



# SLUM UPGRADING FACILITY

## Land and Slum Upgrading

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*Photo © Ruth McLeod, October 2008.*

Right: *Residents of Amui Dzor in Ghana, from a trip in search of water.*

*Photo © Ruth McLeod, October 2008*

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# Introduction

**“The multi-stakeholder and multi-sector approach of the Slum Upgrading Facility provides a forum for the voices of poor communities and slum dwellers to be heard. Based on the experience of implementing the SUF pilot project in Indonesia, the first and single most important issue to resolve for slum upgrading is secure land tenure.”** *Marcel Pandin, Indonesia Slum Upgrading Facility Country Coordinator.*

It is estimated that up to 1 billion people live in slums in the cities of the world – one sixth of humanity – and that the numbers are rising. The UN-HABITAT Slum Upgrading Facility Pilot Programme was established in 2004 to examine ways in which innovative finance mechanisms can help address this problem.

The Slum Upgrading Facility is a technical cooperation and seed capital facility with a central purpose: to test and develop new financial instruments and methods for expanding private sector finance and public sector involvement in slum upgrading on a large scale. It is funded by the governments of the United Kingdom, Norway and Sweden.

The Slum Upgrading Facility operates under the premise that slums can be upgraded successfully when slum dwellers are involved in the planning and design of upgrading projects and able to work collaboratively with a range of other key stakeholders. The Slum Upgrading Facility works with local actors to make slum upgrading projects “bankable” – that is, attractive to retail banks, property developers, housing finance institutions, service providers, micro-finance institutions, and utility companies.

The Slum Upgrading Facility has pilot projects in Ghana, Indonesia, Sri Lanka and Tanzania, where various approaches are being tested to support the purpose of the Pilot Programme. In order to facilitate this work, Local Finance Facilities<sup>1</sup> have been established in Ghana, Indonesia, Sri Lanka and Tanzania. These facilities are focused primarily on accessing commercial finance for slum and settlement upgrading, and they provide support that is referred to as “Finance Plus”.

<sup>1</sup> For more information, please read Working Paper 8 on Local Finance Facilities available on the Slum Upgrading Facility website through [www.unhabitat.org](http://www.unhabitat.org).

Finance Plus is about much more than just money. By offering Finance Plus, Local Finance Facilities aim to do the following:

- bring together key players involved in city and national level slum upgrading strategies to address the challenge of financing;
- catalyse the integration of commercial finance into slum upgrading;
- provide mechanisms to blend different forms of funding to maximize affordability, and;
- provide a financial mechanism to support the implementation of city-based slum and settlement upgrading strategies.

At the same time, slum upgrading is about more than just houses. The Slum Upgrading Facility Pilot Programme supports local slum and settlement upgrading initiatives that improve residents' access to water, to sanitation, to durable and sufficiently spacious housing and to secure tenure.

### A. Land and finance in slum upgrading

Slum upgrading is very complex. Unequal access to land and insecurity of tenure contribute to the creation and persistence of slums. Historically, slums have been created by poor people occupying public or private land to build their houses and communities. Their land rights are not legally recognized by the Government, so they live in fear of eviction.

Conventional slum upgrading approaches have addressed land issues in a piecemeal fashion, usually with a preference for providing individual land titles to the poor. This approach can create problems. The poor often find themselves in a position where they need cash. Their land title, with its security of tenure, is valuable. They may sell their land to higher income groups and move further out of the city, creating new slums in the process.

Land values are rising in the countries where the Slum Upgrading Facility programme is being implemented, and that puts additional pressure on the land being occupied by slum dwellers. Any city-wide or national approach to slum upgrading, therefore, must come to terms with land issues in a way that ensures an adequate supply of land for all income groups.

The finance side of slum upgrading is equally challenging. In conventional housing finance approaches, building or buying a home usually assumes mortgage finance (a loan secured by property). People obtain a mortgage to access finance to buy a house or plot on which to build or improve their home. But mortgage finance is not appropriate to the needs of the poor, who have irregular, informal sector jobs, who prefer to build incrementally and who cannot afford (nor require) the building and planning standards of middle income neighbourhoods.

At the same time, from a land perspective, mortgage finance depends on legally recognized land rights and a functional land administration system. Unfortunately, neither of these conditions exists in the vast majority of developing countries, where instead the reality is that land administration systems are confused and often dysfunctional, and the majority of the poor possess only extra-legal or informal land rights.

There is a very real danger that without a clear strategy to promote access to land and security of tenure on a city-wide basis, informal settlements will continue to grow and poor people will be pushed further and further from their jobs and livelihoods. This is why the approach of the Slum Upgrading Facility, which recognizes the critical importance and complexity of land issues in slum upgrading and in accessing finance for slum upgrading, is needed more than ever.

A family in an informal settlement in Solo, Indonesia. Photo © Ruth McLeod.



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