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IBRD POSITION PAPERS

Note by the Secretary-General

The International Bank for Reconstruction and Development has kindly offered to make available to the participants in the Regional Preparatory Conferences copies in English, French and Spanish of their sector working papers on Urbanization, the Urban Transport Sector and Housing Policy. These documents will serve as a useful background to the discussion of substantive items on the agenda of the conferences.

The IBRD has also prepared a paper "Sites and services projects" (see addendum) which is being circulated as a substantive paper for discussion, together with a short summary of the major issues. These documents are reproduced below for the information of participants.

Sites and Services and Squatter Area Upgrading Projects

(Note by the Secretariat)

(i) In most developing countries conventionally built housing units cannot be afforded for a large part of the urban population. Even if mortgages and rents could be arranged at realistic interest rates the charges would be too great to be met out of family incomes of the poorer sections of the population. Moreover, because of the very large numbers involved, it is quite impossible for municipalities or central governments to assume the burden of the subsidies which would be needed to bring payments by occupants down to a level that can be afforded. Resources are simply not available on the scale required.

(ii) In these conditions, attention has been increasingly directed in recent years to the contribution that can be made not only to the provision of dwellings but also to employment and urban service levels by sites and services projects and by projects for the upgrading of existing squatter settlements. The sites and services projects are essentially concerned with additions to the total stock of dwellings through the provision of serviced plots on which the occupants can build their dwellings. The squatter area upgrading projects are concerned with improving existing dwelling areas. The two types of projects are thus complementary.

(iii) These approaches have in common the harnessing of self-help efforts by the participants to supplement the resources which can be made available by the local and national authorities. Their aim is firstly greatly to improve urban living conditions at a cost which

can be afforded both by poor families and by the authorities. Second, financing of the projects should be self sufficient to a degree that permits their replication on a scale commensurate with the problem.

(iv) The accompanying report by the World Bank is intended as a working paper for general guidance of those concerned with the preparation of sites and services and upgrading projects. The World Bank emphasizes that this report is based upon preliminary work on a limited number of projects. It is the intention to develop a revised version when more experience has been gathered. Nevertheless, this document can usefully serve as a basis for discussion of this very important type of solution to current urban problems in the developing countries. For convenience of discussion, some of the main issues are summarized below.

Project Design (paras. 7-44 of the accompanying paper)

(v) Choice of a population group as the intended beneficiaries is basic to design of the projects. This choice, largely based on income levels and payment capacities, will in turn determine the design limitations on various components of the project (paras. 7-11). Difficult questions arise as to how far the projects should be directed to the lowest income levels, to those with somewhat greater capacity to pay or to a mixture of levels. A closely related issue is that of the appropriate scale of such projects (paras. 12-16). If average conditions are to be significantly improved, the program has to be of a scale commensurate with needs, including the continuing growth in relevant population groups as well as the backlog of effective demand. The balance between upgrading of old sites and creation of new ones is involved.

(vi) Because of the wide range of possible components, the scope of sites and services poses serious problems (paras. 17-26). It is suggested that there are certain basic ingredients (such as the building plots for dwellings, roads, water supply, etc.) plus other additional or complementary components (such as social services, employment opportunities, etc.). Local conditions clearly affect the appropriate coverage. The issue needs to be faced that the larger the coverage the greater the problem of organizing project implementation.

(vii) Site location (paras. 36-41) has in practice a fundamental importance. The success of a sites & services project greatly depends on where it is located in terms of linkages with the existing urban development patterns, including access to employment opportunities and to basic urban services. At issue here is often the use of land for the project when other users are willing to pay more for it, and the "trade-offs" between land and transport costs. (See also (x) below).

(viii) A realistic approach to design standards is often very difficult to obtain (paras. 27-35). While there is no simple solution, the choice of standards is in practice bounded by several constraints of functional requirements, technical feasibility and above all economic limitations of costs. It needs to be stressed that low standards are not advocated for all time but only as an initial and affordable base for later progress. How a more realistic initial approach and subsequent upgrading can be stimulated is not at all clear.

(ix) Although treated rather briefly in the report, the basic importance of the issues concerned with employment creation and the degree of self-help used deserve emphasis (paras. 42-44). Improvement of

employment opportunities is normally a basic objective. A variety of features can be incorporated in project design for creation of additional wage-paid employment and for small-scale or home industries, but the limitations need clarification. The potential for stimulation of self-help as compared with local small contractors in the construction of dwellings and services also deserves close consideration.

Project Financing (Paras 45-70 of accompanying paper)

(x) The question of land valuation recurs in consideration of costing and financing of these projects (paras. 45-47). As land is an important cost element, accurately assessing its real economic value and optimum use within the urban context is highly significant for project preparation and design. Not only are questions of project location, project size and population density raised, it is also necessary to decide on an appropriate land price to charge the project beneficiaries, often in circumstances where the actual financial land costs are low or zero (e.g. land already owned by the authorities) and the urban land market highly distorted. In addition, the planned degree of future capacity or built-in flexibility of infrastructure is very sensitive to land costs.

(xi) In fact, issues of subsidy (paras. 61-66) and distribution of the burden of cost recovery confront almost every stage of the project's physical, financial and economic design. The allocation of project costs between its beneficiaries and municipal or national revenue resources is one aspect (paras. 48-52). In this connection, existing systems for allocation and recovery of costs of public housing may create highly sensitive problem areas. Often subsidies from general public municipal (or national) revenues for higher income programs are greater than is consistent with a financially replicable project either at that level or

for sites and services. Yet fairness points to not giving a relatively smaller subsidy to the sites and services. Question of cross-subsidization within the project or within the city's public housing sector also arise. The physical design and the choice of the payment terms, are affected (paras. 53-60 and 85).

(xii) A related matter is the economic subsidy implied by passing on housing created in these projects at cost rather than at market prices. Market prices would yield a surplus that could result in a larger and faster program but would, until the shortage eased, exclude more needy lower income groups. To help poor families meet their payments, sub-letting at market prices may be permitted. Whether or not transfer payments accelerate plot consolidation remains an open question (paras. 84-85).

(xiii) Since in general serviced sites are not auctioned at market prices the selection of project beneficiaries raises serious practical and theoretical difficulties (paras. 83-94). Some degree of inequity is bound to result from the rationing process. The problems can be reduced by design features which help to select automatically more limited groups within the target population levels. Thus the materials loans arrangements, level of plot preparation, project size, residential density, project location as well as building regulations, and land tenure arrangements can all be designed to be specifically appropriate for a sub-set of the demand. But this raises the further issue of how to choose and identify this selected group without undue inequity.

Project Organization (Paras. 70-114 of accompanying paper)

(xiv) Good project organization and management are fundamental to the successful implementation of sites and services schemes (paras. 70-82). Since these projects depend on self help and local participation it is

clear that participant selection, terms and eviction arrangements and the building regulations applied in the project are all vital aspects of the project design. An issue arises between the degree of participation and the increasing complexity of administration and delays that increased participation in decisions may involve.

(xv) The question of land rights is particularly complex in upgrading schemes of squatter areas. In both types of scheme, however, title to the land (lease or freehold) is usually conditional upon a specified amount of construction to a given standard-on the plot; (paras. 95-106). How to determine what is appropriate while preserving the flexibility to meet widely differing family circumstances is not easily solved.

(xvi) Project execution of urban shelter schemes must be taken to include the construction activities of the occupants of plots, and loans for construction materials in either cash or kind are usually included in the project funds. The role of the management unit (usually set up specifically for the purpose) is crucial but rather hard to generalize about since much will depend on local conditions and existing institutions. Its function will continue throughout the consolidation stage (i.e. beyond infrastructure construction and initial plot preparation) and include technical assistance, community development and the stimulation of self help in both house construction and other income earning activities. (Paras. 107-114). There are strong reasons both in favor of, and against, using existing institutions in the housing field that have not been resolved by experience. How integrated a unit is required?

(xvii) The large management and administration input required by these projects raises the issue of the valuation and cost recovery of

these expenses (para. 47). A related issue is the extent to which the management unit will be staffed and trained (or carry out training for) the institution of an ongoing program based on the principles of and lessons learned during execution of the project.

(xviii) It is apparent that in-built flexibility is a key feature of these projects. For this reason as well as their comparatively innovative nature, careful monitoring of their execution and development is highly important. However arranging adequate finance for sufficiently detailed analysis will usually be troublesome.
