Chapter 5

Choices and decisions: Locating the poor in urban land markets

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There is a reason why people live in the slum. You look for somewhere where you can live comfortably. Some people were born here and so this is home. There are people who have stayed here even if their life has improved; they find it is a place where they can do business. Maybe they have children and they want them to go to school. Staying in the slum makes it possible to realise some of these dreams. We make choices to live here. (Millicent Auma Otieno, Kibera resident and founder of Kibera Women’s Self Help)

World cities face a bleak future. Global capital, state failure, structural adjustment programmes (SAPs) and a misguided non-profit sector collude to create a world of ‘megaslums’ which are ‘characterised by overcrowding, poor or informal housing, inadequate access
to safe water and sanitation, and insecurity of tenure’ (Davis 2006: 22). Davis argues that slums are the product of structural processes in cities whose growth is ‘driven by the reproduction of poverty, not by the supply of jobs’ (ibid.: 16). In trying to understand growing poverty in the global economy, leading economist Dani Rodrik contends that the increasing asymmetry between capital and labour values, the decoupling of markets and regulatory institutions, and growing informalisation of work is leading to high levels of inequality and poverty within developing countries and between developing and developed economies (Rodrik 2012).

Cities of the future, rather than being made out of glass and steel as envisioned by earlier generations of urbanists, are instead largely constructed out of crude brick, straw, recycled plastic, cement blocks and scrap wood. Instead of cities of light soaring toward heaven, much of the twenty-first-century urban world squats in squalour, surrounded by pollution, excrement, and decay. (Davis 2006: 16)

These analyses provide powerful explanatory frameworks for understanding, at least in part, why growing African cities are reproducing poverty and why the nature of their growth is characterised by informality.

But while structural analysis provides a comprehensive understanding of the scale and nature of the challenges facing cities of the south, particularly the problem of slums or unauthorised settlements, it does not delve into how people live in those slums: how they access shelter, food, land and economic opportunities, and the ways in which they resist, manipulate or undermine government policies and participate in the economy. In fact much of the literature on urbanisation in Africa tends to see informality and the growth of slums as a crisis resulting from uncontrolled or disorderly urbanisation. Poor governance, ineffective urban policies, and weak economies are blamed for the proliferation of large tracts of impoverished urban spaces (Halfani 1997, McCarney 1996). Although broad economic and political forces undoubtedly shape
the nature of urban relationships that create the cities we have today, seeing urbanisation solely through a structural lens blinds us to the ways in which ordinary urban dwellers respond to governance frameworks and economic barriers. As Lindell points out:

An exclusive focus on the relations between civil groups and the state seems to be insufficient to capture the complexity of governance in African cities today. It runs the danger of rendering invisible the relations and processes of governance taking place outside the institutions of government and, consequently, the highly complex patterns of urban politics to which they give rise. (Lindell 2008: 1882)

By looking at the nature of land governance and economic forces, as well as the ways in which urban dwellers overcome or manipulate these to access and secure urban land, this book provides a holistic approach to interrogating urbanisation more generally and land markets in particular. In Africa access to markets in registered urban land is highly unequal. As discussed in Chapter 1, more than 50 per cent of urban dwellers on the continent live in informal settlements (Kessides 2006), where the majority lack access to adequate shelter, water and sanitation, and security of tenure.

Using an approach that acknowledges the importance of both structure and agency, Urban LandMark has, over a period of seven years, explored the structural processes, governance policies and market conditions that shape urban habitats in southern Africa. Empirically grounded evidence from across the region lays bare how urban dwellers make decisions around land, devise mechanisms for securing land, and access basic services within a context of insecure tenure (see Chapter 3). This brings together a ‘top down’ and ‘bottom up’ approach to urban land processes in southern Africa and views urban land markets as urban spaces that are shaped, not only by prevailing economic and political forces, but also by people’s local practices. In other words it looks not only at how markets and state policies shape urban dwellers’ decisions around land, but also how, through their actions poor people impact
on broad political and economic processes. This makes it possible to recalibrate the understanding of urban land economies and governance, and to propose empirically-grounded recommendations likely to make urban land markets work better for people in poor communities. By exploring the intersection of structure and agency in some of Africa’s urban land markets, the balance between the constraints of context, and the opportunities and choices inhabitants can exercise in that context, this book presents an analysis of how the state and markets can produce more equitable, inclusive land policies and practices.

Using urban land markets as the entry point, the chapters in this book explore how people living in informal settlements with weak security of tenure interact with the state, urban policies, regulatory frameworks, the economy and urban land (Chapter 3). They outline the dynamics of the land economy in African cities and the nature of land governance (Chapter 4). By knitting together political and economic forces with local land practices, it becomes possible to show how ordinary urban dwellers gain a foothold in the city and to see how their land practices are generated by poorly designed governance systems, which create precarious yet enduring local regulatory systems. The empirical evidence shows people in poor communities make rational market decisions even in the context of insecure tenure, and how the categories of ‘formal’ and ‘informal’ make little sense in contemporary urban land markets. Although the work interrogates local land practices, it is careful not to romanticise the actions of ‘the poor’, recognising that structural barriers continue to play a significant role in land (in)security for the majority of urban dwellers.

Davis (2006) warns of the dangers of being too optimistic about the informal sector, contending that seeing slums as stepping stones towards upward social mobility is unrealistic.

Urban LandMark’s approach strikes a balance. It recognises both the opportunities and barriers experienced by households living in slums. It also acknowledges that there are varying degrees of vulnerability among slum dwellers. As Millicent shows in the opening quote of this chapter, slums can be stepping stones for some households in the city. While slums are problematic in many ways,
they also present opportunities for both urban dwellers and policy makers to build a more stable foundation for the realisation of progressive rights to urban assets and, by extension, to sustainable livelihoods. These opportunities can be exploited by changing the way in which land tenure and rights in cities, markets and governance are understood.

Chapter 1 argues that understanding and intervening in predominantly poor and very unequal cities in Africa depends on having the tools to view land and markets differently. This involves seeing urban growth, slum formation, and income/spatial mobility from the perspective of the most vulnerable. Highlighting the land practices of those living on the city’s margins, and exploring the nature and character of their participation in the urban land market, as well as their engagement with regulatory frameworks, reconfigures how land markets in African cities can be understood. Rather than simply providing a descriptive account of urban land markets in slums, the research has sought to answer broader questions about African cities. Not only does it detail how the urban poor access, secure and transact land in the city (see Chapters 1 and 3), but it explores how these local practices impact upon broader governance and economic debates and socio-spatial geographies (Chapters 2

**FIGURE 3** African urban economic inequalities – income-based coefficients

Source: UN-HABITAT, GUO database
and 4). In other words, taking into account how people devise and adapt their own regulatory systems around securing, buying and mediating land conflicts, changes the perspective on governance, the economy, and those who are labelled ‘the poor’.

This journey of gathering evidence, engaging role players and stakeholders, and examining urban land markets must also alter or shift the objective of ‘making markets work better for the poor’. The research shows that ordinary city dwellers have generated mechanisms to engage markets in the face of market asymmetries, barriers to entry, and the absence of adequate legal land supply mechanisms. However precarious these market engagements are, they point to the agency of people living in contexts of land insecurity and poverty. While livelihoods or assets that do not have effective rights can by no means be regarded as sustainable in the long-term, they act as a buffer to poverty in the short- to medium-term. Empirically grounded experiences not only challenge conventional responses to urban land tenure and governance; they also present alternatives for more equitable, secure and inclusive land markets in Africa’s cities. Indeed, Chapter 3 calls for multiplying the routes into official recognition, which in turn increases prospects for a wider access to investment. Recognising the local practices in land accessing, holding and trading that already exist presents an alternative to developing new programmes, policy interventions and market mechanisms that multiply supply channels. Reducing resistance to and increasing recognition of such local practices widens the options for supporting urban residents in their own efforts to gradually improve and consolidate their urban access.

The consequences of unequal land markets

Chapters 1 to 4 show that African cities are growing at a rate that far outpaces the provision of urban services and the increases in employment and income presented by economic growth.

On average African cities exhibit the highest inequalities in the world, both individually (where city-specific data is available) and collectively (where Gini coefficients are available only for rural and
urban areas). Many African cities can be found in the very high and extremely high inequality brackets (UN-Habitat 2010:25).

UN-Habitat’s *The State of African Cities 2010* report states that ‘African cities on average exhibit the highest inequalities in the world’ (UN-Habitat 2010:25). Of those that were measured in the graph above, South African cities had the largest income inequalities, although there is evidence to suggest that cities like Luanda experience significantly high inequalities as well (Cain 2013).

Much of this inequality manifests in the way land is distributed. Indeed, access to well-located, serviced, affordable and secure land in cities is highly skewed, with wealthy populations having disproportionate control over land resources. As early as 1996 there was recognition that ‘illegal or informal land markets have provided the land sites for most additions to the housing stock in most cities of the South over the last 30 or 40 years’ (UNCHS 1996:239). As shown in Table 2, land inequalities are on the increase as growing cities display larger disparities between wealthy and poor populations. This book argues that these inequalities are a result of:

- historically skewed patterns of land ownership;
- inequality of economic opportunities and market access;
- weak and non-tradable land rights;
- poor governance and state regulation; and
- a lack of political ‘voice’.

A 2010 World Bank study on land illustrates the nature of land inequalities in Africa. Using two indicators – the availability of land information, and access to land – the results show the significant disparities in urban land markets. Table 2 shows that in southern Africa, for example, the availability of land information in major cities is 75.5, but the measure of the accessibility of land information is only 37.26, implying that the number of people who have access to available information about land is significantly lower. When compared to other parts of the continent, the gap between available information in land and its accessibility is highest in southern Africa. These market asymmetries no doubt impact disproportionately on poor people.
### TABLE 2 Availability and accessibility of land information in southern Africa (based on main cities) (100 = fully available or fully accessible)

<table>
<thead>
<tr>
<th>Country</th>
<th>Availability of Land Information Index</th>
<th>Accessibility of Land Information Index</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Southern Africa</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Angola</td>
<td>60.0</td>
<td>36.8</td>
</tr>
<tr>
<td>Mozambique</td>
<td>62.5</td>
<td>33.3</td>
</tr>
<tr>
<td>South Africa</td>
<td>85.0</td>
<td>47.4</td>
</tr>
<tr>
<td>Zambia</td>
<td>75.0</td>
<td>37.5</td>
</tr>
<tr>
<td>Regional Average</td>
<td>75.5</td>
<td>37.26</td>
</tr>
<tr>
<td><strong>Eastern Africa</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethiopia</td>
<td>2.5</td>
<td>0.0</td>
</tr>
<tr>
<td>Kenya</td>
<td>85.0</td>
<td>22.2</td>
</tr>
<tr>
<td>Tanzania</td>
<td>62.5</td>
<td>36.8</td>
</tr>
<tr>
<td>Uganda</td>
<td>77.5</td>
<td>25.0</td>
</tr>
<tr>
<td>Rwanda</td>
<td>50.0</td>
<td>38.5</td>
</tr>
<tr>
<td>Sudan</td>
<td>30.0</td>
<td>30.8</td>
</tr>
<tr>
<td>Regional Average (without Ethiopia)</td>
<td>51.25 (61.0)</td>
<td>26.88 (32.26)</td>
</tr>
<tr>
<td><strong>Western Africa</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Burkino Faso</td>
<td>50.0</td>
<td>31.6</td>
</tr>
<tr>
<td>Cameroon</td>
<td>55.0</td>
<td>52.6</td>
</tr>
<tr>
<td>Ivory Coast</td>
<td>75.0</td>
<td>47.4</td>
</tr>
<tr>
<td>Ghana</td>
<td>85.0</td>
<td>30.0</td>
</tr>
<tr>
<td>Liberia</td>
<td>15.0</td>
<td>28.6</td>
</tr>
<tr>
<td>Mali</td>
<td>5.0</td>
<td>28.6</td>
</tr>
<tr>
<td>Nigeria</td>
<td>67.5</td>
<td>50.0</td>
</tr>
<tr>
<td>Senegal</td>
<td>75.0</td>
<td>50.0</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>30.0</td>
<td>26.3</td>
</tr>
<tr>
<td>Regional Average</td>
<td>50.8</td>
<td>38.3</td>
</tr>
<tr>
<td><strong>Sub-Saharan Average</strong></td>
<td>58.5</td>
<td>41.3</td>
</tr>
<tr>
<td><strong>Global Average</strong></td>
<td>70.6</td>
<td>33.9</td>
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</tbody>
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*Source: Compiled and calculated from Investing Across Borders 2010: 82-168, World Bank, Washington DC*

As is outlined in Chapters 1 and 2, the characteristics of land as a resource present unique challenges and opportunities in addressing its fair distribution in society. The fact that land is physically finite, not moveable and is implicated in cultural, social and political processes implies that it differs from other factors of production. It is precisely because of its unique character that the challenges which
growing cities present for land urgently need to be addressed. With increasing pressure on land, high levels of competition could be a source of political and social instability; the ways in which cities address the land question thus has a bearing on their future social, economic and political sustainability.

Moreover, there is a convincing market argument for addressing the political economy of land. Inequality is not good for social security or the economy. Studies have shown that more egalitarian societies have stronger and more productive markets.

When personal and property rights are enforced only selectively, when budgetary allocations benefit mainly the politically influential, and when the distribution of public services favours the wealthy, both middle and poorer groups end up with unexploited talent. Society, as a whole, is then likely to be more inefficient and to miss out on opportunities for innovation and investment (World Bank 2005:2).

Insecurity is bad for markets because it reduces investments and savings, both of which are essential factors for economic growth. Land is not just the hardware on which economic activities take place; it is shaped by the ‘software’ of politics, social conditions and cultural norms. It is not possible to talk about urban land markets without looking at power and inequality, social stratification and the means by which some social classes dominate others. As Sen (1999) argues, there is something fundamentally wrong, even immoral, with social inequality. And the growth of African cities, with an expanding gap between an elite minority and a poor majority, is resulting in precarious and unpredictable urban forms with highly uncertain futures. This urban trajectory implies not only chronic and endemic poverty, but also spatial vulnerability arising from weak or absent urban planning.

Towards an equitable urban land development agenda

The development debate has evolved significantly since ‘the stages of growth’ model popularised by economic historian Rostow in the 1950s and 1960s (Rostow 1971). With a significant influence on
development institutions and thinking at the time, he argued that all societies passed through similar development phases, moving from ‘traditional societies’ to economies of ‘high mass consumption’ (ibid.). For Rostow, the propelling forces behind the transition from traditional to modern societies are the levels of investment and consumption. The greater the investment and consumption, the more likely a society is to move towards modernisation. This linear model of development, translated into theories of urbanisation, characterises urban development as an evolutionary process and suggests that the trajectory from ‘Third World’ to ‘First World’ city could be realised with the right economic policies and investments.

Indeed, an integral part of the case for developing strong markets is the transformation from ‘traditional’ to ‘modern’ society through people’s necessary alienation from their traditional socio-cultural institutions:

> Economic development of an underdeveloped people by themselves is not compatible with the maintenance of their traditional customs and mores. A break with the latter is a prerequisite to economic progress. What is needed is a revolution in the totality of social, cultural and religious institutions and habits, and thus in their psychological attitude, their philosophy and way of life. What is, therefore, required amounts in reality to social disorganisation. Unhappiness and discontentment in the sense of wanting more than is obtainable at any moment is to be generated. The suffering and dislocation that may be caused in the process may be objectionable, but it appears to be the price that has to be paid for economic development; the condition of economic progress. (Sadie cited in Berthoud 2003: 73)

Similarly, in his influential book *The Great Transformation* (1944), economic historian Karl Polanyi makes the point that one of the significant markers of modern society is the separation of the economy from the moral, customary and religious rules that governed
pre-modern societies. Pre-modern economic behaviour was embedded in social rules. ‘Custom, law, magic and religion cooperated in inducing the individual to comply with rules of behaviour, which, eventually ensured his functioning in the economic system’ (Polanyi 1944: 55). The ascendancy of markets, and their separation from social rules, was considered a fundamental component of modernisation. For this to occur, a certain kind of alienation from cultural ties and social relationships was deemed necessary. Neo-classical economists argue that one of the defining characters of a market is the ability of strangers to transact at ‘arms’ length’. Conversely, markets bound by social norms and relationships are considered inefficient because individual behaviour is encumbered by ‘irrational’ socio-cultural norms and values.

This book debunks the myth that there are fundamentally different urban land systems in operation, where ‘the poor’ barter for space in some kind of pre-capitalist economy applying some inscrutable neo-customary rationality. It contests the notion that the market in formally registered goods functions separately and more equitably to create and build wealth. Although socially dominated markets, where social ties and values are significant in the transaction and regulation of land, are indeed different from ‘financially’ dominated markets, where the price of the commodity dominates choice, the sub-sectors of the market in urban space are deeply intertwined. There is a tendency in policy circles and urban scholarship to conflate ‘informality’ with an urban crisis brought on largely because of the inability of cities to cope with the ever-increasing demand for services, employment, land and housing. The option for many urban dwellers has been to seek these outside formal state-regulated areas and in the informal sector. In South Africa, the association of informality with crisis was crystallised in the ‘first’ and ‘second’ economy debate sparked by former president Thabo Mbeki. Mbeki distinguished between an impoverished and underdeveloped second economy, and a thriving and growing first economy:

As we have asserted, success in the growth of our economy should be measured not merely in terms
of the returns that accrue to investors or the job opportunities to those with skills. Rather, it should also manifest in the extent to which the marginalised in the wilderness of the Second Economy are included and are at least afforded sustainable livelihoods. South Africa belongs to them too, and none of us can in good conscience claim to be at ease before this becomes and is seen to become a reality. (Mbeki 2005)

The speech led to debates among leading South African institutions like The Presidency, the Department of Human Settlements, and the Development Bank of Southern Africa, among others, which saw the second economy as the arena of poverty, exploitation, under-development and unemployment in contrast to the first economy as characterised by growth, employment and prosperity. The governance impulse was to incorporate the informal economy into the formal one. This tendency to create binaries between the formal and informal city, activities and economy is evident in urban literature. While binaries do have descriptive power to broadly characterise differences in lived realities, they have led to the false conclusion (as in this case of the two economies) that poor people are somehow only victims of structural form, and lacking in agency. The solution this prompts is that the formal system somehow expands in its current form, without alteration. The reality is that the bulk of new growth in African cities is being shaped by the agency of the poor, and that the imported systems of planning and land tenure are largely incapable of responding to these developments.

This book contests ideas that the poor have their own ‘separate’ land economy. It rejects the idea that their transactions, typically in the arena where state regulation is not strong, do not follow a logic similar to those in formal land management systems and thus should be treated differently. Instead it argues that economic behaviour in the so-called formal and informal sectors is embedded in social and institutional contexts – what Mark Granovetter calls, ‘the embeddedness of economic behaviour’ (Granovetter 1985: 482). All economic behaviour, he argues, is bound by social and institu-
tional rules. As such, individuals’ decisions in socially and financially dominated economies are influenced by rational individual economic actions, and by the beliefs, value systems and social institutions in which they are located. In Mozambique there is little difference in the family networks that assist one of their members to obtain access to a piece of land in peri-urban Maputo, and an ‘old boys’ network’ that uses its contacts to buy a building in the city. The only difference is the legality of the transaction: the transaction in the city has legally defensible rights, while, technically, the transaction on its periphery has none. In the city transaction the costs of legally transacting, of licencing and of maintaining and defending rights are intentionally or unintentionally set so high that any rational individual would choose to remain in the system on the periphery until the demonstrable benefits of registration make more sense.

Shifts in development debates

It is easy to see why economists have dominated development debates since the 1950s, and why their arguments remain compelling today. Economistic models offered irresistibly simple measurements of, and solutions to, development. Development was synonymous to economic growth, and measures such as the Gross Domestic Product (GDP) became seductive in their ability to compare and rank country economies, and present blueprint solutions to underdevelopment. But the idea that development is solely about levels of income and consumption has met with resistance. Even as early as 1962, the Economic and Social Council of the United Nations (ECOSOC) recognised that economic growth could not be separated from social change. ‘The key concept (of development) must be improved quality of people’s lives’, the report Proposals for Action of the First UN Decade of Development 1960–1970 declared (cited in Esteva 2003:13). With the focus on ‘human-centred’ and ‘basic needs’ development, development thinking in the 1970s recognised the need for the social upliftment of those left behind by economic growth. Indeed, the development of the Human Development Index (HDI),
a composite measure of human development that includes literacy, mortality rates, etc. makes an attempt to capture the multiple facets of human development. But the welfare and safety net responses did little to shift the idea that economic growth was about incomes and consumption levels. As such, poverty remained an ‘add on’ within the broader pursuit of increasing GDPs and income per capita figures (Moser 2005).

By the beginning of the 21st century, the challenge to income measures of development had begun to consolidate around a new development agenda (see Sen 1999, Nussbaum 2006 and 2011, Moser 2005). The failure of income transfers and the provision of social services to address poverty and inequality led to what many term the ‘New Poverty Agenda’. Nobel prize-winning economist Amartya Sen’s thesis that development should focus not on outcomes (incomes), but on people’s capabilities to lead the life they value and have reason to value (Sen 1999), laid the foundation for the decade ahead. ‘Sen and I argue’, Nussbaum writes, ‘that if we ask not about GNP only, but about what people are actually able to do and to be, we come much closer to understanding the barriers societies have erected against full justice for women and the poor’ (Nussbaum 2006:48). Consequently, there has been a shift from the hard-edged structural adjustment and free market arguments of the 1980s and 1990s, to a concern that development needs to be about social issues – democracy, equitable sustainable development and livelihoods (Hagen 2003). ‘The traditional view of relying on sound macro-economic policies and free markets for development must be augmented by a commitment to the mechanisms of voice’ (Rodrik 2012).

If previous decades focused on what poor households lacked in income, the new poverty agenda’s focus is on people’s livelihoods rather than national economies. This turned the spotlight on poor communities, and how they survive structural socio-economic processes, and what capabilities they require for upward social mobility. Rather than seeing poverty primarily as deprivation, advocates of the new poverty agenda seek to understand the nature of poverty through existing human capabilities and assets – that is, through the potential of what poor communities have, not what they
lack (Sen 1999 and 2000, Nussbaum 2006). Thus the long-term path out of poverty requires poor households to make investments in ways that build their capital assets such as land, education, social networks and so on (Moser 2005). Indeed, the 2002 Johannesburg Summit on Sustainable Development pointed to an international commitment to social aspects of development with an emphasis on community-driven development, empowerment and good governance. Even the World Bank's World Development Report 2006 concedes that inequality cannot be addressed by looking only at income inequality. Rather, power relationships, political voice and democracy need to be addressed in order to enhance households' capabilities for upward social mobility:

> concern with equality of opportunity implies that public action should focus on the distributions of assets, economic opportunities, and political voice, rather than directly on inequality in incomes. (World Bank 2005:3)

This understanding of what it would take to move populations out of poverty had a significant influence on land debates. As Chapter 1 shows, much of the debate on land has tended to focus on rural areas. The question of rural land – security, production, redistribution, socio-cultural value – has diverted attention from urban land issues. Although the issue of urban land inequality is gaining importance as urban populations increase, the focus on urban land in Africa is a recent phenomenon in development debates (see Rakodi & Leduka 2003, whose groundbreaking work shed light on how urban dwellers access land in Africa's cities).

For the most part, where urban land is discussed, the focus has been on the growth of slums and the failure of state policies and governance to regulate urban growth, and invest in basic urban infrastructure. The result, as Davis (2006) aptly points out, is the production of habitats with little or no access to basic shelter, water or sanitation. While the role of the state in managing, adjudicating and determining land regulations is important, much of the discussion highlights state failure and the concomitant market
dysfunction, without understanding how those who live in slums and informal settlements make decisions about land and location in the cities. The actions of ordinary urban dwellers, the ways they manipulate, undermine and succumb to land market barriers and state regulations, are obscured in debates that centre on structural explanatory frameworks. Indeed, part of ‘seeing’ the urban land market differently implies gaining an understanding of how markets work ‘from below’. This recasts common understandings of governance and markets by taking into account both structural processes and local practice as co-creators of land governance and economic development. The next step is to explore how existing, often intransigent, formal systems can be made more responsive so as to recognise, incorporate and codify local practices with the intention of land regulations becoming supportive and reflective rather than merely imposed and expensive.

Alongside the focus on people’s capabilities and assets, another idea was beginning to crystallise around the role of markets in development. After long-led disillusionment with ‘trickle-down’ economics, there seemed to be growing consensus among international financial institutions and bilateral donors that markets are an important mechanism for the distribution of opportunities and wealth. The World Bank’s World Development Report 2006, puts it this way:

> When markets are missing or imperfect, the distributions of wealth and power affect the allocation of investment opportunities. Correcting the market failures is the ideal response; where this is not feasible, or far too costly, some forms of redistribution of access to services, assets, or political influence – can increase economic efficiency. (World Bank 2006: 2)

Similarly, the UK’s Department for International Development’s (DFID), ‘making markets work for the poor’ (M4P) programme, provided a platform to reintroduce the market into poverty debates. For M4P advocates, the problem is not the market per se, but the poor’s exclusion from it. As such, with the right kind of access to
markets, poor households can participate in the economy in ways that build their asset base and reduce their vulnerability to poverty (DFID 2005).

Both the conceptions of understanding poor people’s capabilities and assets, and the idea that markets, if well regulated and governed, can be used as mechanisms for the fair distribution of wealth, have influenced Urban LandMark’s work over the last seven years. The research has explored these capabilities, showing how poor people access secure and transact land to which, according to the law at least, they have no defensible rights. Understanding the household and community capabilities of the poor makes it possible to see their vulnerabilities, build on what they already do to secure their livelihoods, and strengthen the areas in which they are vulnerable – their effective rights, participation and economic opportunities and market access. Having a better understanding of local contexts and agency makes it possible to build on how markets are already working, scale up opportunities for wealth creation across growing cities, and establish institutions which are more responsive and which reflect rather than oppose local systems of governance and conceptions of land use and ownership.

**Recommendations for practice**

Policies can contribute to the move from an ‘inequality trap’ to a virtuous circle of equity and growth by levelling the playing field – through greater investment in the human resources of the poorest; greater and more equal access to public services and information; guarantees on property rights for all; and greater fairness in markets. But policies to level the economic playing field face big challenges. There is unequal capacity to influence the policy agenda: the interests of the disenfranchised may never be voiced or represented (World Bank 2005:3).

This book is concerned with how local land practices, land governance and land markets interact to shape the ways in which those at society’s margins access land in order to build their livelihoods. It concludes that the problem is not with markets per se, but
in the unequal ways in which they are structured. Polanyi (1944) points out that we should ‘re-embed the economy in society’. This underpins the case for more inclusive urban land markets, not only for ethical or ‘feel good’ reasons, but because it makes economic sense.

Chapter 2 is based on the premise that development should be about enhancing people’s capabilities. This involves creating opportunities for investment because, firstly, it creates value, and secondly, it creates a legitimate claim to the value that is created – people become shareholders in urban space and an entry point is created to access the city’s resource base. Many different investment opportunities should be created (individual, household, community, corporation etc.) so as to address inequality, draw on as many resources as possible, and to take advantage of local entrepreneurship and knowledge. As transactions are critical to the investment process, markets, under the right circumstances, can play an important role in enhancing capabilities.

Given the asymmetries in accessing markets, both the state and civil society play a significant role in ensuring more inclusive cities. The task ahead for creating equitable urban land markets is difficult, but it is not insurmountable if we consider the following actions:

**A global urban land markets agenda**

1. Mainstream urban land markets across a variety of development sectors and agendas such as housing, infrastructure development, poverty reduction, livelihoods, etc.
2. Mainstream urban land issues across a range of multilateral, bilateral and government institutions operating in African cities.
3. Develop land tools which are based on empirical data and sensitive to the contexts of poor people and communities. Create environments that empower the poor to participate and protect their position in the land and other property markets.
Governance and urban land markets

1. Improve the governance of urban land markets. This is a long-term project in which the risks arising from quick-fix interventions outweigh the benefits.
2. While the comprehensive overhaul of existing regulatory systems is unlikely given limited resources and possible political resistance, incremental improvements in regulation, taxation and management of urban land are needed, always with a view to the individual and cumulative impacts on (urban land) markets.

Understanding urban land markets in Africa

1. Increase efforts to understand how markets work. This will assist in the identification of inefficiencies and barriers that make markets exclusionary, and will highlight local innovative practices and processes that could be applied more broadly to make markets achieve better developmental outcomes.
2. Increase efforts to make markets more efficient by *inter alia* improving market information and data (e.g. affordable land and housing data centre) and removing barriers to entry and exit (e.g. by reducing unnecessary regulations/restrictions [building codes, sale restrictions] and lowering transaction costs).
3. Package public investment to create locations that are conducive to investment.

Towards more equitable land tenure

1. Strengthen the supply of urban land and development opportunities. All urban land market governance interventions must be assessed primarily in terms of whether or not they strengthen the supply of these opportunities.
2. Build the capacity and power of poor people to effectively demand urban land tenure and development opportunities through strengthening local institutions and incrementally building rights.
3. Carry out urban land market impact assessments when developing new urban land market interventions.
If the action plan is to have an effect, and there is to be any chance of systemic change in the urban land sector, more agencies need to join the endeavour. University centres, government support agencies, think tanks, professional organisations, community-based organisations, and non-governmental organisations can all work to deepen the evidence base and advocate for change. Evidence, which reveals how markets work from the bottom up, becomes the reference material for new ways of making decisions around urban interventions.

In addition, practitioners on the ground should demonstrate changes in practice, especially in the field of slum upgrading and the release of state land ahead of growth rather than after urbanisation has already happened.

For countries facing what can seem an insurmountable task of improving land governance and markets systems, it is worth noting that certain foundational elements can be put in place over the medium to long term. The work on accessing land markets has shown that it is not a matter of choosing whether to improve land rights or to work on property rights and market functionality, but that they are interconnected. Actions can be initiated on all fronts. This leads to an understanding that building access to markets from the bottom up can work, as countries build and strengthen the layers needed to make the whole system work. The diagram on page 111 serves to illustrate these layers or foundations for a functional and accessible land market.

The system works better if human rights and then property rights are in place. Land needs to be well administered and managed for the public good and to stimulate investment at all levels. Market interventions to lower barriers to entry and the costs of transactions are more effective with the rights-base and the good governance in place. The physical urban geography is the setting in which this all plays out, making a difference to how places are made and shaped. This book argues that more equal access to this system can lead to improved livelihoods and open the doors to more of the benefits of urban life.
Foundations for a functional land market

Trading places

*Trading Places* recognises that the poor are highly active in the land market and that the prospects for change depend on taking their perspective into account. *Trading Places* also implies that there is an urgent need to address unequal access to land and property. This book offers the reader the opportunity to trade places by looking at the challenge of accessing habitable urban land from all sides, not only that of the elites.

With systemic change in mind, the formal system needs to meet local practice somewhere in the middle, and a new social contract brokered around land access in cities. The currently parallel systems of land management have to reconcile with one another in very practical ways. This will give rise to a new, more appropriate, system of land governance where more than only elite interests are served.
Part of the long-term solution is about addressing deep inequality, and balancing the access of the have-nots against the rights of the haves. It is about attracting ethical investment, and at the same time building and protecting the rights of the least powerful actors in the market.

Part of the solution is about achieving systemic change to empower poor households and communities to defend their land rights in an increasingly competitive economic context, by strengthening their property rights and ability to bid more competitively for appropriate amounts of space in which to live and conduct business.

Part of the solution lies in understanding how better market participation can allow long-term poverty alleviation and asset building across generations.

And a final part of the solution is about altering laws and regulations and state-imposed charges to lower the costs of entry and transaction. In the meantime the state needs to recognise and defend existing occupation and use rights until the legal system is reformed. All these elements are essential to build new foundations to grow sustainable cities over decades and centuries which can accommodate sustainable urbanisation and fairer participation in urban economies.

Africa is seen as the new investment destination. The long predicted ‘rush on Africa’ is essentially about access to resources. Access to land near economic opportunities is central to achieving more equal growth. And cities will remain the engines for sustaining future economic growth. Realising this potential for growth depends on making a concerted effort and targeted investments in getting urban land to work for all urban residents, sooner rather than later.

Endnotes

1. www.urbanlandmark.org.za

2. The use of the word ‘margins’ refers to urban dwellers who operate outside of state governance frameworks, are often politically and socially marginalised, and whose lives are often, but not exclusively, located in the urban periphery.