income stream is often a formula for disaster. In many countries this means of borrowing became widespread. For example, in Hungary, when monthly payments in Swiss francs were much lower than the payments in the local currency, the incentives were clear, if very risky—borrow in francs. In recent years more than half of Hungarian mortgage borrowers relied on such loans.

When the financial crisis of 2008 struck, the lack of regulations exposed Hungarian borrowers to severe macroeconomic risks. The costs were perceived as so onerous that the government recently required that the banks compensate borrowers for more than \$3 billion in loans. That compensation, as shown by the *New York Times* (Norris 2014), amounts to almost one-third of the banks' financial reserves.²¹ Thus, this seemingly liberating regulation on household decisions with respect to how they finance their homes has had enormous adverse effects on many Hungarian families as well as on the country's financial sector.

Similarly distorted financial sector regulations regarding the use of pen-

21. Floyd Norris, "Borrowers in Hungary Learn Tough Lessons," *New York Times*, Nov. 13, 2014, accessed at <http://www.nytimes.com/2014/11/14/business/hard-lessons-for-borrowers-in-hungary.html>.

sion and provident funds have been used in many countries to provide subsidized mortgage finance, and have been recommended by the recent McKinsey report as a way to help address the affordability challenge. These programs, as the World Bank (2012) noted, can change seemingly minor subsidies into major changes in wealth and welfare. If a provident fund receives just 1 percent less in an effort to reduce borrowing costs, pension payouts can be substantially reduced.²² Recommendations calling for greater reliance on such funding sources need to carefully balance the interests of elderly pensioners, who may well not realize their losses for many years, with the interests of mortgage borrowers.

Hence, in the end, housing market regulations matter, and they are particularly important with respect to both housing finance decisions and arbitrary constraints on consumer choice. In the end, there are clearly some regulations that can play an important part in making sure that free exchanges do not lead to adverse consequences for those concerned.

Question Four: How Can the Existing Urban Capital Stock Help Address Housing Affordability?

When the long-term nature of housing is considered, it is clear that new production never accounts for more than a small percent of shelter provided. For instance, rarely does new production amount to more than 4 or 5 percent of total units, and usually the figure is considerably lower. As suggested by Alfredo Garay, it follows that policies that make better use of the existing housing stock will tend to be more effective than are policies targeted at new production. This is important in regions such as Latin America, where studies suggest that 30 percent of the current housing stock is inadequate, and two-thirds of it requires programs to improve either housing units or neighborhoods.²³

Nevertheless, most governments allocate substantial parts of their resources to the construction of new units because of the view that economies of scale in new production have a greater impact than do improvements in existing housing conditions. Policies that allow the existing stock to be used most efficiently can have multiplicatively larger effects on supply, and hence affordability, simply because of the enormous difference in scale between new and existing housing. For instance, if the existing stock accounts for 95 percent of the housing supplied, and the new stock 5 percent, then a 6 percent reduction in the cost of the existing stock will have about the same effect on housing supply as a doubling of new production.²⁴

22. Chen (2011) shows that the Chinese Housing Provident Fund contributions effectively amount to providing a tax shield to upper-income households that far exceeds any such advantage to the lower-income families that the funds were supposed to assist.

23. Alfredo Garay, *The Production of the Latin American City* (2014). Presentation based on National Census Data from Argentina (2011), Chile (2012), Colombia (2005), and Mexico (2010).

24. A doubling of the supply of new housing will add 5 percent to the existing stock of housing. A 6 percent reduction in the cost of the 95 percent of housing supplied by the existing stock of housing results in a similar increase in supply.

Moreover, if a unit can reasonably be expected to have a longer life than the household occupying it, then the unit can be expected to “filter” to another family, as the original occupants either die or move elsewhere. In addition, because the house would have depreciated over time, it would be of lower quality and, accordingly, lower cost. Hence one would expect the unit to filter down to a lower-income family. The question is, how rapidly do housing values depreciate relative to the income levels of the lower-income households?

Recent empirical work on the United States, by Rosenthal (2014), permits one of the first clear, rigorous analyses of this view of housing markets. It indicates that the depreciation of U.S. housing stock is slower than the decline in the incomes of residents occupying a specific house. His results imply that the value of older houses declines so slowly that better-quality houses become more affordable to lower-income families. That is, the U.S. housing stock does indeed filter down to lower-income families. In short, the filtering process works, so that the most effective way to assist low-income families with gaining access to better housing is to provide them assistance with housing in the existing market.²⁵

Rosenthal’s findings also show that the filtering process works even more rapidly for rental housing than for owner-occupied housing. This result, in turn, suggests that rental housing is a more effective target for housing assistance than is owner-occupied housing. That is, more housing gets to those with the biggest affordability problem if the rental sector is the target of assistance. Given these results, if one goes back in history a bit, to a time prior to the existence of subsidies to encourage homeownership, it is perhaps not surprising to find that in New York City in 1940, six out of seven residents were tenants, and in London in 1910 only one out of ten was an owner. In both cities today owners account for much higher proportions of occupants, and in India the urban ownership rate is the opposite of the early London one—approaching 90 percent.

How, then, can the existing housing stock be made more responsive to high demands? As Bertaud (2010) and Hammam (2013) indicate, there are many ways to do this: permit taller buildings; changing minimum plot and/or house size; permitting more downsized units, as proposed in New York City and as practiced in Paris; and implementing tax policies that tax idle land. When a city’s most expensive land is covered with low-rise units or empty lots, one of the key incentives offered by city living—the ability to substitute structure for land when the land becomes expensive—is lost. In cities such as New York, where the land value exceeds 50 percent of house value, versus the average of about 22 percent in other U.S. cities, it is clear that an effective use of the land is not achieved (Davis and Palumbo 2008).

25. Rosenthal also shows that filtering works less well in places experiencing rapid house price appreciation. Accordingly, in those places there is a greater rationale for subsidized new housing production.

Box 6. House Prices of Government-Built Housing and Income Distribution in Selected Countries

One of the most serious problems in public provision of housing assistance is the standard of the housing produced. In many places, as the following figures suggest, the housing built by government is affordable without a subsidy only by the very highest-income households, and in some cases, not even those households can afford the units, as in Rwanda.

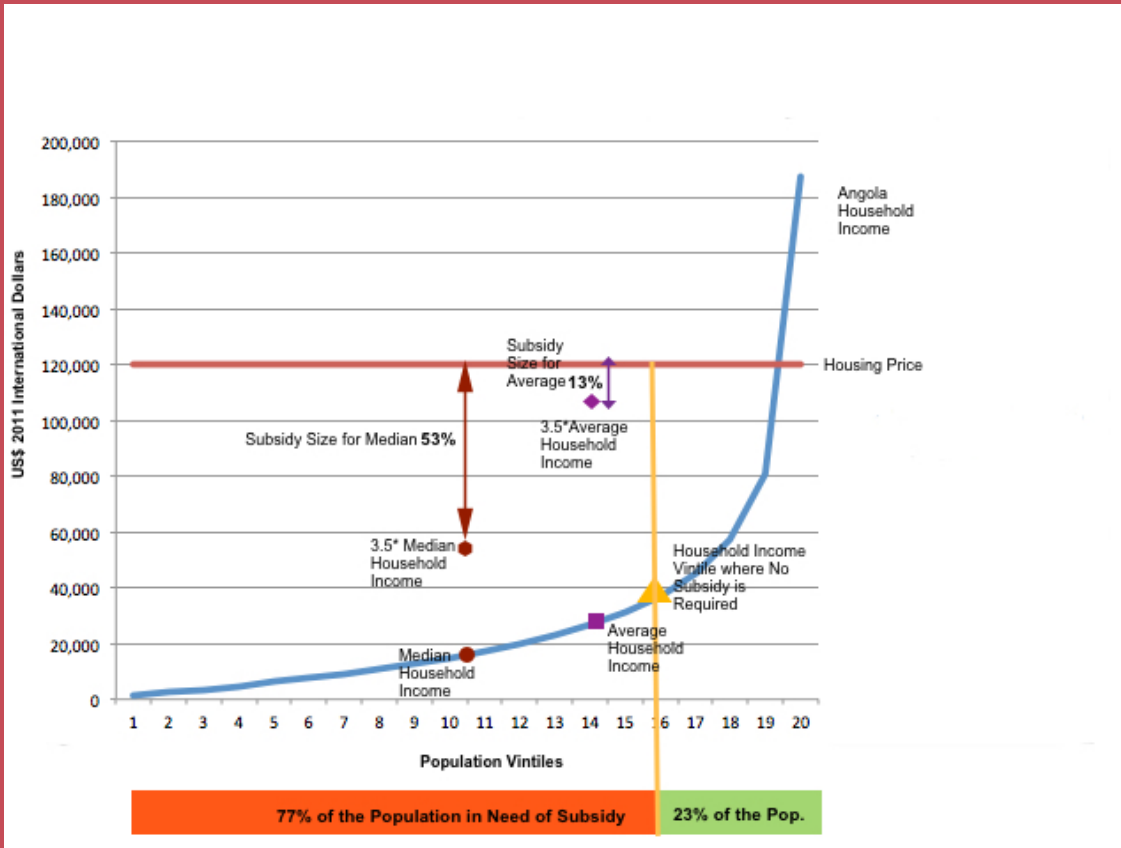
In the figures the light blue line plots out income distributions of four countries (Angola, the Democratic Republic of Congo, Ethiopia, and Rwanda) in vintiles, which each contain 5 percent of the population, and the price at which the new units produced by the government are offered for sale (the solid red line). We then show how much housing would be affordable if the median and mean household spent 3.5 times its income to purchase a house—the red and blue dots, respectively. The 3.5 ratio is the average amount by which house prices exceeded the income of households in a number of OECD countries.¹ Except in the case of Ethiopia, median-income households would have to be given a substantial subsidy in order to be able to afford the housing produced. In the Ethiopian case the subsidy would be small, but in Angola, the Democratic Republic of Congo and Rwanda it would amount to more than 50 percent of the price.

The yellow vertical line in the figure shows the income level at which no subsidy would be needed. The bar at the bottom of each figure indicates the share of households that require a subsidy for assistance. In Angola, only households in the top fifth of the income distribution could afford to buy; in the Democratic Republic of Congo and in Rwanda, only those in the top 10 percent could buy without subsidy; in Ethiopia, the average family could afford the housing units produced.

Consider what these levels of house prices imply for the nature and scale of government assistance. The Angola scheme is part of “a one million houses program.” If that aspiration is met and one million families centered on the median household income level receive new units at a subsidy level of about \$60,000 per unit, one million of such deeply subsidized units would cost the government \$60 billion, almost half of its current GDP. Redesigning the program so that much less expensive housing units are produced, units that are affordable to households with modest incomes, would permit potentially enormous savings in government resources and a considerable increase in the likelihood that the plan will in fact be implemented.

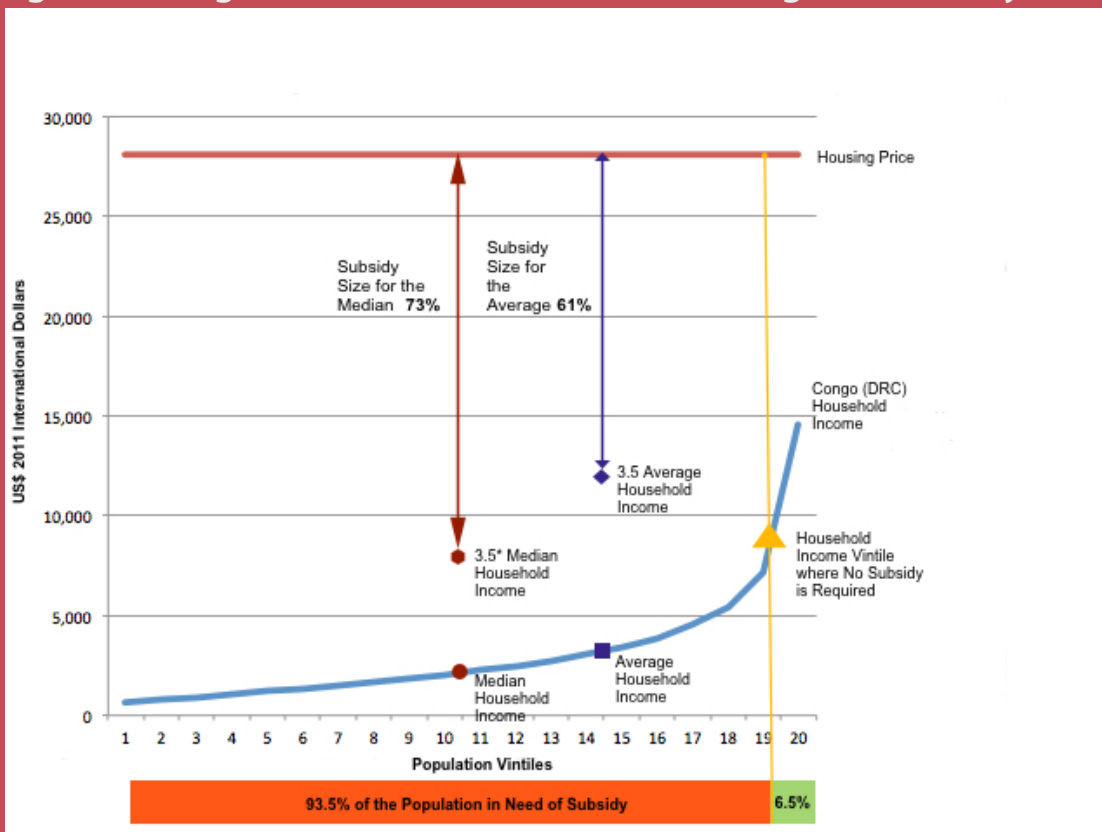
1. See, for example, the U.S. and Canadian averages, which are slightly lower than this figure, according to John Burns Real Estate Consulting Services. Of course the average will vary depending upon the period selected. We used a longer-term trend as being more representative. The UK, France, and Germany have been slightly above the U.S. ration, particularly since 2001. As a result, we used the higher figure. However, for countries, such as those shown in the figures, which do not have well-developed financial sectors, a smaller ratio might be more appropriate, as borrowers in those countries face higher interest rate margins and so are able to afford less housing relative to their income levels.

Figure 1. Angola: Household Income and Housing Affordability



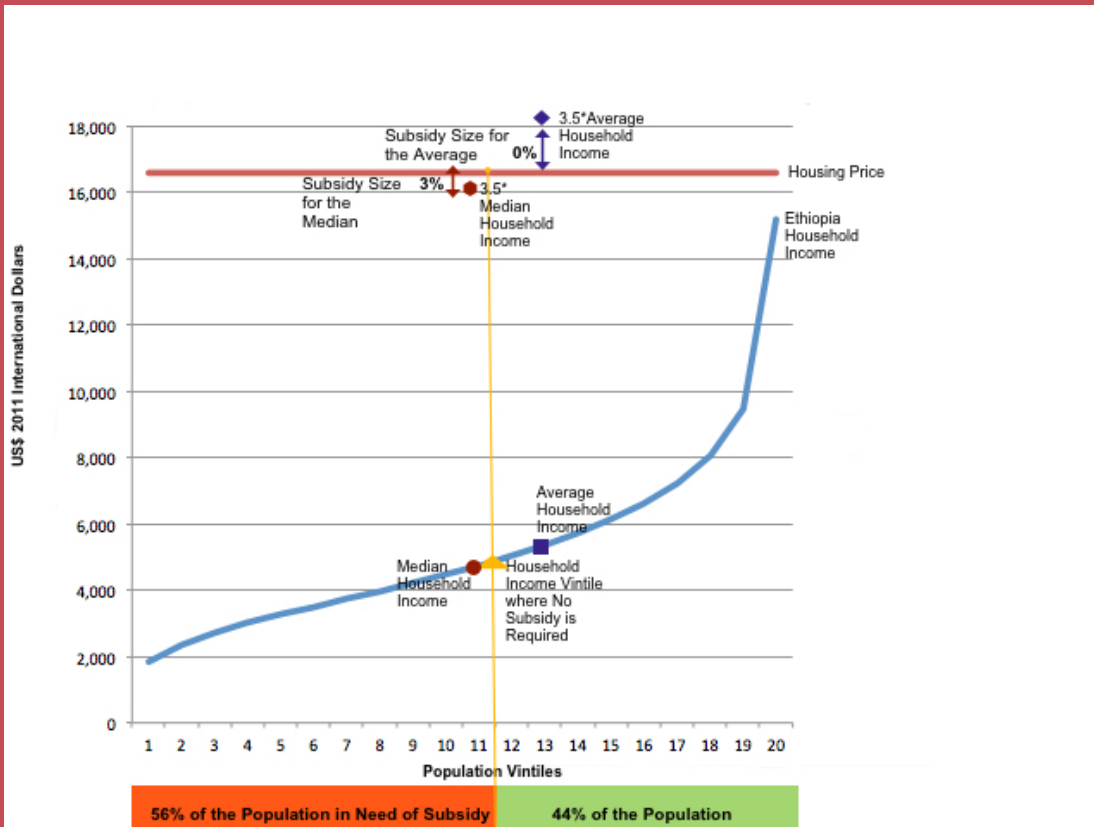
Source: Income from Global Income Distribution Dynamics Database (GIDD) adjusted to reflect GDP per capita PPP in 2011 Constant International Dollars. Housing prices from BBC News, <http://www.bbc.com/news/world-africa-18646243>, accessed Jan. 14, 2015.

Figure 2. Congo: Household Income and Housing Affordability



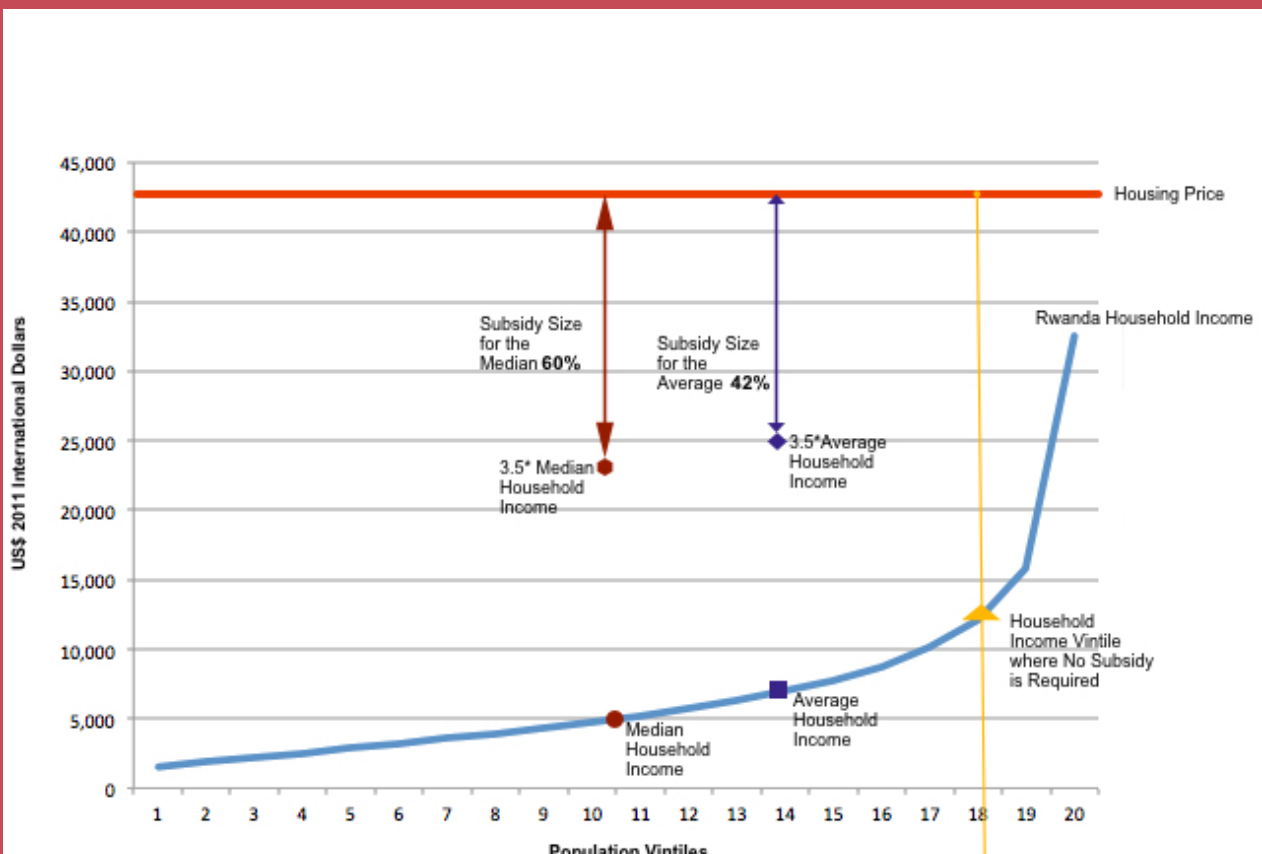
Source: Income from Global Income Distribution Dynamics Database (GIDD) adjusted to reflect GDP per capita PPP in 2011 Constant International Dollars. Housing prices from *Housing Finance in Africa, 2014 Yearbook*, <http://www.housingfinanceafrica.org/country/democratic-republic-of-the-congo/>, accessed Jan. 14, 2015.

Figure 3. Ethiopia: Household Income and Housing Affordability



Source: Income from Global Income Distribution Dynamics Database (GIDD) adjusted to reflect GDP per capita PPP in 2011 Constant International Dollars. Housing prices from Y. Haregewoin (2007:13).

Figure 4. Rwanda: Household Income and Housing Affordability



Source: Income from Global Income Distribution Dynamics Database (GIDD) adjusted to reflect GDP per capita PPP in 2011 Constant International Dollars. Housing prices from R. Nyakairu, "Rwanda Housing Authority Moves to Implement Affordable Housing," *New Times*, Jan. 19, 2015, <http://www.newtimes.co.rw/section/article/2015-01-19/185101/>.

In many respects, it should not be a surprise that land values in New York City are so high. The public housing stock, built largely by Robert Moses, in many ways follows the Le Corbusier ideal of the “tower in a park.” This stock accounts for 7 percent of the New York City land area, and even though the buildings are densely populated, the land on which they are located is not. These so-called towers often cover less than 30 percent of the land area on which the projects are sited. Buckley and Simet (2014) provide estimates of the present value of these units suggesting that if current subsidy levels are maintained they may well be worth more than \$500,000 each, even though these properties are twice as likely to have defects and 50 percent more likely to be rodent-infested than nonpublic housing.²⁶ When one considers how much housing costs in other parts of the country, it is no wonder that there is a continual exodus of native-born New Yorkers. Working in New York City may be much more productive than in other U.S. cities, but housing costs are higher still. Housing costs may rise for a number of reasons, but the result is that the current use of the existing housing stock makes housing much more expensive than it has to be.

Similar results also characterize conditions in many African cities, discouraging migration to much more productive locations. Empirical results for Accra, Ghana, described by Obeng-Odoom (2013), show that housing in the capital is so expensive that migration to the city is choked off as renters, who account for more than 60 percent of residents, have to pay up to two years’ rent up front. See Box 6 for a discussion of how expensive new housing production programs are in some countries.

Of course, it is not always the case that the supply of land is such that affordable housing in relatively central locations can be easily realized. For example, to give a sense of how much more productive, and hence expensive, cities can be, according to *Business Insider* (2011) the five largest cities in the United States produced almost a quarter of the country’s GDP with 6 percent of the country’s population.²⁷ As a direct consequence of the location of these high-productivity jobs, housing in the central cities of these locations will be relatively expensive. In addition, in many cities, topography also plays a significant role, as documented by Albert Saiz (2010). He shows that in places where there is steep terrain, abundant wetland, or waterfronts, the ability to increase housing supply is much more limited. So, in many places, the housing affordability challenge is one that sends a signal as to resource costs. It is not amendable to policy but rather a signal as to how to spatially allocate resources.

Nevertheless, in many places—taking into account London’s green areas, Californian coastal cities, height restrictions in Paris, Mumbai, and many other cities—policies serve to make housing so unaffordable for so many that even tripling new housing production will not offset the cost increases due to restrictive development policies.

26. Report of New York City Comptroller (2014).

27. Their estimates are based on data from the Commerce Dept., the Brookings Institution, and the Bureau of Labor Statistics.

Question Five: What Role Do Carefully Targeted Subsidies Play in Addressing Housing Affordability?

Government expenditures on housing subsidies account for a significant share of outlays in most countries. For example, according to Olsen (2003), the U.S. government spent more on housing programs than on many other better-known welfare programs, such as food stamps and temporary assistance for needy families. The issue of how well these expenditures are targeted to those in need was stressed in the convening by Etienne Wasmer, who used results from a previous study he undertook (Wasmer 2012) to show that in France in some housing subsidy schemes as much as 75 percent of the subsidy expenditures went to households whose behavior was not affected by the subsidy. That is, for those households the subsidy was a windfall gain rather than a form of assistance that encouraged them to fulfill perceived housing needs. He also suggests that in many cases when the subsidy is provided to the builder, a significant share of the subsidy stays with the builder, and the intended beneficiary receives only a portion of the assistance. One participant suggested that the same pattern characterizes programs in Delhi.

There is an extensive literature on how to most effectively provide subsidies. We will not review it here; suffice it to say that a traditional public finance perspective suggests that despite insufficient attention to targeting, some desirable characteristics of housing subsidy programs are often overlooked: For instance, if they are transparently provided and funded, their accountability is more likely to be maximized. Similarly, if the size of the subsidy is such that it is “just enough” to induce a shift of recipients to better housing, the subsidy will not provide windfalls or affect behavior. While perhaps difficult to judge precisely, subsidies beyond what might be called “an inducing level” of the sort described by Wasmer are wasted, in that they indirectly fund expenditures other than those intended by the subsidy.

“The amount of information needed to build a successful project is well beyond the government’s capacity, so what exactly is the government’s comparative advantage relative to the market?”—Eduardo Rojas

So, while precision about how much is needed to induce a certain behavior is perhaps too much to ask, it is important to realize that very high subsidy rates almost certainly result in wasted resources. Moreover, these costs also increase sharply as the size of the per unit subsidy increases. For example, the almost 100 percent per unit subsidy implied by the South African RDP housing program can easily create indirect resource costs that equal half again as much as the subsidy itself, and these losses are at least four times more than the amount that would be implied by a 20 percent per unit subsidy.²⁸

28. A deadweight loss is a loss of economic efficiency that occurs when equilibrium for a good is achieved. It can be caused by monopoly pricing, externalities, and taxes or subsidies. The term deadweight loss is also referred to as the “excess burden” of taxation.

Box 7. Examples of Housing Subsidy Schemes: The Good, the Bad, and the Ugly

In what follows we briefly review three programs that highlight important features of housing subsidies: Mexico's Piso Firme program, which might be termed a "good" program; Angola's Kilamba program, which qualifies as a "bad" program across many dimensions; and Mumbai's Slum Sanitation Project, which addressed the widespread open defecation that characterized many of the city's slums.

Mexico's Piso Firme Program. *Perhaps one of the most effectively targeted housing programs is the Piso Firme housing subsidy program, which operates in Mexico. For a onetime subsidy of about \$150 per unit—a subsidy that is a fraction of the annual subsidy provided to most housing subsidy recipients—this program has been shown to have enormously beneficial effects. It replaces dirt floors with cement floors, offering households that have such floors up to 50 square meters of concrete cement flooring. Between 2000 and 2007, this program installed cement floors in about 300,000 of the estimated 3 million houses in Mexico that had dirt floors. The program covers the cost of the cement, with households supplying the labor needed to install the floor. The cement is poured, and each family installs it in about four hours according to instructions they are given.*

A World Bank study, subsequently published as Cattaneo et al. (2009), identified the effects on child health and parental well-being. The program was found to improve the health of young children by reducing parasitic infections by 78 percent. It also led to a 49 percent reduction in diarrhea, an 81 percent reduction in anemia, and a 36 to 96 percent improvement in cognitive development. As for the effects on parents, the study found that replacing dirt floors with cement floors made adults substantially better off. When dirt floors were completely replaced by cement floors, there was a 59 percent increase in self-reported satisfaction with housing, a 69 percent increase in self-reported satisfaction with quality of life, a 52 percent reduction on a depression assessment scale, and a 45 percent reduction on a perceived stress assessment scale.

Perhaps the most significant effect was on the improvement in cognitive development of young children. Research has established that learning is far easier in early childhood than later in life, and that early childhood education is critical for school readiness and long-term skill development. When compared with results achieved by Mexico's antipoverty conditional cash transfer program, Oportunidades, formerly known as Progresa, Piso Firme is not only more cost-effective, it also has a much larger absolute impact on child cognitive development. Indeed, the results also indicate that replacing dirt floors with cement floors appears to be more cost-effective than nutritional supplementation and early childhood cognitive stimulation.

In contrast, consider how housing subsidies have been provided in Angola. The program described below was undertaken with the Chinese government to build a \$3.5 billion city almost twenty miles from Luanda, the country's capital city.

Angola's \$3.5 Billion Chinese-Built City. Prior to his reelection in 2008, President José Eduardo dos Santos vowed to build one million houses. A total of 100,000 hectares of land around Luanda were reserved for the program to build satellite towns, called “new centralities” or “new cities.” The towns are outside Luanda’s ring road and are being constructed entirely by Chinese state-owned companies. One reason the Chinese approach was interesting to the Angolans was because international donors were reluctant to assist Angola’s reconstruction following many years of civil war due to its poor governance record, which places it as one of the lowest-ranked or least favorable countries in which to do business. Chinese authorities signed several credit lines backed by oil sales to China to fund infrastructure construction.

When President Xi Jinping (then China’s vice-president) visited Angola in 2010, he viewed the Kilamba site. The partnership established during Xi’s visit included urban construction among the key areas of cooperation. By the next year, as many as fifty Chinese state-owned companies and more than 400 small to medium enterprises were building these satellite towns financed by oil-backed loans.

Kilamba Kiaxi is the flagship project for both China and Angola. It has been shown as a model to African leaders visiting Angola. It also is the biggest foreign project built by Chinese firms, calling for 3.3 million square meters of construction spread over five square kilometers. In the first phase, which ended in September 2012, more than 700 buildings containing 20,000 apartments were built. The second phase, now under way, calls for an additional 5,000 housing units. There are three types of buildings, with prices ranging from \$70,000 for a two-bedroom apartment to \$180,000 for a four-bedroom apartment. Although prices are much lower than in Luanda, only a fraction of Luanda’s population can afford to live in Kilamba.

For example, the annual per capita income of the top income decile in Angola was \$24,446, less than the amount needed to finance the least expensive apartment. A household with median per capita income of about \$12,000 would require a subsidy equal to 60 percent of the lowest-priced unit and over 90 percent for the most expensive unit. Hence, the program provides housing either for only the top income decile or for the middle class with very large subsidies—more than double the rate Mayo (1986) found in Germany and the United States. While the project is clearly very new, questions about how public services will be provided have yet to be addressed. At present, there is very limited provision of services, and little integration with nearby urban areas. There is no transportation available (residents would have to commute by taxi), there is no reliable power, and there are no basic amenities (water, waste collection, elevator maintenance). In theory the idea is that these services are to be initially provided by the Chinese and handed over progressively to the local authorities.

Ultimately, this program is almost the perfect example of how not to provide housing assistance: The funding is not transparent, other than being collateralized by the country’s oil revenues; the units provided had no input from the users and they are not part of the urban fabric—indeed, they are not even linked to the city; and, finally, the per unit subsidies are likely to be large, and almost certainly a significant amount of them will go to the Chinese

companies that constructed the buildings. While it has only just been completed, it is hard to imagine how this program will result in the target of one million houses being achieved. If the current per unit expenditures are maintained, producing one million houses will cost more than the country's GDP.¹

Mumbai's Slum Sanitation Project. According to the Atlantic (2012), Mumbai has been one of the most expensive cities in the world. It is also among the densest, with housing affordability concerns causing most families to reside in single-room accommodations and with very limited services such as water and sanitation. To address some of these concerns, the government of India borrowed funds from the World Bank to provide sanitation services in the city's slums. The project relied upon community groups to help deliver toilets to slum dwellers in Mumbai. One organization, the Society for the Promotion of Area Resource Centres (SPARC), worked with the government and the World Bank, and with communities that would receive toilet blocks—structures that house 10 to 12 toilet units—as a capital grant. Local community groups discussed whether they would be willing to organize to pay for the upkeep of the blocks as well as the water and electricity costs. Those communities unwilling to contribute or organize a payment scheme for maintenance and running costs were excluded from participation in the program.

If the process of this approach is compared with the way toilet blocks had been traditionally supplied in the city's slums, one gets a sense, as described by Briggs (2009), of an approach that aggressively sought out community participation, what he refers to as "democracy as problem solving." As a result, working out both which communities are willing to organize to provide the good and then how to pay for it on an ongoing basis can increase the likelihood that rapid asset depreciation will be reduced. This kind of agency has high economic value as well as high democratic content. In the case of Mumbai, it has also led to a broad effort to make the city "free of open defecation," a practice that had characterized a significant share of the city's population for a very long time. Hence, carefully targeted subsidies that build on the energy and enthusiasm of communities, as emphasized by both Somsook Boonyabanha and Vanessa Watson at the convening, can go well beyond the initial scale of a program that was targeted to a limited number of participants. The demonstration effects can result in much more effective expenditures, and they can address some of the most basic and fundamental problems posed by housing affordability concerns.

1. If a \$3.5 billion expenditure level for 25,000 housing units is maintained for one million units it would cost \$140 billion. The country's GDP in 2013 was \$120 billion.

Finally, in keeping with the need for an urban social contract rather than a sectoral housing perspective, it is important that housing subsidies be designed in ways that build upon rather than ignore community inputs, as Robert Moses did. Such inputs are obviously important to achieve the inclusiveness that Hausmann (2014) refers to, and they can engage the resources, energy, and knowledge of the community. But in addition, as Box 7 suggests, there are also very good public finance rationales for such measures.

The Use of Land in Housing Subsidy Schemes Is Particularly Important

Land costs and land availability were a common theme in all programs discussed during the convening. Indeed, some of the most important challenges faced by subsidized housing programs are related to their spatial allocation, with their implications for low-income families in terms of mobility, connectivity, and access to jobs.

South Africa is perhaps one of the most extreme examples of how the way land was treated by the subsidy scheme adversely affected outcomes. Despite the provision of some 3 million heavily subsidized housing units since 1994, at a cost of about \$30 billion, there is now a larger backlog of those seeking housing assistance than there was when the program began (Bradlow, Bolnich, and Shearing 2011).

This was undoubtedly one of the most expensive low-income housing subsidy programs ever implemented. Notwithstanding these enormous expenditures, at a very basic level the South African program did not accomplish its intended goals. Because of the way the program was designed, the houses delivered have been mainly constructed on low-cost land on the urban periphery. Moreover, the location of the new houses has in many ways failed to dismantle the apartheid urban legacy, which placed poor households on the outskirts of cities or beyond. As a result, new formal townships and extensions to preexisting ones far from city centers have reinforced a long-standing system whereby the urban poor were pushed farther away from cities (Bradlow, Bolnich, and Shearing 2011). Indeed, there are many cases of subsidy beneficiaries selling their houses—illegally—at significant discounts and moving back to shacks in backyards or informal settlements in order to be closer to economic and social opportunities.

The failure of the housing subsidy program to help overcome the legacy of apartheid occurred because the subsidy program was structured so that builders had incentives to minimize land costs, the same problem Castillo ascribed to the Mexican program. This type of spatial allocation of housing can have detrimental effects for lower-income households, as it fragments labor markets and can thus contribute to the exacerbation of unemployment. For these housing investments to have positive effects, it is necessary to consider not only housing deficits but also mobility and urban connectivity issues such as access to jobs. As discussed earlier, proximity to employment is of greater importance to slum dwellers than housing standards. Accordingly, for subsidies to be more effective, the subsidies

need to be less dependent on inexpensive land that does not take proximity to employment into account. As a 2014 government of China and World Bank report on China's urbanization put it: "Urbanization has relied excessively on land conversion and land financing, which is causing inefficient urban sprawl and, on occasion, ghost towns and wasteful urban development" (xxiii). A change in the way land is used in providing housing subsidies to low-income households will have more impact on future city shape than any master plan or land use policy.

"Alignment between jobs and residences is not a matter of job allocation, it follows peoples' decisions as to where they should live. Townships are getting denser because they have infrastructure rather than jobs, these locations are not attractive for commuting."—Ivan Turok

To sum up, the questions posed about how to provide effective assistance to address the housing affordability challenge are meant to provide some perspective to policymakers who are confronted with political dictates that something must be done about housing affordability, and that it must be of a scale to address what is a seemingly broad problem. Recognizing that housing is expensive because it is part of an urban context is a way to begin understanding how to deal with such concerns. But it is also necessary to understand that local governments often play a counterproductive role by mandating policies that create a significant part of the problem. Moreover, abstracting from the political economy concerns that stymie reform, it has to be much less expensive to change policies than to undertake programs that require expenditures.

Hence, the first step—beyond recognizing that assistance in providing the bundle of urban services provided by a city requires an urban social contract rather than a housing social contract—is to inventory the reasons housing is so unaffordable. Certainly regulation is not only important but essential in order for a well-functioning housing market to exist. However, even some very well-intended regulations fail to accomplish their goals, with the result that housing is often much more expensive than it would have been. Rarely will approaches such as industrially produced housing—for instance, the very expensive units built in Angola, the Democratic Republic of Congo, and Rwanda—begin to address the problems posed by such excessive regulation, particularly when the housing is designed and constructed without community input.

The second step in addressing housing affordability concerns is to give emphasis to the existing stock of housing and the preferences of people who live in it. The numbers involved are stark: Small improvements in the service provided by the existing housing stock can be equivalent to many years of new production. Similarly, the importance of the advice and input of those who would be assisted is difficult to exaggerate. These inputs may seem to be time-intensive requests from beneficiaries who have little expertise in the matter at hand. However, the evidence is accumulating that the long-run effect of such efforts has handsome returns, both in building stronger, more integrated communities and in encouraging what Appadurai (2002) called "the capacity to aspire."

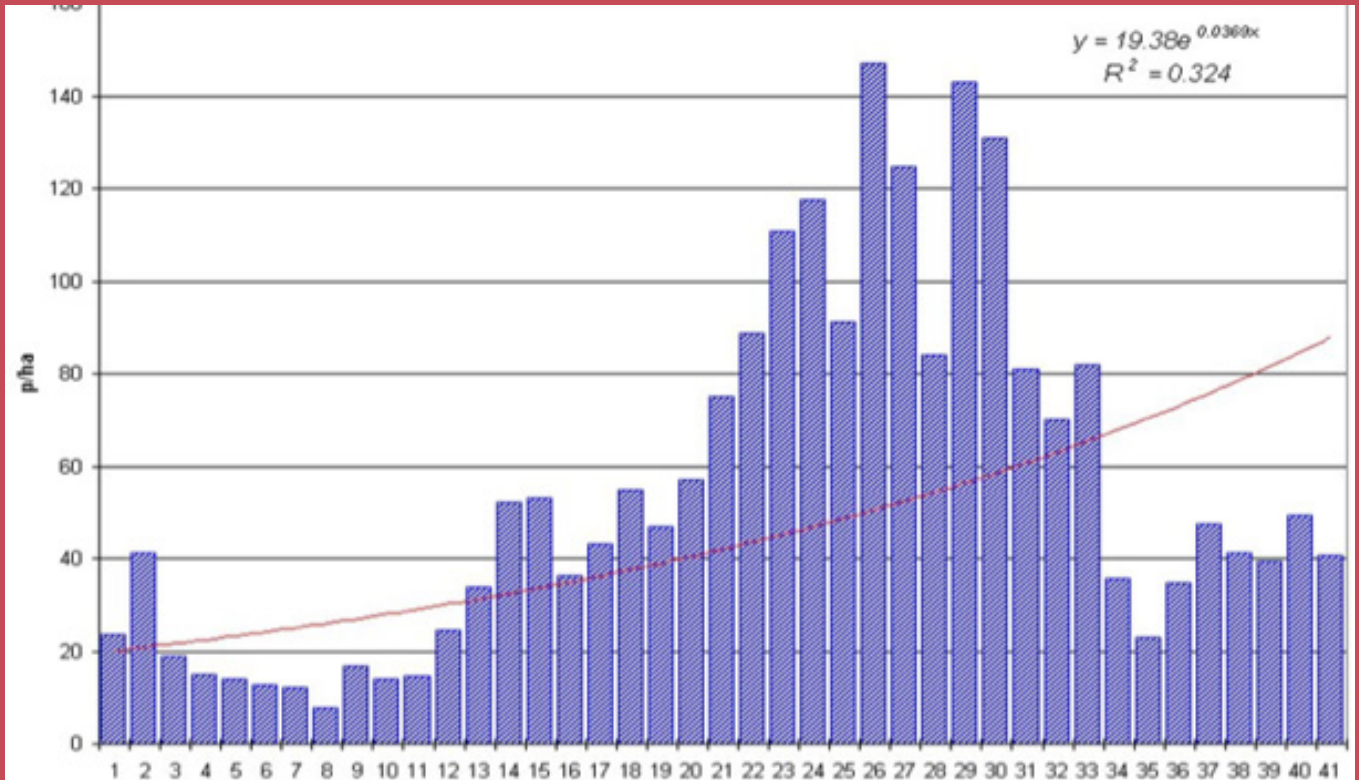
Box 8. City Structure and Housing Location in South Africa

Recent spatial analysis of South African cities by Turok (2011) and Bertaud (2008) shows:

- South African cities are still characterized by an anomalous density gradient in which the center city is less dense than is the periphery (Figure 5). In contrast to the great majority of cities, where densities decrease as one moves away from the center toward the periphery, in South Africa the opposite density pattern has been the case (Bertaud and Malpezzi 2003). This density gradient is a consequence of the apartheid regime, which, through its planning policy, was able to enforce strict laws that forbade blacks from living in city centers. Unfortunately, the evidence suggests that South Africa's extensive subsidy system has done little to change this situation.*
- Low-income populations are dispersed in relatively dense settlements that are very distant from employment areas: As Ivan Turok explained, the spatial structure removed slums located close to the center and moved their population into formal subsidized housing projects located on the far periphery, where job opportunities are lacking (Figure 6, from Turok 2012).*
- The cost of transport and long commuting times prohibit lower-income households from taking full advantage of the large labor markets that exist in the cities. Among other outcomes, the fragmentation of residential areas and the dispersion of employment centers, if they continue, could make mass transit not only inconvenient (if not virtually useless) to users, but also too expensive to operate, as ridership decreases and eventually fewer and fewer fares are collected.*

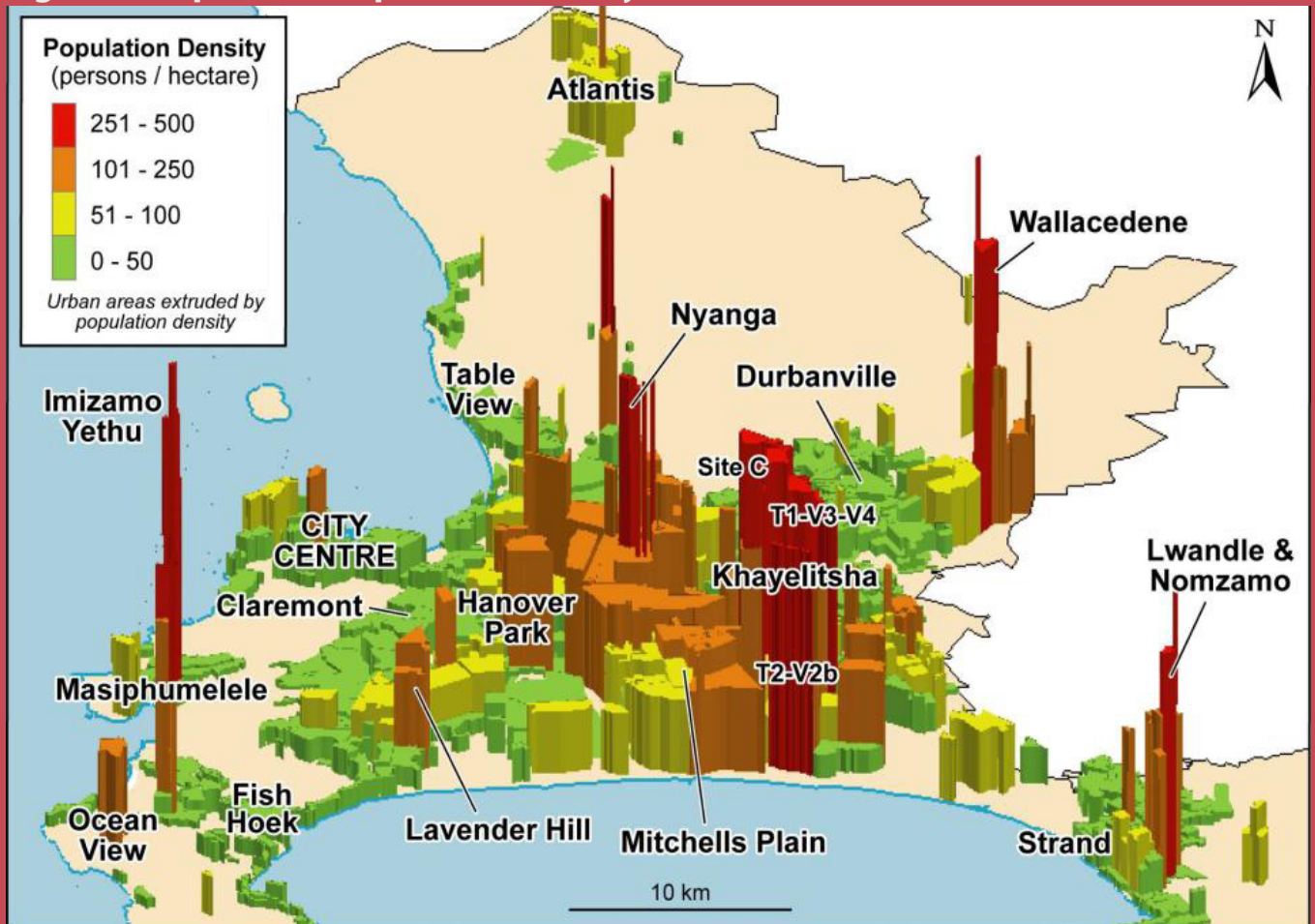
Thus the current spatial structure of South African cities is at least partially responsible for increased income gaps. On the Gini index of inequality, which measures the gap between the poor, who cannot afford the mobility required in large cities, and middle- and higher-income groups, who are fully mobile and can more easily take advantage of opportunities, South Africa is judged to be the second most unequal country. In 2011 its income coefficient was 0.65, up from 0.57 in 1995. The South African experience showcases the difficulties associated with using housing subsidies that rely on low land costs to be able to exploit the density of cities.

Figure 5. Density in Built-up Areas, Johannesburg



Source: Bertaud (2008)

Figure 6. Cape Town Population Density



Source: Turok (2012)

Finally, the design of housing subsidies has many important, if complicated, features, with perhaps the most important relating to the treatment of land. Land has to be considered in terms of its resource costs. When it is inexpensive, as it is in remote areas away from the city center, or when it seems to be, as when the government owns it, it is rarely, if ever, a desirable location on which to build low-income housing. Indeed, the opposite is more likely to be the case. Approaches to providing housing assistance that minimize land costs, such as in South Africa, Brazil, and Mexico, are fundamentally flawed. Similarly, tradable development rights, as used in Mumbai and recommended for other cities in India, are not the free resource that some have made them out to be (McKinsey 2014). They amount to reducing a regulatory tax on uses of land to provide a nontransparent and, in the case of Mumbai, badly designed, subsidy for poor families.

Ultimately, considerable caution is warranted in designing housing assistance programs for hundreds of thousands of people. Housing is one of the longest-lasting goods in the economy, and mistakes can have lasting effects on those who participate in the programs as well as on both those displaced in order to implement the schemes and the cities where they are implemented. Significant mistakes have been made by many countries, and their errors should not be ignored. The losses on assets, houses, which have such a long life, can be enormous if lack of maintenance causes them to have shorter lives. Even more damaging, from a resource cost point of view, are the costs of building housing units that have little coherence with the underlying land value.

A Conjecture: Are Sub-Saharan African Cities Different?²⁹

In recent years, seven African countries have launched major urban/housing-related subsidy programs: Angola, Ethiopia, Ghana, Kenya, Nigeria, Rwanda, and South Africa (see Annex 1 for details). In many of these places—such as the Eko Atlantic of Lagos, and in the example of the clearing of the central city of Kigali—one sees work that harkens back to Haussmann’s clearance and rebuilding of Paris in the mid-nineteenth century. But there are important differences as well.

Prior to independence, Africa was overwhelmingly rural. Over the past half-century, it has become the most rapidly urbanizing region in the world. However, this urbanization has been in many ways dysfunctional. Unlike in other part of the world, where cities provided people with both a better venue for productive employment and a better quality of life than they had in rural areas, in Africa the demographic shift to cities was not always correlated with better living and higher levels of growth. In fact, in many African countries there has been a negative relationship between urbanization and growth (Annez and Buckley 2009). This phenomenon, referred to as “pathological urbanization,” has been widely discussed following the work of Fay and Opal (1999), and Barrios, Bertinelli, and Strobl (2005), who argue that African urbanization has often been generated by a process of “flight,” reflecting choices made under duress. That is, the motivation to migrate is not due to the bright lights of cities but rather to difficulties—for example, drought and conflict—in the countryside.

This rapid population growth, particularly at the lower income levels that characterize many African countries, is often exacerbated by: diseconomies of scale as they relate to the density of settlements and the lack of supporting infrastructure that firms need in order to produce at scale for global markets; or high resource prices, which make cities into what have been termed “consumption” rather than productive urban areas (Gollin et al 2014). Besides rapid popula-

29. But before turning to a discussion of a conjecture about sub-Saharan African cities, we want to emphasize the obvious—considerable caution must be exercised in taking a regional perspective, even abstracting from data weaknesses. For example, two contiguous countries of roughly the same size, Zambia and Zimbabwe, have very different characteristics. The first has seventy-two dialects, while there are just two in the second (Moyo 2009: xvi). Similarly, the urban policy in countries that range in size from over 2.5 million square kilometers, such as Sudan, to less than 1 percent of that, the Gambia, will of course be quite different. Finally, Nigeria’s population, more than 300 times larger than that of Equatorial Guinea, implies very different policy actions in terms of urban development. Therefore, attempts at drawing strong generalizations about a set of countries so diverse, and over an area so large, are either heroic or foolish. Nevertheless, there are some commonalities that would appear to have implications for sub-Saharan Africa’s urbanization. For instance, it was much more likely to have been colonized than other continents. It also suffered the most intense and most recent experiences of slavery. In what follows we refer to sub-Saharan African cities as African cities.

tion growth at 2.3 percent per annum—more than double the rate of Asia, and such that projections indicate that the region is expected to add another billion people by 2044 (UNFPA 2012)—several other trends are worth mentioning.

- The region's urbanization process has been associated with rising poverty levels (Ravallion et al. 2007). Correspondingly, according to UNDESA (2011), 62 percent of urban populations in sub-Saharan Africa are slum dwellers. In addition, conservative population projections suggest that the proportion of the urban poor will increase at approximately the same rate as, or at an even faster rate than, urban population growth. Poor households have more children, and the majority of migrants from rural to urban settings tend to be poor. Consequently, the relative contribution of the poor to urban growth is expected to be higher than their present share of the urban population (UNDESA, 2011). That is, the new urbanites will consist, to an even larger extent than now, of poor people.
- Over the past twenty years, access to urban sanitation has not improved in sub-Saharan Africa despite a 50 percent increase in per capita income (UNICEF/WHO 2012). This failure is curious when sanitation is viewed as one of the greatest medical innovations since 1840.³⁰

In turn, living conditions associated with extensive urban poverty and slum living not only have implications for inclusiveness, they also have important implications for productivity. For example, recent studies have shown that even if health conditions are on average better in urban areas, once we disaggregate the urban totals into distinct socioeconomic categories, important differences arise. That is, in slums the so-called urban health premium—the healthier conditions of the world's cities that have occurred since the end of the Second World War—does not occur. Within African city slums, infant and child mortality rates often approach and sometimes exceed rural averages (Cohen et al. 2003; Satterthwaite 2007).³¹ In such a context, high density, rather than enhancing the positive effects associated with urban living, becomes deadly.

In addition, even if the region—helped by a decade of strong economic performance—has witnessed much better performance, infrastructure still emerges as a major constraint on doing business and firm productivity. Furthermore, the World Bank Africa Infrastructure Country Diagnostic study con-

30. The most recent report on this Millennium Development Goal estimates that in 2010 only 43 percent of sub-Saharan African city dwellers had access to improved sanitation, a level that has not improved since 1990 (JMP 2012). On the innovativeness of sanitation, see Ferriman (2007), who reports a survey of *British Medical Journal* readers who identified the sanitary revolution as such an innovation.

31. For example, in Nairobi's slums, one of the few cities for which such detailed data exist, infant mortality rates are similar to those of Britain almost two hundred years ago (UNDP 2006; Kenny 2009). In some slums these rates are more than three times those of the formal city, and more than double the rates of rural Kenya.

firms that provision of modern infrastructure services in Africa remains very low by global standards; in many cases, coverage has not expanded since 1990 (Foster 2008). The deterioration of or stagnation in the quantity and quality of power, water, and sanitation infrastructure has had a significant retarding effect on economic growth. As a result, less than half a percent of the continent's population is being newly supplied each year with piped water and flush toilets, and only around 1.5 percent are gaining new access to electricity and cell phone service. Both of these rates of expansion are well below the demographic growth rate of 2.5 percent per year for the region. According to Banerjee et al. (2008), universal access to modern infrastructure services is at least fifty years away for most countries.

During the last decade, Africa's growth performance has improved markedly, prompting enthusiastic prognostications for future growth (World Bank 2011; McKinsey Global Institute 2010).³² However, most of this growth has been attributed to the rise in commodity prices—prone to price volatility—and has been accompanied by de-industrialization, raising concerns about the sustainability of this growth trajectory.³³ Other economic trends that are worrisome include the high and rising income inequality rates. For instance, in Nigeria and South Africa, which together account for almost half of Africa's GDP, income inequality increased sharply from what in the latter case was already one of the world's highest levels of inequality, and in the former case one of the more inequitable in Africa.³⁴

Even the underlying growth rate raises some concerns. For instance, the United Nations Conference on Trade and Development Report of 2014 indicates that thirty of forty-five of the Least Developed Countries were African, representing 56 percent of the countries on the continent. In these thirty countries, agriculture still represents 70 percent of employment, and only 26 percent of the aggregate output. Economic growth in these countries over the past 25 years has been less than half the rate of other developing countries. The above factors—demographic trends, the lower income levels, the proliferation of slums, the lack of basic infrastructure services, the lack of industrial development, and acute income inequality—clearly play significant roles in making African cities less hospitable locations for realizing the agglomeration economies offered by greater density. Indeed, these conditions may well increase the scale of the diseconomies associated with denser populations. Under such circumstances, it is not surprising that either these cities are less likely to be locations for productive employment, or the urban-rural wage gap is enormous.

Ultimately, it is important to recognize that these conditions did not “just happen.” They are the accumulation of a whole constellation of factors which led

32. Ten out of forty-eight countries experienced sustained economic growth in excess of 5 percent for the past three years or longer (Foster 2008).

33. The share of manufacturing in Africa's GDP fell from 15 percent in 1990 to 10 percent in 2008 (UNCTAD 2012).

34. According to the most widely used measure of inequality—the Gini coefficient—disparity in South Africa has increased from 57.8 in 2000 to 63.1 in 2010 (UNDP 2010). An even greater increase in a shorter period of time occurred in Nigeria, where the Gini index shifted from 42.9 in 2004 to 48.8 in 2010 (UNDP 2010).

to the convening's conjecture that Africa's urbanization patterns may well require very different approaches than those that have been pursued elsewhere. For one thing, the effects of inadequate sanitation and the remedial responses in Africa today are very different from those experienced in North American and European cities where basic but far-reaching urban infrastructure—citywide sanitation systems—were installed. In particular, the health threats implied by inadequate sanitation are very different.

In the nineteenth century, cholera pandemics swept over Europe and North America in a series of deadly waves. In contrast, while cholera has been endemic in a number of East African cities, it is not nearly as deadly today. The nineteenth-century pandemics were more terrifying than are today's waterborne diseases, quickly killing millions over a relatively short time span.³⁵ While nineteenth-century epidemics represented what were seen as citywide threats, today sanitation-related illnesses are more concentrated in areas within a city, disproportionately affecting low-income populations living in low-lying slums and lacking running water and toilets.

35. For example, WHO reports that during 2010–11 there were more than two hundred thousand cases of cholera worldwide, with a death rate of 3 percent. This is a fraction of the deaths experienced in London during the first three cholera outbreaks in the nineteenth century, which, according to Gawande (2013), exceeded 70 percent. At that time, child mortality rates were multiples of those observed today. In cities like Liverpool, Manchester, and London, the death rates for children under five years of age were more than double those witnessed in some of today's worst-performing African countries, such as war-torn Sierra Leone or Chad.

Concluding Recommendations

The convening was the beginning of a discussion of complicated, highly idiosyncratic expenditure programs that are characterized by nuance and detail with far-reaching implications around the globe. It would be naïve to suggest that a distillation of the discussions could point to simple solutions to this emerging agenda. Nevertheless, we believe that policymakers confronting what appears to be a rapidly emerging consensus on the need to address the challenge of housing affordability should be able to extend the reach of their efforts, and use resources better, if they give consideration to the five questions identified above. There are no uniform ways to proceed. Housing and urban conditions, and the broader economic and cultural environments in which they exist, complicate the options for how to proceed.

In addition to the questions we raised, we believe that at least four broader recommendations about how the challenge might be more effectively addressed can be made.

1. Convene a broader meeting of the parties involved.

As we indicate in Annex 1, new programs are being implemented in at least sixteen different countries. These programs are motivated by different rationales and politics and contain an extraordinary amount of detail and provisions that attempt to target resources. It is, in a word, impossible to do justice to all the programs involved in such a brief convening without knowing all the relevant facts and motivations. Nevertheless, billions of dollars of investments in long-lived resources are involved, and a convening of those involved in the programs could lead to a useful exchange of information. Avoiding what we have termed the “Ozymandias Syndrome”—that is, the building of extremely expensive futuristic cities when many basic services are not in place—would lead to more productive, inclusive urbanization. It would also prevent relics of government failure from littering the urban landscape for years to come.

In partnership with the World Bank Institute, Brazil, India, and South Africa have begun a dialogue on their respective programs. Certainly more participants could fruitfully be engaged in these discussions and learn a great deal from one another. An important aspect of such learning, however, should be a more critical focus on the shortcomings as well as the successes of such programs.

“What social fabric are these housing projects creating? We should generate spaces that improve people’s creativity rather than impose a way of life?”
—Somsook Boonyabancha

A meeting with more participants would certainly be beyond the size that the Bellagio Center could accommodate. In addition, given the scale of the resources involved, it may be appropriate to hold it at one or more of the multilateral development banks. Ideally, analysis of specific programs would be done beforehand, with special emphasis on emerging problems and solutions. The principles we laid out in Section II may provide a basis for such an evaluation. Alternatively, it may be more effective to have discussions along narrower topics with participants who express interest in the specific issue.

2. In cities with limited governance capabilities, community groups are an essential policy instrument.

The Cities Alliance (2013) has prepared an analysis of the municipal governance capabilities of all sub-Saharan African countries. It details the low level of governance capability that characterizes the governments in most of these countries, showing that many have little in the way of resources, and even less autonomy. In many of the cities in question, provision of basic services—such as sanitation and water—will not be a realistic option for many years to come. Nonetheless, densely populated and in some cases enormous cities have already emerged. More attention needs to be given to the engagement of community groups to carry out the functions that are basic to neighborhood well-being. Our discussion emphasized how difficult it can be to scale up the efforts of community organizations to meet the challenges head-on, but as participants from Thailand and South Africa indicated, local organizations can often very effectively provide and maintain basic community services. While these efforts are difficult, a significant first step would be to refocus the social contract on housing to one that is between cities and communities rather than between cities and housing suppliers.

3. The financial details of the new approaches should be carefully evaluated, particularly in Africa.

The World Bank has begun extensive research on African urbanization that will address the conjecture about Africa’s urbanization pattern being different from that of prior patterns. This is a welcome overture and one that could have very high payoff in terms of how we think about housing affordability and the urbanization process. However, this kind of empirical work will not address the feasibility of the many proposals for new approaches to the construction of African cities and housing. Impartial analysis of these proposals and the risks involved would be very helpful to understanding both the viability and soundness of many of

the extremely complicated, extraordinarily expensive, and usually highly opaque plans.

“We tend to substitute subsidy programs for planning. For example, when a government has all the power, it builds large-scale projects instead of planning a city. This is the substitution of housing projects for more engaged discussions with citizens.”

—Jose Castillo

Many of the proposals that have been implemented or proposed so far have failed and have done so with very little attention to the problems involved. For example, a UN-Habitat review (2014) of a proposed \$11 billion program in concert with the government of Kenya on slum upgrading provides a largely positive review of a program that was effectively stillborn and had deep flaws. Similarly, McKinsey’s litany of recommendations about how to address the global affordability challenge would be rejected out of hand by most competent analysts—be they urban planners, architects, or economists. Finally, well-known engineering/architectural firms have provided plans such as Vision Nairobi 2030 and schemes for Ghana and Kenya’s development of high-tech cities. As Pieterse (2013) suggests, rarely do these plans ever have foreign proponents’ capital at risk.

The research that the World Bank has undertaken will provide a great deal of insight into African urbanization processes. It will not, however, provide perspective on the many programs that have been proposed for new cities and/or the extensive housing assistance programs in Africa’s cities. Nor does it appear that disinterested observers such as the McKinsey Global Institute are critically evaluating these programs, when in fact many of them appear to be of dubious value.

4. Better data and more research are needed to understand the nature of the housing affordability challenge.

One of the major problems in making judgments about housing affordability is how to measure it. Many OECD countries and cities now have extensive information on house prices, housing rents, and general housing conditions. For developing countries, this sort of data is the exception rather than the rule. For many of the cities in sub-Saharan Africa, for example, the information that is available is strictly for the formal sector housing used by the expatriate community. The lack of such data and the complicated effects that various regulations can have on housing affordability make it difficult to determine trends in housing conditions and affordability in many places. It also makes it difficult to infer how policy changes affect conditions, so it is impossible to evaluate policies.

More and better data on urban housing markets is essential. In the rare instances in which disaggregated urban data is available, as it has been in Nairobi,

the evidence is clear that health effects of slum living are extreme and far worse than in rural areas. UN-Habitat makes estimates of the share of urban population living in slums, but their data does not allow conditions in specific cities to be observed, limiting the ability to assess the effectiveness of various policies. Kallergis (2015) has shown that data on many slum conditions collected by community organizations is empirically credible.³⁶ This offers a very low-cost way to marshal evidence on a disaggregated basis.

“To build cities instead of houses implies: affordability, location, cityness, urbanity, and income generation.”—Vanessa Watson

But not only is new data needed, more fundamentally there is a need for much better data. The new UN Sustainable Development Goals, which are scheduled to be in place in 2015, call for increased attention to urban issues. However, the current empirical understanding of African data, not to mention the urban challenge, remains weak and has not improved over time—see the 2014 report by the Center for Global Development and the African Population and Health Research Center. Much greater detail is essential. Without such information, the effectiveness of various policies cannot be determined and therefore accountability for public expenditures cannot be achieved. But, like the attempt to construct new cities without addressing the fundamental problems besetting existing cities, attempts to create new urban indicators fail to appreciate just how weak existing African data is. For instance, between 1990 and 2009 only one African country had data on all twelve Millennium Development Goals Indicators.

In addition to the need for better empirical data, there is also a need for “expert system” types of data, such as the Housing Indicators Program developed by the World Bank and UN-Habitat in 1998. One extension of that approach that seems likely to be useful would be to follow the concepts outlined by Rodrik and Hausmann (2002) in evaluating the macroeconomic binding constraints to growth. Their approach uses a decision tree that relies on various macroeconomic aggregates to diagnose the most fundamental constraints on growth. Duranton (2008) suggests just such an approach could be developed. Research on such issues would appear to have a high potential payoff.

In conclusion, while the housing affordability challenge is, in effect, many different challenges, at its core it is simple: How should government react to the increasingly recognized problem of the lack of affordable housing? Billions of dollars are now being spent around the world to help cities remain the centers of culture and creativity they have always been. Unfortunately, these expenditures are too often structured in ways that will not result in cities that are more inclusive. Indeed, in many places significant resources are now being wasted on regressive, opaque expenditures on what one observer termed “urban fantasies.” The discussions summarized in the Bellagio meeting pose a series of questions that the participants believe will help make public expenditures more effective and accountable, as well as encourage

36. The data has been collected by organizations in Uganda affiliated with Slum Dwellers International, an organization working with communities in more than 30 countries.

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Annexes

Annex 1

Housing Programs

Angola

Country context

It has been suggested that the current housing deficit in Angola is around 2 million units.¹ A key challenge is delivering units that are affordable to those in need. More than 60 percent of the population live on less than \$1.70 per day and lack adequate housing.² Following a 2008 commitment by President José Eduardo dos Santos to construct one million homes within four years, meeting national housing needs is a governmental priority.³ Although this pledge was not fulfilled by 2012, several sizable housing programs are being implemented, crossing a range of affordability levels.

Housing projects

As part of the presidential pledge, 40,000 houses were planned in 15 sites across the provinces of Bie, Huambo, Mexico, Kwanza-Sul, Uige, and Luanda under the My Dream, My Home program.⁴ Within this program, the government has committed to providing housing at a cost of no greater than \$60,000 per unit. The program incorporates plans to deliver various levels of subsidies in relation to income—notably, those earning \$150 or less per year would receive fully subsidized housing.⁵ Another project in this program is the Nova Vida Housing Development. Phase I is complete, creating housing capacity for 30,000 people. Phase II was scheduled to finish at the end of 2014, with the objective of expanding the site to 3,200 residential apartments and houses.⁶ A primary partner in the management and design of this project is Mace, an international construction consultancy.

The China International Trust and Investment Corporation has committed to building 100,000 houses across 10 of the 18 provinces within Angola, with the largest project being the Nova Cidade do Kilamba.⁷ Of the planned apartments in this project, 20,000 have been completed, with a further 750 under construction. Once completed, the city is projected to accommodate up to 500,000 people.⁸ The Angolan government has financed the construction of the city, at an estimated cost of \$3.5 billion,⁹ through committed payments in crude oil to CITIC. Construction management has been contracted to Sonangol Imobiliária, a subsidiary of the state oil company.¹⁰ The government has also contracted Delta Imobiliária to oversee apartment sales; units will range in price from \$125,000 to \$200,000.¹¹ Estimates in 2012 suggested that less than 10 percent of apartments built had actually been sold.¹² Subsidies were then introduced in 2013 to bring the price of some apartments down to \$84,200. These apartments were available at a 3 percent mortgage over 15 years with a U.S. \$14,000 deposit and U.S. \$390 monthly payments.¹³

Argentina

Country context

Sustained high inflation rates have fueled macroeconomic instability within Argentina, making it difficult to establish medium- to long-term lending programs. As well as affecting the ability to save enough for a principal deposit on housing, this has limited access to mortgages.

The government has invested heavily in social housing on an ongoing basis. According to official estimates, 846,000 homes have been built.¹⁴ However, from these housing programs only 38

percent of the beneficiaries are in the lowest-income segment.¹⁵ In addition, although progress has been made in housing supply, the lack of basic services such as piped water, sanitation, heating and cooking gas, and rainwater drainage systems remains a key challenge.¹⁶

A notable policy encouraging the construction of social housing has been the “habitat law” implemented by the provincial government of Greater Buenos Aires. Under this ruling, developers of gated communities were required either to cede 10 percent of their land or make an equivalent financial donation to fund other social housing projects.¹⁷

Housing projects

To address limited access to housing credit, the government supported two mortgage programs. These programs, which are managed by the Instituto Verificador de Circulaciones (IVC), address demand subsidy and inflation prevention.¹⁸ Under *Primera Casa Buenos Aires*, the maximum property value for applicants is \$950,000 without children and \$1.3 million with children. Depending on the applicant’s income, credit is provided for up to 85 percent of property value, with repayments over 15 to 20 years at interest rates maintained below current inflation levels.¹⁹ The second initiative, *Mi Casa Buenos Aires*, is financed through a partnership between the Instituto de la Vivienda de la Ciudad and Banco Ciudad. Under this program the maximum loan amount is \$1,000,000, which can cover up to 80 percent of the property value over 15 years, with interest rates fixed at 5 percent per annum.²⁰

Pro.Cre.Ar is another program with a similar structure, but it is specifically targeted toward young professionals currently excluded from the housing markets. The program aims to provide credit support for 400,000 homes,²¹ and it is funded through collaboration between the National Administration of Social Security (ANSES) and Banco Hipotecario.²² Awards of up to \$500,000 are available, and repayment interest is linked to income. Interest levels will range from 2 percent to 14 percent; estimated national inflation is around 25 percent. The program separates into two streams: the first provides credit support to landowners for construction (expansion or newly built), while the second provides credit to build new homes on land owned by the state, which will then be sold to private owners.²³

Brazil

Country context

The country has a sizable national housing deficit that is estimated to affect around 28.5 million people. This is concentrated mainly in low-income markets, with São Paulo State having the greatest deficit, of approximately 1.48 million houses.²⁴ Government programs have been implemented to confront it, but not without controversy; although targeted at the poorest, some informal low-income communities have reported that they have been excluded from these interventions.²⁵

Housing projects

My House, My Life is the primary national housing program. The first phase, conducted between 2009 and 2010, was launched with the objective of creating one million new low-income housing units in urban and rural areas. The program surpassed the target in 2010, with 571,332 units created for low-income households, 287,165 for low- to middle-income households, and 145,760 for middle-income households.²⁶

The government committed BRL 34 billion (U.S. \$18.4 billion) to finance the project.²⁷ In addition, Caixa Econômica Federal, the second-largest government-owned bank, has created a framework that enables private investment in the housing developments. Private actors are able to purchase single or multiple units from a developer, fund the construction, and then sell the finished unit to the end-user Brazilian family.²⁸ Regarding the success of the project to date, it is notable that, according to estimates made by the *Guardian* in December 2013, 20 percent of beneficiaries were behind with their rent payments.²⁹

China

Country context

With the fear that the country is in a precarious housing bubble, the government is keen to increase supply to defuse a potential financial-crisis trigger.³⁰ Cities including Beijing, Shenzhen, Nanjing, and Shanghai have announced a series of measures including higher minimum down payments for second-home buyers, tightened scrutiny of nonlocal buyers, and the expansion of land supplies.³¹ In addition, China Development Bank has set up a special arm to issue bonds to support new low-cost homes.³²

According to ministry statistics, the country built 4.7 million affordable housing units in 2013 and started construction of an additional 6.3 million units. However, despite the scale of construction, the national campaign to create 36 million units by 2015 at a cost of nearly \$800 billion is reported to be behind.³³ The issues seem to go beyond just those of supply. *Caijing*, a leading Chinese magazine, surveyed affordable housing developments in August 2014 and found many were around 20 percent empty.³⁴

Housing projects

Vanke, China's biggest listed developer by sales, is close to completing a project in the southeastern corner of Nanjing to house an estimated 40,000 people. While unit prices for the project have been set low, demand is reportedly weak. Low demand has affected construction, as this was intended to be partially financed through funding from the pre-sales of apartments. The government has stepped in to help plug the funding gap through issuing additional bonds to create a pool of cash for developers, and additionally by softening the eligibility rules for homebuyers.³⁵

Another project that has required government intervention to stimulate demand is Kangbashi. Unlike similar ongoing projects in the regions of Zhengzhou, Binhai, and Chenggong, it is not located in close proximity to an existing urban area, which may partially explain its failure to attract sufficient interest. The government has begun incentive programs to persuade people to move into the development.³⁶

Colombia

Country context

President Juan Manuel Santos set the objective of closing the housing gap with the construction of one million homes during his four-year term.³⁷ While the primary strategy to achieve this objective has been through the construction of subsidized housing programs, smaller initiatives to increase access to housing credit have been implemented as well.

Housing projects

A key government project is Vivienda de Interés Social (VIS), which aims to provide 100,000 homes for low-income families at an estimated cost of \$583 million. Of these units, 86,000 will be constructed in urban areas and 14,000 in rural areas. In addition, it is expected to create 100,000 jobs.³⁸ Under the program, households with incomes up to 150 percent of minimum wage will receive a maximum subsidy of \$7,900. Families earning 150 percent to 200 percent of minimum wage will receive a subsidy of up to \$6,900. Housing units that can be purchased range from 35 to 70 square meters, with the maximum value of COP 79.58 million (U.S. \$47,749).³⁹

A parallel project is Vivienda de Interés Prioritario (VIP), subsidized housing for the very poorest. Under this program multifamily apartment buildings are being constructed, with each unit measuring 35 to 45 square meters.⁴⁰ The maximum value of a home under the VIP category is COP 41.26 million (U.S. \$24,759).⁴¹ Government estimates put the cost of the project at approximately \$4.2 billion for 100,000 units.⁴² Conflict arose at city level within Bogotá following the requirement that new development projects allocate 20 percent of their development toward the VIP program.⁴³

Another significant project has been financed through a partnership between IDB and Credi-familia Compañía de Financiamiento S.A. Credit was provided to grant more than 16,000 mortgages by the end of 2016, with a target value of \$283 million. Under the partnership, the IDB will guarantee \$5.38 million over a five-year term.⁴⁴

Democratic Republic of Congo

Country context

Amid years of political unrest and pervasive poverty, the Democratic Republic of Congo is facing serious challenges in housing. Housing provision is predominantly a household responsibility, and the majority of housing is provided through the informal sector, with 77.1 of the stock being self-built districts and only 22.9 percent being planned.⁴⁵ According to UN-Habitat, the country's housing deficit is estimated at 3 million units.⁴⁶ Poor infrastructure and unclear property rights exacerbate the housing challenges, particularly for the 95 percent of the population living under \$2 a day (PPP).⁴⁷

Housing projects

Although affordable housing is in such short supply, existing projects are concentrated toward the needs of middle-income to wealthy individuals. The proposed city of Kiwishi is the most notable example here, and follows a development model that is being implemented by Renaissance capital, a Moscow-based investment fund, across several cities in sub-Saharan Africa. Under this model, the bank purchases large tracts of agricultural land near urban zones, obtains zoning and planning permission, creates infrastructure, and then sells land parcels to private developers.⁴⁸ Little information is currently available publicly on Kiwishi, but we know that Phase 1 is intended to cover some 108 hectares and will feature a gated community with a range of housing, from two-bedroom to six-bedroom. The number of units planned is not known.⁴⁹

Another DRC government project, Kin-Oasis, initiated in 2011, is set to build 1,100 social houses in Kinshasa. The project is advertised as the first large-scale modernization of the Congo Kinshasa.⁵⁰ Work is to be performed by the Chinese company Société Zhen Gwei Technique Congo (STZC) during five years. In the end of 2013, the first phase of the project was nearing completion. This project is funded by the budget of the Congolese state.⁵¹

Another notable housing project includes the China Machinery and Equipment Import and Export Corporation (CMEC) involvement with habitat provision. While there is very little information, CMEC's plan is to deliver a massive 2.45 million affordable housing units.⁵² The project is set to start in 2015. Similarly, under a 2007 concessional loan agreement between China and DRC, Chinese construction companies plan to build 5,000 social housing units, a project valued at U.S. \$758 million.⁵³

Finally, the NGO L'Action pour la Solidarité et le Développement (ASODEV) announced a plan to build 3,080 social houses in Kinshasa in three years starting in 2012.⁵⁴ The project, called La Cité de la Paix Cardinal Etsou, under the Un Toit pour Chacun program, was funded by Shelter Afrique, with support from the International Centre for Business Opportunities. House prices will range from U.S. \$28,000 to U.S. \$80,000.⁵⁵

Ethiopia

Country context

At an estimated 16.7 percent, Ethiopia has one of the lowest proportions of total population in urban areas in the World.⁵⁶ However, urban housing challenges are still acute. Although low as a proportion of total population, Ethiopia's urban population is growing at the high rate of 4.3 per cent as a result of high natural growth and rural-to-urban migration.⁵⁷ Of those already living in an urban area, it is estimated that more than 70 percent live in slum conditions.⁵⁸ Government estimates suggest that the urban housing deficit is somewhere between 900,000 and 1 million units, and that moreover, of the existing stock 70 percent is in need of total replacement.⁵⁹ Within Addis Ababa alone, some 300,000 new units are required to meet the current deficit.⁶⁰

Housing projects

The largest ongoing project is the Integrated Housing Development Program (IHDP), proposed in 2004 and initiated by the Ministry of Works and Urban Development (MWUD) in 2005.⁶¹ The primary goal of the project is to deliver affordable housing low-and middle-income groups, with the stated objective of creating 400,000 units. The project has been financed through public resources with both regional and city administrators purchasing \$246 million in bonds from the Commercial Bank of Ethiopia (CBE). In addition, the CBE has agreed to support program beneficiaries with credit lines. Beneficiaries must pay a 20 percent deposit, while the CBE will pay the government the remaining 80% and enter into a loan-agreement with the beneficiary.⁶² Once the property is handed over, residents become fully responsible for the costs of electricity, water and maintenance. From a policy perspective, the project marks an interesting shift from government-owned rental housing approaches to that of private homeownership.⁶³ The Cities Alliance is providing technical assistance support for the program.⁶⁴

The CBE has benefited from this collaboration; according to UN estimates they have gained 36,933 new customers in Addis Ababa alone.⁶⁵ In addition, they have loaned out ETB 1.7 billion (U.S. \$130 million) total to date, with annual interest charges of 8.5 percent.⁶⁶ Interestingly, interest rates for studio units were initially 0%, and 2% for 1-bedroom units, but were later changed to a flat system annual interest rate of 8.5% for all units.⁶⁷ Although at \$77 per square meter apartments are considerably cheaper than they would have been through private development, at \$193 per square meter, the apartments have still received criticism for increasing in price beyond the reach of low-income communities.⁶⁸

A noticeable emphasis of the program has been job creation, with 176,000 jobs created through incorporating a labor-intensive delivery method.⁶⁹ The program has been implemented in 56 towns across the country, with some 208,000 housing units completed to date. Approximately half of the total production has been concentrated in Addis Ababa, which houses around 25 percent of the Ethiopia's urban population. These were mostly on brown fields or slum sites; with the preferred structure a multi-level condominium designed featuring shared communal areas, created by MH Engineering.⁷⁰ An interesting feature is that the Housing Development Project Office (HDPO) will hire new architects through local competitions to prevent monotonous design.

Another project is the "10-90 scheme," which has the goal of supplying 35,000 housing units. To qualify, applicants must be within low-income brackets, and must fund a deposit of 10 percent of the cost of the house, with the remaining 90 percent financed through a loan. Houses cannot exceed \$3,800, which as an example would buy a one-room apartment, with 29 square meters of space in Kilinto, in Akaki Kaliti District. In addition there are targets to deliver 122,000 housing units for a "20-80 scheme," and 10,000 housing units for "40-60 scheme," both of which would be financed in a similar manner. Demand for these three schemes has been high to date, with a total of 865,000 people registered so far.⁷¹

Ghana

Country context

The current national housing deficit for Ghana is estimated at 1.7 million units.⁷² The government has responded to this need by implementing policy to create low-income housing. Measures that have paved the way for high-rise developments for slum dwellers include improved access to government land, five-year tax holidays, and suspending import duty for construction materials.⁷³ A notable plan was the Ghana National Housing project, proposed in partnership with STX, a South Korean firm. Estimated in value at some \$10 billion, it proposed to deliver 200,000 units. The project collapsed in 2012.⁷⁴

Housing projects

Moscow-based Renaissance Capital is funding the creation of two new cities, Appolonia (City of Light) and King City. At a combined cost of \$600 million, the cities will provide housing for 90,000

and 78,000 persons, respectively.⁷⁵ Under the Renaissance model, the construction of buildings is left to individuals and investors. Renaissance has committed to financing the acquisition of land and the implementation of infrastructure for sites and services.⁷⁶

The government is also implementing the Affordable Housing for Public Sector Workers project, which will deliver 4,700 units spread across six sites. The locations involved are Borteyman, Nungua, and Kpone in the Great Accra region, Tamale in the Northern region; Koforidua in the Eastern region; Asokore-Mampong in the Ashanti region; and Wa in the Upper West Region.⁷⁷

A parallel initiative is the Affordable Social Housing project. In total this will deliver 9,120 units targeted at low-income groups. Of the total, 5,000 of the units will be built by Brazilian company Construtora OAS at a cost of \$200 million, with the remaining 4,120 contracted to Ghana's Italcantieri International at a cost of \$200 million.⁷⁸

Kenya

Country context

Although Kenya's national housing deficit is estimated at 2 million units in 2012, with projected annual increases of 200,000 units,⁷⁹ there are no housing options in the formal market below KES 2 million (U.S. \$23,000), a sum that is out of the reach of low-income communities. To close this gap, the government has proposed a package of thirty-two policy incentives to encourage the construction of low-income housing. Of these, eight have already been implemented, including:

- Exemption from VAT for low-income housing
- Tax deductibility for social infrastructure expenditure, interest from capital cost used for construction of social infrastructure, housing loans up to KES 150,000 (U.S. \$1,650) per annum, industrial buildings, provision of housing to employees
- Contributions to homeownership savings plans
- Lower taxation of housing bonds⁸⁰

Beyond these initiatives for lower-income groups, the dominant housing policy drive for the government is the Vision 2030 strategy, which will see the creation of several housing and technology "hubs."

Housing projects

In addition to projects in DRC, Ghana, and Zambia, Renaissance Capital is coordinating a large, newly built city in Kenya called Tatu City. It is designed as a mixed-income environment that will be home to around 70,000 residents and 30,000 day visitors. The private city will be spread across 1,035 hectares on land formerly used as a coffee plantation that is currently owned by Eaagads Ltd.⁸¹ The cost of construction has been estimated at KES 240 billion (around U.S. \$2.6 billion). Financing is to be provided by Renaissance Partners, the investment unit of Renaissance Capital, and the government of Kenya.⁸² As part of the first phase, Sinohydro Tianjin Engineering Company has been contracted to construct access roads to the initial stages of the development.⁸³ Leasehold titles for quarter-acre and half-acre plots in Kijani, one of the planned districts, are priced from KES 7 million to KES 13.5 million (around U.S. \$70,000 to \$140,000).⁸⁴ Development, begun in 2010, quickly stalled. It restarted in 2014.⁸⁵

A similar initiative is the Konza Technology City, in Machakos County. The city is designed as a technology hub, part of a broader strategy to manufacture a technology-based economy. Phase I of construction (2013–2017) includes facilities for 30,000 residents spread over 5,000 acres.⁸⁶

Another scheme within Machakos County is the Mavoka low-income housing project. It is being managed by the National Social Security Fund (NSSF) and aims to build 30,000 houses on 960 acres. Behind Konza Technology City, it will be the second largest development within the region.⁸⁷

India

Country context

In the government's 11th Five-Year Plan (2007–2012), the Ministry of Housing & Urban Poverty Alleviation (MHUPA) estimated the national housing deficit at some 26.53 million units.⁸⁸ Although the 12th Five-Year Plan (2012–2017) seemingly shows progress, with a deficit that has shrunk to 18.78 million, some reports suggest that this reduction has more to do with a change in how the deficit is being measured than large increases in supply.⁸⁹ The World Bank estimates that, of the current shortage, more than 90 percent of the deficit is in housing for low-income households.⁹⁰ The urban population is expanding rapidly, with expectations that it will expand to 600 million by 2033, which is likely to put further pressure on current supply.⁹¹

Historically, developers targeted high- and middle-income markets. Following the global crisis of 2008, however, some developers changed their focus to low-income groups.⁹² While this is supported by estimates that low-income housing developers have constructed at least 78,000 new units within the last five years,⁹³ the policy focus of the current government has been toward facilitating the creation of “smart city projects.”⁹⁴

Housing projects

A major government scheme is the Low Income Housing Finance Project, which is being implemented by the National Housing Bank (NHB) and financed through a \$100 million credit from the World Bank to the government of India. The project will focus on extending loans to low-income households to purchase, build, or upgrade housing. The financing will be extended through NHB to strengthen financial institutions that are already targeting these groups.⁹⁵

As part of a strategy to address housing shortages, Prime Minister Narendra Modi has committed to building 100 “smart cities” across the country. Modi's government has formally pledged \$1.2 billion of public investment, which is expected to be supplemented by domestic and foreign private investors. There is a focus on incorporating cutting-edge information technology, and many planned cities contain Special Economic Zones, which package incentives to encourage foreign investment. The flagship project is the Gujarat International Finance Tec-City, with an 80-story Diamond Tower centerpiece, built on an artificial island. The master plan allocates 42 million square feet for commercial districts, 14 million square feet for residential housing, and 6 million square feet for social facilities.⁹⁶ In addition, it aims to generate 500,000 jobs both through construction and the creation of new industry.⁹⁷ Phase I has cost Rs 1818 crore (around U.S. \$300 million), while Phase II is projected to cost Rs 7696 crore (around U.S. \$1.25 billion).⁹⁸ Financing has been obtained through a consortium of banks, with an interest rate of 11.5 percent.⁹⁹ Key partners include the East China Architectural Design Institute, which is leading the design of the project; Mahajan & Aibara, Jones Lang LaSalle Meghraj, and McKinsey & Company, which have conducted market assessment; and British Telecom, which has provided ICT advisory.¹⁰⁰

A similar initiative is the planned city of Dholera, which, at 920 square kilometers, will be the largest in the state¹⁰¹—almost twice the size of Mumbai.¹⁰² It is due to be completed in 2040. The city will provide housing for around 2 million people.¹⁰³ Development of the city is expected to create 342,400 construction jobs.¹⁰⁴

Indonesia

Country context

The housing deficit within Indonesia is sizable, with estimates placing the shortage at between 13 and 15 million units; 200,000 units are needed in Jakarta alone.¹⁰⁵ Construction is not meeting the shortage, with yearly supply only around 1 to 1.5 million units,¹⁰⁶ just covering the annual increase in need, which is estimated at 700,000 to 1 million units.¹⁰⁷ Housing within low-income communities is mainly “self-help,” defined as housing constructed incrementally with personal finances. In fact, only 20 percent of housing for low-income communities is supplied formally through developers.¹⁰⁸ In consideration of this statistic, it is worth noting that 70 percent of the total workforce works within

the informal sector, a clear obstruction to the ability to obtaining housing credit.¹⁰⁹ Rising land values, particularly within Jakarta, have also been blamed as a factor preventing developers from taking on affordable housing construction projects.¹¹⁰

Housing projects

A number of projects have been proposed by the government to address the affordable housing shortage under the Slum Alleviation Policy and Action Plan (SAPOLA). One such project is the Quality Improvement of Self-Help Housing project. Recognizing that 80 percent of low-income housing falls into the self-help category, this initiative seeks to create access to financing for the improvement of inadequate units. The project targets the support of 230,000 households with \$500 for repairs and upgrades. Other projects include the Special Purpose House project, which seeks to deliver 5,000 units of housing for remote fisherman; the construction of 380 Twin Blocks, creating rental housing for low-income households in urban areas; and finally Neighborhood Improvement, which aims to provide basic infrastructure (defined as water, sanitation and solid-waste treatment facilities) for 50,000 households.¹¹¹

A public failure to deliver large-scale affordable housing was seen in a proposed project to construct 1,000 affordable housing towers that was initiated in 2011. The project was conceived with the objective of giving support in the form of lower mortgage interest rates and exemption from 10 percent value-added tax to buyers earning less than 4.5 million rupiah (U.S. \$470) a month. The cost of low-income units was also initially priced at 144 million rupiah (U.S. \$15,000), with the target that each tower should dedicate 30 percent of units to affordable housing. Government flexibility allowed developers to subsequently raise the unit price for low-income apartments to 216 million rupiah. To date only 100 of the planned 1,000 towers have been built, with low-income communities reportedly excluded through barriers to housing credit.

Nigeria

Country context

The national housing deficit within Nigeria has been estimated at 18 million,¹¹² with an additional 2 million units expected to be required every year.¹¹³ The government has been implementing policy to open up the housing market to developers and reform and streamline procedures including land titling and registration, governors' consent, and foreclosure policies.

Housing projects

The largest development within Nigeria is Eko Atlantic City, a newly built city to be created by the Chagoury Group on reclaimed land to the south of Lagos. The development will include 10 mixed-use residential and business districts. The estimated value of the development infrastructure and real estate is \$6 billion.¹¹⁴ The city will provide accommodation for 250,000 residents and serve as a workplace for an additional 150,000. Notably, it will be surrounded by a sea barrier, the Great Wall of Lagos, to provide protection against the effects of climate change.¹¹⁵ Chagoury group has partnered with First Bank of Nigeria Plc, Guaranty Trust Bank Plc, First City Monument Bank, Access Bank, BNP Paribas Fortis, and KBC Bank to finance the project. They have received consultation on design and implementation from Dar Al-Handasah (Shair and Partners), ar+h Architects, MZ Architects, and Royal Haskoning. South Energyx Nigeria Limited, a subsidiary of Chagoury Group, is overseeing the development of the project.¹¹⁶

To offer low-income communities access to housing finance, the government has also launched the Nigeria Mortgage Refinance Company (NMRC). The project is piloting across 14 different states, including, Abia, Anambra, Bauchi, Bayelsa, Delta, Gombe, Kano, Kaduna Lagos, Edo, Enugu, Ondo, and Ogun. The Federal Capital Territory (FCT) will partner with private sector actors to deliver a rent-to-own model that will allow low-income participants to rent over a period of 15 to 20 years and ultimately gain ownership.¹¹⁷

Russia

Country context

Beyond the need to respond to the current housing deficit, the government has prioritized the construction of affordable housing as a strategy to give a boost to the ailing economy.¹¹⁸ Under the primary program for this initiative, Housing for Russian Families, the government had targeted new housing for 460,000 families.¹¹⁹ The program aims to deliver 25 million square meters of housing by 2018 and will rely on development by a mix of both Russian and Chinese construction firms.¹²⁰ Following meetings with a new Russia-China investment commission, the deputy housing minister of Russia, Alexander Plutnik, indicated that Chinese construction firms had committed to developing housing at a cost no greater than \$800 per square meter. This cost is significantly lower than current market prices.¹²¹

Housing projects

As part of the government's drive to deliver on affordable housing targets by 2018–2020, a program to cap ruble mortgage rates at 2.2 pts. above consumer price inflation (CPI) has been proposed. As a comparison, mortgage rates averaged 3.4 pts. above CPI in 2011.¹²²

Another part of this project is to lower the average price of property by 20 percent through prioritizing the construction of affordable housing. In order to incentivize developers to take on mass-market projects, the state plans to subsidize the price of land plots for developers on the condition that they commit to cap housing unit prices. Russian construction firms LSR and PIK have started working with the government in this capacity, at profit margins in the range of 10–15 percent. As noted above, the government is also seeking partnerships with Chinese construction firms, which have committed to delivering projects at an 8 to 10 percent margin.

A specific ongoing project is with the China State Construction Engineering Corporation (CSCEC), which has committed to delivering 15,000 affordable housing units in the Russian city Khabarovsk, which is located near the Chinese border. The project itself has been contracted at \$712 million but forms part of a larger agreement between the China Development Bank and the Russian Ministry of Far East Development, which has been estimated to be worth \$5 billion in total.¹²³

Rwanda

Country context

Only 26 percent of Rwanda's total population resides in urban areas; however, the density of population is the highest in mainland Africa.¹²⁴ Rwanda's population of 10.6 million is distributed nationally at approximately 430 people per square km.¹²⁵

Like Kenya, Rwanda is implementing a Vision 2020 strategy, with the objective of modernizing the country's infrastructure and economy. It centers on the redevelopment of Kigali as a "city of the future," with an emphasis on technology, logistics, and finance. The level of informality and the lack of adequate housing present key challenges. Informal settlements in Kigali are estimated to occupy 62 percent of the land area and provide housing for 83 percent of the city's population. Affordability remains a key issue: A 2012 study revealed that a well-located house in the formal sector costs about U.S. \$101,376.¹²⁶

Housing projects

The design for the redevelopment of Kigali's city center, the 2020 Kigali Conceptual Master Plan (KCMP), was done by Oz Architects. It features a decentralized city with satellite towns connected to the reconstructed central business district by rapid-transit networks.¹²⁷ Surbana will develop the project. On the basis of current building costs of \$600 per square meter, a 76-square-meter house in Kigali is estimated to cost \$45,600, significantly out of range of the average household income in Kigali (U.S. \$1,163 per year).¹²⁸ However, the city has reserved three plots of land for larger housing projects, with the objective of delivering 1,000 affordable housing units for current city dwellers.¹²⁹ The KCMP has re-

ceived international acclaim, with key awards including the American Planning Association Daniel Burnham Award for Best Comprehensive Plan (2009) and the American Society of Landscape Architects Award for Best in Planning (2010).¹³⁰ Yet this enthusiasm is not shared by everyone: As a recent report from the UK Department for International Development argued, the plan is completely out of touch with the reality of land markets and incomes.¹³¹

South Africa

Country context

The post-apartheid government has prioritized the delivery of housing, with 903,543 sites and services completed since 1990 and 2,835,275 houses and units actually built.¹³² While the largest projects have been targeted toward delivering improvements to informal communities, there are multiple large projects ongoing within the country under the newly built city model. Notably, Tongaat Hulett is a developer that is involved in several of these, including Cornubia and Bridge City.

Housing projects

The Comprehensive Plan for the Development of Sustainable Human Settlements, informally known as Breaking New Ground (BNG), is a large project targeted at bettering the living conditions of 400,000 families in informal communities. Between 2011 and 2014, \$3 billion was spent on improvements. These typically take the form of the delivery of new, fully subsidized units for families earning under U.S. \$45 per month, with close to a full subsidy for households earning up to U.S. \$308 per month.¹³³

N2 Gateway is a pilot project that is part of BNG.¹³⁴ Phase I aimed to deliver 15,000 houses in total, and as of January 2014, 11,183 units had been handed over to beneficiaries. The project has experienced high demand, with 400,000 families having expressed an interest in just 22,000 total units. Although it was initially conceived as a project for low-income groups, it has been observed that high demand across all income brackets has ultimately driven low-income families out of the market.¹³⁵ The Sobambisana Consortium (Asla Devco, Asla Magwebu, Citrine, Khayaletu Projects, KCBDC, and Power Developments) is developing the project. The First National Bank provided bonds to finance ZAR 600 million (around U.S. \$52 million) for 3,000 of the planned housing units.

One of the newly built city projects being developed by Tongaat Hulett is Cornubia, which aims to deliver 24,000 housing units by 2030. Of these units, 15,000 will be affordable housing.¹³⁶ Full subsidies will be provided for lowest-income families and will be backed by a partnership between the municipality and the province. In addition, there will be affordable rental housing for low-income groups, as well as bonded housing for middle- to high-income groups.¹³⁷ In addition to housing, 2 million square meters are set aside for commercial space and 80 hectares for industrial development.¹³⁸

Bridge City is another project being developed by Tongaat Hulett. The project site spans 60 hectares and is 17 km from Durban, bridging INK precincts (Inanda, Ntuzuma, and KwaMashu) and Phoenix. The designed town center will cover 43 hectares, with the remaining 17 hectares allocated to a business district. There will be a total of 4,500 new residential units, with an estimated R8 billion investment. Notably, there is an emphasis in the construction process on job creation.¹³⁹

Sri Lanka

Country context

A contributing factor to Sri Lanka's housing shortage, which was estimated at 650,000 units in 2010,¹⁴⁰ is that construction approvals for new housing units have been in decline since the early 2000s. Although this situation recovered following the end of the

civil war in 2009, construction rates have reverted to decline, with 3.9 percent less units constructed in 2013 than 2012.¹⁴¹ With just 10,835 units approved in 2013,¹⁴² but with increased annual demand estimated at between 80,000 to 100,000 units, this is clearly not sufficient to close the gap.¹⁴³ The largest initiatives to create housing have come from external actors. Sri Lanka has received support from the Asia Development Bank, as well as the state-backed projects from India and China. However, the government is poised to take a larger role with the restarting of the discontinued “one million houses” project, initiated by former prime minister and president Ranasinghe Premadasa in 1988.¹⁴⁴

Housing projects

Through the Sevana Aramudala fund, the National Housing Authority is planning 50,000 house projects. The fund, which targets resources of Rs. 5 billion (around U.S. \$85 million), will be primarily financed through philanthropic contributions, although the government has committed Rs. 10 million (around U.S. \$160,000) to start it. Three hundred beneficiaries were to be selected from 160 electorates to receive housing by the conclusion of the 100-day project, which launched on January 25, 2015. Another project targets the provision of low-interest loans to 5,000 households up to Rs. 100,000 (around U.S. \$1,650), for housing repairs.¹⁴⁵

The Indian Housing in Sri Lanka project delivered 16,000 new units in 2014, bringing the total of completed units to 27,000.¹⁴⁶ Financed as a full grant by the government of India, it has received investment of \$250 million to date.¹⁴⁷

The largest ongoing development is the Chinese-financed Port City. Financed through a \$1.4 billion loan,¹⁴⁸ it is expected to attract \$20 billion in investment over the next 15 years. The project aims to construct a newly built city onto reclaimed land over an area slightly larger than Monaco, including shopping malls, a water sports area, golf course, hotels, apartments and marinas.¹⁴⁹ The city will be constructed by state-owned China Communications Construction Co., who will also retain 20 hectares of the reclaimed land, with the Sri Lankan government gaining the remaining 125 hectares. Notably, the project will lie near Colombo Port, which is partially owned by China.¹⁵⁰ Although construction began following a state visit by Chinese president Xi Jinping in September 2014, the project became a political issue in the 2014 December elections, with Prime Minister Ranil Wickremesinghe pledging to scrap it if elected. Following a government statement at the end of January 2015, the project had not been canceled but was set to be formally reassessed.¹⁵¹

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Annex 2

The Bellagio Meeting Agenda and a Summary of the Discussions

TOPIC 1 —INTRODUCTION TO URBAN ISSUES

SESSION 1—INTRODUCTION

- Presentation of the Program. Presenters: Robert Buckley, Michael Cohen, The New School; Ana Maria Argilagos, Ford Foundation
- Guests' presentations and preliminary comments

SESSION 2—URBANIZATION AND THE ECONOMY

- Urbanization and Development. Presenter: Gilles Duranton, Wharton School of Business at the University of Pennsylvania, USA
- The Case of Sub-Saharan Africa. Presenter: Paul Collier, Oxford University, England
- The Production of the Latin American City. Presenter: Alfredo Garay, University of Buenos Aires, Argentina
- Discussion Leader: Somik Lall, World Bank

SESSION 3—THE STRUCTURE OF THE CITY AND HOUSING AFFORDABILITY

- The Role of Urban Planning and Land Use Regulations. Presenter: Bimal Patel, CEPT University, Ahmedabad, India
- Relating Cities to National Policies. Presenter: Renato Balbim, National Institute of Economic Research, Brazil
- Discussion Leader: Vanessa Watson, University of Cape Town, South Africa

SESSION 4—INTRODUCTION TO CASES IN SPECIFIC CITIES AND COUNTRIES

- Rationale and Some General Data. Presenters: Robert Buckley, The New School, and Somik Lall, the World Bank. Discussion Leader: Ivan Turok, Human Sciences Research Council, South Africa

TOPIC 2—COUNTRIES

- SESSION 5—MEXICO. Presentation. Jose Castillo, Universidad Iberoamericana, Mexico. Discussion Leaders: Ana Marie Argilagos, Ford Foundation, and Robert Buckley, The New

SESSION 6—SOUTH AFRICA. Presentation. Ivan Turok, Human Sciences Research Council, South Africa. Discussion Leader: Paul Collier, Oxford University, London

SESSION 7—BRAZIL. Presentation. Renato Balbim, National Institute of Economic Research in Brazil. Discussion Leader: Gilles Duranton, Wharton School of Business at the University of Pennsylvania, USA

SESSION 8—THAILAND. Presentation. Somsook Boonyabanha, Secretary General of the Asian Coalition for Housing Rights, Thailand. Discussion Leader: Vanessa Watson, University of Cape Town South Africa

SESSION 9—ETHIOPIA. Presentation. Tadesse Mekuria, Head of Housing, Building Development, Supply and Capacity Building Department of Ethiopia. Discussion Leader: Paul Collier, Oxford University, London

SESSION 10—WRAP UP COUNTRIES. Discussion Leaders: Richard Arnott, University of California, USA; and Eduardo Rojas, University of Pennsylvania, USA, and Chile

TOPIC 3—CITIES

SESSION 11—PARIS. Presentation. Etienne Wasmer, Sciences Po Paris, France. Discussion Leader: Gilles Duranton, University of Pennsylvania, USA

SESSION 12—DELHI. Presentation. Amar Nath, Delhi Urban Shelter Improvement, India. Discussion Leader: Bimal Patel, CEPT University, Ahmedabad, India

SESSION 13—BUENOS AIRES. Presentation. Margarita Gutman, The New School. Discussion Leader: Alfredo Garay, University of Buenos Aires, Argentina

SESSION 14—WRAP UP CITIES. Discussion Leaders: Michael Cohen, The New School, and Gilles Duranton, University of Pennsylvania, USA

TOPIC 4—RECOMMENDATIONS

SESSION 15—Discussion Leaders: Robert Buckley, The New School, Richard Arnott, University of California, USA, and Michael Cohen, The New School



Summary of Discussions

The first day, we reviewed the international and regional contexts within which housing programs are being implemented. Presenters from Brazil, India, France, Argentina, and the UK provided perspective on urbanization trends in Asia, Africa, and Latin America and described how these trends affect housing affordability. During the first two sessions the discussions focused on the challenges of growth in developing countries and how housing investment might keep pace with the extraordinary urbanization that will occur in the next generation. Debate on urban conditions and structural transformation led to insights that linked seemingly well-known conditions. For example:

•While housing is clearly expensive, it is often forgotten how important it can be for macroeconomic policy. When it accounts for more than half of the fixed capital stock, as it often does, a significant share of wealth will be allocated in dysfunctional and informal markets during the next decades.

•Sub-Saharan Africa is urbanizing at a historically low level of income, creating potentially important problems that have not been observed elsewhere. Does this pattern create the need for an approach that differs from the traditional enabling policy perspective adopted by many African governments, the UN, and the multilateral development banks?

•In Latin America and the Global North the housing quality deficit exceeds the quantitative deficit, but public policy still often focuses on construction of new houses rather than improvement of existing stock.

In sum, we discussed what policymakers can do to manage a more equitable, resilient urbanization process. It was agreed that an urgent priority is to strengthen urban planning and service delivery so that the much-needed increase in affordable housing can be achieved. And, while it was also agreed that there are unquestionably good regulations that govern many of the externality-generating activities that occur in densely populated cities, so too was there agreement that many regulations are particularly burdensome for the poor. Indeed, housing subsidies are often motivated by the costs that regulations impose on the poor, and in this sense, they have many of the same features as a dog chasing its tail. That is, the regulations make the housing much more expensive, and then, rather than change the regulation, a subsidy offsets the higher cost so that an implicit tax begets a subsidy.

A far more effective and less costly approach would be to carefully weigh the sometimes high costs of seemingly innocuous regulations against the benefits they provide, and eliminate or modify those without strong rationales. A related, and particular, focus of this discussion was on the question of whether urban densities should be seen to be public goods, and if so, what might be done about it.

The following two days focused on a discussion of specific case studies. We focused first on the national policies pursued in Mexico and South Africa, where large-scale strategies are being reframed due to dissatisfaction with the current approaches. These presentations were followed by discussion of two countries that are implementing new programs in very different circumstances: Brazil, with a multiyear large-scale heavily subsidized program, and Ethiopia, with a program targeted to different income levels and subsidies to developers. Finally, these programs were contrasted with Thailand's experience with multiple community-based projects for slum upgrading.

Discussions of country programs were followed by discussions of cities: Paris, Delhi, and Buenos Aires. These three cities are taking new approaches to housing affordability: For instance, the Argentine capital was considered as an example of a middle-income city that faces quality problems rather than quantitative deficits, while Delhi was considered as a city with high rates of urbanization and a population that systematically falls outside of the ambit of formal market. In Paris, one focus was on how and where to place the large number of additional units that would be needed to address the city's population growth in light of high and increasing housing prices.

Annex 3

Participants

ANA MARIE ARGILAGOS

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Ana Marie Argilagos created the Office for International and Philanthropic Innovation at the U.S. Department of Housing and Urban Development (HUD) and served as its first Deputy Assistant Secretary and as Secretary Shaun Donovan’s Deputy Chief of Staff overseeing agency operations. Before rejoining HUD she spent eight years as a Senior Program Officer at the Annie E. Casey Foundation in Baltimore, where she spearheaded the foundation’s work in Indian Country and along the U.S.–Mexico border. She has worked in both the public and nonprofit sectors: as Educational Programs Manager at the National Association of Hispanic Journalists; Director of the New Workplace for Women Project at the National Council of La Raza; and Deputy Director of AYUDA, a community-based legal clinic serving immigrants in Washington, D.C. She received her BA in International Relations from American University and her master’s in Public Administration from Harvard University.

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RICHARD ARNOTT

Distinguished Professor of the Department of Economics at the University of California



Professor Arnott received his BS in Urban Studies from MIT in 1969 and his PhD from Yale in 1975. He was on the faculty at Queen’s University, Canada, from 1975 to 1988, and at Boston College from 1988 to 2007, and has been a visiting professor at many universities, including Oxford, Stanford, Princeton, UBC, Canterbury (NZ), Melbourne, Munich, and DELTA (Paris). He has been honored with the Ontario Graduate Fellowship, the Yale University Fellowship, the Canada Council Fellowship, the Canada-France Exchange Fellowship, the SSHRCC Leave Fellowship, the Harry Johnson Prize, and the Canadian Economics Association. He was listed in *Who’s Who in Economics* in 1999 and received the Walter Isard Award and the Excellence in Refereeing Award from the *American Economic Review*. While he has published in several areas of microeconomic theory, he is primarily an urban economic theorist. He has published over 100 articles, edited several books, served on over twenty editorial boards, and edited two journals. His current research focuses on the economics of downtown parking and traffic congestion and on urban transportation/land use/environmental forecasting. He is also coauthoring a graduate urban economics textbook for Harvard University Press.

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RENATO BALBIM

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Renato Balbim received his PhD in Geography from the University of São Paulo. He studied Urban Reconstruction at Université Paris 1 Panthéon-Sorbonne and Urban Public Policy at the École Nacional d'Administration of Paris. He is affiliated with the Institute of Applied Economic Research (IPEA), the National Board of Federal Affairs, the Observatory of the Federal Committee of Public Policy, the Federal Committee of Cities, and the multidisciplinary national project Pacto da Mobilidade Urbana (Urban Mobility Agreement). He is the Urban Research Coordinator at IPEA and at the Agence Française de Développement. Since 2012, Balbim has been on the editorial board of *National Public Transport Association* magazine. Previously, he was a technical consultant for Cities Alliance and the World Bank. He also was a professor at the Universidade Estadual Paulista—UNESP, Universidade de Brasília, worked at the Ministry of Cities, and developed research on urban mobility.

Further Information: <http://buscatextual.cnpq.br/buscatextual/visualizacv.do?metodo=apresentar&id=K4763530U1>



SOMSOOK BOONYABANCHA

Secretary General of the Asian Coalition for Housing Rights (ACHR) in Thailand

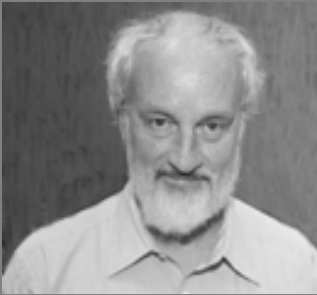
Somsook Boonyabancha is working on ACHR's new regional program, the Asian Coalition for Community Action, which aims to bring about city-wide development change in 200 Asian cities in 15 countries by 2011. Formerly, she was the Director of the Community Organizations Development Institute (CODI) in Thailand. For the past 30 years, she has worked on housing development for the urban poor and on slum upgrading in Thailand and other Asian countries. Her expertise is community-driven and community-led development, disaster rehabilitation, community welfare, and urban and rural community land and housing development. During her years at CODI, she carried out a national urban community upgrade plan that has been implemented in almost 300 cities in Thailand today. She graduated from the Faculty of Architecture at Chulalongkorn University in Thailand and from the Housing and Urbanization Course in Copenhagen, Denmark.

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Robert Buckley was an advisor and managing director at the Rockefeller Foundation and lead economist at the World Bank. His work at both the foundation and the World Bank focused largely on issues relating to urbanization in developing countries. He has worked in more than 50 developing countries and has written widely on urbanization, housing, and development issues in the popular press, such as the *Financial Times*, the *New York Times*, and the *Washington Post*, as well as in academic journals such as the *Oxford Bulletin of Economics and Statistics*, *Nature*, the *Journal of Money, Credit and Banking*, and *Economic Development and Cultural Change*. His most recent book, *Urbanization and Economic Growth*, was coedited by Michael Spence and Patricia Annez. Buckley has also taught at a number of universities—Syracuse, Johns Hopkins, and the University of Pennsylvania—and served as the chief economist of the U.S. Department of Housing and Urban Development. He was awarded a Fulbright Scholarship and a Regents Scholarship at the University of California, and has been supported by the Marshall Fund, the Gates Foundation, and the National Science Foundation.

Further Information: <http://www.newschool.edu/facultyexperts/faculty.aspx?id=83282>

JANET BYRNE

Editor



Janet Byrne has worked with Pulitzer Prize–winning writers, Peabody and duPont Award–winning broadcast journalists, and leading political figures, financial writers, academics, and bestselling authors. She is the editor of *The Occupy Handbook*, which features a dream team of 67 essayists weighing in on the subject of income inequality and the Occupy protests in layman’s terms. Among the contributors are Nobel Prize–winning economists Paul Diamond and Paul Krugman; the *Financial Times*’s Martin Wolf; journalists Bethany McLean and Matt Taibbi; authors Barbara Ehrenreich, Michael Lewis, and Scott Turow; former Secretary of Labor Robert Reich; and former Chairman of the Federal Reserve Paul Volcker.

Further Information: <http://www.amazon.com/The-Occupy-Handbook-Janet-Byrne/dp/0316220213>

JOSE CASTILLO

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Jose Castillo holds a degree in architecture from the Universidad Iberoamericana in Mexico City as well as a master's degree and a PhD from Harvard University's Graduate School of Design. He is the principal, alongside Saidee Springall, of Arquitectura 911sc, a practice based in Mexico City, whose work includes the CEDIM in Monterrey, the expansion of the Spanish Cultural Center in Mexico City, the Elena Garro Cultural Center, and a new performing arts center in Guadalajara, currently under construction. Their urban planning work includes transportation projects and mixed-use master plans in various cities in Mexico. His writings have been published extensively in international journals and other publications and in *The Endless City* (Phaidon) and *Reinventing Construction* (Ruby Press). Since 2005, he has been curator of various exhibitions in New York City, Venice, São Paulo, Rotterdam, and Brussels. He is member of the advisory board of LSE Cities.

Further Information: http://arq911.com/jose_cv.pdf



RAMA CHORPASH

Associate Professor of Product Design, Constructed Environments, and Associate Professor of Product Design, Parsons The New School

As a generalist industrial designer, developing benchmark products challenges Rama Chorpash not only to express what role he plays in creating the useful and the sublime, but in articulating complex frameworks of practice. He is interested in expanding the notion of product to include intentional and unexpected by-products. His work has been widely published and appears in *1,000 Product Designs*, *Fast Company's Co.Design*, the *New York Times Style Magazine*, and *Metropolis*. His work has been exhibited coast to coast, including in the Museum of Modern Art and the San Francisco Museum of Modern Art, and internationally, from Portugal's Bienal da Prata to Switzerland's Design Miami/Basel Art Fair. While engaged in his creative practice, he is an Associate Professor and the Director of Product Design at Parsons. As an academic leader, his design discourse extends to activities such as organizing symposia, judging design reviews, and acting as moderator of panelists. He has judged I.D. Annual Design Review and Core77 Design Awards and is judging the Art Directors Club 91st Annual Design Awards. Parsons The New School for Design is an ideal platform to cultivate critical inquiry into industrial design, exploring what it is, what it could be, and how it might tangibly posit positive change in an uncertain world.



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MICHAEL COHEN

**Director of the Studley Graduate Program in International Affairs at
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Michael Cohen is an urban and development policy specialist. He worked at the World Bank from 1972 to 1999 and was responsible for much of the bank's urban policy development during that period. Mr. Cohen has worked in 55 countries and was heavily involved in the World Bank's work on infrastructure, environment, and sustainable development. His numerous published works include several books on urban development, Africa, and the impact of development assistance. Mr. Cohen has advised governments, NGOs, and academic institutions around the world. He was a member of the Infrastructure Panel and Urban Dynamics Panel of the US National Academy of Science. He helped the United Nations Human Settlements Programme (UN-Habitat) prepare its Global Report on Human Settlements in 2005–2012. He is Director of The New School's Observatory on Latin America.

Further Information: <http://www.newschool.edu/facultyexperts/faculty.aspx?id=23856>

PAUL COLLIER

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Paul Collier is a *professeur invité* at CERDI, Université d'Auvergne, and at Paris 1. He is advisor to the Strategy and Policy Department of the IMF and advisor to the Africa Region of the World Bank; and he has advised the British government on its recent white paper on economic development policy. In 2008 Paul was awarded a CBE "for services to scholarship and development." In 2014, he received a knighthood for services to promoting research and policy change in Africa. He is the author of *The Bottom Billion*, which in 2008 won the Lionel Gelber, Arthur Ross, and Corine prizes and in May 2009 was the joint winner of the Estoril Global Issues Distinguished Book prize. He has been writing a monthly column for the *Independent* and also writes for the *New York Times*, the *Financial Times*, the *Wall Street Journal*, and the *Washington Post*. His research covers the causes and consequences of civil war, the effects of aid, and the problems of democracy in low-income and natural-resources-rich societies.

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Prior to joining Wharton, Gilles Duranton was at the University of Toronto and the London School of Economics. He is co-editor of the *Journal of Urban Economics* and of the *Handbook of Regional and Urban Economics* (forthcoming). He regularly works as a consultant for UN-Habitat, the National Planning Ministry (Colombia) CD Howe Institute, the World Bank, the OECD, the Office of the Deputy Prime Minister (UK), the HM Treasury (UK) and the French Ministry for Economics. Duranton has been honored with the Hewings Prize (Regional Science Association), 2007; the August Lösch Prize Kiel Institute for World Economics for the centennial of August Lösch; and the Philip Leverhulme Prize, 2003.



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ALFREDO GARAY

Chaired Professor in Urban Planning at the University of Buenos Aires and the President of the Corporación Antiguo Puerto Madero SA in Argentina

Alfredo Garay is an architect and an urban planner. In 2012 he began to work in different areas of national government, including as a board member responsible for developing a new program for building houses, ProCREAR. This program has enabled the building of 100,000 houses to date. He has worked as the Sub-secretary of Urban Planning and Housing of the Province of Buenos Aires (2004–7) and Secretary of Urban Planning of the City of Buenos Aires (1989–92). He led the development of the Strategic Guidelines for the Metropolitan Area of Buenos Aires. He regularly works as a consultant for the Inter-American Development Bank and the United Nations Development Program and is a professor at the Lincoln Institute of Land Policy. He has worked on several urban renewal programs, including: San Pablo (Brazil, 2004), Valparaíso (Chile, 2010–12) and the old city of Montevideo (Uruguay 2011–13). He was one of the founding members of the Institute of the Conurbano at the National University of General Sarmiento (Buenos Aires), where he developed the Urbanism Graduated Studies that he led for ten years (1994–2004).



Further Information: <http://www.posgradofadu.com.ar/informacion.php?f=docente&ipo=2&id=108&docente=322>

MARGARITA GUTMAN

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Margarita Gutman is an urban historian and architect who researches, teaches about, and conducts public events both in New York and Buenos Aires. She is a Director of the Observatory on Latin America (OLA) of The New School, and also Profesora Consulta at the Facultad de Arquitectura, Diseño y Urbanism (FADU), Universidad de Buenos Aires, where she is an elected member of the Doctoral Commission. Her recent research concerns the urban disciplinary and extradisciplinary anticipations of the urban future in the Metropolitan Region of Buenos Aires, a follow-up to her book *Buenos Aires: El Poder de la Anticipación* (2011). In addition, she has researched and conducted public activities on the commemoration of national bicentennials in Mexico, Chile, Argentina, Venezuela, Colombia, Ecuador, and Bolivia. She was a scholar at Getty Research Institute and Woodrow Wilson International Center, a fellow at the International Center for Advanced Studies at New York University, and a fellow at the Vera List Center for Arts and Politics of The New School.

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SOMIK LALL

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Somik Lall has been a core team member of the *World Development Report 2009: Reshaping Economic Geography*, Senior Economic Counselor to the Indian prime minister's National Transport Development Policy Committee, and Lead Author of the World Bank's flagship report on urbanization, "Planning, Connecting, and Financing Cities Now." He leads a World Bank program on the Urbanization Review, which provides diagnostic tools and a policy framework for policymakers to manage rapid urbanization and city development. His research and policy interests span urban and spatial economics, infrastructure development, and public finance. Over 40 publications of his have been featured in peer-reviewed journals, edited volumes, and working papers. He holds a bachelor's degree in engineering, a master's degree in city planning, and a doctorate in economics and public policy.

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TADESSE MEKURIA

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Tadesse Mekuria holds a master's degree in Administration and is an expert in Project Management, Micro and Small Enterprises Development, and Entrepreneurship. Merkuria participated in the Addis Ababa Grand Housing Development Program, the Ethiopian Integrated Urban Housing Development Program, the Ethiopian Micro & Small Enterprises (MSE) Development strategy, and the Program Document of Housing Development for the implementation of the Ethiopian government's Growth and Transformation Plan (GTP). He worked as Head of the Department of MSE Development and Housing Capacity Building in the Addis Ababa Housing Development Project Office, and he has been Head of the Department of Housing Development at the Federal Ministry of Urban Development, Housing, and Construction since 2004. He represents the Ethiopian Housing Development Sector at international events such as the World Urban Forum.



Further Information: <https://addismedia.wordpress.com/2013/03/10/the-4060-housing-construction-plan-that-ignored-citizens-income-and-capacity/comment-page-1/>

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William Morrish is a nationally recognized urban designer whose practice encompasses interdisciplinary research on urban housing and infrastructure, collaborative publications on human settlement and community design, and educational programs exploring integrated design, which are applied to a wide range of innovative community-based city projects. Morrish is the author of *Civilizing Terrains* and coauthored *Building for the Arts*, *Planning to Stay*, and *Growing Urban Habitats*. Drawing from the disciplines of architecture, landscape architecture, planning, and architectural history, his work engages citizens and civic leaders in the act of giving visual representation and form to the complex infrastructural, cultural, and ecological systems that link residents to community, city to region, and local to global.



Further Information: http://www.newschool.edu/parsons/profiles_program.aspx?id=43226

AMAR NATH

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Amar Nath has a bachelor of science degree in Mechanical Engineering from the National Institute of Technology of Kurukshetra University and a master's degree in International Development Policy from Duke University. He worked at LBS National Academy of Administration and for the Government of Rajasthan and was the Vice Chairman of the Delhi Agricultural Marketing Board. In Chandigarh Administration, he worked as CEO of the Housing Department of Rural Development. He worked as Deputy Commissioner/District Magistrate of the District of Papumpare, and as the Secretary of the Department of Industrial at Govt. of Pondicherry. He also was a probationary officer at State Bank of India and a management trainee in Steel Authority of India Ltd. (SAIL).

Further Information: <http://intralak.nic.in/laktimes/July-12-2011.pdf>

EDUARDO ROJAS

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Eduardo Rojas works regularly with the World Bank and the World Bank Institute of Washington, D.C.; with the OECD in Paris; and with the Lincoln Institute of Land Policy. Prior to the IDB, he worked at the Regional Development Department of the Organization of American States (OAS), lectured in the master's degree program in Urban Studies at the Catholic University of Chile (PUC), and worked with the Urban Development Corporation of the Ministry of Housing and Urbanism (MINVU) of the government of Chile. He is a lecturer in the Historic Preservation Program of the University of Pennsylvania, USA, and a regular speaker at professional and academic conferences and the author of several books and technical articles and papers.

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Bimal Patel has over twenty-five years of professional, research, and teaching experience in architecture, urban design, and urban planning. In 1996 Dr. Patel founded Environmental Planning Collaborative (EPC), a not-for-profit planning, research, and advocacy organization. EPC works with local governments to transform urban design and planning practice in India to make them more effective in improving the quality of life in cities. Dr. Patel obtained a Diploma in Architecture from the Center for Environmental Planning and Technology in 1984. He obtained a dual master's degree in City Planning and Architecture and a doctoral degree in City and Regional Planning from the University of California, Berkeley, in 1995. His research interests are in land use planning, real estate markets, building regulations, land management, and urban planning history.

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Ivan Turok is Honorary Professor at the Universities of Cape Town and Glasgow, and has a PhD in Economics, a MSc in Planning, and a BSc in Geography. Before returning to South Africa and joining the HSRC in 2010, he was Professor and Research Director of the Department of Urban Studies at Glasgow University. His fields of expertise include the spatial economy (regions, cities, and neighborhoods), local labor markets, and economic development. His research on unemployment, regional development, city competitiveness, urban regeneration, and spatial inequalities is frequently cited internationally. He is a regular expert advisor to the United Nations, the OECD, the European Commission, the South African Government, the UK government, and the African Development Bank. He is a board member of the Regional Studies Association and is on the editorial board of four international journals. He has published over 100 academic papers, chapters, and books and has a B1 rating from the National Research Foundation. He was the principal author of the *2011 State of South African Cities Report*. Other books include *The State of English Cities* (2006), *Changing Cities: Rethinking Urban Competitiveness, Cohesion and Governance* (2005), *Twin Track Cities* (2005), *The Jobs Gap in Britain's Cities* (1999), and *The Coherence of EU Regional Policy* (1997).

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Laura Wainer graduated from the Faculty of Architecture, Design and Urbanism of the University of Buenos Aires. Since 2008, she has worked as an urban planner for various technical consultancies within the Buenos Aires Metropolitan Area and for other institutions, such as the World Bank Group, Cities Alliance, and the Interamerican Development Bank. She taught Urban Planning, Architectural and Urban Morphology. Laura undertook a postgraduate specialization in Local Development in Urban Regions and was awarded a Fulbright Scholarship, the Delta Kappa Gamma International Fellowship, and the President's Scholarship. Currently she runs the International Field Program at The New School in collaboration with the African Centre for Cities of the University of Cape Town.

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VANESSA WATSON

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Vanessa Watson holds degrees from the Universities of Natal, Cape Town, and the Architectural Association of London, and a PhD from the University of Witwatersrand, and is a Fellow of the University of Cape Town. Her research over the last thirty years has focused on urban planning in the global South and the effects of inappropriate planning practices and theories, especially in Africa. She is the author or coauthor of seven books, some fifty journal articles, and numerous chapters, conference papers, and keynotes in the field of planning. She is an editor of the journal *Planning Theory*, and on the editorial boards of *Planning Practice and Research*, the *Journal of Planning Education*, and *Research and Progress in Planning*. She was the lead consultant for UN-Habitat's 2009 Global Report on Planning Sustainable Cities and is on their global reports advisory board. She was chair and co-chair of the Global Planning Education Association Network (2007–11). She is a founder of the Association of African Planning Schools and is a founder and on the executive team of the African Centre for Cities at the University of Cape Town.

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ETIENNE WASMER

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Etienne Wasmer is the founding co-director of Sciences-Po LIEPP (an Interdisciplinary Center for the Evaluation of Public Policies), which was awarded a grant of 10 million euros from the French government in 2011. He received a PhD in Economics at the London School of Economics and Political Sciences. He has been a consultant for the European Commission, DG-Employment and Financial Affairs on Geographical Mobility, and has recently produced a report for the Council of Economic Advisors of the French prime minister on training and mobility. He is a coeditor of *Labour Economics: An International Journal*. His interests lie in the areas of labor economics, macroeconomics, and public policy evaluation. His research has been published in the *American Economic Review*, the *Journal of the European Economic Association*, the *Journal of Monetary Economics*, the *European Economic Review*, *Labour Economics*, the *Economic Journal*, the *Journal of Urban Economics*, and *Macroeconomic Dynamics*, among other publications, and in various books.

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NADÈGE DÉsirÉE YAMÉOGO

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Nadège Désirée worked for Analysis Group Inc., a consulting firm in economics, finance, and strategy. She also taught econometrics, macroeconomics, international economics, and environmental economics at Laval University, Quebec (Canada), and at the Panafrican Institute for Development/West Africa/Sahel (PAID/WAS), Ouagadougou (Burkina Faso). She holds a PhD in economics from Laval University and a master's degree in economics from the Inter-university Graduate Programme in Economics (DEA/PTCI). Her research interests include econometrics, natural resources economics, environmental economics, development economics, computable general equilibrium modeling, macroeconomics, and industrial organization.

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ACHILLES KALLERGIS

Doctoral candidate in Public and Urban Policy and a Teaching Fellow at the New School



Achilles Kallergis' research interests revolve around the question of informal settlements and urban policy. More specifically, he is interested in the role of community groups and their contribution mechanisms in the provision of housing and basic services such as water and sanitation. Achilles has consulted for UN-Habitat and the World Bank, and has collaborated with community networks such as Slum Dwellers International and the Asian Coalition for Housing Rights. Currently, he is coordinating the Slum Dwellers International Field Program offered by the New School's Graduate Program in International Affairs.

ALISSA CHISHOLM

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Alissa Chisholm graduated from the University of Colorado, Boulder, with a Bachelor's in Communications, where she focused on Interpersonal and Intercultural Communication. She is currently a master's candidate at the New School, where she has worked on projects focused on affordable housing and the regulatory regimes that enable or prohibit efficient housing markets. She spent a summer working in Kampala, Uganda, as a GIS analyst and fostering Public Private Partnerships. Currently she is working as a research analyst at Data & Society Research Institute, investigating the impact of open data on civic engagement and management as well as the movement in urban studies toward a "science of cities."





Bellagio Center, October 20-24, 2014

"The Housing Challenge: Avoiding the Ozymandias Syndrome' is a welcome contribution to the emerging dialogue around forming a 'New Urban Agenda' that will culminate in the Habitat III conference in 2016. As the globe anticipates doubling its urban population in the next few decades, the paper's call for an integrated approach to public goods delivery—inclusive of housing—is spot-on."

Eugénie L. Birch

**Co-Director, PennUR Lawrence C. Nussdorf
Professor of Urban Research and Education
Professor, Chair of the Graduate Group in City and
Regional Planning**

"The Housing Challenge... is one of the rare housing policy documents focusing on outcome issues rather than on the magnitude of recommended input. Too many housing policy papers are mostly focused on the number of units to be produced and the magnitude of the funds that would have to be dedicated to such megaprojects. By contrast, 'The Housing Challenge...' provides a more sensible focus for housing policy: exploring the potential improvement and densification of the existing housing stock and the use of local community organizations as an intermediary for policy dialogues and implementation supervision. This approach has been largely successful in Indonesia in the Kampong improvement program."

Alain Bertaud

**Senior Research Scholar, NYU Stern Urbanization
Project**

"A must-read for anyone concerned with Africa, cities, housing, or economic development. Africa's urbanization, and the investments in housing and infrastructure that support it, will be one of the development headlines of the next 30 years. Getting the questions—and answers—about this transition right is a challenge for Africans, and for that matter the entire global community. This important monograph shows some ways we're going wrong, and helps to point us back in the right direction."

Stephen Malpezzi

**Professor, James A. Graaskamp Center for
Real Estate Wisconsin School of Business**

"The report from the Bellagio meeting on the global crisis of urban housing, 'The Housing Challenge: Avoiding the Ozymandias Syndrome,' is a breath of fresh air in a stale debate. The participants in this convening are to be congratulated for reframing and recontextualizing this important issue. For too long the urban housing question has been addressed as if it had little to do with the urban context in which the need occurred. By putting the urbanization and the urban housing questions together in historic time, they have given us a fresh set of approaches to address a truly global crisis."

Elliott Sclar

**Professor of Urban Planning and Director of the Center
for Sustainable Development, Columbia University;
Co-Director, UN Millennium Project Taskforce on
Improving the Lives of Slum Dwellers**

"A monograph that provides fresh insights into how countries not just in Africa but in other continents as well might address the growing challenge of affordable housing. The monograph is a reaction to the way in which the African countries have continued to use the same channels—the channels of new housing, and of subsidies and housing standards and regulations—for solving the housing problems. These have not delivered; nor are these likely to, is the considered position of 24 global urban and housing experts. The experts suggest: ask and reflect on the right questions—whose interests does the housing policy serve being one of the sample questions—and you are likely to be closer to finding an approach that works. A required reading for all those who are responsible for designing affordable housing policies."

Om Prakash Mathur

**Distinguished Professor of Urban Economics at the
National Institute of Urban Affairs**