

## DELIVERY OF SECURITY OF TENURE, INFRASTRUCTURE SERVICES AND ACCESS TO FINANCE THROUGH COMMUNITY-BASED APPROACHES

John Driscoll  
Vice President  
Institute for International Urban Development  
[driscoll@i2ud.org](mailto:driscoll@i2ud.org)

Christa Lee-Chuvala  
Research Associate  
Institute for International Urban Development  
[leechuvala@i2ud.org](mailto:leechuvala@i2ud.org)

Dritan Shutina  
President  
Co-Plan  
[dritan\\_shutina@co-plan.org](mailto:dritan_shutina@co-plan.org)

### **Summary:**

Incremental approaches to improving tenure security based on community participation and partnerships between local authorities, NGOs and bilateral and multilateral organizations can be effective in fostering social inclusion and facilitating access to urban land. In Albania, the Urban Land Management Program addressed the explosive development of informal settlements around Tirana by establishing a demand-driven program for the provision of basic services and engaging residents in the process of planning for community development. In El Salvador, the *Fundación Salvadoreña de Apoyo Integral* (FUSAI) has provided housing solutions to communities located on vulnerable or hazardous land through an integrated package of land provision, mutual-help housing construction and small housing loans. Despite the differences in context, both programs delivered security of tenure and provided basic infrastructure services to marginalized groups.

### **Key Words:**

Security of tenure, infrastructure provision, informal settlements, social inclusion

Delivery of Security of Tenure, Infrastructure Services and Access to Finance through Community-Based Approaches

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**Edmond Leka**, GIS consultant in Tirana, Albania

## STUDY TEAM

**John Driscoll**, IIUD

**Christa Lee-Chuvala**, IIUD

**Dritan Shutina**, Co-Plan

**Felicity Chan**, IIUD

**Carolina Morgan**, IIUD

John Driscoll and Felicity Chan were responsible for the writing of the text of the Albania section. Dritan Shutina led the field research team in Albania and reviewed the text. Christa Lee-Chuvala wrote the El Salvador section with the assistance of Carolina Morgan.



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## I INTRODUCTION

Reactions to the proliferation of informal settlements have generated an extended debate over the most appropriate and effective responses to the problems of tenure insecurity and inadequate access to basic services. A review of existing literature and practice shows that scholars and practitioners in the field have generally tended to support one of three viewpoints:

- 1) Granting legal title to residents of informal settlements is the best method of empowering communities to move themselves out of poverty and should be given priority;
- 2) Regularizing informal settlements (including providing basic services and a level of tenure security) is the first step in an incremental process that should ultimately end in legal titling; and
- 3) Legal titling is not necessary to provide the perceived security of tenure residents of informal settlements need to invest in the development of homes and small businesses.

Pilot projects following one or another of these approaches have been implemented and their relative merits debated. However there is an urgent need to move away from categorical thinking toward a broader view that takes into account the complexity of issues surrounding property laws and rights and emphasizes social inclusion. Dealing with the vast scope of the problem of tenure insecurity requires a combination of interventions addressing the circumstances of different sectors of the population on a community-by-community basis. Within the same city it may be necessary to upgrade basic services and provide an assurance of security on one site while legalizing the properties on a second site and relocating the residents of a third. An overarching urban development plan should provide the framework for these decisions and offer strategies to increase the supply of legal, affordable, serviced land.

Partnerships between a range of actors including local authorities, NGOs, bilateral and multilateral organizations and CBOs are critical to the success of interventions aimed at improving tenure security. A strong community outreach and participation component enhances social inclusion and strengthens ties between local authorities and residents.

The two programs highlighted in this paper focus on improving tenure security against different regional, institutional and legal backdrops. In Albania during its economic transition, the Urban Land Management Program addressed the explosive development of informal settlements around the capital city of Tirana by establishing a demand-driven program for the provision of basic services and engaging residents in the process of planning for community development. In El Salvador in the wake of a 12-year civil war and severe natural disasters, the *Fundación Salvadoreña de Apoyo Integral* (FUSAI) has provided housing solutions to poor communities located on vulnerable or hazardous land through an integrated package of land provision, mutual-help housing construction and small housing loans. Despite the differences in context, both programs delivered security of tenure and provided basic infrastructure services to marginalized groups. In addition, FUSAI's program facilitated access to credit for the purchase of serviced land and housing.

## II THE URBAN LAND MANAGEMENT PROGRAM (ULMP) IN ALBANIA

### 1 Setting the context: Urban growth in Tirana during the economic transition

In Albania, the transition to a market economy that began in the early 1990's introduced new patterns of mobility and land occupancy, the rapid privatization of property ownership, a legal environment characterized by constant change and new relationships between central and local authorities.

The changes in the structure of property ownership and property rights had an immediate and profound impact of the land and housing markets. Two parallel systems began developing in the early 1990s:

- A formal market within the framework of existing institutions and procedures as they went through restructuring; and
- An informal market characterized by a multiplicity of actors and smaller scale activities operating within networks and processes outside the formal system (Serageldin, 1995).

Incomplete cadastral coverage, obsolete records, confused property rights and the shortages of affordable building plots were underlying factors that shaped development throughout the Tirana region within both formal and informal zones.

The Urban Land Management Project (ULMP), started in 1998, introduced a community-based approach to regularize existing informal settlements and introduce basic infrastructure, services and urban plans before settlements densities grew to the point where retrofitting would be prohibitively expensive.

#### *1.1 Early Transition in the 1990s*

The new regional and domestic flow of people and capital had a profound impact on urban development that was not anticipated by policy makers and planners; there was an unprecedented demand for land and housing to accommodate new housing, business and services.

The private sector contribution to the GDP increased dramatically from 10% in 1992 to 75% by 1996. Beginnings in 1992, previous barriers to population movement were no longer in effect and the rural exodus to urban areas began in earnest. Additionally, the Albanian workforce entered into the regional economy and remittances from foreign earnings began to be invested in housing. In the four-year period between 1990 and 1994, Tirana and its outer boundaries and newly urbanizing villages, grew four times more than the previous 40 years. The 1990 population of 374,000 for greater Tirana was concentrated in the core and outlying urban villages where farmers were worked on the state farms or the cooperatives. By 1994, it was estimated that Tirana had grown by 175,000, crossing the half million mark in a country with a population of 3.5 million.

This explosive growth led to the proliferation of informal settlements on the edge of cities and densification of vacant land within municipal boundaries. The suburban settlements grew at an alarming rate, as exemplified by Kamza to the north of Tirana where the population increased ten



fold from 6,000 in 1994 to 60,000 by 2000. Residents lacked clear title, basic infrastructure services, access roads and community facilities including schools and health centers. Most households combined multiple wage earners, remittances from relatives working abroad and income generating activities to meet basic household expenditures and build and expand housing in both formal and informal communities.

### 1.2 Tirana today

Tirana is hardly the city it was in the early to mid-1990s (see Illustration 2.1). Continuous private investments have resulted in new formal and informal residential, commercial and institutional buildings within the center of the city and along development corridors to Durres and Fush Kruje. Public initiatives to recapture open spaces in the center of the city included the removal of multi-purpose kiosks from sidewalks and public open spaces and the demolishing of illegal office and commercial/retail spaces that bordered the Lana River. New road widening projects on the inner ring roads have improved the movement of traffic and a façade improvement program has resulted in brightly colored building along major boulevards.



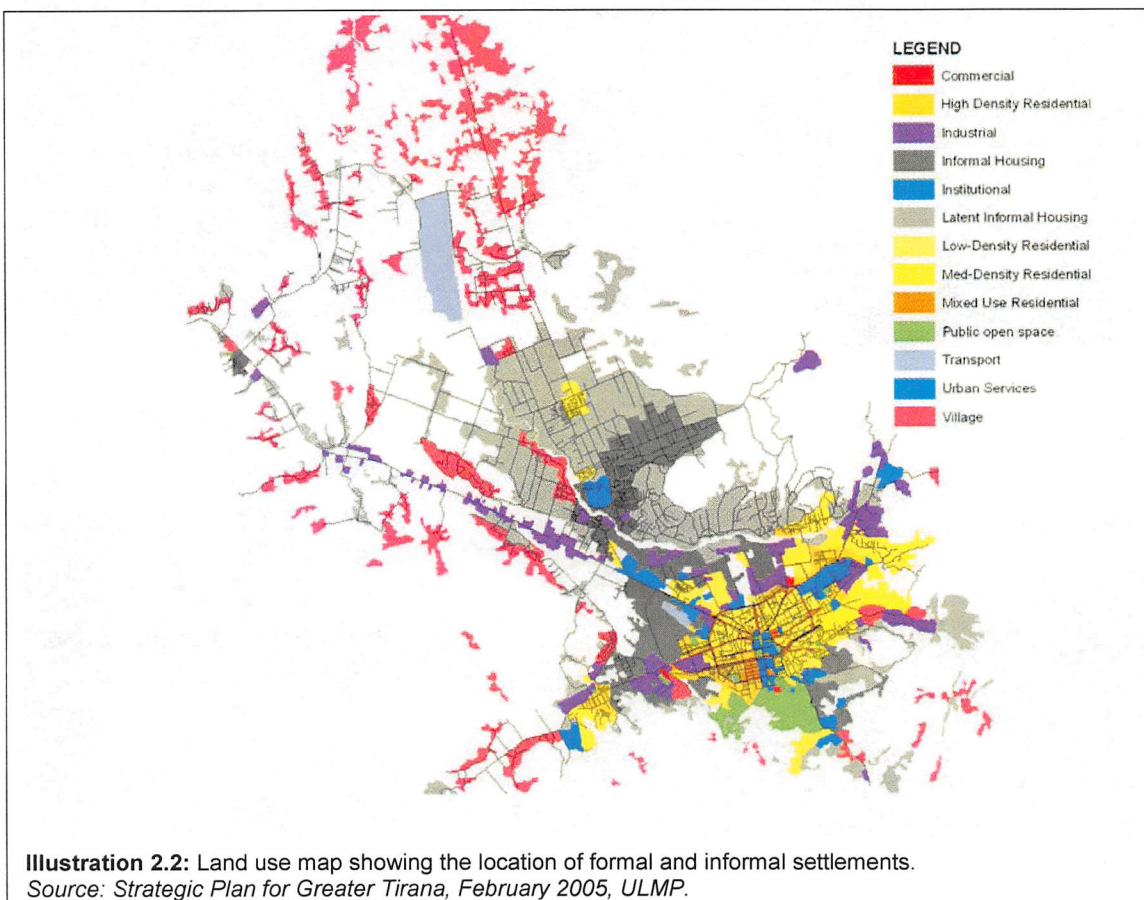
**Illustration 2.1:** Changes in Tirana's skyline: The early 1990s (above) and 2007 (below)  
*Source: John Driscoll, IIUD.*

These new initiatives started at a time when decentralization began to have a real operational impact in 2000. Local governments were in a better position to manage their urban growth although issues of administrative and fiscal capacity were and still are a major challenge. For the majority of households in the 1990's, the focus was on improving private property and individual living conditions. As these needs were met, the perspective began to shift to improving public space and functions.

A 2006 report by the World Bank<sup>1</sup> aptly summarized the Albania urban sector in the following manner, 'despite fifteen years of social and economic shocks, the outcome of an apparently chaotic process of urban development is rather positive for cities, in terms of the amount of new floor space and number of new units build—benefits shared not only by the emerging middle class by also by lower income groups.'

### 1.3 Challenges Ahead in the 21st Century

Preexisting conditions and the inability of urban planning, regulatory and land registration systems to keep up with demand for land and housing helped to determine the location and type of development occurring in both informal and formal settlements (see Illustration 2.2). The need to register titles and supervise the quality of new construction cut across upper income and lower-to-middle-income neighborhoods in the city center and suburban neighborhoods.<sup>2</sup>



Starting the early 1990's defacto tenure, reinforced by several decisions and projects, became the operational mode within informal communities. In 2004 and 2006 new laws were introduced to legalize informal land holdings. While differing in approach, the laws represented an acknowledgement by the political parties, land owners, NGOs, and other interested parties that formalizing the extensive informal settlements would bring benefits to the economy and society at large. The challenge for practitioners and officials in shaping future approaches will continue to be the "mismatch between the revised structures and laws, on paper, and functions and practice on the ground." (World Bank, Tirana, 2006)

## **2 Purpose, organization, funding and impact of the ULMP**

### *2.1 Purpose*

In 1995, the Tirana Land Management Task Force<sup>3</sup> began identifying new urban initiatives to respond to the rapid growth of Tirana. Starting in 1996, the World Bank supported efforts by central and local governments to provide essential infrastructure to under-serviced neighborhoods in Greater Tirana. The program built upon popular practices and was structured around six key principles:

- Instituting demand-driven delivery of services with reasonable conditionality for residents and communities.
- Targeting lower-income neighborhoods in both under serviced or deteriorated areas and informal settlements without secure land tenure and infrastructure.
- Negotiating partnership models that engage residents in setting development priorities and structuring agreements with municipalities.
- Adopting cost sharing for infrastructure among national government, municipal authorities and residents.
- Introducing new community-based planning approaches and partnerships among CBOs, NGOs and Municipalities.
- Scaling up and building on the experience of each sub-project.

When designed in 1997/1998 the land management project represented a shift in approach towards a more flexible and demand-driven planning and implementation process. This allowed project planners and implementers additional flexibility to develop sub-projects around the willingness of the communities to participate. It also accounted for the specific environmental, legal and social conditions that shaped the priorities for services. The project design sought to incorporate lessons from previous upgrading experiences including:

- Unbundling the traditional model of financing the upgrading of informal areas by separating the sources and financing of housing, land and infrastructure.
- In the context of unenforceable urban planning regulations, identifying the most realistic entry point for managing growth in informal settlements—developing non-statutory urban plans with the community showing the layout of roads and circulation paths.
- Initiating the land regularization process as part of the project but not attempting to resolve ownership issues from the outset given the larger unresolved issues of property ownership and restitution.
- Working closely with residents to identify and prioritize infrastructure investments and cost-sharing agreements.

- Working at both the city-wide strategic and community levels.
- In the context of a culture of non-payment for public services, asking community residents to pay a reasonable development fee before work could commence.

## 2.2 *Organization and Financing*

The project was managed out of the Ministry of Public Works with separate project implementation teams in each participating municipality. Community based organizations had a defining role in mobilizing and organizing efforts at the community level. NGOs were used to provide assistance to both the CBOs and the municipal implementation teams, especially with pre-feasibility studies and community outreach.

The total project cost was \$15.25 million for the period between January, 1999 and March, 2005. Central government funds provided the bulk of the project financing through a World Bank loan. Households contributed 10% of the infrastructure improvement costs in formal neighborhoods and 20% in the informal neighborhoods. Municipalities also shared in project financing and households worked with utility companies when negotiating the cost of tertiary infrastructure.

## 2.3 *Summary of Impact*

The following impacts of the land management program are summarized from the project completion report. (World Bank, April, 2005).

- Essential infrastructure was provided to an estimated 8,300 families in eight different municipalities. The investment in primary infrastructure has had positive implications for communities beyond the immediate sites upgraded under the program.
- Social services including schools, health facilities, and programs for youth and women were introduced into the informal areas.
- The project played a catalytic role in socially and physically integrating informal settlements into the city fabric and raising the profile of informal settlements and their economic and social contributions.
- An effective approach to regularization and infrastructure investment was developed for informal settlements and formal neighborhoods lacking services.
- Mechanisms for the participation of communities and the development of partnerships between communities and municipalities were institutionalized.
- New, more flexible approaches to urban development planning were developed that responded to demographic changes and subsequent infrastructure needs rather than the normative and rigid “master plan”.

Additional impacts included long-term cost savings when introducing infrastructure by establishing and negotiating rights-of-way for roads and pathways when densities were lower. The area-based approach also afforded an opportunity to coordinate and program investments for on-site and off-site infrastructure among different utility providers during the urban planning process. There was a significant change in behavior regarding the payment of user charges and local government taxes. The CBOs established through the project were empowered to become advocates for the interest of people living in informal settlements in public discussions.

### 3 Project Approach

The framework for the ULMP project in the informal communities built upon the existing community practices and the early organizing work undertaken by NGOs and CBOs. In the informal communities in the Tirana region, field interviews in the 1990s confirmed that parcel layouts, setbacks and cooperation to address infrastructure were often worked out among family members or groups formed from households originating in the same village. Field observations showed that infrastructure in both formal and informal neighborhoods was being provided and financed through joint agreements with neighbors, covering water, sewerage, electricity and road improvements. Legal and illegal connections were made to existing networks, and quality varied greatly. In the Bathore pilot site, households were investing an average of \$400 per parcel for infrastructure improvements without formal approvals.

Illustration 2.3 provides a summary of the three major phases of the project. For the purposes of this paper, the focus of the discussion will be on the project assessment phase that provided the framework for the community outreach work. Under the project, municipalities in association with community residents and NGOs prepared an urban concept plan setting out basic infrastructure layout, preliminary cost estimates and priorities for servicing.

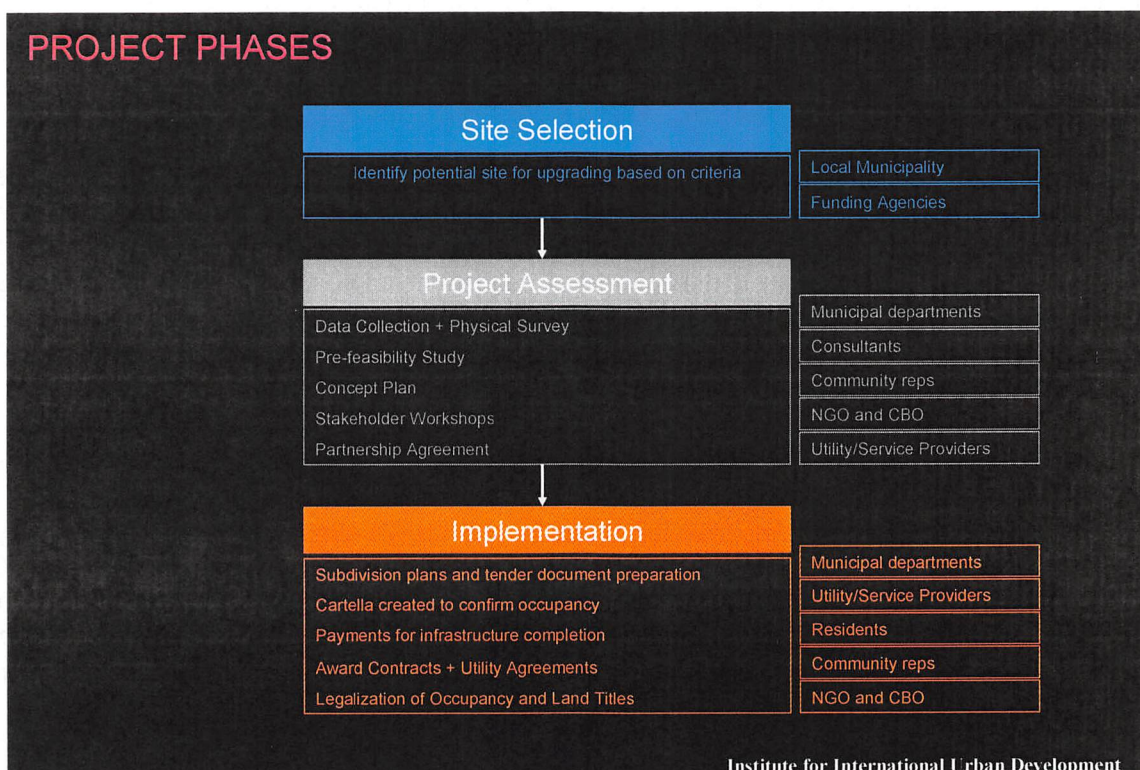


Illustration 2.3: ULMP Project Phases

## 4 Project Assessment and Preparation Phase

After inadequately serviced communities were chosen based on eligibility criteria, the project teams from central and local government engaged the services of local firms with experience in community outreach and physical planning to undertake a series of activities.

### 4.1 *Surveys and Pre-feasibility Study*

The pre-feasibility study equally focused on the social, economic and physical aspects of each community under consideration. Through a series of household surveys, focus groups and in-depth interviews within the community and with local officials, the assessment team (often an NGO) was able to develop a community profile including resident priorities for infrastructure and test the economic feasibility and willingness to pay for services.<sup>4</sup> The physical survey included the mapping of the site including plot boundaries and an assessment of on-site and off-site infrastructure in cooperation with the utility providers. Land ownership issues were identified for each site and each parcel was mapped and linked to a household.

The community outreach gave ample opportunity to explain the two key prerequisites for participation: the creation of community associations guided by a charter and representing at least two-thirds of community residents, and; a willingness to contribute to 20% of the secondary infrastructure costs through the payment of a land development fee. Fifty percent of the fee was expected before civil works commenced with the balanced paid upon completion.

### 4.2 *Concept Plan*

Once a community was chosen for the next stage, an initial concept plan was developed. The concept plan was a more detailed version of the pre-feasibility study and was introduced as a non-statutory plan that provided the flexibility to integrate the different elements of neighborhood upgrading rather than the traditional sequential approach.<sup>5</sup> The initial drafts became the basis for informed discussions among community members and it was not unusual for concept plan to go through revisions based on a wider consultative process with the local government, utility companies, and residents.

### 4.3 *Stakeholder Workshops*

During the earlier stages of the pre-feasibility study and the development of the preliminary concept plan, the community outreach teams<sup>6</sup> began to identify sub-groupings of 20 to 30 households. Each group of the sub-division was asked to elect two representatives to act on their behalf in negotiations with local government. In the neighborhood designated as Bathore II, 325 households were divided into 12 subdivisions and represented by 23 elected representatives in the stakeholder workshops.

The meetings offered an opportunity to present the concept plan, confirm infrastructure priorities and test the willingness of the households in each sub-division to pay their estimated share of the infrastructure costs. The representatives for each subdivision acted as the liaison between the 20 to 30 households in each sub-division where subsequent meetings would be held to explain the

project requirements. Updated lists were prepared for each subdivision including households and parcel size, and the subdivision representatives were asked to work with the households to update and correct the information. Members of community associations involved in earlier upgrading improvements would come to the meetings to explain the process from their perspective, giving assurance to residents considering participation in the next phases.<sup>7</sup>

#### 4.4 Partnership Agreement

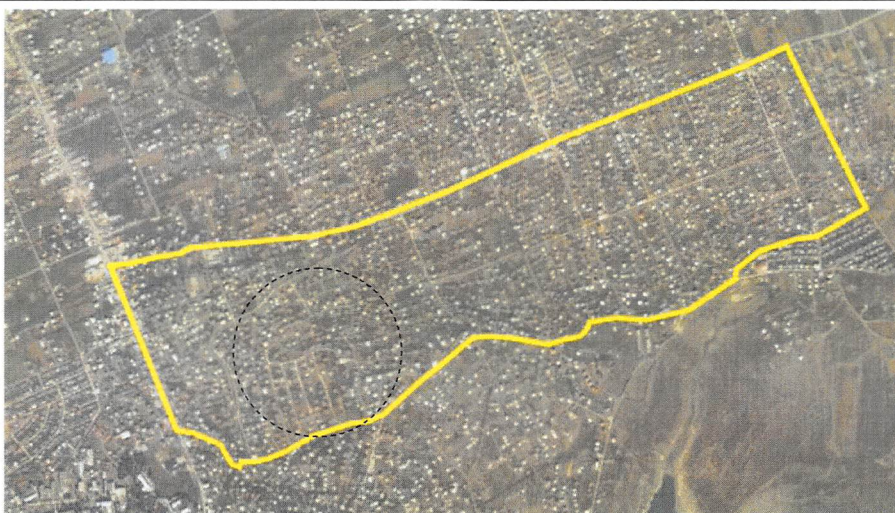
The last step in the project assessment and preparation phase was the signing of the Partnership Agreement that identified the proposed improvements, responsibilities for implementing and cost-sharing distribution. The agreement was signed by the representatives of the participating sub-divisions, the area-wide community association and the Kamza Municipality.

In larger neighborhoods, it could take six months to complete the process.<sup>8</sup> While the timeframe and approach is described in a linear fashion it did not always occur in such a manner. For example, depending on the community the establishment of a community association could occur early on or later in the process as long as the association was created before the partnership agreement.

## 5 Case Study on Bathore Pilot Site II – an informal settlement outside Tirana<sup>9</sup>

### 5.1 Setting the context

Bathore II was the third neighborhood to be upgraded under the land management program and is part of the larger 170 hectare Bathore settlement that came into existence in the 1990s due to the unprecedented rate and scale of rural-to-urban migration in Albania. According to a survey completed in 2000, almost half of the households had arrived between 1992 and 1996. 74% of the households were made up of young nuclear families with an average of six persons per household. The rest of the households were extended families with about nine members.



**Illustration 2.4:** Location plan of Bathore. Bathore II site is highlighted in red.

## 5.2 Land Use and Ownership Patterns

Located about 6 km northwest of Tirana, the Bathore settlement was designated as a suburban residential zone in the 1994 plan of the Tirana District. Although the plan was never fully adopted, the logic of the residential suburban expansion was never disputed. In 1996, the Kamza Municipality was established in response to the rapid growth in Bathore.

Residents typically acquired land by purchasing it from an earlier settler or squatting. Other means of ownership included acquiring the land directly from the Commune. By 1992, an informal land market was thriving in the neighborhood with the majority of the land transactions occurring between earlier settlers and newcomers. By 1996, all of the land was spoken for. According the 2000 survey, only 6% of the families in Bathore II had legal documents to prove land ownership (see Table 2.1).

**Table 2.1:** Land Ownership, 2000 and 2007

<b>Method of Land Acquisition</b>	<b>2000 survey (%)</b>	<b>2007 survey (%)</b>
Purchased from 1990s settlers	31 (62%)	67 (67%)
Purchased from ex-owners	1 (2%)	
Squatting	10 (20%)	33 (33%)
Other means	5 (10%)	
Given by commune	3 (6%)	
<b>TOTAL</b>	<b>50 (100%)</b>	<b>100 (100%)</b>

## 5.3 ULMP: Partnerships between community, CBOs, NGOs and Local Authorities

### Community Outreach and Confidence

The Urban Land Management Project in Bathore II started in 2000 on an advantageous footing. Adjacent to the Bathore pilot site (Bathore I), the residents in Bathore II were fairly well informed about the purpose of the project and its approach. In addition, residents were confident that the improvements would be delivered because of the installation of the water and sewerage networks at the adjacent pilot site.

Furthermore, the extension of the services of “Rilindja” community association from the pilot site to Bathore II facilitated a smoother negotiation between the residents and the local authorities. CO-PLAN, an NGO with extensive experience in urban projects, further developed the community outreach process into a program entitled “Neighborhood Development Agenda”.

### Outreach to Women and Youth

Transitioning to a new urban environment created challenges for rural migrants and their families. Gaining a perspective on the needs and issues facing women and youth was introduced during the initial community outreach phase. Community organizers interviewed women in their homes and organized separate workshops and training programs. In 2000, a community-based organization for women was formed that continues to operate today. The association set an important precedent for the participation of women at the community level.



According to a survey in 2001, women felt that a development strategy needed to address the needs of both men and woman. Specific priorities included projects that supported the growth and education of children and access to health care. The working groups of women established in the neighborhoods provided information and point of views that were crucial in designing the neighborhood development agenda in Bathore. The improvement of roads, water and sewerage were viewed as directly improving living standards and allowing households to shift their priorities from basic needs to social needs.

#### Community Cohesion and Stability

Another important factor for the success in Bathore II was also the high level of neighborhood cohesion. Among the 2,200 residents (360 households) in 2000, 77% of them were from the same three districts in the northeast of Albania.<sup>10</sup> According to a survey in 2000, 86% of the households reported that they had good relationships with their neighbors which often included providing mutual support. Additionally, Bathore II is composed of households that have a strong intention to formalize their land ownership. In a survey completed in March 2007, 89% of the households expressed their intention to stay in Bathore II for the next 5 to 10 years.

#### Community Participation and Engagement with Municipality

Community participation in planning/construction of the infrastructure was high with 69% of the households in 2007 being actively involved in the infrastructure development. In fact, the ULMP provided an opportunity to identify community leaders, some of whom started to work for the local government.

The role of the local government unit increased over the lifetime of the project as the decentralization process moved forward. This is evident when reviewing the role of the Kamza Municipality in the later stages of the Land Management Project. While the area-based approach did help in coordinating infrastructure, linking the utility companies to the planning process continued to represent a challenge, further emphasizing the need for decentralization.

In 2007, 40% of the households communicated with the Municipality regarding infrastructure services as well as employment, economic help and family issues. This is a significant level of contact with the municipality and reflects the extent to which an informal area such as Bathore II has become integrated into the Kamza municipality.

#### Adaptive CBO functions

CBOs primarily organized the negotiation of the infrastructure construction and the development of rights-of-way. Some of the neighborhood level organizations created during the ULMP later become NGOs. The agendas of these new NGOs extend beyond the immediate neighborhood and the initial concern with infrastructure. Newer activities include social, economic, and cultural projects.

### *5.4 Property and Infrastructure Investment and Access to Secure Land Tenure*

#### Land Tenure

The investments in neighborhood infrastructure by the government, donors and households, together with a regularization process whose goal was to provide land ownership, led to defacto

tenure in Bathore II. Households became increasingly confident to invest in housing and infrastructure.

Survey responses in 2000 and 2007 support this observation. 66% of the households in 2007 felt that their land tenure was more secure than it had been 10 years ago due to community, government and donor investments as well as the start of the legalization process. In the 2000 survey, households were asked what effect secure land tenure would have on their investment decisions. Although one third noted that they would not invest further, more than a third said that they would spend more on housing and 18% said they would build a shop or storage unit. The percentage of families willing to pay for legal tenure of the land they occupied increased from 64% in 2000 to 96% in 2007.

#### Financing Property and Infrastructure Investments

Sixty-five percent of the households noted that their incomes had increased. The top four sources of income are employment, remittances, self-employment and income from businesses.

As different studies have noted, remittances had become a critical component of household incomes in both formal and informal communities. The 2005 Labor Market Study of Albania reported that more than 60% of individuals would live in poverty if not for remittances and other transfers (The World Bank, 2006).

In 2000, 78.6% of the Bathore II households reported that remittances contributed up to 50% of the household income (see Table 2.2). In both 2000 and 2007, of the different sources for financing housing, remittances and employment have consistently been the major sources of finance. The next most significant sources include borrowing from relatives and friends and profits from business.

**Table 2.2:** Remittances as a percentage of household income, 2007

<b>Remittances as % of household income</b>	<b>Percentage of households interviewed</b>
50.1% and above	21.4%
25.1% to 50%	57.2%
25% and less	21.4%
<b>TOTAL</b>	<b>100%</b>

#### Property Investment

Property investment is characterized by the incremental nature of the build-out of personal residences.<sup>11</sup> According to the 2007 survey, 61% of the households took more than seven years to complete their houses with help from family or hired labor.

In 1998, the investment in the adjoining Bathore pilot site's new or improved housing varied from less than \$1,000 for a wooden barrack up to \$10,000 for a higher quality one story house. The average amount spent by the households per structure ranged from \$130 to \$200 per month over a four- to six-year period (see Table 2.3). In subsequent years the amount of property investment increased under the defacto land tenure status. In 2007, 77.3% of the Bathore II

residents reported that they had spent between \$11,000 and \$54,000 to construct or improve their houses, while 16% invested over \$64,000, including one family that spent \$321,000.

**Table 2.3:** Length of time taken for house construction

Length of time taken for house construction	No. of houses (%)
1 to 3 years	17 (17%)
4 to 6 years	22 (22%)
7 to 9 years	15 (15%)
More than 9 years	46 (46%)
<b>TOTAL</b>	<b>100</b>



**Illustration 2.5:** Incremental improvement in a house in Lapraka, another pilot site.

Source: John Driscoll, IIUD

In 2007, it was reported that 84% of the households contributed in cash and land for the development of physical infrastructure in the neighborhood. The level of access to basic infrastructure such as roads, water supply and power supply is high and the payment is comparable (see Table 2.4). Households also reported good access to social amenities such as schools, health centers, community and social centers, green spaces and public transportation, a service on which a significant percentage of the workforce depends.

**Table 2.4:** Access to and payment for basic services, 2000 and 2007

Access to basic services	2000			2007		
	Access (unpaid)	Access (paid)	Total	Access (unpaid)	Access (paid)	Total
Water supply (tap connection)	34%	6%	40%	8%	90%	98%
Power supply (electricity)	20%	70%	90%	16%	83%	99%
Sewage System	0%	0%	0%	75%	9%	84%
Waste Collection	0%	0%	0%	55%	22%	77%

## 5.5 Changes in the Settlement Pattern and Land Prices

### Densification

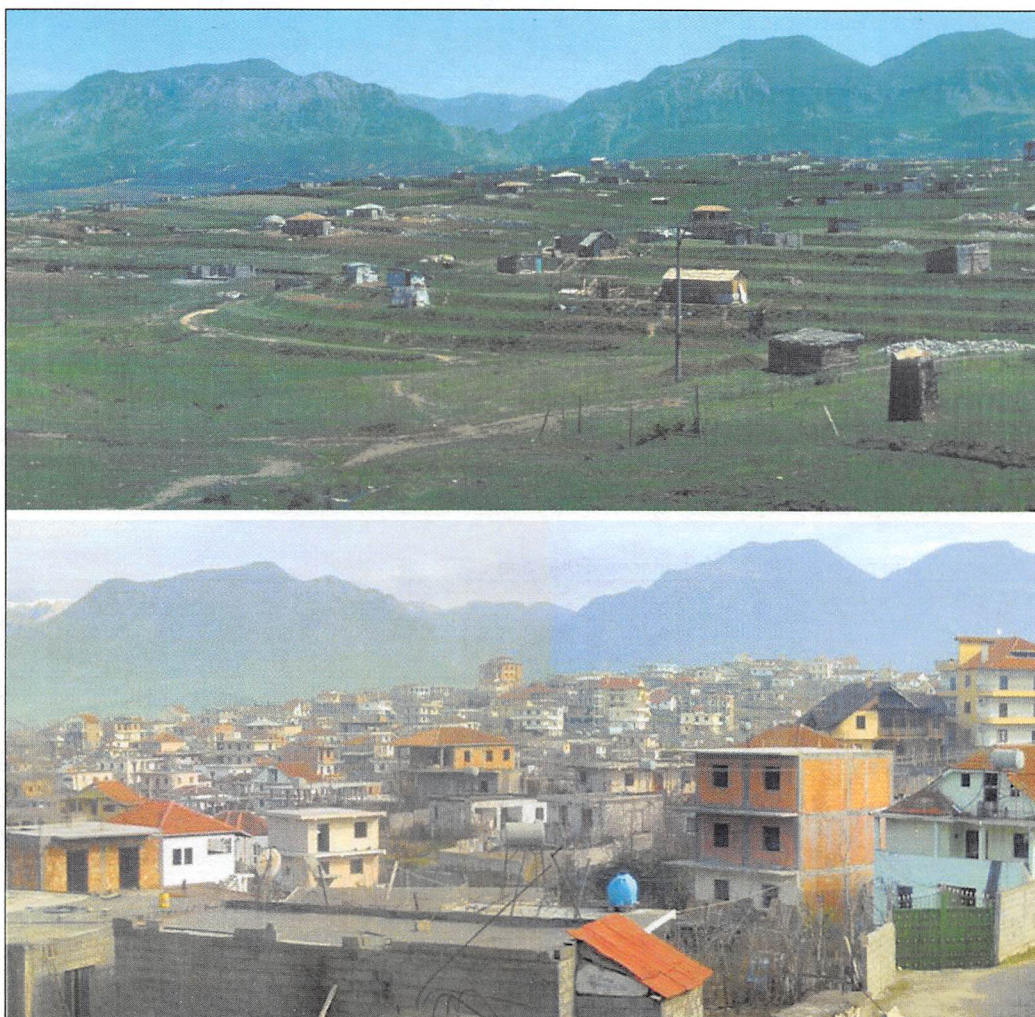
Over the years, Bathore II has become denser via subdivision of the parcels and growth of multi-story buildings (see Annex 1). 57% of households reported that they had subdivided their land

with their family members over the years. The number of new buildings is evident when comparing aerial photos from 1999 and 2005. Photographic documentation also shows the increase in densities (see Table 2.5).

**Table 2.5:** Density increase in Bathore II

<b>No. of stories</b>	<b>No. of houses in 2000 (%)</b>	<b>No. of houses in 2007 (%)</b>
Single story	45 (90%)	67 (67%)
Double stories	4 (8%)	22 (22%)
Three stories or more	1 (2%)	11 (11%)
<b>TOTAL</b>	<b>50 (100%)</b>	<b>100 (100%)</b>

In the adjoining Bathore Pilot site, in six years 100 new houses were built together with multi-story buildings. The number of businesses increased from 1 to 26 in same period due in part to the location of the pilot site near the national road. The average investment in housing also increased from \$12,500 in 1998 to \$38,000 in 2005.<sup>12</sup>



**Illustration 2.6:** Densification of Bathore between 1994 and 2007  
 Source: John Driscoll, IIUD

### Increase in Land Prices

Land values in the Bathore Pilot site are influenced by the proximity of the national road. The square meter price of land increased from \$19 m<sup>2</sup> in 1998 to \$60-to-\$80 in 2005. (World Bank, April 2005). In other areas of Bathore, including Bathore II, there has been a more modest but still consistent increase in land values from \$16 m<sup>2</sup> in 2000 to \$50 m<sup>2</sup> in 2007 (see Illustration 2.7).

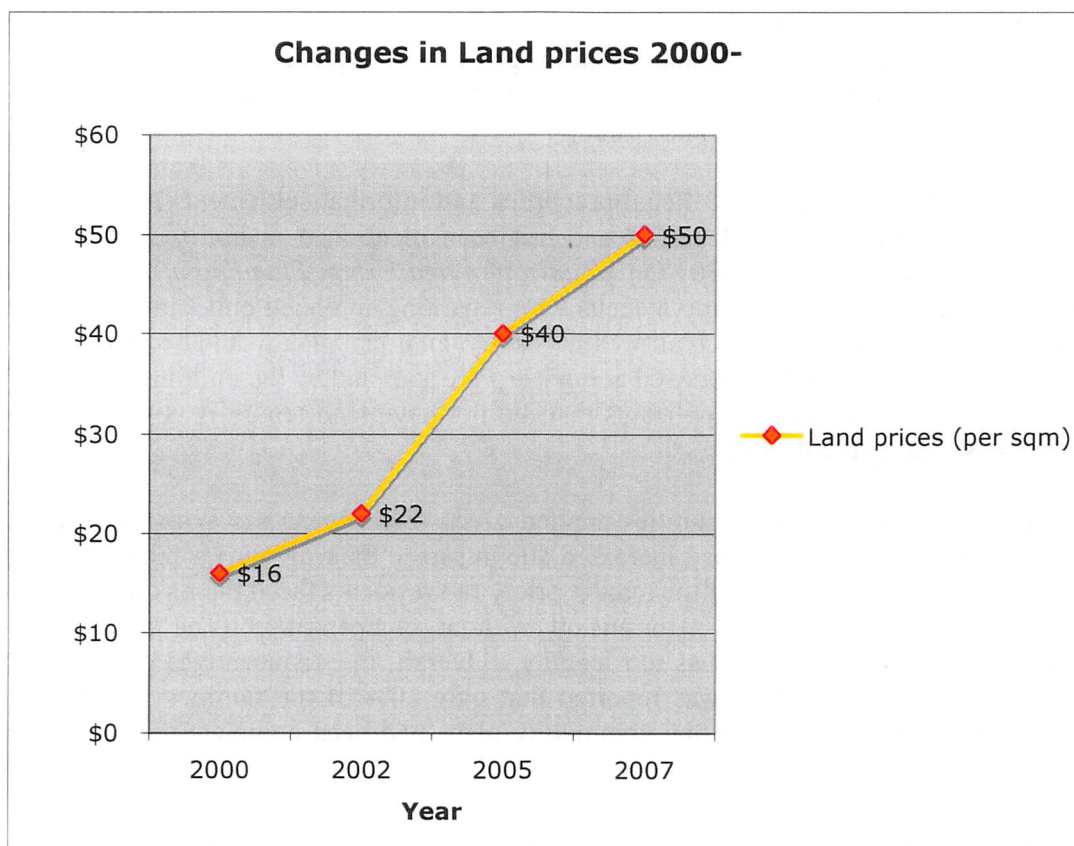


Illustration 2.7: Changes in land prices at Bathore pilot site between 2000 and 2007.

### 5.6 The future prospectus for Bathore II

Bathore II has become a stable community. In 2000, 72% of the households surveyed felt optimistic about the future and 80% said they wanted to stay in the neighborhood. The level of optimism increased in 2007. When asked about their perception of the area in the future, 91% felt there would be progress and 87% of the households would remain in the neighborhood.<sup>13</sup>

The 2007 survey showed that the majority of households foresee future urbanization either through integration with Tirana (53%) or general urban development progress (31%). Priority improvements desired by the households include paving and repairing roads, improving the sewerage service and adding social infrastructure. Households plan to finance future land and

housing developments through employment (50%), remittances (30%), and business income (11%).

## 6 Current debate on legalizing informal settlements

Law No. 8398 *On Compensation of ex-owners of agricultural and occupied land in Lapraka and Bathore* was the first legislation enacted to legalize informal settlements in 1998. This law was passed to support the Urban Land Management Program by giving occupancy rights to residents in the informal settlements in Bathore and Lapraka and authorizing the government to compensate ex-owners (The World Bank, 2006).

Starting in 2000, the legalization of illegal properties and informal settlements has been on the agenda of the two major political parties and has been mentioned in both central and local elections. In October 2004, Law 9304 *On Legalization and Urban Planning of Informal Zones* was passed. An applicant could submit a declaration regarding an illegal building to be reviewed on a case-by-case basis by the municipality. If necessary, an urban plan would be prepared by the municipality and the land values appraised at market price and paid by the building owners. Most of the 57,000 requests were from applicants that did not have land tenure issues but may have had a building violating regulations.

Few residents from informal communities applied given their concern over the setting of the market price for land whose value had increased due in part to their own investments. There was no time limit regarding the setting of the market price, and residents faced the risk of having their house demolished for infrastructure provision without compensation. The period for the urbanization process was also seen as too lengthy. Overall, the disincentives outweighed the advantages of clear ownership. It was reported that only 10% of the families in Bathore had submitted requests despite the fact that community plans had been completed and preliminary cartellas prepared.<sup>14</sup>

To address this situation, Law 9402 was revised and passed in May 2006, and renamed *On Legalization, Urban Planning and the Integration of Illegal Buildings*. The new law simplifies the application process and sets fixed prices that are below the market value for land depending on location (urban/suburban) and size (large, medium and small).<sup>15</sup> To date there have been 270,000 self-declarations, of which 11,000 are multistory building (pallate). Current estimates by the Government are that some 350,000 families or about 50% of the population will be impacted by the process.

There are much debated differences between the 2004 and 2006 laws.<sup>16</sup> Under the 2004 law, an urban plan was prepared prior to the initiation of the legalization process. The 2006 law begins with legalization of the parcel, requiring expropriation of land for rights-of-way and public facilities. This sequencing allows for compensation in the case of demolishing properties to implement public interventions. It is unclear, however, if the newly legalized owner will be fully compensated at the market rate and the point at which the compensation begins, e.g. before or after the first 20% of land taking. It is understood that during implementation, the government is adjusting its approach by requiring the adoption of urban plans when possible.

To address the issue of potential conflicts between former owners and new occupants, the 2006 law allows the government to expropriate the property of former owners at market value and sell the land to new owners at a fixed price. While this addresses a potential problem that the 2004 law left to the courts to resolve, there is a concern that the state cannot expropriate property for private interests.

The new law is attempting to set the price at a level that will convince current occupants to apply for legalization. Given the lack of applications from residents in informal settlements under the previous law, this is a reasonable approach if the primary objective is to legalize the land holdings and resolve the longer-term property conflicts that will become increasingly intractable as densities and property values increase.

Concerns have been raised as to whether the funding generated from land sales will be sufficient to compensate land owners. Furthermore, the ability of municipalities to absorb the costs of upgrading services in newly legalized communities is in question. Clearly there will be a major gap given current levels of capital financing available to municipalities in Albania, if financing is dependent on local sources. Proponents counter that by starting with the legalization process, local authorities can mobilize resources for restitution and infrastructure investments. Furthermore, by incorporating the properties into the formal sector, local governments levy property taxes that could be designated toward infrastructure improvements.

## **7 Applying lessons learned**

Few in Albania would argue with the ultimate goal of facilitating ownership and untangling property disputes under the legalization process. Even former owners, who have been consistently against legalization of informal settlements, are willing to moderate their position if the compensation issues can be properly resolved.

The current law on granting property ownership was designed to reduce bureaucratic “red tape”. However, it will still require considerable effort to process the requests<sup>17</sup> and manage legal challenges. The speed will be influenced by the location of the land holdings and the type of tenure issues to be resolved.

In light of the time required for the legalization process, it is critical to examine the incremental steps that can be taken in the interim. An upgrading process such as the one completed in Bathore and other sites under the ULMP can confirm occupancy as well as provide evidence of land transactions and claims to facilitate the legalization process outlined in the new law. The ULMP illustrates that progressive steps can be implemented which enhance tenure security while larger land ownership and restitution issues are resolved.

### *7.1 Developing a Neighborhood Development Agenda*

An area-based approach helps to coordinate infrastructure and land planning. Linking planning priorities and utility investments is a constant challenge, particularly when new settlements are

outside existing service areas, and is even more critical when considering off-site infrastructure. A positive outcome of the ULMP was the dramatic reduction in the number of illegal connections, due in large part to the community outreach and awareness building undertaken as part of the program.

In addition, the Urban Land Management Program demonstrated the longer-term benefits of community outreach and consensus building on infrastructure priorities in both formal and informal neighborhoods. Actively engaging the community in the development of the concept plan helped to protect open space and reduce the cost of future land acquisition for public purposes. It is important to note that the ULMP introduced a culture of self-organizing that has become well understood within informal communities.<sup>18</sup>

The formulation of a neighborhood development agenda also proved important to mobilizing community leadership and additional funding to introduce much-needed social infrastructure including schools, community centers, and programs for women and youth.

The ULMP demonstrated that partnerships can be effectively structured between government and communities and NGOs can effectively work with residents and local community associations. The partnership agreements were a useful instrument to outline the roles and responsibilities of residents, community associations and local government. Partnerships are essential to the packaging of projects and different funding sources for infrastructure and social services.

### *7.2 Investing in Physical Infrastructure as a means to Urban Integration and Social Inclusion*

Integrating informal communities into the urban economy through good road and transport links obviously has important economic implications and demonstrates that issues other than property ownership must be considered when addressing informal development. The upgrading process increased the optimism for the future of residents in Bathore upgrading sites, who increasingly see their community as an urban area linked to Tirana. Road improvements along the major roads surrounding Bathore have greatly facilitated the movement of residents and goods between Bathore and Tirana.

### *7.3 Understanding the Financing Mechanism*

Surveys and documentation of the upgrading sites show that there has been a remarkable level of investment in housing and business since the early 1990's. The level of build out and investment after 10 years in informal settlements initially developed as affordable housing alternatives in the early 1990s resembles middle-income communities with formal land title. Land values have increased over time and an active land market is present in the absence of full legal tenure.

The development fee paid by residents towards infrastructure costs increased tenure security and impacted residents' perceptions of stability and land values. The fact that the fee was for infrastructure improvements identified through a community process improved social cohesion. This is an example of an interim step along a continuum of property claims that achieved "ownership" and "levels of investment" often associated with granting full title.



The economic implications of the legalization process are not uniform. For example, it is not clear that a household in an informal community would borrow money from a bank if they had legal title. For this to occur, at least two basic conditions must be in place: a well functioning mortgage market, and a willingness to use a house as collateral. The latter is unlikely considering the risk of losing the home in case of defaulting on the loan. For the considerable future, investments in self-build housing will be financed by remittances and salaries or wages regardless of the legality of ownership.

#### *7.4 Forming Partnerships with Local Governments*

Decentralization began to take hold midway through the ULMP and its impacts were noticeable. After 2000, local governments became more active partners in planning and implementation and the role of central government shifted towards providing incentive-based funding.

The phasing of activities, from designating eligible communities based on broader criteria to developing a basic urban and infrastructure plan with the community shows the ways that local governments can move from the general to the specific and identify realistic entry points for neighborhoods with different typologies. The increasingly stronger links to the municipality in Bathore illustrates how residents moved from the “emergency phase” to a “consolidated phase” where they begin to interact with local government.<sup>19</sup>

Local governments should be allowed to package different incentives and processes depending on their larger urban strategies and the willingness of neighborhoods to respond to programs. The ULMP demonstrated how demand-driven programs, if framed by reasonable conditionality, can organize and leverage individual and community participation.

#### *7.5 Understanding the Impacts of Legalization*

Both central and local policy makers and project implementers would benefit from a better understanding of the implications of the current legislation on the ground as it is implemented by multiple groups in different contexts.<sup>20</sup>

It would also be helpful to develop a cost/benefit analysis of different approaches and their fiscal impacts on municipalities. Evidenced-based planning can identify alternative scenarios and build consensus among alternative and sometimes opposing groups.

There will be spatial implications of the implementation of the new legalization law that will impact the actions of local governments. For example, how do the locations of the existing informal communities fit into an overall urban vision for a municipality? Is a particular community in a good location for a residential settlement or is it violating existing urban rules or located on a hazardous site? What is the impact of infrastructure availability? The World Bank Albanian Sector Review 2006 offers suggestions on the sequencing and integration of informal settlements that incorporate the experience of the Urban Land Management Program and acknowledge that different typologies of neighborhoods will require diverse responses.

The process and methods of engaging the community developed under this project have not been thoroughly documented and made available to other municipalities. Given the key role municipalities play in the legalization, urban planning and providing infrastructure services, a better understanding of the different methods of integrating these activities would be of great benefit to practitioners in Albania and the region.

### III INTEGRATED PROGRAM FOR THE PROVISION OF LAND AND HOUSING, EL SALVADOR

#### 1 Setting the Context: Constraints on access to land in El Salvador

##### 1.1 History of access to land and the growth of the informal housing sector

Much of El Salvador's recent history has been characterized by tension over access to land. This is not surprising considering the country's small size and physical constraints. With a population of almost seven million inhabiting a land area of slightly more than 21,000 km<sup>2</sup>, only 16,000 of which are habitable, El Salvador is the most densely populated country in Latin America. Its land, if distributed evenly among El Salvador's 1,670,942 households, would allow each family a plot of 9.6 m<sup>2</sup>. The country's susceptibility to earthquakes, volcanic eruptions, landslides and flooding because of its location on an active seismic zone has further limited available land area.

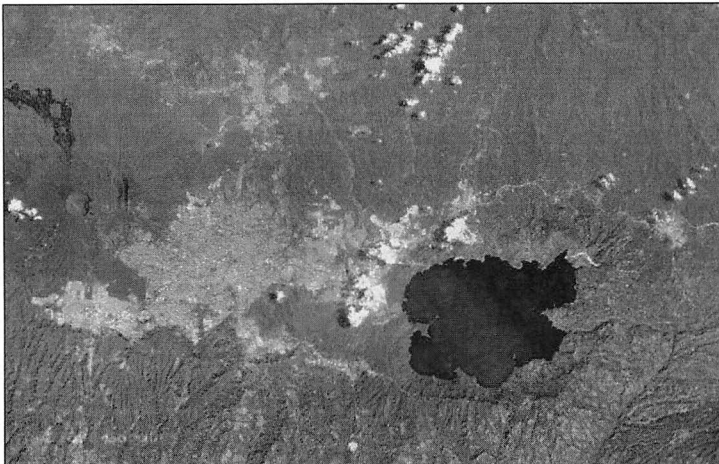


**Illustration 3.1:** Topography of El Salvador  
*Source: Google Earth*

Constraints on access to land have not been solely physical. Historically, the largest share of El Salvador's land has been controlled by a small group of wealthy coffee plantation owners whose holdings comprised much of the country's premium arable land. The civil war that wracked the country from 1980 to 1992 was partially rooted in frustrations over this inequitable rural land distribution (Mason, 1999). Furthermore, the massive rural-urban migration prior to and during the war led to a new struggle for urban land as the country's overall urban population increased 82% between 1971 and 1992<sup>21</sup>. At the same time, inequalities in income distribution between the lowest and highest 20% of the population were wide and continued to expand, with the highest quintile earning 54.4% of income in 1969 and 56% of income by 1991 while the lowest quintile share was about 3% (Muller, 1988; Marques, 2004).

Although urban areas throughout the country increased in population, San Salvador experienced by far the most growth. From 1971 to 1992, the population of the Metropolitan Area (AMSS) grew from 565,000 to 1,494,000 inhabitants (Lungo, 2003). This growth transformed the city into a sprawling metropolis with new migrants locating on the city's periphery. Towards the end of this period, land prices almost tripled. In 1986 the price of land per vara squared (about .70 of a square meter) in the most prestigious area of San Salvador was 252 colones (\$28), while the price in the rapidly growing peripheral suburb of Apopa was 79 colones (\$9); by 1993 the prices had reached 759 and 200 colones (\$87 and \$23) respectively (Lungo, 1996). For the majority of migrants, the only options for land occupancy were in the informal sector. These options typically took the following three forms:

- *Mesones*, historic center city housing consisting of a central patio surrounded by rooms, converted into tenements where several families shared common sanitary facilities;
- *Tugurios*, or slums, most often located in or very near the city center on hazardous marginal sites such as riverbanks, edges of ravines prone to flooding, roadside strips, or spaces near railroad tracks.
- *Colonias Illegales*, illegal subdivisions on the urban periphery where building lots for rent or for purchase on the urban periphery were available, largely on agricultural land once used to grow coffee.



**Illustration 3.2:** San Salvador's sprawling metropolitan area.  
Source: Google Earth

The growth of the informal housing sector was well beyond the city's capacity to manage. By 1974, 380 informal subdivisions had been established primarily to the north and northeast of the city, and by 1992 that number had grown to 498 and had expanded southward. Slums grew in number from 31 in 1968 to 293 in 1992, 30% of which were located along riverbanks or the sides of ravines and 15% along public rights-of-way (Lungo, Baires, 1996). *Mesones* deteriorated significantly and close to 73% were

significantly damaged or completely destroyed by the earthquake of 1986, leaving families to seek shelter elsewhere (Lungo, 2003)

### 1.2 *The continuation of informal development in the context of economic growth*

Since the end of the war, El Salvador has been initiating measures to reduce poverty, including increased social spending. ECLAC reports that severe poverty in El Salvador has indeed been falling. In 1995, 54.2% of the population lived below the poverty line, while by 2005 that

percentage had been reduced to 47.5. Over the same period the population living in extreme poverty decreased from 22% to 19%. However, it is still the case that in 2002, 21% of the population lived on \$1 per day, while 44.5% survived on less than \$2 per day (World Bank world development indicators, 2002). Moreover, income inequality increased markedly throughout the 1990s. In 1992, households in the highest 20% of the income distribution had a per capita income 18 times higher than that of the lowest 20% and by 2002, this factor had increased to 24 (World Bank world development indicators, 2002). While ECLAC reports that income inequality has decreased somewhat since that year, by 2005 the poorest 40% of the population were still earning less than 16% of total income.

High demand and land speculation have driven up the cost of land in and around urban areas. As El Salvador is one of only two countries in the Western Hemisphere without a property tax (Silva, 2007), land speculators typically purchase large amounts of land on the urban fringe which they are able to hold for long periods. The director of planning for the San Salvador Metropolitan area planning organization estimates that the cost of a serviced land parcel on the urban periphery of San Salvador ranges from about \$40 per  $v^2$  up to \$150 per  $v^2$  depending on location and has increased markedly over the past several years (Roberto Gochez, personal communication, March 11, 2007)<sup>22</sup>. However, the dollarization of the economy in 2001 makes it difficult to compare price increases during this period. Even in poorer departments, land speculation based on new infrastructural or commercial investments has led to sharp increases in land prices. The construction of a new port in the long-neglected department of La Union has pushed up land prices from an average of \$6.85 per  $v^2$  five years ago to an average of \$25 in the municipality of La Union and up to \$50 in locations closer to the port (Avalos, 2006).

The current high cost of serviced urban land and rising prices throughout the country has excluded the poorer sectors of the population from acquiring this asset in the formal market. According to the Multiple Household Survey of 2005, the average monthly income per Salvadoran household is \$435. A household would need to save 20% of its monthly income for 10 years to purchase a 150  $v^2$  plot at \$75 per  $v^2$ .

Households continue to turn to the informal market to have access to less expensive land parcels. According to recent government estimates, the land or housing occupancy of 60% of the country's population is considered informal (Gobierno de El Salvador, 2005). In 2000 informal plots sold for between \$5 and \$15 per square meter in San Salvador depending on the location in or just outside of the city (Clichevsky, 2003), and it was estimated that the informal housing market has generated no less than \$114 million per year in sales (purchases of housing components and sales/leases of informal dwellings) (Fortín-Magaña, 2001).

### *1.3 The impact of remittances*

International migration, primarily to the United States, has become the chief method by which Salvadoran households seek to earn the resources they need to access land and housing ownership. The inflow of remittances into El Salvador that grew steadily with migration levels throughout the 1980s and 1990s almost tripled in 2000, reaching \$1.8 billion (Orozco, 2004). The Multilateral Investment Fund of the Inter American Development Bank estimates that remittances received in 2006 totaled 3.3 billion, accounting for about 16% of GDP.

It is clear that on one level, remittances are helping alleviate poverty. UNDP estimated in 2004 that without remittances the percentage of households in extreme poverty would rise by seven percentage points, from 19% to 26% (UNDP, 2005) and the percentage of those below the poverty line would rise by 4.5 % (ECLAC, 2006).

Despite the positive impacts of remittances on the broad profile of poverty, the income from abroad also introduces a new level of inequality among receivers and non-receivers. Although household surveys show that more than 20% of Salvadorans have family member living abroad, a percentage which is probably much higher considering the illegal status of many migrants, the opportunity to send a family member to the United States or elsewhere is not an option that is available to all sectors of the population. With the costs of illegal migration through “coyotes” totaling between \$6,000 and \$8,000, households must have an asset of some kind that they can leverage to finance the trip. As a result, the poorest households are not able to benefit from remittance income but must deal with the significant impacts of remittances on costs of living.

Remittances are driving up the costs of land and housing throughout the country. Departments such as La Unión in the east are witnessing dramatic increases in land prices not solely because of new commercial investment such as the new port but also because 47% of the department’s population reportedly receives remittances (UNDP, 2005). New housing under construction in one of La Unión’s municipalities is being sold for between \$39,000 and \$93,000, exorbitant prices for the area, and representatives from the developer’s sale office state that nearly 75% of buyers are Salvadoran’s living abroad (Aizenman, 2006).

## **2 Government responses to the lack of adequate land and housing**

Since the end of the civil war in 1992, the Salvadoran government has initiated several measures to facilitate access to land ownership, address the housing crisis and manage the informal housing sector. These responses have largely centered on improving the country’s land registry and promoting the development of social housing.

### *2.1 Modernization of the land registry*

In 1991 the government with support from multilateral organizations created the Institute for Liberty and Progress (ILP) to provide technical assistance to the Ministry of Justice in reforming the country’s land registry. The ILP developed a new registry, the Registro Social de Inmuebles (RSI) which operated in parallel to the original system. The RSI was a computerized model that paved the way for the adoption of a state-of-the-art, automated registry, the *Centro Nacional de Registros* (CNR).

The *Centro Nacional de Registros* is unique in the region for two reasons. First, it brings together all cadastre and registry functions under one agency, creating a one-stop-shop for land transactions. This one stop-shop model has been decentralized to 11 regional offices and 17 municipalities, effectively streamlining the process of land registration and other land

administration procedures. Second, it is financially self-sustaining, operating from the resources it generates from the products and services it provides.

The CNR reports that by the end of 2005 it had registered 60% of the country's 1.8 million parcels (USAID, 2005). The process of registration in this case involves parcel-based surveys and refining of information in the land registry system, not the provision of titles (The World Bank, 2005) This fact may account for the government's recent assertion that approximately 60% of the country's population still lives on informal land.

Regarding land registration, the self-sustaining nature of the CNR allows it to price its services according to what the market will bear, resulting in prices that are above what many families are able to afford. For example, the cost of registering a 100 v<sup>2</sup> piece of urban land with a land value of \$150 per v<sup>2</sup> costs about \$130, slightly less than one month's minimum salary (The World Bank, 2007).

## 2.2 *Promoting Affordable Housing through private developers and state subsidies*

Within the context of a larger economic transition period in El Salvador, the government in 1990 shifted from actually providing housing to acting as an intermediary for housing acquisition (Fortín-Magaña, 2001). As a result, large-scale, privately developed "*urbanizaciones*" began to appear on the outskirts of urban areas throughout the country, offering finished homes on land plots averaging between 60 and 100 v<sup>2</sup> in price ranges accessible to lower- and middle-income groups.



**Illustration 3.3:** The development of *urbanizaciones* near San Salvador.  
Source: Google Earth

In 1992, the government passed the Law of *Parcelaciones Habitacionales de Desarrollo Progressivo*, allowing for the development of "Progressive Subdivisions" that relaxed

infrastructure standards and legalized an altered form of the *colonia*-type subdivision, allowing developers to provide subdivided 100 v<sup>2</sup> lots with planned roads, green open space and very basic infrastructure including drainage, latrines and water standpipes. The infrastructure could be progressively upgraded in the future by the community in conjunction with the municipality and the Department of Public Works (Ferguson, 2003). Provision of these low-cost lots also allows households to access credit from the private sector, as many developers of social housing also provide loans for the purchase of the lots.

The *Fondo Nacional de Vivienda Popular* (FONAVIPO), also established in 1992 focuses on the housing needs of informal sector workers earning less than two monthly minimum salaries (currently \$336). It generally disburses up to \$2,000 in grants to families for new housing or home improvements with additional loan options, and has also created a program to develop “New Organized Communities” for families currently living in environmentally hazardous areas and willing to move voluntarily.

### 2.3 *Effects on access to land and housing*

Although these reforms have improved access to land for some of the poorer households, it is questionable whether they are reaching the poorest income groups. The low-cost housing built by formal contractors resulted in significant growth in the affordable housing market. It is significant that the growth rate of El Salvador’s slum population from 1990 to 2001 was lower than several of its Central American neighbors, according to data from the United Nations Global Urban Observatory. However, the percentage of the urban population in slums still stands at 35%, and the annual growth rate of slum dwellers is 1.89% indicating that the needs of poorer households are still not being met.

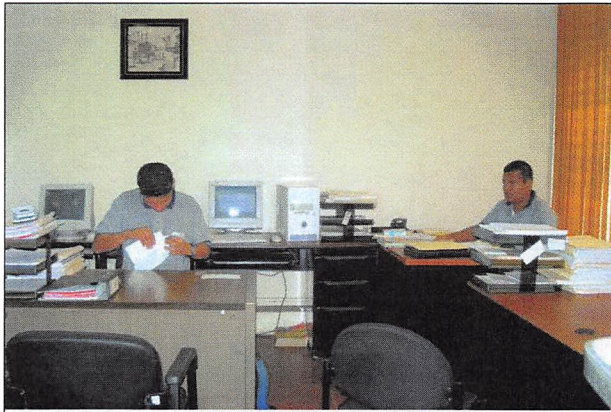
FONAVIPO is the primary vehicle through which the low-income sector can access credit for housing, but several factors limit its effectiveness in reaching the target population. First, since the earthquakes of 2001 the Fund has experienced a severe lack of resources, seriously restricting the number of households it can serve. Second, to be eligible for the program, families must prove ownership of the land on which they would like to build or provide the funds necessary to register the property legally. This eligibility requirement makes the program inaccessible to very low income households living in informal settlements.

## 3 **FUSAI’s approach to developing community housing projects**

The *Fundación Salvadoreña de Apoyo Integral* (FUSAI) is a private non-profit organization established in 1992 that is committed to working in partnership with a range of stakeholders to provide poor communities with low-cost land and housing options. FUSAI’s housing program, *Programa Habitat*, initially aimed to bridge the gap between FONAVIPO’s subsidy program and low-income households lacking the land title necessary for eligibility. However, FONAVIPO’s severe funding shortages have obligated FUSAI to seek other financing options for its programs.

By 1999, FUSAI had constructed 25 community housing projects and had established a small, integrated microlending division. In order to increase its capacity, FUSAI asked Accion





**Illustration 3.4:** Integral's headquarters in San Salvador. Photo: Mona Serageldin

International to help transform its microlending arm into an independent microfinance institution dedicated to providing access to credit for low-income households. *Apoyo Integral S.A. de C.V.*, a separate for-profit organization, was created in 2002 and immediately took over FUSAI's loan portfolio.

FUSAI and Integral have developed a unique partnership that facilitates access to land and housing for individual households or whole communities. In the case of individual households, the organizations offer loans and

provide technical assistance to families with an income of up to four minimum salaries to secure ownership of serviced lots, construct houses on land they already own, expand or improve existing houses or connect them to utilities. Community housing projects are more complex. FUSAI works with local governments and other partners to provide low-cost serviced land and technical assistance for housing construction. Groups participating in this program, shaped by the framework of FONAVIPO's *Nuevos Asentamientos Organizados* (New Organized Communities) concept, live on environmentally hazardous, high-risk sites, and do not own the land where they currently dwell.

FUSAI is active in ten departments of El Salvador but has constructed most of its housing communities in recent years in the departments most affected by natural disasters, including San Salvador, La Libertad, Cuscutlán, La Paz, San Vicente and Usulután.

### 3.1 *The process of developing a housing community*

FUSAI initially worked primarily with the central government in the implementation of its community housing projects. However, in 2003, partially due to a sharp decrease in available government subsidies on which the projects had depended, the organization shifted the orientation of the Habitat Program toward increased levels of collaboration with local authorities, community groups, and bilateral and multilateral organizations. The process begins either with an appeal from an existing community or a request from a municipality. Prior to beginning a project, the municipality in which the development will occur signs a contract with FUSAI and other partner institutions including multilateral organizations and local infrastructure and service providers who agree to specific funding or service commitments during the project phases, including;

- Identification and pre-screening of interested participants
- Land acquisition
- Site preparation/provision of infrastructure
- Community participation in construction
- Disbursing of housing credits
- Organization of post-construction management of the project by the community.

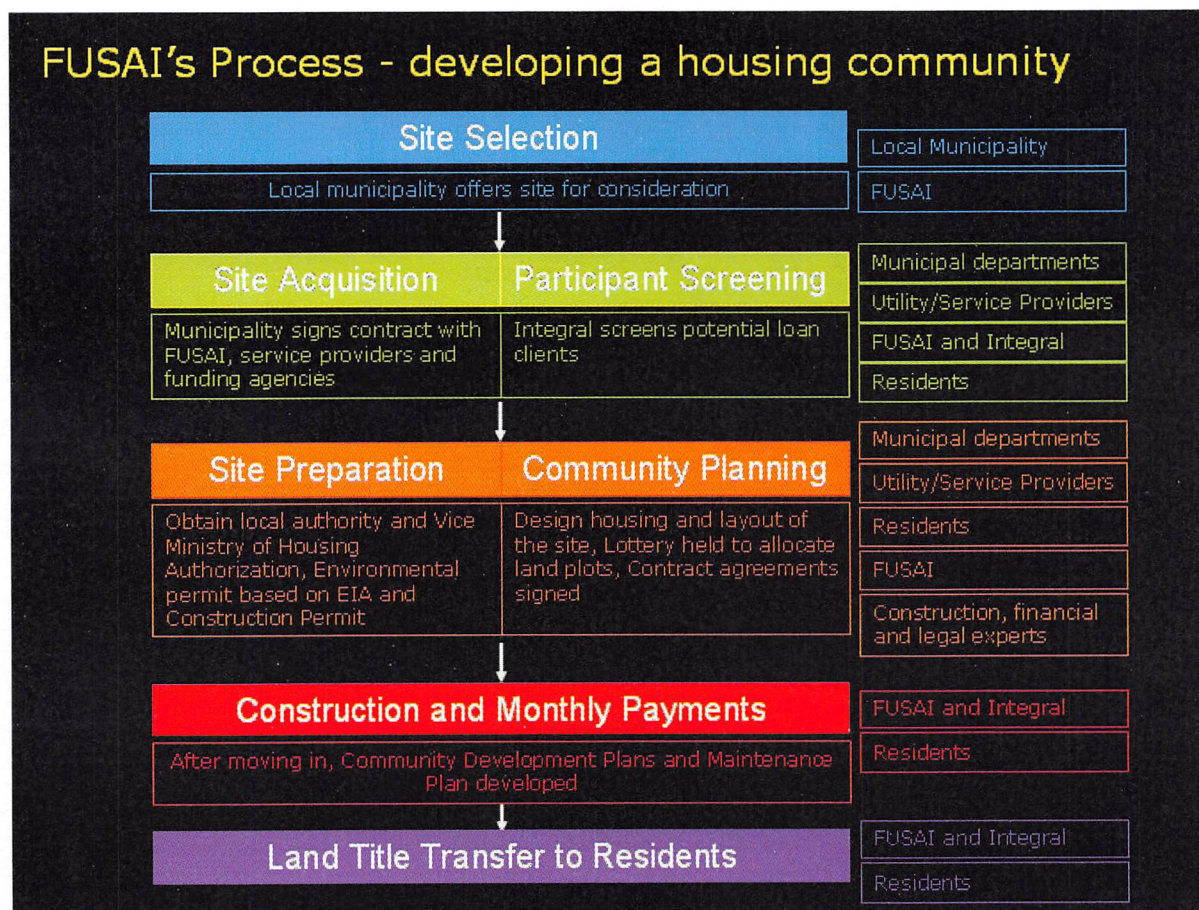


Illustration 3.5: FUSAI's process of developing a housing community.

#### Identification of Participants

Community housing projects each serve an average of 150 families, although a review of FUSAI's projects to date shows that the number of households benefited by particular projects ranges from 45 to 450. In some cases, the participating families belong to socially cohesive communities while in other situations participating households may not be acquainted. FUSAI stated that between 80 and 90 percent of participants have incomes of one to two minimum salaries, or less than \$350.

Integral screens potential loan clients through an interview process. Eligibility criteria are stringent to ensure payment of the loan. To qualify for the program households must have disposable income of at least 1.5 the amount of the monthly payment. Disposable income is calculated as net income from salaries wages, earnings of microenterprise pensions and other sources including remittances.

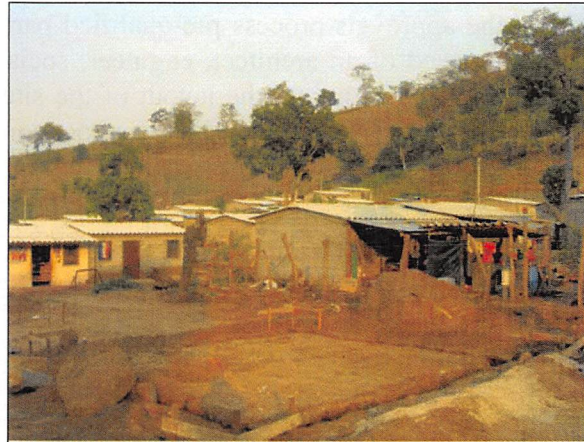
By including earnings from informal activities and remittances, FUSAI is able to reach poorer income levels. About 50% of Integral's community housing clients are employed informally, and 50% of clients receive remittances, although this number is an estimate since some clients do not report remittances because of either the illegal status of the remittance sender or the fact that

additional income will raise their income levels above the maximum allowed under the program.<sup>23</sup>

### Land Acquisition

Land acquisition is facilitated through collaboration with municipalities. Article 4 of El Salvador's Municipal Code gives each municipality the responsibility to develop and approve its own *Plan de Desarrollo Local* (Local Development Plan) within the framework of the *Plan Nacional de Ordenamiento y Desarrollo Territorial*. Some parcels identified by local authorities for a community housing project are privately owned.

Under law, land owned by a municipality or a private entity cannot be given to another organization without charge, at the minimum a symbolic payment of \$1 per  $v^2$ . FONAVIPO is not under this same restriction and may donate its land to FUSAI. Land parcels purchased by FUSAI vary in size from three manzanas (about 22,000 square meters) up to 20 manzanas (140,000 square meters). FUSAI typically pays between \$1 and \$2 per  $v^2$  for parcels in different locations. On average, land accounts for between 10 and 15 percent of the total project cost.



**Illustration 3.6:** A plot ready for housing construction.  
*Photo: Mona Serageldin*

FUSAI's existing relationships with local authorities and the Vice Ministry of Housing facilitate land registration, and the Salvadoran Government's improvements to the registration process included a reduction in the cost by 75% for development projects in which the sales price per housing unit, including the land, is less than \$10,000.

### Site preparation

Developing a "Progressive Housing Community" requires a three-step process:

- 1) Authorization to develop a "progressive housing community" from the local authority and the Vice Ministry of housing;
- 2) An environmental permit from the Ministry of the Environment based on an environmental impact study. Stricter regulations adopted in the aftermath of the 2001 earthquakes have lengthened the time required for this permit.
- 3) A typical construction permit.

Private companies contracted to install the infrastructure will in some cases offer their services at a lower cost because of the social aspects of the project. Despite the partnership with municipalities that tends to streamline procedures, the permitting process still takes between one to two years, costs roughly \$35,000 and is financed either by FUSAI or an international partner.

### Community Participation

Participants are involved in the development process from the moment they are selected. They contribute in four key ways:

- Design of the community plans;
- “Mutual-help” construction of housing;
- Community leadership and development;
- Maintenance of community infrastructure.

During the approvals process pre-qualified participants begin working with FUSAI’s technical team composed of an architect, engineer, social worker, credit analyst and legal expert on the design of the housing and the layout of the site. When parcelization is completed, a lottery is held to ensure transparencies in the allocation of plots and contracts are signed confirming participants’ satisfaction with their plots.



**Illustration 3.7:** The “mutual-help” construction process. Photo: FUSAI

FUSAI’s technical team organizes work groups for the “mutual help” and offers construction training. Building materials are distributed and households participate in the construction of their own homes and those of other community members. Construction is supervised by 20 to 30 professional construction workers.

FUSAI works with the community during a follow-up period of six months after participants have moved into their homes. A central focus of this period is the establishment of *Directivas Comunes*, local community boards recognized by municipal authorities

with their own organizational structure and bylaws. The local boards work with FUSAI to establish Community Development Plans that list and prioritize community needs and set a budget for priority projects. A maintenance plan is also developed which assigns responsibility for the upkeep of public areas and infrastructure.

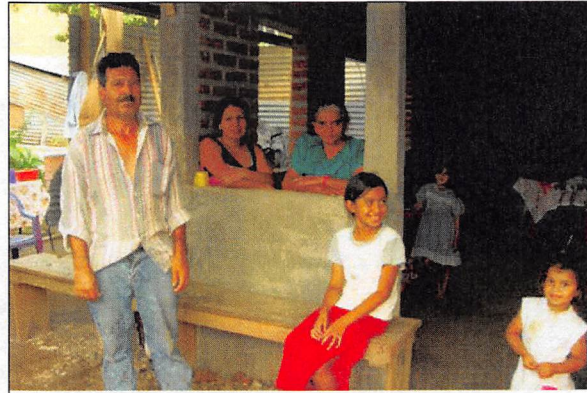
### Credit disbursement and title transfer

Clients sign a contract with FUSAI and Integral agreeing that they will voluntarily give up their land and house if one of three situations occurs: 1) defaults on the loan payment; 2) Non-participation in the mutual-help construction program; 3) non-maintenance of the new house as their permanent residence.

Participants begin the initial phase of payment, known as “primas” after the agreement is signed. For six to eight months during the construction process participants pay monthly installments to Integral that act as a progressive downpayment and allow a trial period for Integral to further assess clients’ ability and inclination to pay. During this period Integral also offers money management training to clients.

Integral extends loans to clients who have not had any delinquent payments during the “Primas” phase using the land the client is purchasing as collateral. In February 2007 the interest rate was 16%, lower than market rate. Monthly payments vary according to plot value and disposable income but generally run between \$25 and \$35, and families typically have up to 120 months to pay off the loan. Total credit allocations also vary according to the overall cost and location of the project and the amount of government subsidies, but generally fall between \$600 and \$1,500. The average credit in recent projects has been about \$800.<sup>24</sup>

After the final payment is made the land title is transferred to the household. FUSAI’s policy is to put the title in the names of the women and children so that it becomes *un bien familiar* (a family asset). Under this agreement, the family can neither rent nor sell the property until the youngest child of the family is 18.



**Illustration 3.8:** Titles are generally given in the woman’s name. Photo: Mona Serageldin

### 3.2 Project financing

In 2003, the average total cost of a serviced lot with housing, provided through the Habitat Program, ranged between \$3,795 and \$5,348 depending on the size of the house constructed (Garau, Sclar, Carolini, 2005). This average has changed recently due to new government subsidies with stricter regulations on infrastructure provision. However, one of FUSAI’s strengths is the diversity of the resources on which it relies to fund its housing programs and which allow it to keep the final costs affordable.

In addition to loans from Integral to project participants, FUSAI funds its projects through the following sources:

SIDA-financed revolving loan fund. In 1999, FUSAI contracted with the Swedish International Development Corporation to establish a revolving loan fund for housing. Both Sida and FUSAI have contributed to the fund since 1999. The housing fund is currently worth \$6 million. The Fund is used by FUSAI to finance the land acquisition and permitting process, the initial community interviews, the development of the site design, capacity building for local authorities, and technical assistance provided to the families during housing construction. At times the Fund is also used to provide bridge construction loans for the projects (Daphnis, 2002).

Central Government Subsidies. FUSAI no longer accesses FONAVIPO subsidies as they are now bundled with a loan component that FUSAI does not need. However, in 2004 the IADB approved a loan to El Salvador of \$142.7 million to support the government in developing sustainable housing policy instruments. Part of this loan was allocated to construction of new housing to benefit earthquake victims and has been channeled through the Vice Ministry of Housing and Urban Development. These funds are available to FUSAI as a large subsidy.

International donors. FUSAI has always leveraged funds from multilateral organizations. As part of the 2004 program “Housing for Families Affected by the El Salvador Earthquakes”, Sida is contributing \$3 million to FUSAI for the development of housing communities (De León, Urias, Rodriguez, Barraza, 2006). This funding primarily covers costs of housing construction including building materials. The Spanish Agency for International Cooperation has also recently begun to give donations to fund basic services on the sites.

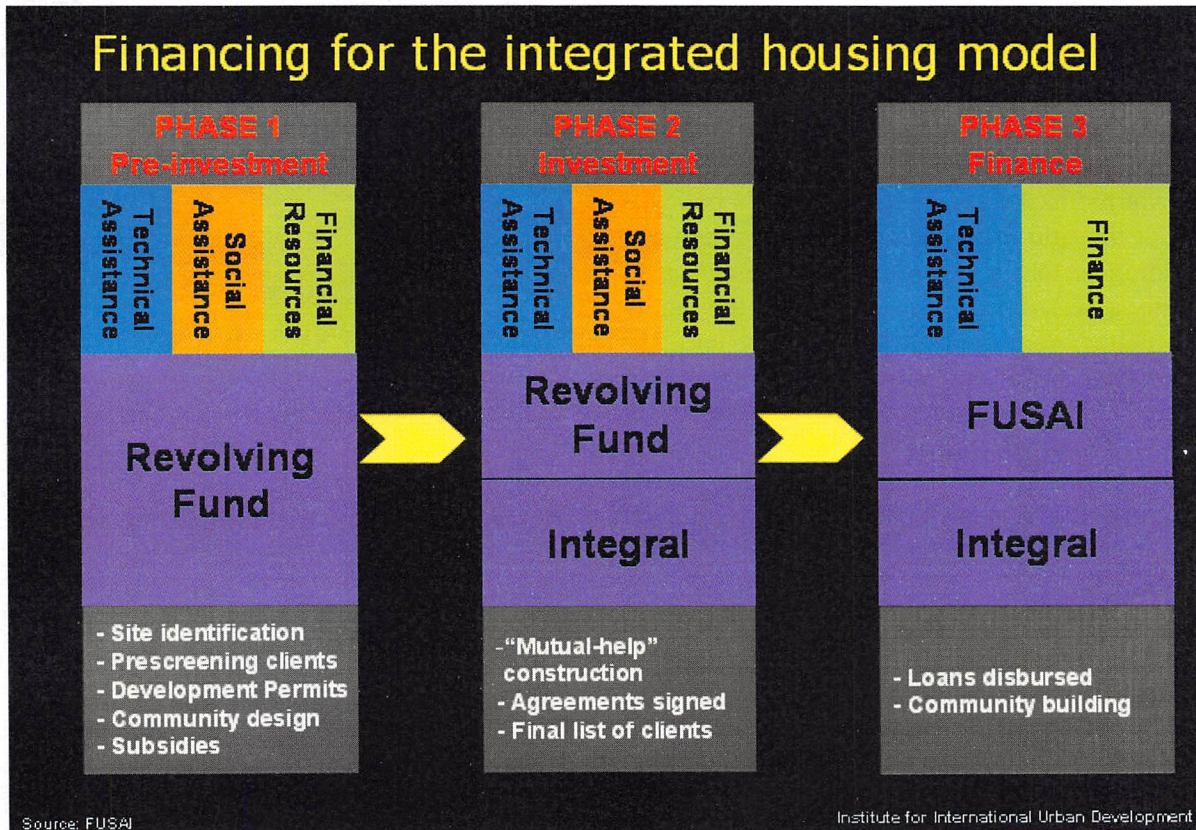


Illustration 3.9: Financing of community housing projects.

#### 4 Case Study: Joya de Tomasico project in Usulután Municipality

Usulután is the capital city of the department of the same name in the eastern half of El Salvador. Agglomerated with its neighboring municipality, Santa Maria, Usulután was selected as one of the country’s four key urban centers apart from San Salvador and has subsequently prepared a detailed urban development plan (PLAMADUR) in part to address the unregulated formal and informal urbanization expanding along the short highway segment between the two cities. Sizeable population growth due to social and commercial development led to the development of 48 formal and informal *colonias* on the periphery of the city by 2004 (UNAB Revista, 2004). The Municipality’s population was also severely affected by the 2001 earthquakes.

Some displaced residents have settled in the Usulután’s City Center awaiting housing assistance from the government, while others have relocated in the *colonias*. An interview with a

representative from the Department of Engineering and Urban Development of Usulután Municipality confirmed that while the formal residential areas of the Municipality had grown by 15 to 20 % over the last five years, informal settlements have grown by 35 %.

#### 4.1 Remittances and land prices in the Usulután Department

Formal records showed that more than 28% of households in the department of Usulután received remittances in 2004 (UNDP, 2005). However, studies conducted by the Center for Public Opinion (COP) at San Salvador's Universidad Francisco Gavidia indicated that in 2005, 87% of households received remittances. Despite this cash infusion, the average household income reported is one of the lowest in the country at \$324 per month.

The city of Usulután is composed of five *barrios*, including its central zone. The impact of remittance flows is most strikingly demonstrated by the abnormally high land and housing prices. A representative from the Municipality's Department of Engineering and Urban Development stated that the cost of a serviced plot and house within a 100-meter radius of the city center ranges between \$400 to \$600 per  $v^2$ , prices comparable to or higher than property in San Salvador's most exclusive neighborhoods,<sup>25</sup> while real estate listings show prices in the other four *barrios* ranging between \$220 - \$300 per  $v^2$  depending on house size. These prices have increased by 20 to 25 %, and in some cases 30% over the past five years.

On the urban periphery serviced land costs about \$100 per  $v^2$ , up from \$60 per  $v^2$  in 2002, and the price of serviced land with housing has risen from \$150 per  $v^2$  to between \$180 and \$200. Unserviced land purchased from the municipality sells for about \$45 per  $v^2$ , a price still far above the price of a lot sold in the informal market.

**Table 3.1:** Land and housing prices in Usulután Municipality.

Year	Center City		Barrios		Periphery	
	2002	2007	2002	2007	2002	2007
Real Estate Prices (with housing) per sq. vara	\$200-\$300	\$400-\$600	\$150-\$200	\$220-\$300	\$150	\$180-\$200

Source: Department of Engineering and Urban Development, Usulután Municipality

Housing construction costs have also risen sharply in recent years, as have rents in the city center and on the periphery. According to the Department of Engineering and Urban Development, the cost of a basic two-room house with a dirt floor, cement block walls, is \$125 per square meter, a higher quality house with more finishes costs \$200 per square meter, and the highest quality housing with luxury finishes requires \$300 per square meter. Five years ago, the prices for standard, medium and high quality housing were \$55, \$130, and \$220 respectively. Rents in the city center have doubled, averaging \$200 to \$350 per month in the early 2000s and between \$400 to \$800 today. Rentals of houses on the periphery of Usulután is \$60 to \$120 per month, up \$20 to \$70 since 2002.

## 4.2 *The Joya de Tomasico Project*

FUSAI is completing a development called “Joya de Tomasico” about six kilometers away from the Municipality’s city center and accessible by public transportation. The 260 participating families were affected by the 2001 earthquakes and many were living in *mesones* or along river banks.

### Characteristics of project participants

Integral is in the process of interviewing participants for this project and has prequalified 159 households. 72% of these are headed by married or co-habiting couples, while one quarter are led by single mothers. Family size averages between one and eight persons. 90% of the families currently live in Usulután’s urban zone (the city center and the immediate periphery).

55% of the prequalified households are employed in the informal sector as microentrepreneurs, domestic workers, construction workers, or field laborers, while 45% have formal employment. Total family incomes range from \$170 to \$600 per month, with 47% bringing in a combined income of less than two minimum salaries (\$336) and 27% living on income between \$350 and 400 per month. Income comprises salaries, earnings, income from family members, and remittances. Although 32% of the households report receiving remittances, Integral staff believe that this number is closer to 50%. 4% of households (six families) are fully supported by remittance income, while 10% say that remittances account for 40 to 60% of their income. 45% of those with an income of more than \$400 monthly receive remittances.

76% of the families spend between \$150 and \$300 per month on food, rent, transportation, various services and miscellaneous expenses. The largest part of these expenditures goes to food, with some households using more than 90% of their income to feed the family. Interestingly, while 42% of the families are not paying rent, 25% percent report allocating 10 % to 20% of their income to rent and 17% report allocating 20 to 40%. Rentals range from \$7 to \$109 per month. Since all participants in FUSAI’s community housing programs must be living on hazardous sites, it is likely that some renters are living in *mesones* in the city that have been devastated by the earthquakes, while others are paying monthly to live on potentially hazardous land on the periphery.

### Project costs and financing

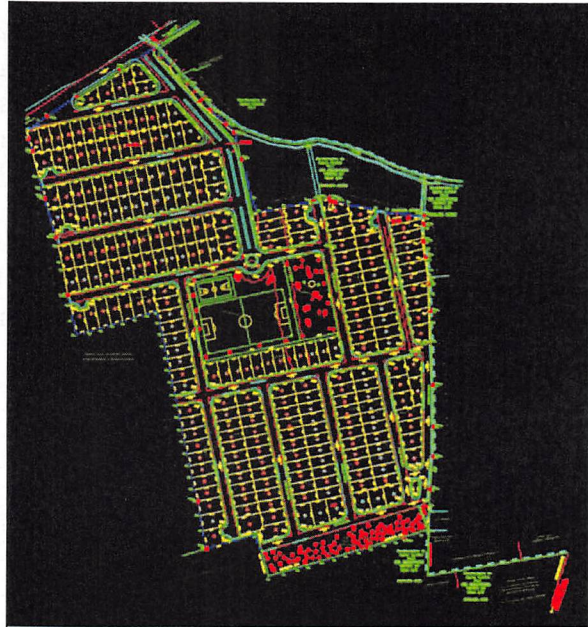
FUSAI purchased the 120,000 v<sup>2</sup> of land from the Municipality of Usulután for \$202,000, or \$1.70 per v<sup>2</sup> including the costs of registration and permitting. This price is comparable to other land purchases FUSAI has made in the past. The total cost of final infrastructure provision is \$650,000: \$60,000 for electricity, \$113,000 for water supply to individual dwellings, \$170,000 for drainage, \$283,000 for paved roads and \$24,000 for waterborne sanitation inside each house. The cost of the building materials is \$1 million, bringing up the total investment in the project, inclusive of technical assistance and training to \$2,386,000.

The total cost of the housing solution per family comes to \$9,175. Of this amount, \$5,000 is covered by the subsidy from the Vice Ministry for Housing and Urban Development. This subsidy primarily goes toward the land purchase and some of the infrastructure costs. The Sida donation contributes \$2,500 per person, and is directed toward the costs of building materials.



Each household participating in the program pays about \$210 during the “primas” phase and then receives a credit of \$1,450 which they will pay off in monthly installments of between \$30 to \$35 depending on the value of their plot.

The cost of *Joya de Tomasico* is substantially higher than FUSAI’s average community housing projects. The contributing factor to this price differential is the new subsidy financed by an IADB loan and channeled through the Vice Ministry of Housing and Urban Development (VMVDU). In the past, due to the “progressive” nature of the developments, FUSAI had provided water standpipes and latrines which could be upgraded to house connections at a later date. With the new subsidy, the VMVDU is much stricter regarding infrastructure provision. Toilets and potable water points are required for each house, increasing the cost per house from about \$7,000 to \$9,175.



**Illustration 3.10:** Plan of *Joya de Tomasico*.  
Source: FUSAI

Despite the higher development cost, through the *Joya de Tomasico* project FUSAI is helping hundreds of low-income families in Usulután to secure ownership of land on the urban periphery at a price they can afford by packaging loan credits with in-kind contributions. Partnerships with a variety of stakeholders allow FUSAI to leverage different funding resources to keep costs affordable and streamline the development process.

## 5 FUSAI’s accomplishments

FUSAI has created a model of offering residents of informal settlements in environmentally hazardous areas land and housing solutions at prices that are competitive with the informal market. In 2000, the cost of acquiring an informal plot in San Salvador ranged from \$570 to \$1370 depending on location and size. Including interest, the price for this unserviced lot could be paid off in monthly installments of between \$17 and \$22 over a period of 10 years while also paying for housing construction (materials and labor) (Clichevsky, 2003). FUSAI is currently in the initial phases of implementing a community housing project in San Martin, an urban node in the Metropolitan Area of San Salvador experiencing 4% growth per year. FUSAI staff estimate that the cost of one of the housing solutions provided by the project will be 11,000.<sup>26</sup> With subsidies and donations from international organizations, FUSAI should be able to offer participating households loan credits of between \$1,600 and \$1,800 to purchase a plot, payable in installments of about \$30 per month over a shorter time frame than ten years, an option is significantly more appealing than acquiring an informal lot.

To date, FUSAI's community housing program in conjunction with Integral has implemented 55 community housing developments and created a total of 7,100 units. The new communities have benefited more than 35,000 persons, many of whom had been displaced due to natural disasters. FUSAI has mobilized millions of dollars in subsidies towards housing for lower-income households while such subsidies were often preempted by middle income groups. Many of the families served by FUSAI are headed by women and the organization has registered thousands of properties as family assets in women's names. Integral is evolving into a self-sustaining microfinance institution by extending low-cost money transfer services and housing loans to individual households receiving remittances. The unique partnership between Integral and FUSAI contributes to Integral's loan portfolio. As it grows in scale, FUSAI's community housing program will serve more physically and socially marginalized families squeezed out of the formal land market and forced to settle in environmentally hazardous areas, thereby contributing to fostering social inclusion and furthering progress towards the achievements of the Millennium Development Goals.

#### IV CONCLUSIONS

The Urban Land Management Program in Albania and FUSAI in El Salvador have fostered social inclusion by providing thousands of marginalized households with secure tenure and access to basic services. The success of these programs is based largely on the application of key principles:

- The use of incremental approaches. Full legal titling is not the only option for providing secure tenure in informal settlements and at times can impact negatively the communities the measure is intended to benefit (Payne, 2000). Each of the highlighted programs demonstrate progressive approaches to improving security of tenure through community outreach, the provision of infrastructure and eventual transfer of ownership based on reasonable conditionality.
- Capacity-building for local authorities. Local governments in both larger and smaller cities are faced with the challenge developing projects within a national legal and administrative framework, asymmetrical decentralization processes and varying local discretionary powers. In each case, NGOs helped to improve the technical and managerial capacities of local governments to enable them to actively address informal development.
- Partnerships between local governments, NGOs, and international organizations. Even the most well-run local authorities have found it difficult to manage the effects of rapid urbanization and increasingly social exclusion. They have no control over the driving forces underpinning these manifestations and they lack the financial and managerial capacity to address their consequences. The partnerships developed between local governments, FUSAI, and multilateral and bilateral organizations in El Salvador and between local governments, residents of informal settlements and NGOs such as CO-PLAN in Albania helped to bridge the gaps in both funding and expertise in the provision of land and basic services.
- Institutionalizing community participation within the structure of local governance. An extensive community outreach and participation program allows marginalized populations to become partners in their own development. The elected community associations developed under the ULMP provided residents a link to investment decisions and developed the confidence to directly work with local government. FUSAI's use of the "mutual help" construction model and its efforts to establish local boards to further community development priorities in the post-construction phase fostered coherence and partnership in new settlements.
- Integration in local plans. A lack of understanding regarding the spatial dimensions of land or housing policies can lead to long delays when implementing programs. In both cases, the decision to proceed on projects was taken in the context of urban development plans and the availability of infrastructure.

- Response to the dynamics of migration and remittances. Remittances are an increasingly important source of income for inhabitants of informal settlements. They have provided capital injected in the informal land and housing markets and have facilitated access to credit. Remittances were recognized by the ULMP as a critical source of financing for housing and infrastructure in both informal and formal settlements in Tirana. In El Salvador, FUSAI has managed to channel remittances into housing investment by including these funds as an alternative source of income in the pre-qualification process.

Despite the transferability of these principles, the complex interrelation of statutory and customary property rights, the history of land management and distribution, and the working of land and housing markets are unique to each urban context. El Salvador's legal reforms in the housing sector provided a framework for implementing projects based on incremental housing and infrastructure construction, allowing FUSAI to facilitate the development of community housing projects whose properties are comparable in terms of affordability to those sold in the informal market. Albania's rapid urbanization and economic transition has led to different approaches to regularization and legalization over time, in conjunction with the evolution of the legal and policy environment.

These approaches are not mutually exclusive and should build upon each other. Developing alternatives to improve security of tenure while emphasizing social inclusion requires flexibility and a willingness to combine and package interventions to meet the needs of communities on a case-by case basis.

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## VI ENDNOTES

<sup>1</sup> The Albanian Urban Sector Review dated December 7, 2006 provides an excellent overview of urban issues in Albania, both in terms of the recent historical experience and current challenges. Another excellent source on urban and housing issues in Albania is “Making Cities Work”, a publication prepared for the International Conference of the European Network of Housing Research and organized by Co-Plan Institute for Habitat Development.

<sup>2</sup> For example, in the central area called the “block” building violations led to expensive residential towers being so close to each other that residents complain how they can almost reach into each other’s living rooms.

<sup>3</sup> With support from USAID

<sup>4</sup> The household surveys collected basic social, economic and priorities for improvements from the perspective of the residents. This information was compiled and short reports generated that could be shared with local officials, residents and project managers. The focus groups gave the community outreach team an opportunity to work directly with residents, understand the social networks and relationships within the site and identify potential community leaders.

<sup>5</sup> Key elements of the Concept Plan included the following: Potential subdivisions based on social and family networks; Proposed on and off-site utilities identified in cooperation with the utility companies; Public spaces and circulation paths that needed to be opened and safeguarded; Assessment of community facilities; Community priorities and the estimated cost to each household; Preliminary designs and cost estimates for primary, secondary and tertiary infrastructure; Sources and applications of funds (residents, municipality, utilities, project); Justification and risk assessment for both the government and the donor; Required local government approvals.

<sup>6</sup> Members of the community mobilization team included both NGO and local government officials who would meet with individual subdivision groups if required. As noted in one project report “subdivision representatives assisted the community mobilization team in organizing meetings, distributing forms, and raising awareness among the residents about the benefits of joining the project”.

<sup>7</sup> Typical concerns and questions raised by community representatives included: When would the project start? What would happen with non-participating households? Would there be an opportunity to review project designs, and finally, what would be the cost of land and when would the plots be legalized?

<sup>8</sup> In the case of the last neighborhood in the Bathore site, it took 7 months for the project assessment phase. Approximately 65% of the households were directly contacted and 25% actively participated in project preparation. This included the initial survey of some 725 households, the physical survey including mapping of all parcels, holding focus groups, preparing preliminary and final concept plans, holding formal stakeholder workshops and signing the partnerships agreement. This is a relatively short time in which to organize a large community of 3,600 residents, and develop and integrated approach that brought together local government, community based organizations, utility companies and set the stage for each household to enter into the partnership agreement.

<sup>9</sup> The information of the case study is based on the results of two surveys completed in 2000 and 2007 of the Bathore pilot site 2. Please note that the sample size in 2000 is 50 families and in 2007, the sample size is 100 families.

<sup>10</sup> The three districts are *Kukes, Diber and Tropoje*

<sup>11</sup> Most of the households interviewed in 2000 built the houses as personal residences and only a small percentage (2%) built with the intention to sell it later.

<sup>12</sup> In constant 2005 dollars, source: project completion report.

<sup>13</sup> Of the 11% who indicated they would leave, the destinations included: Tirana, other towns in Albania and abroad.

<sup>14</sup> This is not unlike a similar situation faced by the Cairo Governorate in its upgrading programs in the 1980s when residents of informal communities did not initiate the legalization process given their concerns that the price of the land would be close to market values. It also does not recognize that an active land market is already occurring and that a household in an informal settlement is most likely to sell to another family member.

<sup>15</sup> The process is intended to be a one-stop shop where applicants submit a self declaration form which is reviewed and acted upon by government agencies. At the end of the process, applicants will pay for the land, as well as an infrastructure impact fee of two percent of the investment cost. Interestingly for areas subject to the ULMP the fee will account for the contribution households have made during the project.

<sup>16</sup> The new law was adopted by the majority in the parliament after being first rejected by the President. The draft law was contested by political forces, former owners and some segments of civic society who saw the law as favoring a certain segment of the population for electoral gains. Even during implementation, the law is contested on the grounds that it violates a constitutional right regarding property ownership.

<sup>17</sup> Of the estimated 45,000 new legal dwelling units built between 1991 and 2004, ownership has been transferred for 90% of the units but only 10% are registered. (World Bank, Tirana, 2006).

<sup>18</sup> Towards the end of the program, when the community outreach process was well understood, it took only seven months to reach an agreement among 650 households and begin implementation works. This is a relatively short-time frame when considering multiple activities including community development, urban planning and coordinating off-site and on-site works with utility companies.

<sup>19</sup> Towards the end of the program, when the community outreach process was well understood, it took only seven months to reach an agreement among 650 households and begin implementation works. This is a relatively short-time frame when considering multiple activities including community development, urban planning and coordinating off-site and on-site works with utility companies.

<sup>20</sup> Parallels have been made between the legalization process under the 2006 law and the rapid privatization of housing in the early 1990's. The housing legislation quickly transferred the assets to sitting tenants and helped to spur private investments in housing and development of a housing market. New owners either improved the existing flat or traded their asset for another unit. While these benefits were evident, the "public" implications of the privatization were not taken into account. Adequate resources were not available to implement the condominium law and the use of the public space immediately beyond the one meter perimeter of the building was left in the ambiguous and unguarded public domain.

<sup>21</sup> According to census data from the *Dirección General de Estadística y Censos*, El Salvador.

<sup>22</sup> Peripheral areas to the north and northeast of the city center are typically less expensive than those toward the south.

<sup>23</sup> Although the community housing programs generally target sectors of the population living on two minimum salaries or less, Integral accepts clients with up to four minimum salaries, or about \$600.

<sup>24</sup> Estimates from FUSAI

<sup>25</sup> According to a survey of real estate listings, property in Colonia Escalón, one of San Salvador's most exclusive neighborhoods, sells for \$350 to \$400 per square vara.

<sup>26</sup> The price of this project is again higher due to the infrastructure requirements of the subsidy and the higher cost of land.