

Working Paper No. 38

**URBAN LAND WORLD BANK POLICY:  
REDRESSING THE BALANCE BETWEEN THE STATE,  
THE MARKET AND THE POOR**

Allyson Thirkell

September 1989

**URBAN LAND WORLD BANK POLICY: REDRESSING THE BALANCE  
BETWEEN THE STATE, THE MARKET AND THE POOR<sup>1</sup>**

**CONTENTS**

	Page No.
<b>INTRODUCTION</b>	1
<b>CHAPTER I: URBAN LAND, CLASS CONSCIOUSNESS AND THE STATE</b>	4
The Evolution of Land Value in a Capitalist Society	4
Urbanisation: The Politicisation of Land Issues	5
<b>CHAPTER II: STRUCTURES OF LAND OWNERSHIP, TENURIAL STATUS AND METHODS OF LAND ACQUISITION</b>	8
The Political Manipulation of Land in the Development of Low Income Housing	10
Land Markets: The Formal/Informal Dichotomy	12
<b>CHAPTER III: THE WORLD BANK, POLICIES AND PROSPECTS ON THE DEVELOPMENT OF URBAN LAND</b>	15
The Failings of the Project Approach	17
New Directions in World Bank Policy: Towards Managing the Urban System	18
<b>CHAPTER IV: WORLD BANK POLICIES: THE FUTURE INTERACTION BETWEEN THE STATE, THE MARKET AND THE POOR</b>	21
Urban Land Policy: Capturing the Support of Interest Groups	21
Restructuring the Urban Framework	23
<b>CONCLUSIONS</b>	27
<b>BIBLIOGRAPHY</b>	28
<b>APPENDIX</b>	31

---

<sup>1</sup>. This Working Paper is based on a MSc degree dissertation in September 1989.

## INTRODUCTION

"The technocratic approach to housing is more convenient and better understood than the more open ended issue of access to land which involves negotiation, legislation and possible confrontation. Hence, the land issue is critical to the resolution of the housing issue and the technocratic approach by itself can not meet the housing challenge" (Angel 1983).

Today Third World cities are today facing some of their greatest challenges, the outcome of which will determine their continued development, both nationally and internationally. Rapid urbanisation has placed pressures on land, housing, infrastructure and services beyond the capacity of most cities to sustain. Emergent capitalism in developing centres of production has exacerbated the contradictions prevalent in the capitalist process, concentrating wealth, and the benefits of development among the few, excluding the vast majority. The issue of land is critical to this development as it facilitates access to housing which forms an essential element in the production and reproduction of labour. As capitalist production units and investment become spatially concentrated in the city, conflicts over land, housing and employment are heightened resulting in slums, high levels of unemployment and chronic urban poverty; the visible manifestations of the urban class struggle. The land question is central to this debate and is the key to social advancement, as well as the development of capitalist production.

Rapid urbanisation has accelerated demands for residential, commercial and industrial land pushing land values into a highly competitive market to which the lower income groups have limited access, forcing them to occupy land illegally or to operate through informal markets. The last decade has witnessed the realisation of urban crises characterised by internal market failure, worsening economic relations and urban social unrest caused by the rapid acceleration of urban poverty, forcing states to confront the formal-informal dichotomy in land market to redress consumption crises. The reformulation of urban markets will depend largely on the adaptation of state mechanisms to the market economy which has potential dangers for the poor. Aid Agencies, Development Organisations and state contacts have been instrumental in planning and implementing new approaches to development and policy changes to avert the impending economic crises and, more importantly, a social implosion in the developing city.

Any discussion of land policy must consider its conceptual, historical and spatial aspects within the emergence of capitalism leading to the process of urbanisation, including the evolution of land value and its role in transforming patterns of land ownership from traditional systems of land allocation to a more formal distribution of land through market mechanisms. The paper will trace the contradictions that the land question embodies in the production and reproduction of the labour force and how the mediation of these conflicts has ultimately led to the politicization of land. The process of development in Third World cities has exaggerated the contradictions of capitalism dividing wage levels and land market values to a point where the majority of the urban population cannot gain land access through market mechanisms. Over the last ten years the mechanisms by which the poor gain access to land has shifted from land invasions and squatting to include the ....development of informal markets. The rise of informality in land allocation has led to the acceleration of private speculative interests and the political manipulation of land which has deepened urban land crises, leading to a reformulation of the ideas governing land allocation for the poor, and ultimately its politicization.

The role of the World Bank, as one of the largest and most influential organisations in development ideologies and methodology, has been instrumental in forming new and adaptive solutions in the field of Third World urbanisation. Its policy for the formulation of individual housing projects shifted, in the 1980's, to city-wide solutions tackling fundamental bottlenecks in land supply, services and infrastructure. New proposals aimed to increase land supply through legalising illegal settlements, thus stimulating user investment in units through security of tenure as well as private market mechanisms.

The World Bank policy of inducing land transfer by open market solutions, assumes that the enhancement of market mechanisms can potentially lead to a redistribution of land resources, firstly through state transfer of land titles, and secondly, as land supply increases through a reduction in relative prices. However market solutions affect land accessibility for the urban poor, and the implementation of direct land transfer may result in an imbalance between formal and informal markets leading to rapid land commodification resulting in increased land speculation and the social upgrading of settlements which are centrally located, thus forcing the state to intervene in both formal and informal land markets to control the rate of commodification to maintain an acceptable degree of land accessibility for the urban poor.

The paper asserts that the implementation of World Bank land policy will not only have a physical effect on urban land use but will have far-reaching political implications where land becomes the basis of the restructuring of state/market relations. As the state reformulates land ownership structures, it must intervene to redress the balance between formal and informal markets so that land market efficiency and equity are maintained thus insuring social stability and the perpetuation of relations of production necessary for capitalist economic development. In this way the state and the formal and informal markets interact in a tense power struggle within the distribution of land with the state mediating between these forces in the interests of society as a whole. This process has the potential to strengthen links between the state and the poor creating a climate in which an effective negotiation can take place for the redistribution of resources.

The paper will evaluate the potential of the World Bank as mediator in the process of restructuring markets to alleviate urban poverty, not just in the domestic urban environment, but within a wider global economic framework. World Bank policy has concentrated development strategies on the transfer of consumption goods to the poor, ignoring the fundamental inequalities in production processes and wage structures which create a fundamental dislocation between land and labour markets. The World Bank has begun to realise the potentials of private enterprise initiatives, but that the real development process can only be achieved through a restructuring of production processes not only within the domestic urban environment, but within the global economic markets.

## **CHAPTER I: URBAN LAND, CLASS CONSCIOUSNESS AND THE STATE**

### **The Evolution of Land Value in a Capitalist Society**

Land throughout the world system provides the basis of production and reproduction of the labourforce that works and lives upon it. Within each epoch the nature of land and the relations of labour are in constant transformation, the greatest of which remains the rise of capitalism. Within the

capitalist system land is commodified and commands considerable power as the basis of production. The valorisation of land under capitalism is vital to the development of capitalism and the resultant transformation of production processes forms the basis of urban class struggle. Land is a vital component of capitalist accumulation, mediated through the market, shaping the spatial nature of production and consumption processes, while spontaneously reformulating class relations and alliances in society. As capitalism advances, land issues are heightened in the urban arena as scarcity intensifies competition over land not only for economic production, but out of social necessity. However this transformation has not been uniform in all capitalist societies, each experiences a different set of land conflicts and social struggles, requiring varied responses from the state. The fundamental difference between developed and developing societies lies in the fact that land conflicts in the developing city are still fought in the most violent and crude manner.

Land, according to Marxist theory, does not contain labour power and thus is void of value. However under capitalism, "the land is liberated and transformed into an open field for the operation of capital" (Marx, *The Poverty of Philosophy*: 159). In the shift from feudal to capitalist relations it is "the separation of the labourer from the soil and then ownership of land which is a fundamental condition for capitalist production and the production of capital", (Marx, *Theories of Surplus Value*, pt 1:51). This process marks the beginning of land valorisation whereby ownership and exchange are controlled through market mechanisms. The concept of private land ownership becomes an essential element of capitalism reforming rural relations to create a mobile surplus population which move freely into emergent industrial areas to establish the foundations of an urban labour force.

The process of commodification of land is accentuated in the city where economic production and housing consumption become centralised thus concentrating demand. Land use for residential markets is controlled by ground rents which become fiercely competitive in the urban market. Marx states that "Rent, instead of binding man to nature, merely bound the exploitation of land to competition and the accumulation of capital" (Marx, *The Poverty of Philosophy*: 159). The potential for capital accumulation and surplus extraction is manipulated by urban agents. These agents act to control land values in the city characterised by land owners and speculators who unite in capitalist operations. Harvey argues that, "The use of land to acquire money has long been the goal of most dynamic segments of the landed interests and in the long run this meant quite simply, the fusion of landed property of renters of all types...landed interests lost its autonomous and independent role and was necessarily transformed into a fraction of capital itself" (D. Harvey 1982: 366). It is through the concentration of capitalist land interests that conditions of monopoly are created escalating land values beyond realistic levels to appropriate large surpluses.

The city concentrates land demand fuelling fierce competition between social groups. However it is not the development of that land which determines value, but the land itself. As Marx illustrates the profit from building is extremely small and the main profit is derived from raising ground rents, "so it is the ground rents and not the house which is the actual object of building speculation", (Marx, *Capital Vol 3*: 774-76). Therefore it is the market which is theoretically the main determinant of land distribution in a capitalist society. Harvey states that "The land market shapes the allocation of capital to land and thereby the geographical structure of production, exchange and consumption, the technical division of labour in space, the socio-economic spaces of reproduction and so on" (D. Harvey 1982: 369). Therefore land formations are constantly restructured according to capitalist needs and are kept in a state of fluidity through the market..

## **Urbanisation: The Politicization of Land Issues**

Land allocation in the urban arena is not enacted solely through market mechanisms. Land is an essential component in housing production and is critical to the development and reproduction of the labour force, therefore if land is inaccessible to the poor the state must intervene to protect the development of labour. "Land is therefore a condition of living in much the same way that it is a condition for the production of capital" (D.Harvey 1982: 71). The contradictions within urban capitalist development arise as land values become totally disjointed from wage levels depriving the bulk of lower income groups of access to shelter through market mechanisms of allocation, thus barring the development and reproduction of a working class necessary for the perpetuation of production. It is at this stage that the contradictions in capitalism give rise to urban crisis, as capital must intervene over struggles in the environment to smooth out bottlenecks in labour reproduction for the continued functioning and expansion of production. This intervention is not carried out by individual capitalists but by the state which intervenes in the consumption process to ensure not only the reproduction of labour, but the reproduction of the capitalist system as a whole. The outcome is the politicization of collective consumption goods such as land, housing services, health and education thus defining the role of the state as mediator in a possible confrontation between capital and labour within the economy.

In the developed city, Castells describes this process as "Collective Consumption", which he maintains is the intervention of the state in the production and administration of collective goods where it becomes necessary for the state to take charge of the sectors and services which are less profitable (from the point of view of capital), but necessary for the "functioning of capital and the appeasement of social conflicts" (Castells 1978: 18). These collective goods which comprise public housing, services, infrastructure, education and health are not universally administered in all capitalist systems. However, in developing countries the process of capitalist development is measurably different from that of the developed countries resulting in other types of state intervention.

In developing countries emergent capitalism is younger and less comprehensive. The articulation of pre-capitalist modes of production and capitalist modes of production are still evident within both rural and urban economies. The development of capitalism has likewise been largely coordinated within a global system dominated by the more advanced countries resulting in the export of labour intensive production units to cheap labour sites in developing cities. The export of capitalism to developing countries has resulted in the partial incorporation of capitalist modes of production biased towards urban production sites subsequently accelerating population migration to cities. This has occurred at a pace beyond the urban capacity to absorb such numbers into either productive or consumption spheres. The contradiction within production and consumption is highlighted and accentuated within the developing city. High prices prevent the majority from having access to land through formal markets, therefore land is predominantly acquired through informal markets or illegal occupation. " It is a system which imposes on the urban poor solutions for working, housing, health etc. which are frequently informal" (Oliven 1979: 31).

The total failure of formal land markets to provide adequate land for shelter has led to the rapid expansion of illegal settlements where social insecurity and lack of services result in poor living standards. The result has been general social unrest in the developing urban centres which has threatened production processes through rioting, as well as impeding the reproduction of labour necessary to capital. Land has become the basis of conflict and class struggle in the confrontation

between land owners, urban speculators, capitalist interests, the state and the poor. Leontidou traces the development of working class consciousness through class cooperation over urban land rights quoting Bonilla who points out that workers consumption demands in the work place are expressed less as individual economic pressure than as the political objective of a class (Leontidou 1983: 539 citing Bonilla 1969: 42-47). The threat of potential popular action directed at the state has forced it to intervene manipulating a social tension between urban groups to maintain social stability and reinforce relations necessary for capitalist production.

Interventions have differed both spatially and over time. Land and housing policy has often been characterised by default, leading to the replication of informality in land and housing markets. The attitudes of many governments being ambivalent encouraging squatting as a cheap solution to housing the poor and at the same time stigmatising it (Leontidou 1985 :346). However the growing number of invasions, squatting and illegal land transfer can not be sustained and does not pacify the poor who demand land titles and services or the land owners whose property rights have been threatened. For the advancement of social conditions and the physical and economic development of the city demands state attention within market mechanisms to allow greater access to land for the poor through new policy objectives. Land relations are not only converted by impending economic and social crises, but more importantly political-ideological crises. The growing crises of consumption process in Third World cities has not only heightened class conflict, but also a crises of legitimation for the state leading to changing attitudes to land and government approaches to housing policy and its application. This has initiated land reform and a transfer of land titles to the poor in a process marking a redistribution of resources. This transfer however often takes place covertly through clientelist or political networks in return for political support through promised votes and reduced displays of public protest.

Offering land and services to political supporters however has deeper ideological and political motives, incorporating fragments of the working classes into the capitalist system in a relationship of cooptation dividing the working classes and disrupting the cohesion of the urban poor. "Homeownership invites a fraction of the working class to wage its inevitable fight over the appropriation of value in capitalist societies in a very different way. It puts them on the side of the principle of private property private property, and frequently leads them to appropriate values at the expense of other factions of the working classes....with so glorious a tool to divide and rule at its disposal it is hardly surprising capital sides with labour against the landed interests in this regard (through state apparatus) (Cox 19 : 15).

The question of the inequalities of urban land is thus central to the urban crises resulting in economic disruption, social unrest and the threat to the principles of private property. With increasing urban conflict Third World governments must act to negotiate and mediate between these interest groups risking confrontation and inevitably loss of support from different social groups. The process of state intervention itself becomes essential in reorganising economic principles and social relations to maintain capitalist production. The state does not often act irrationally, as each act is controlled by a political logic acting never in the interests of any one groups, but in the interests of the capitalist system as a whole. Thus regulating conflict immersed in tension between antagonistic groups in society in the process of capitalist transition.



## **CHAPTER 2: STRUCTURES OF LAND OWNERSHIP, TENURIAL STATUS AND METHODS OF LAND ACQUISITION**

The process of capitalist development and its impact on land ownership, tenure change and land acquisition in an evolving capitalist economy must be viewed in historical terms to fully understand the reality of contemporary land use patterns and the operation of the land markets. Rising land values in developing cities has stressed the importance of urban land making it a highly lucrative and valuable commodity. Traditional systems of allocation and ownership rights have been transformed under capitalism to a system of distribution dominated by the market. The evolution of the land markets in the developing city represents the realisation of the struggle for power between interest groups fought within the urban arena. Land is a powerful tool reaping rich benefits not only for the private agents in the market, but equally for political actors in the fight for popular support. The failure of formal markets to meet popular needs for land and housing has exposed the land markets to manipulation and through private and political exploitation has resulted in the perpetuation of informality, illegal occupancy, insecurity of tenure and thus social discontent. The historical nature of the evolution of land markets within emergent capitalism and the interplay of agents within that transition is vital in understanding the land crises in Third World cities today and to enable the formulation of appropriate and comprehensive policy for a more ordered and efficient urban land development .

The introduction of capitalism in many Third World societies has had profound effects on the indigenous systems of land allocation. In many societies especially in Africa land allocation is characterised by traditional practices and religious beliefs. In Ghana the tribes to the north of the country consider land to be in the sacred trust of their ancestors whose labour won it for the use of their ancestors (Manoukian 1960), The Bite and Dida tribes of the Ivory coast state that "Land is

owned by the ancestors that lived there after asking permission of a powerful local spirit as the owner, of men dead or alive" (Chubb 1961). In West Africa communal land ownership is common constituting "a vast family of whom many are dead, a few are living and a countless number unborn (Elias 1956). In many African cities land allocation in central urban settlements and on land on periphery land is still allocated through community decisions and administered by tribal chiefs as in Nairobi, Kenya and Blantyre, Malawi (P. Baross). In Latin American urban development was dominated by the conquistadors who abolished traditional settlement patterns rebuilding cities to follow European models of city structure. Unused land in the urban area was considered traditional, public or community lands such as Ejidors lands common in Mexico (Doebele 1987: 9). These areas of communal lands are of great significance in patterns of land development in the process of urbanisation as they became the main sites of spontaneous settlements and land development for migrants entering the city during the 1950's and 1960's.

The major transition into capitalist world economy came during the rise of colonialism as traditional methods of production became industrialised to produce surplus for world markets leading to new technologies and the establishment of many of the colonial settlements, which would become modern urban centres. The colonialist division of urban land favouring the European residential sites marked the beginning of inequalities of land ownership within the city, designing an urban physical structure which would perpetuate unequal patterns of land ownership. As migration accelerated lower income areas of the city expanded disproportionately to the wealthy areas creating enormous disparities in housing densities and living conditions over a very small distance within the city visibly highlighting the contradictions of development.

In many countries patterns of great inequality of land ownership have persisted, frustrating efforts for a more equitable and efficient land transfer to poorer sectors of society. In Bombay large colonial houses situated on sizable land plots created a legacy of underutilised land in the city which has detrimental effects for the future physical development of the city. McAuslan notes that "A conservative estimate would put the amount of surplus land in Greater Bombay at 20,000 hectares....one family alone owns 2000 hectares of vacant land, enough land to house most of the cities slum, shanty town and pavement dwellers - more than 3 million people" (P. McAuslan 1985: 14). The historical development of highly unequal patterns of land ownership and great disparities of plot size has vastly reduced urban land supply in the developing city.

In society the injection of capitalism into urban land relations introduces principles of private ownership and land tenure as well as mechanisms of the market alien to traditional cultures. Communal lands were purchased and older settlements became illegal occupations. In a monetary economy land allocation was principally through the market in which the majority could not compete. Patterns of industrialisation were inadequate to meet the rising numbers of migrants looking for employment and led to rapid urbanisation exceeding in numbers alone, anything yet experienced in Europe. In Nairobi, Kenya between 1962 and 1969 Nairobi's population increased by 91%, and between 1956 and 1969 in Kampala, the urban population increased from 50-330,000 (F. Acquaye and S. O Asiama 1985: 128).

As demand escalated, land values for available land rose, forcing the poor to obtain land through illegal land invasion, squatting or renting innercity tenements resulting in the proliferation of slums characteristic to the development of many Third World cities. McAuslan notes that in Manila, Bogota, Cairo, Bangkok, Bombay and Delhi more than a million people live in squatter settlements

and that these settlements are reported to be expanding at four times the urban growth rate, illustrating the magnitude of the urban land crises (McAuslan 1985: 11). (Appendix 1). Over time as land in the inner city has become more scarce, a new social phenomena in the city has become more apparent, the pavement dwelling. With little available land, low income families moving into the city must either occupy land on the periphery or as in India seek refuge on the streets themselves, in an attempt to enhance opportunities for employment. In 1983, "over 50% of the city's population close to 4.5 million people are pavement dwellers or slum dwellers....2,500-3,000 square metres (a third of a quarter of an acre) of accessible open space per 1000 people against an interim accepted norm of 1.6 hectares (4 acres) per 1000 (McAuslan 1985: 14).

Typically land invasions and illegal settlements occur on land unsuitable for formal housing development or industrial development on flood land or steep slopes which are usually unsafe for habitation. In 1975 in Guayaquil, Ecuador it was estimated that 60% of the population lived in shanty towns above mud or polluted water (McAuslan 1985: 2). These areas receive little or no support from the government for services and indeed are often in locations which are expensive or sometimes impossible to service with proper water or sanitation installation causing long delays in service delivery and high risks of health hazards to the communities.

Land scarcity has been fuelled by land and housing speculators operating in the urban land markets. In periods of economic instability especially within an inflationary economy, the opportunities for capital to find attractive returns from investment in production are reduced, making investment in land much more attractive. Research shows that the commercialisation of land can be very detrimental to urban development and housing as companies accumulate land, holding till prices rise and only releasing it when economic returns are maximised. Over investment in land has serious consequences on land delivery systems and freezing private land reserves worsens the crises of land accessibility by artificially inflating prices. In 1972, in Lima Peru companies controlled by ten families owned 45% of all underdeveloped land on fringe of the city. Equally in 1980 in Bangkok 70 land and housing development companies owned approximately 160 square kilometres of land reserves within the city. This process of land hoarding was also evident in Greater Bombay, "a conservative estimate of surplus land of 200 square kilometres was made ...one family alone owning 20 kilometres of vacant land (A. Durand-Lasserve 1987: 330). When great quantities of urban land are owned within one or a set of companies a monopoly situation is created whereby land value can be dictated externally from the market pushing prices upwards. This was experienced in Colombo, Sri Lanka when between 1959 and 1986 more than 40% of all land transactions in the metropolitan area were controlled by one company. Price rises and the fuelling of the market through speculation reduces land accessibility to the poor and in the last decade high land values and a deteriorating economic climate has extended this pressure to middle income groups whose presence is increasingly found in lower income or shanty town areas. This has had disastrous effects on the construction and housing development industries whose markets have been vastly reduced due to high land prices.

### **The Political Manipulation of Land in the Development of Low Income Housing**

Land speculation has not been isolated to private agents, but extends into the wider spectrum of political intervention in land markets. The use of land in politics both to gain private profits and for political support is ubiquitous throughout the Third World and has acted to deepen the crises of land supply for the lower income groups. One example in Delhi, the Delhi Development Authority itself became a real estate developer purchasing land for the community, but selling it at inflated

profits. In the Kalkaji District Centre the DDA paid Rs 2.9 per square metre eventually selling land at an average price of Rs 3,225 (Sarin 1984: 244). Also in Nairobi, Kenya councillors became land speculators using their official status to make compulsory land purchases to gain private profit, "Councillors are part and parcel of the wider environment where such practices are generally condoned" (Mazingira Report 1984). The intervention of public and private speculators tends to fuel prices even higher beyond the reach of the urban poor and results in more repressive policies towards invasions and resettlement of areas in central locations. Often if squatters are occupying central sites officials can act to evict them, relocating on illegal or public land on the periphery which command lower land values allowing the redevelopment of prestige areas within the city for private profits.

However the extent of political involvement in land issues is much wider than mere speculation. Land is a powerful resource not only in monetary terms, but more importantly in political terms. The state has been notoriously ambivalent in its attitudes towards squatters and the problems of urban land allocation. Principally land invasions on a large scale threaten the principles of private land ownership in a capitalist economy, but in many countries have been covertly supported by the state. One reason is that land invasion and self help housing partially solve the immediate housing crises as given land access, the poor are able to provide shelter for themselves at minimal cost to the state. Secondly due to illegal land occupation and informal methods of housing production, costs of shelter to the resident are small. Thus according to Pradilla, the inexpensive cost of spontaneous housing allows the labour force to reproduce itself despite low wages paid by modern industry, therefore economic development occurs on the basis of cheap labour costs and the perpetuation of low income housing helps to reduce the pressure for wage rises, (Pradilla 1976). It follows that it is in the interests of the state acting on behalf of capital to encourage though not overtly a system reproducing informality rather than eradicating it.

In reality of urban land scarcity among the urban poor has been highly instrumental in achieving much more targeted political goals. Often political parties or government individuals use public land to encourage invasions or allow squatting in exchange for support in the process of vote catching. In this way land can be used to manipulate the poor into supporting an individual minister or on a large scale to legitimise party politics, when opposition parties threaten the popularity of the leading party. The extent of public land ownership often can be equated with state power. Therefore in Karachi in a district known as Katchi Abadis the government controls 90% of the land which covers an area of 3,600 hectares providing land for 1.6 million people in a population of 5 million. Thus the government has potentially substantial political leverage over the inhabitants in the pace of service installation or the granting of leases In this way the state acts to control political protest or social unrest in a process of cooptation through control over urban land.

In the case of Lima, Peru land was used as one of the major instruments in the political infighting between parties. This became the main determinant of illegal land occupancy and led to a series of invasions resulting in a chaotic and uncontrolled urban land development. The use of land for political means was initiated on a large scale around 1948 when President Odria fought his electoral campaign by allowing large scale land invasions to win political support. After election the process of covertly supporting land invasions in Lima became an important strategy in party politics used not only by the presidential party, but also by opposition groups. By covertly allowing invasions it released pressure on the state to house the poor and assured the political patrons of popular support. Odria aided the formation and development of settlements through invasion, but withheld the actual

transfer of land titles. By maintaining a situation of "institutionalised illegality" residents had no security of tenure relying on political patrons for gifts of land and services in a relationship of dependency. Threats of eviction prevent mobilisation and ensures continued support. Though this policy was never openly admitted it became the main mechanism for providing the poor with land for shelter as well as maintaining a level of state legitimacy. In David Collier's research into 161 squatter settlements in Lima, he stated that 61% of the squatter settlements in the survey had invaded land through direct government authorization (D. Collier 1976: 37).

This led to a prolific growth of squatter settlements around Lima. In 1956 illegal settlements in Lima presented 10% of all housing, by 1972 this had reached 24% and recent figures suggest that this has now reached 30% amounting to approximately 1.8 million people (G. Riofrio and D. Williams 1987: 174). Political manipulation of land in Third World cities is common especially in politically unstable regimes. In reality a paternalistic political structure encouraging land transfer through invasion can not be sustained and does not pacify the poor who demand land titles or the landowners whose property rights have been undermined. A total divorce of the use of land for political gain in developing cities is unrealistic, but a new direction in land policy is immanent effecting a more comprehensive and efficient method of land transfer. Ideas for the reformulation of land policy has been proposed by the World Bank and takes into consideration the political aspects of land which is important in the successful implementation of any new policy and will be examined thoroughly later.

### **Land Markets: The Formal/Informal Dichotomy**

Since the beginning of the 1980's the development of land and housing has been controlled not only by formal markets, but also through a growing informal market. High land values and a scarcity of a available urban land has led to a rapid reduction in the incidence of land invasions, and any unauthorised occupation on private or sometimes public land is met with firm repression. Public sector housing only satisfies a small part of the demand of low-middle income groups. Production costs remain high despite large levels of subsidy and an incredible mobilisation of resources especially during the years of rapid economic growth in developing countries beginning in the 1960's to the mid 1970's.

Rising land values and economic recession in the early 1980's resulted in an increasing number of urban population unable to compete in formal land markets for residential space. This led to the evolution of an emerging market system operating with low income groups providing land through informal channels. There is much ambiguity surrounding the nature and operations of these two markets, however Alain Durand-Lasserve has produced a comprehensive definition worthy of full quotation.

"In the private sector there are two main sets of practice. Firstly the formal capitalist practice; this involves the valorisation of capital with the intention of making a profit, which can then be reinvested in the land and housing development sector itself or in another sphere of activity (finance, commerce, industry and agriculture) or else simply transferred abroad. secondly the private sector uses informal or semi formal practices, legal or illegal. These practices cover self help housing production...domestic production..to petty commodities or 'pre-capitalist mode of production whereby the dwelling is intended for sale or rent generally on the informal market" (a. Durrand-Lasserve 1987: 326).

The development of informal markets stimulated the realisation of two major phenomena. Firstly

that the inhabitants of squatter settlements and slum dwellers formulated a viable and potentially lucrative untapped market. Secondly the rejection of the popular myth that the poor formed a marginal population as the slum inhabitants were willing to invest in land and housing development to be incorporated into the urban structure. The slum inhabitants had become more organised and sophisticated in their demands and the emergence of the informal agents acted to realise that potential market. Alain Durand-Lasserve states that "The Private land and housing development sector is progressively becoming aware of the existence of a demand which is different to that which it catered for during the growth years..this demand is not particularly solvent, but it is quantitatively very large" (A. Durand-Lasserve 1987: 332).

Since 1980 the informal markets have not only grown in quantity but due to high land values and wage deterioration in relation to inflation rates have also expanded to include a sizable proportion of the lower middle classes, thus creating a crises in formal markets as their proportion of the private urban land market diminishes. Recent research confirms this, as it is claimed that 80-95% of housing production is carried out by the private sector. This figure is intentionally vague as it is the informal irregular sector which generally produces the vast majority of housing; 86% of housing in the Philippines, 82% in Brazil, 77% in Venezuela, 64% in Colombia and 44% in Chile (A. Durand-Lasserve 1987: 330)

The growth of the informal sector represents a considerable threat to the operations of the formal sector not only in land and housing markets, but in other sectors such as industrial materials and imported goods commonly used in formal construction companies. However the formal land markets due to financial, administrative and technical constraints are unable to operate in high risk projects or areas where land ownership is uncertain. Agents operating in the informal markets are not governed by the same constraints as they are generally smaller operators which are not under the jurisdiction of the public authorities, rely on informal financial systems and are able to operate with greater flexibility in terms of investment , working on smaller projects and with reduced levels of profitability. "Therefore in this new market, owing to lack of flexibility, the formal capitalist market is being challenged more and more by the informal petty commodity sector which is developing rapidly" (A. Durand-Lasserve 1987: 332). An interesting and well documented example of the operations of informal markets is illustrated by the 'Pirate Urbanisations' in Bogota, Colombia.

In Bogota squatting is fiercely repressed, only 0.7 % of Bogota's housing is located in invasion areas and this the main form of land acquisitions through market mechanisms (ICT 1976). The process of illegal subdivision operates by the informal purchase of land, often agricultural around the urban periphery, which is then subdivided into plots and sold. Often services are not already installed but in many cases the subdivider will then negotiate with the local ministry or council for the installation of services. Paul Baross states that "in Bogota the pirate urbanisation is the principle means by which the poor acquire land. Arias calculates that 59% of Bogota's population lives in such areas and between 1972-1974 as much as 52% of the urban expansion was through this illegal process. Clearly it is a well established process tolerated by the local authorities' (P. Baross 1983: 200).Illegal subdivision and the operation of informal markets is much preferred to squatting in many developing cities as it follows the principles of private land ownership and is a lucrative business to those who operate within it. Illegal subdivision "is useful to a number of powerful groups within Bogota, it provides profits, patronage and protection. In short it is an essential ingredient to the Bogota political and economic system" (A. Gilbert 1981)

The issue of land is highly complex and controversial urban element. The historical division of the urban land between the colonialists and the indigenous population in the cities set the pattern of a system of inequalities of land access which would become perpetuated and entrenched into the urban structure. Land scarcity makes it a valuable and powerful commodity in the city and within the struggle for a more equitable housing development, it has become the central conflict between the urban industrialist, the land owners the state and the poor. Sarin illustrates the fundamental conflicts and the tensions between social groups in his observations in Bombay stating that "Within the city perceived as business enterprise, land becomes the most precious commodity, both as a means of production and as a prime consumer good in short supply. Around land use and redevelopment there ensues an endemic conflict of interests between the rich , the middle classes and the poor " (Sarin 1987). The scale of land invasions and the rapid expansion of informality can no longer be sustained. The state must intervene mediating between these social groups to facilitate a more equitable and efficient system of land transfer and allocation in the urban market, not only to appease social conflicts but to smooth out bottlenecks in the reproduction of labour essential for the continuation of capitalist production. . However ideology in development and its methodology has not evolved in isolation from other powers within the world system. The progression of ideas in development fields has been heavily influenced by organisations such as the World Bank whose policies have been highly instrumental in shaping development policy in areas such as land , housing and urban advancement. The promotion of recent policy recommendations in land will shape the future structure of financial lending in urban development and it is therefore essential to analyze the role of the World Bank and the validity of its policies to understand future development paths in the restructuring of Third World cities..

### **CHAPTER III: THE WORLD BANK: POLICIES AND PROSPECTS ON THE DEVELOPMENT OF URBAN LAND**

The World Bank has been highly instrumental in the formulation and implementation of development policies within the Third World. As a large and powerful organisation as well as one of the most controversial, it has pioneered new approaches in the field of urban development which have shaped ideological and practical approaches to dealing with poverty. The World Bank was one of the first organisations to realise that it is the urban areas in the developing world that represent the greatest challenges for the future. With urban growth rates between 2-10% per year, by the Year 2000 over 2 billion will be living in cities and 20 out of 25 of the largest cities will be in developing countries (World Bank 1986: 183). In 1980, over 200 million city dwellers are expected to live in developing countries and the number is predicted to double (World Bank 1980: 30). It is at the urban interface that the contradictions of development are brought into sharp relief in a spatial and social concentration of class struggle proving to be a potentially volatile situation. Persistent inequalities have led to a real and growing threat of social unrest and large scale protest within developing cities threatening the means of production and legitimacy of the state forcing new and radical thinking in the sphere of development. The possibility of unrest in the Third World city is not a domestic problem, but has potential repercussions throughout the capitalist world system. Third World markets are crucial components within the global economy and any disruption would have serious consequences for capital in advanced countries. This has prompted the formation of international aid agencies and development organisations which seek not only to combat the problems of global poverty, but also to diffuse unrest and maintain social and economic stability in developing countries. The growing influence and power of these agencies especially the World Bank has provoked criticism and debate as to their political motives in the process of intervention in the development of the Third World social and economic relations. However the World Bank has been particularly instrumental in introducing new and progressive methodologies in urban development especially in land and housing policy and it is this evolution of ideas which has shaped not only social and economic forms, but also the role of the state within the process of capitalist restructuring. Therefore the politics of the World Bank have had profound influence on realigning relations not only between socio-economic spheres but also the interaction of the state itself with social groups and market forces. It is this progression of ideas and methodologies which must be constantly examined and channelled into finding solutions to the impending land and housing crises in Third World cities. The World Bank has been instrumental in the formulation and adaption of ideas within nearly every sector of development. In 1972 in response to requests from member countries for assistance in problems of urban development, the World Bank adopted a more direct focus on urbanisation to promote strategies for a more equitable urban growth. One of the most critical problems was and remains the problem of accessibility to land and housing for the poorest sectors of society.

During the 1950's and the 1960's the rapid proliferation of slums and squatter settlements around cities provoked fear of uprising and social unrest. Popular ideology surrounding the migrants and the slums created an impression of a marginal population which were trapped in a 'culture of poverty'. The physical conditions in the slums and the urban poverty displayed there contrasted violently with the image that had of modernity and development. This led to a spate of repressive policies to clear away the slums by demolition of the shanty houses and relocation of the residents further away from the city itself. "In 1975-77 the Delhi Development demolished 141,821 housing units in the city, displacing 700,000 people who were left in 16 resettlement colonies 15-20 kilometres outside the city" (Sarin 1984: 241).

However demolition policies were both financially and politically costly and usually led to a steady



movement of population back to re-establishing makeshift dwellings. Aided housing development projects were tested but proved too expensive to reproduce at the scale needed, and unrealistic to reach the income levels of the poor. A solution was sought and a new approach to housing was perceived in the research of two men working in the slums in Peru. In 1963 John F. C. Turner and William Manguin working in illegal settlements in Arequipa, Peru adopted a new perspective to the squatter settlements and their inhabitants. They believed that given the necessary resources such as land, infrastructure and technical advice the poor were able to build their own shelter according to individual needs. This positive and more constructive approach has been revolutionary in its field gaining credibility with governments, aid agencies and the poor themselves. This has formed the basis for World Bank policy and project intervention in developing cities today.

During the early 1970's when the World Bank was formulating urban loans and housing projects the notion of 'self-help' was central to project design representing a shift from conventional to non-conventional housing solutions. "For most developing countries, the harnessing of self help and savings potential provides the only realistic possibility for substantial alleviation of housing conditions" (World Bank 1972: 5). The Bank developed these ideas into two main approaches to housing for the poor, upgrading and 'site and service' projects. Between 1972 and 1981 the World Bank gave 36 loans for site and service and upgrading projects involving more than \$1 billion and is estimated to have benefitted nearly two million people" (World Bank 1983: 46)

The project approach is particularly prominent in early experiences in World Bank lending differing significantly from the new developments in policy in the early 1980's which led to a more city wide policy emphasised intervention. The failings and shortcomings of the project approach and its inability to deal with problems of land and service delivery are vital in understanding the shift in thinking and strategies for intervention that the World Bank have recently adopted.

Upgrading and site and service projects aimed to provide the lower income groups with affordable shelter through non conventional means. The Bank provided finance and in coordination with local institutions and state departments acted to purchase land, provide services, finance and materials to the participants. Site and service projects typically provided participants with a standard core unit for upgrading, land tenure and communal services.. Loans were available to those who were considered eligible by satisfying the conditions of borrowing.

### **The Failings of the Project Approach**

However these projects had many shortcomings. On a macro level these projects were designed and implemented largely in isolation from the process of urbanisation and the political, social and economic factors which primarily led to the establishment led to the establishment of squatter settlements and inequality of living standards on such a large scale. In one World Bank report it states that "A single site and service project depending on site and relation to other areas may not need to wait for an overall urban plan....emphasis should be primarily on an incremental approach, based on relatively short run programs explicitly linked to individual projects, budgets and the political decision making process" (Urbanisation 1972: 52).

World Bank projects have been designed around three main objectives, affordability, cost recovery and replicability. The World Bank operate on the principle that costs should be recoverable from all

urban projects to maintain funds for the continuation or replication of housing or similar projects. To recover costs from the poor it is realistic that these projects must be at a level by which the poor can afford to repay loans, which can only be achieved by substantial reduction in standards which will equally reduce cost. In 1983 the World Bank stated that "The important goal of replicability of projects was seen to depend critically on appropriate design standards and sound pricing policies" (World Bank 1983: 9). This involves permitting and encouraging the use of low cost building material and lower quality finish, communal rather than private plumbing and sanitary facilities, instead of providing higher density construction with less land and providing less space per dwelling unit" (Mayo and Gross 1986: 304). The ability to use much reduced standards within project design was only achieved through much negotiation and discussion between the Bank and host government and is one of the Bank's most significant achievements.

However the concepts of affordability and cost recovery are highly controversial and were criticised within housing projects leading to major policy reformulation. Site and service projects especially were carefully designed and implemented to ensure cost recovery from residents which often led to projects failing to reach the target groups or inappropriate designs which could not be said to constitute development. As land is one of the most expensive elements in housing projects, plot sizes were often reduced in an attempt to lower costs. Keare in a World Bank report stated that scarcity of urban land means that densities should be maximised as much as possible and the objective of low cost urban design should be to reduce plot sizes until affordable" (Keare 1980). This resulted in plot sizes being reduced too far as in one site and service project in Madras, plot sizes were reduced to 25 square metres which was considered too small for development" (P. Wakely 1987).

Participants are selected on the assumption that families are unwilling to spend more than 20-25% of their monthly income on housing. By calculating housing consumption ratios on set income levels make the assumption that participants have fixed wage levels. Often slum residents depend on informal employment and can not be assured of spending a fixed amount every month. Mayo and Gross state that "74% of projects initiated by the World Bank assume affordability ratios of 20-25%, 17% below these levels and 9% above" (Mayo and Gross 1987: 322). Equally it is common for World Bank site and service schemes to demand a down payment from the applicant before entering the project, "79% of all World Bank projects require downpayments of 10% or less" (Mayo and Gross 1987: 320). It is unlikely that low paid informal workers will be able to invest such a figure before moving into the site and this also substantially reduces the proportion of disposable income able to be invested in the actual unit construction. This results in the lowest income groups not being able to participate in World Bank housing projects. In the World Bank site and service projects in El Salvador, the project aimed to reach the lowest 60% of the population with incomes between US \$40-100 per month, however as costs rose it became impossible to reach the lowest income groups with incomes below US \$ 60 per month, thus excluding the poorest sectors with the greatest housing needs" (Deneke and Silva 1984). Keare and Parris state that participants in site and service projects "tend to be more representative of median income groups than the poorest households" (Keare and Parris 1982: 12).

These strict levels of affordability are adhered following World Bank principles that no project should be supported by substantial subsidies as this impedes replicability by eroding national budgets. Mayo and Gross state clearly that "We (the World Bank) approach the issue of pricing site and service projects with an understanding that for many governments such projects will only be feasible if they

involve minimal or no subsidies" (Mayo and Gross 1986: 302). However the issue of subsidy is somewhat ambiguous as most World Bank projects are subsidised considerably in one form or another by the host government to ensure a certain degree of accessibility by the lower income groups. Interest rate subsidies and land pricing reductions are common forms of project subsidy. In a recent World Bank survey it was estimated that between 1973 and 1983 in excess of 60% of housing projects involve subsidies of mortgage lending, at rates of lending below prevailing rates of inflation. This was damaging both to the state financial budgets and also to financial institutions were lending at negative real rates of interest which led to considerable decapitalisation of funds by the early 1980's (Mayo, Malpezzi and Gross 1986: 191). In Egypt land was purchased for a project by state agents at LE 10-15 per square metre, but was resold to participants at LE 2.23 per square metre. Interest rates were pitched at 5% while market rates were in reality 11% (Davidson 1984: 142).

The World Bank have estimated the level of subsidy on each project can reach 80-90% of production costs, which ensures the income groups around the 35th percentile are reached, if no subsidy is applied households in the 80th percentile are the main beneficiaries. The median subsidies are about 62% of resource costs (Mayo and Gross 1986: 328). Mayo and Gross comment that, "While project by project assessment indicate the appearance of success, much of it is purchased at the expense of significant subsidies, a broader view of the site and service experience is consistent with Cohen's view (1983) that replicability can no longer be considered as doing more of the same thing" (Mayo and Gross 1986: 327).

### **New Directions in World Bank Policy: Towards Managing the Urban System**

During the 1980's the failure of housing projects to reach the poor and high subsidy levels led to the development of new World Bank policy formation moving away from intervention at a individual project level to a more integrated city wide approach dealing with the main bottlenecks in housing production such as land, finance services and the more difficult aspect of achieving political will. Intervention at the project level does not address the fundamental problems urban housing and land development especially the issue of scarcity of affordable land as well as the political manipulation of land. The project level approach could not resolve the problems which formed basis of the housing problem thus not attacking the causes only shifting it sideways.

At the basis of any policy formulation the political dimension must be confronted. More significantly World Bank policies have moved away from a traditionally technocratic approach to addressing the political issues of land and financial developments for the improvement of low income housing. Without political cooperation to tackle the problems of poverty as an integral urban based issue World Bank projects can only meet with limited success. In the recent world Bank/United nations report compiled by a special research team, it states the objectives that, "Preparation of any land development process is essentially a political process, too often conventional wisdom techniques to land development are applied mechanically. Such techniques at best influence a minority of residents in the city or at most are rejected by community or by local or central government involved" (Urban Management Program: 1989: 1).

Any action to improve the urban land crises must take into consideration the historical nature of the land ownership and tenure structures as well as the economic and social interest that are embodied in Land. The World Bank propose that a positive approach to land development is needed to improve accessibility for the urban poor. This can only be achieved by increasing land supply in the city which remains a major bottleneck to economic investment and housing development for the poor. Among

the methods to implement this is the legislation of squatter settlements and the release of vacant speculative land increasing land supplies and potentially unblocking the housing markets. The transfer of land titles to squatter settlements will release land previously held static through illegality onto the market. This land transfer represents an important redistribution of resources to the poor, but also enables markets to operate more freely. By increasing land supplies and encouraging competition it is hoped that land values will be reduced and land speculation can then be more controllable. With lower land values and the operation of markets in informal settlements the poor will have alternative legal and legitimate channels for gaining access to land. " Public agencies can make the greatest contribution to the supply of housing not by building housing, an effort which in the best of cases meets only with a fraction of the need, but by improving the efficiency of the housing market so that more housing of the right kind is produced on a large scale by the formal and informal sectors" (Urban Edge 1987).

New proposals in urban land policy have also been developed alongside the restructuring of housing financial systems. Housing finance for the poor has not been successful in past housing projects as it involves high risk. However with land titles the poor have the basis for a form of collateral upon which small loans can be mobilised. The World Bank have moved towards setting up these institutions in Third World financial systems by providing seed capital to establish rolling funds. With greater financial flexibility and security of tenure the lower income groups will be able to invest in the structure and upgrading of their homes. This will also stimulate building materials markets and encourage higher employment rates.

These policies adopted are compatible to a growing ideology of developed and developing countries that market exchange systems are more efficient and freedom enhancing and particularly in relation to alternative systems of allocation (political and informal), (R. Darke 1989: 7). However these views are not universal and the Bank's policies for improving land delivery systems in developing cities have equally been met with scepticism and doubt. A more left wing approach to market orientated policies are that "Markets are individualistic, undemocratic, unfair, inefficient and the source of social divisions and inequalities (Walker 1984: 20). It is feared that by legalising settlements the rapid commodification of land may lead to a social upgrading reducing rather than increasing access to land for the low income. World Bank policies could upset the delicate balance between formal and informal markets which act to maintain a system whereby interests from all social groups can operate. Therefore a policy intervening in market mechanisms needs careful application and ultimately some form of control by the state. It remains to carefully review these policies both their potentials and limitations in the evolution of a new relationship between the market, the state and the poor.

#### **CHAPTER IV: WORLD BANK POLICIES; THE FUTURE INTERACTION BETWEEN THE STATE, THE MARKET AND THE POOR**

" Social justice, urban renewal and development, the provision of decent dwellings and healthy conditions for the people can only be achieved if land is used in the interests of society as a whole"  
United Nations Conference on Human Settlements 1983.

In recent policy formulation the World Bank has clearly attempted to address the political dimensions of development with greater force. Land and housing policies which adopted a purely technocratic approach can only achieve limited success and do not confront the roots of the land crises which are deeply embedded within the structural framework of the developing city. However the urban crises has become a reality both in economic and social terms threatening the political structure in the reproduction of illegality and informality which can no longer be sustained. Large scale land invasions, informal markets and the rapid deterioration of living standards in the recession of the 1980's has highlighted the profound contradictions prevalent within capitalist accumulation . Large areas of disputed land has created a static urban physical structure inhibiting labour mobility and the movement of production proposes. which is no longer compatible to the advancement of capitalism which is constantly restructuring and remoulding the urban morphology. The potential to transform systems of land distribution to enable a more flexible and fluid delivery lies in the future interaction between the state, the market and the poor. World Bank recommendations to initiate an improved system of land control suggest that new policies have captured the approval of governments to effect a more urban based solution to the problems of providing land and housing for the urban poor. The task undertaken is quite revolutionary and involves the restructuring of

market relations with the state, not only between formal markets, but more importantly with informal markets. The future challenge remains as the merger between formal and informal in a new social and economic structure carefully mediated by the state and what appears as purely bureaucratic implementation may prove to be the basis for the reorganisation of state/society relations. This reformulation of socio-economic relationships through changing land relations requires careful evaluation to assess how the transfer of land to the poor may be practically undertaken and the likely impact on economic development and social interaction to assess how the system can improve land access to the poor. Urban land policies and the promotion of market relations supported by the Bank propose greater economic growth and a potential redistribution of resources. The role of the World Bank however is ambiguous and will be examined within the domestic political framework as well as the wider global economic system.

### **Urban Land Policy: Capturing the support of Interest Groups**

The failure of the market economy in land and housing in the development of the Third World has meant that urban development has meshed together formal and informal land relations. This relationship is no longer compatible for the economic development of services, infrastructure and investment as well as meeting social needs of security of land tenure, legislation must now occur. It is at this moment of urban crises which has formed a temporal moment of transition which allows the introduction of a new development strategy embodied in the World Bank 'Urban Management Program'. In the Program it states that "The need to increase the supply of affordable land may be self evident to the community and sometimes to the technicians, but may not be to the politicians" (Urban Management Program 1989: 40). The condensation of the needs of capital and labour alike has been the highly influential in the implementation of policy.

The process of achieving political support where resource distribution is required must take into account the multitude of existing interests in land; private, popular and most importantly political. The Bank acknowledge this and have incorporated economic and social advantages on the micro as well as the macro level within the policy recommendations. "Unless proposals take into account the multitude of existing interests in land, and in particular the motivations behind those interests all but the least radical proposals are likely to be meet approval...the task remains of devising ways to manipulate interests and values so that interest holders will find it to their benefit to act in a manner which is consistent with the sense of direction adopted for the new policy" (Urban Management Program 1989: 9).

The Urban land policy proposed by the World Bank could have substantial economic and social advantages, especially over the project approach. However the mechanism of transfer and the possible effects of such a policy must be scrutinised carefully. From an economic perspective a more freely operating market system would encourage economic growth as well as initiate a transfer of necessary resources to the poor. and it is important to see how these interest groups would potentially benefit from such proposals. On a macro economic level reduction in policies involving high subsidy levels is seen to be essential in the current economic climate. International agents especially the World Bank have recommended a revaluation of all policies which are sponsored by the state including housing projects. State expenditure on subsidies is costly to domestic budgets and introduces a malfunctioning into the market economy "creaming off important resources from other productive sectors (industrial and agricultural)", (A. Durand-Lasserve 1987: 328). This reduces capital levels for investment and may impede economic growth. Housing and associated finance is also often directly loaned from foreign and not domestic investment and can thus lead to increased debt

reservicing problems. This policy would thus be compatible to World Bank structural adjustment programs which are being strictly imposed on many Third World Governments.

State subsidies in land and housing also adversely affect private sector inhibiting capitalist opportunities and thus adversely affecting economic growth. State subsidies create elements of unfair competition within the formal market as state projects mobilise public land or artificially reducing interest rates on loans. Thus production costs are not carried through to the user undermining private sector operations and disrupting market mechanisms, substantially reducing demand in formal sector markets. This has caused economic crises within formal housing production sectors as gaps in the market have been filled by informal markets. The widening gap between formal and informal housing production costs especially in state sponsored projects have led to a social downgrading expelling the poor and reducing land accessibility to the poor. Proposals to reduce subsidies in housing projects and legalise land would therefore have significant advantages to private interests. The legalisation of informal settlements would introduce new areas of land onto the market. Increased land supply on the market may reduce relative land values and formal and informal markets would be able to compete more effectively and thus reduce rates of private speculation. It would also enable formal land developer and housing agents to regain part of the market lost to informal mechanisms generally the middle income groups and the upper low income brackets. The balance between formal and informal markets however is delicate and legalisation may disrupt this mechanism with disastrous effects which will be examined later.

It is not only the private formal housing developers which would benefit, but equally other capitalist interests especially the building materials industries and financial institutions. Once land tenure is gained, building and subsequent investment in the informal dwellings increases thus boosting the materials trade. In the capital of Burkino Faso, Ouagadougou, the city authorities granted tenure for approximately 269 lots in an 8 hectare (20 acre) upgrading scheme in the form of an indefinite lease arrangement. In the country itself per capita income was estimated to be \$410 in 1982, against residents whose investment in dwellings ranged from \$415-250 per lot during the subsequent years" (McAuslan 1985: 59). Land also acts as the basis for small loans enabling enhanced investment in the shelters and a large increase in controlled capital flow at the urban level.

Within the city itself a high level of illegally occupied land prevents the physical expansion of the city itself. Private and public agencies are unwilling to invest in services or shift production points into areas where land ownership is uncertain thus forming a belt around the city in which investment is frozen and urban development remains static. Unfortunately it is the very areas which need investment most and legalisation of land may encourage private investment in necessary public provisions in the expansion of productive forces. Legalising land becomes the basis for a more definite advancement in the role of the private sector in meeting the costs of urbanisation and is complementary to World Bank policies of redefining the role of the private sector in the provision of infrastructure and other social goods.

The World Bank proposals are also more directly aimed to help improve the living conditions of the urban poor. The transfer of land titles represents a substantial redistribution of resources with implications for benefiting the poor. Firstly settlements are granted security of tenure which is according to Turner a prerequisite for investment and users upgrading of the dwelling itself. Secondly it forms the realisation of financial and labour investments spent on the dwelling itself by the resident. Thirdly it prevents political manipulation in land as experienced in Lima which leads to the

fragmentation of the poor by cooptation of certain groups leaving protesters without land or services.

### **Restructuring the Urban Framework**

The implementation of a policy which is market orientated may not always operate to the benefit of all social groups involved and it is this perspective which becomes critical in the issue of urban land and the poor. The process of commodification of land can be dangerous if uncontrolled as it can lead to the rapid valorisation of land beyond the income levels of the poor forcing the lower income groups to relocate on cheaper land which may be at the urban periphery or alternatively to enter back into illegally occupied land. The Urban Management Program confirms that this process is a threat to the success of the land policy stating that "Original low income owner builders and renters may be forced out of the area or may chose to move as such informal areas take on the character of the formal commercial land market, speculative pressures rise and in some cases developers buy land for middle and upper income development" (Urban Management Program 1989: 37). The process of social upgrading became evident in the Nairobi Site and service project where as land titles were transferred to the poor, the inhabitants sold or rented their units to higher income groups. Later research proved that as high as 95% of the occupants were not the original occupants" (P. Baross).

The introduction of market mechanism in the area of urban land can not be freely applied, but requires economic and political parameters to balance the market between efficiency and equity. Neither the state nor the formal or informal markets can be allowed to dominate, but each one exerting a tension to ensure economic acceptability and social accessibility. The principles of the marriage between these three is based on the principles that a state of equilibrium must be found balancing the economic and social forces each exerting pressure on the urban land system. Land systems where one of these factors is dominant or imbalanced disrupts economic growth and eventually social stability. In Lima the political manipulation of land markets proved that land provides a powerful political tool and state control over urban land can lead to inequalities in land allocation and bureaucratic delays in its transfer. "Experience has suggested that the attempt to place control in the hands of a central bureaucracy tends to intensify problems of waste, delay and error by giving power to structures which have neither the competence nor the access to the information required to make timely and well judged decisions....they now emphasise the extent to which markets, by decentralising decisions to local actors, maximise the use of the information which actually exists at the point where crucial decisions actually have to be made" (Brett 1987: 33). The suppression of market mechanisms by state control of land delivery systems creates a monopoly, "The opposite to markets is not planning, but monopoly, and monopoly is the surest agent of parasitism and inequality", (J. S Mill 1906).

World Bank policy address this political challenge by introducing a more comprehensive land development policy which relies more on market mechanisms and the transfer of land from illegality and state control to the market. However it is the balance between formal and informal markets which forms the key to market control over land delivery. The acceleration of formal land markets in an urban economy can act to isolate the poor further by speculating previously informal land raising land values and reducing accessibility to the urban poor. The concentration of formal land agents can co-operate to crush smaller firms eroding the market position for other operator to constantly expand their span of control. Brett comments on the effects of dominant agents in the land market that "Since this power derives form the state, the mere fact or privatisation will not solve the



problem of control over its exploitation, it may do no more than transfer monopoly rents from the bureaucrats to the private capitalists" (Brett 1987: 33).

The solution lies in the careful mediation between of the market between formal and informal operators. The duality of the land market assures economic growth through formal profit making investments, but also the preservation of small informal markets operating within the settlements acts to maintain agents and practices through which the low income can operate in the land and housing markets. The informal markets act as an intermediary in the process of land valorisation slowing down the process to ensure a more "Slow-Motion Commodification". This acts to protect low income families from rapid acceleration of land values therefore maintaining accessibility to land..

The imbalance of these two markets has been witnessed in the land legalisation process in Turkey. In 1966 the Gecekondu Law in Turkey granted security of tenure to upgraded settlements, services were also provided and credit was given to cooperatives. However as settlements were legalised in a piecemeal approach high value land areas experienced the imposition of rapid valorisation of land and speculation within the settlements. Where households had received full deeds, prices rose and these areas quickly became middle income areas. This had a domino effects even on land without title which rose rapidly in value in anticipation of title being granted creating a scarcity of land available to the poor (Urban Land Management 1989: 36). Payne discusses the delicate balance between the two markets from his observations in Ankura stating that "During the period when land both in the private freehold and Gecekondu markets had been adequate to meet the supply the two had existed as distinct and separate entities; the former was priced according to its location while the latter was distributed largely through a network of personal contacts, with increasing pressure on land in both markets, emlakies quickly formed ways of acquiring land originally settled by Gecekondus and developed it for the middle and upper income groups" (G. Payne 1984: 27). The division between the two markets is fragile and the implementation of inappropriate policy can stimulate processes which can lead to imbalance and consequences that are socially damaging. However the correct co-ordination between market mechanisms in the process of land legalisation can lead to a substantial valorisation of assets for the low income groups. In the Philippines the gradual transfer of land rights to the poor dramatically prompted large spending by the residents and premiums on housing rose between 20-25% on rented property and 25-60% for owner occupiers, (Jimenez 1984).

Land and the process of commodification can not be divorced, only controlled by regulating the implementation of policy, economically, spatially and over time but most importantly through political intervention. Economically there are certain economic principles which control the parameters of formal sector operations. Markets are fundamentally controlled through economic principles thus in an open market situation formal land markets will abandon social objectives for economic logic concentrating on maximising profits. Therefore the operations of the formal markets will remain with the higher income groups regaining some the upper strata of the informal market, but basically dealing with high cost developments.stimulating economic growth However the intervention of the state in the process of land transfer is vital to maintaining the crucial balance between economic growth and social goals. This leads ironically not to a reduction in state intervention, but perhaps an enhancement of it as the state must act to regulate to conflicts of interests represented in this shifting between markets."To decide on public policies for housing low income groups simply by observing market signals would be a questionable decision in economic terms, but in social terms it would be devastating" (A. Durrand-Lasserve 1987: 336). The state must intervene in the timing and spatial application of policy as well as incorporating informal mechanisms into the future development of urban land and housing for the poorer sectors of society.

The state is the only institution which is capable of controlling private power and ensuring that it is exercised in a manner which safeguards the interests of the community as a whole and the reproduction of the capitalist system. "Without adequate political intervention market forces are bound to generate inequalities, dislocations and exploitations which will have devastating effects on the integrity of society as a whole" (Brett 1987: 37). It is the development of the state in the reevaluation of its role in which the real progression takes place and it is this evolution of responsiveness to the needs of the poor which leads to the fundamental transformation in state / society relations. It is at this moment of political transition in which the World bank policies can make their most substantial achievement whereby a redistribution of resources takes place, but there is a potential for a new more direct channel for proper negotiation and understanding between the state and the poor.

The role of the World Bank remains ambiguous in the development process of the Third World. World Bank policies have concentrated on consumption orientated projects facilitating a redistribution of socially necessary goods such as housing land health and education, while the inequalities inherent in wage structures remain deeply embedded in the production process have largely been ignored. A new form of duality emerges which is more deeply rooted in the process of capitalist accumulation itself, that of the contradiction between urban consumption and production processes. As governments intervene to meet social demands of the popular, production processes remain static, trapped in economic structures controlled by national and international capitals in a relationship of dependency which perpetuates structures of minimal wages, underemployment and unemployment. This creates a fundamental dislocation between consumption and production processes as market forces controlling land prices operates in complete isolation from those determining wage levels.

The inherent contradictions in the developing urban structure are the fundamental basis of class struggle materialising in social unrest and increased violence. It is at this point that the World Bank intervenes in an ambiguous role of development and poverty alleviation while acting to social stability to protect production structures and foreign markets. The future development of capitalism in developing cities will depend on the restructuring of both consumption and production spheres which is inevitably determined by the interactions between the developed and developing world. The future development will depend on the ability of institutions such as the World Bank to act as a mediator between the two in both negotiation and confrontation in a process of capitalist restructuring not simply within the urban sphere, but equally within global power relations.

## CONCLUSIONS

Land forms the basis of social struggle in the development of capitalism. The rise of capitalist production emphasises the economic, social and political importance that land embodies as a fundamental means of production and therefore power. In the urban arena these struggles are intensified as demands for land increase experienced in violent contradiction in the developing World. The complete dislocation of wage levels and land prices led to the growth of illegal land invasion and the development of informal markets.

The perpetuation of illegality has engaged the developing urban system into a static and rigid form whereby the processes of land development through exchange have failed. However capitalist development is a dynamic process constantly reformulating and remoulding social and economic relations into new physical forms. The disruption of this phenomena has resulted not only in economic stagnation, but a deterioration of social conditions as investment and growth in labour has been trapped in an economy which has become incarcerated in a locked urban structure. The implementation of land policy to revert illegality has been a policy of prime importance in the international agenda for the Third World. The World Bank has made land a principle consideration in stimulating urban production and has used the land legalisation system to alleviate the housing crises as well as a catalyst for economic development.

The success of the policy relies heavily on the political interaction and reformulation of relations between the state, the formal and informal markets not only in land but in the economy as a whole. For despite World Bank policy the issue of land remains immersed in conflicts between urban interests and social groups which can only hope to be resolved by the state and the market, operating in both a cohesive and confrontational state to balance the market between efficiency and equity "The separation of the elements of state and market is not only inadequate social science, but disastrous policy prescription in the real world" (Brett 1987: 37).

Ultimately any adjustment in the social process must start and finish with the political process, both in a national and in a global context. The future development of the Third World city depends on the progression of production for a greater equity and compatibility between consumption and production processes. The World Bank which has been instrumental in the development of positive ideologies in restructuring consumption in the Third World must now operate in developing systems of production which can support the social advancement of labour and the restructuring of consumption processes already taking place. However the challenge for developing countries through agencies such as the World Bank is not just the mediation of domestic urban markets of consumption, but the strength and power to negotiate and confront the economic issue in the dynamic climate of global markets to redress the development dichotomy whose resolution is critical to the advancement of the global capitalist system as a whole.