

Sustainable Habitat and Social Capital: The Criticality of Community and Culture

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Abstract

Sustainable development implies that invested resources be recycled in perpetuity, but how much of the resources invested in housing are returned or replaced to enable a continuous flow of services or benefits to the unserved?

Contemplation of Target 11, Goal 7 of the UN Millennium Development goals: “by 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers” establishes a clear imperative for significant scaling up of, or catalysing housing delivery.

Much investment by governmental or non-governmental entities in the delivery of housing tends not to focus beyond the provision of the commodity, or the utility value thereof. Seldom is there concern for the sustainability of the system which delivers such housing (recyclability of invested resources) or the sustainability of the housing and settlements itself.

It is said that the real fruit of an apple tree is its seed. The flesh provides temporary benefit, but the seed represents the capacity for continued provision and for exponential growth. The seed of a housing delivery system is not the house, but the potential for the system to continue to reproduce houses.

This paper advocates that (a) secondary housing markets provide a mechanism for sustainable and exponential delivery, (b) that market vitality is dependent upon sustainable communities (social and physical habitat) and (c) that the economic sustainability of such communities is in turn supported by the market. Based upon this ‘development triangle’ specific attention is drawn to social capital, and its underpinning norms and values, as a key determinant for enabling or disabling market formation and community sustainability, and catalytic delivery.

The paper is premised upon anecdotal evidence of work undertaken by Habitat for Humanity International (Africa & Middle East) The views expressed do not necessarily represent those of the organisation

1 1 Introduction

An estimated 1 billion people currently live in life and health threatening dwellings and neighbourhoods. Clearly there is an imperative for exponential delivery, and implied therein, a great need for housing delivery systems that have the ability to recycle resources and ‘reproduce’ exponentially. At the same time, housing stock and living environments that are developed need to be sustained to serve multiple generations. There has been limited insistence upon the sustainability of the delivery system, and the deliverable. Many schemes are based upon regular injections of grant aid, or survive through subsidy, masking the key criterion of sustainability and providing little direction for design or delivery in contexts where such life support is not available.

Habitat for Humanity Africa and Middle East (HFH) by virtue of its involvement as a ‘builder’ (implementer of housing stock) a ‘banker’ (building society or lender) and ‘social developer’ (community based management) has to be concerned both with the delivery of houses in the short term, and with sustainability of such investment over time. As the “banker” HFH has a relationship with the beneficiary and the community for the loan period, typically ten years. During this period the loan may be exposed to a variety of risks, often associated with economic vulnerability, social or political instability. These risk conditions inhibit most private banks from lending in low income areas. Whilst the risks are real, and need to be understood, there are also opportunities. In HFH’s case, the (lengthy) relationship between the lender and the beneficiary/ community allows for constructive engagement in the reduction of vulnerabilities, thereby the mitigation of risk, and consequently, the enhancement of the social and economic sustainability. This sustainability is fundamental to (a) maintaining a flow of investment toward housing, i.e. attract further investment toward the poor, and (b) enhance the collateral value of housing so as to facilitate access to credit and economic opportunity. These elements are essential for scaling up delivery and improving the economic resilience of invested communities.

2 2 Sustainability and Secondary Markets

“Sustainable habitat is about maintaining and enhancing the quality of human life – social, economic and environmental – while living within the carrying capacity of supporting ecosystems and the resource base” Barton [1]

“Sustainable development, is both inter and intra-generational, is development that does not require resources beyond its own (environmental) capacity, is equitable, promotes social justice, and is created through inclusive decision-making procedures “ Jenks, Burgess [2]

2.1 2.1 Sustainable Delivery, Sustainable Communities and Sustainable Habitat

Without demonstrable sustainability of a process or product, it is difficult to replicate, and without replication it is difficult to contemplate scalability. In a housing delivery system sustainability can be separated into two interdependent components, namely (a) sustainability of the delivery process (or programmatic sustainability), i.e. the ability to maintain a continuous flow of services or benefits to those served, and (b) sustainability of the delivery product (or deliverable), which includes the human habitat created and community which inhabits it. These components can be defined as follows:

- 1 Housing delivery process or program describes a composite of methodology, financial and human resources, supporting systems and institutional framework. To remain sustainable the

delivery process should generate sufficient resources to perpetuate the services provided, either through payment for such services or from income generated through the investment..

- 2 Sustainable habitat and community refers to the physical and social environment and livelihoods which sustain it. To ensure sustainability, requires mitigation of potential sources of vulnerability.

2.2 2.2 Primary and Secondary Markets

Government and NGO financing of low-income habitat delivery within Africa tends to concentrate mainly upon the provision of physical shelter, i.e. the primary market. Housing possesses more than utility value, it

also represents a portal for economic development and wealth accumulation for poor families who invest savings and other resources in their home. However, without a functioning secondary market, these economic advantages cannot be realised and by implication the sustainability of the delivery product (community and habitat) is also impacted. The secondary market serves to mitigate vulnerability in the following ways: [3]

- 3 Housing asset creates collateral against which credit (education or business) can be procured
- 4 Housing asset provides a safety-net and is either tradeable in times of financial hardship
- 5 Market value appreciates in value over time (where demand increases)
- 6 Housing asset a legacy for dependants
- 7 Broadens the availability of housing choices (cost, type, tenure, location etc)

The secondary market also serves enhance the sustainability of the delivery process (programmatic sustainability by: [4]

- 8 Enabling land and housing to be used as securities for loans for ongoing housing investment
- 9 Providing liquidity to the banking system by converting illiquid on-balance sheet credits into potentially liquid asset-backed securities
- 10 Mobilizing long term funding for housing lenders by tapping long-term capital markets
- 11 Extending broader access to housing credit through repackaging risk
- 12 Assisting the development of national capital markets through the issuance of debt securities

Figure 1. Primary and Secondary Housing Markets [5]

2.3 2.1 Secondary Markets: Nexus of Delivery System Sustainability

As with the game of ‘musical chairs’ there has to be an empty chair for movement to be initiated. Similarly the secondary market requires someone to vacate their house and sell it, in order that another move in. This initiates the exchange or ‘movement’ of housing assets and the conversion of ‘dead asset’ into liquid capital and the circulation of resources within the delivery system.

The Finmark Trust of South Africa estimates the value of the unexploited low income secondary market in South Africa to be approximately \$10 billion [6]. De Soto has calculated the potential value of dead assets in ‘Third World and former communist nations to be as much as \$US9.3 trillion [7].

Figure 2. Secondary Market a nexus for Sustainable Delivery

The capacity for a secondary market to facilitate the sustainability of both the delivery process (through the recyclability of resources) and the delivery product (through wealth creation) leads to the proposition that a secondary market is a critical link in sustaining a delivery system. Figure 2 illustrates the proposition. Therefore, housing delivery systems which are aimed at scale should be designed within the of a secondary market in mind. Such design should also consider factors which constrain the proper functioning of a secondary market included below.

2.4 2.2 Constraints to Secondary Market Sustainability

The large migration of rural people to African cities, coupled with either an incapacity or unwillingness of city governments to provide land, or supporting services to meet urban housing needs has contributed to the proliferation of slums in much of the developing world. In such contexts secondary market development is typically constrained by:

Socio-cultural constraints such as:

- 13 scarcity of available land/housing prohibits selling
- 14 length of time it takes to access alternative land or housing (bureaucracy and incapacity)
- 15 symbolic value of the house exceeds economic value: Ancestral linkages to land or place.
- 16 community attachment: value of relationships exceeds the value of improved accommodation
- 17 inheritance: social significance and symbolism of a legacy overrides financial gain.
- 18 poor reputation community caused by fluctuations or unwillingness to repay

Economic constraints such as:

- 19 income instability or repayments fluctuations caused by high levels of economic vulnerability
- 20 limitations of alternative affordable locations restricts movement
- 21 limitations of affordable housing options
- 22 government subsidies/grants artificially distort and undermine the market by competing with it

Environmental (Human Habitat) constraints such as:

- 23 poor or deteriorating quality of housing lowers the future value of house
- 24 deteriorating quality of physical environment diminishes the future value of house

2.5 2.3 Preconditions for Secondary Market establishment [8]

Prior to the establishment of a secondary market, certain elements need to be in existence:

- 25 primary market: a functioning primary market should exist, providing houses to those in need
- 26 capital market should exist for securing housing finance against property assets
- 27 legal and regulatory regime should exist providing for titling, cession of loans and the enforcement of loan/mortgage contracts
- 28 cultural norms and values should align with, and mitigate the risks associated with investing in economically, socially and politically vulnerable contexts

3 3 Sustainability and Social Capital

Figure 3 illustrates and describes the relationship between the “process, the “product” and the “market”. The preceding section introduced the secondary market as a mechanism for recycling resources to enable delivery sustainability (i.e. Relationship #3) Delivery processes and practices (relationship #1) emphasising incremental delivery, micro-loans, planning participation and integration, regulatory reform, livelihood integration etc. are well documented. Guidelines for the

physical sustainability of habitat (relationship #2b) dealing with appropriate spatial design of housing and habitat, technologies, implementation and management thereof, are equally well documented. Social determinants (relationship #2a), however, which underpin social sustainability and impact both physical habitat and market sustainability are commonly overlooked in the design of housing delivery.

Figure 3. Relationships enabling Sustainability

3.1 3.1 Social Capital

Development or investment guidelines that which deal with the norms, values and behavioral practices are often contentious, and therefore avoided, even if they may enhance or undermine sustainability. The study of 'Social Capital' lends some guidance to navigating the sensitivities related to culture.

“Social capital refers to the internal social and cultural coherence of society, the norms and values that govern interactions among people and the institutions in which they are embedded. Social capital is the glue that holds societies together and without which there can be no economic growth or human well-being” [9]

3.1.1 3.1.1 Benefits related to Social Capital

Most authors agree that the presence of social capital facilitates and expedites development (social and economic) Social capital can be evidenced by the following indicators[10] :

- 29 **Reciprocity:** High degree of cooperation, the evidence of established trust
- 30 **Networks:** Presence of networks within and external to the community serve as a conduit for transferring useful information for the advantage of members.
- 31 **Norms and Sanctions:** Values and standards of behaviour upheld by a community to which members conform
- 32 **Reputation:** Capacity for a community to consistently uphold and enforce norms and sanctions such as mandatory savings, land and property title, contracts etc.

3.1.2 3.1.2 Risks related to Social Capital

Areas of high social capital tend to have lower rates of default, thereby reducing risk to potential lenders. Hence Social Capital is commonly regarded as a positive phenomenon. However not all social capital is good [11]. Networks may be used as a means for pursuing sectarian interests of small groups, which may contrast with the well-being of the community as a whole, such as the unwillingness to repay debt. Benefits may also be exploited by 'free-riders' within the community. The role of Government, while peripheral to the formation of social capital, is key to creating an enabling regulatory and legal environment in negative effects are militated against or controlled.

3.2 3.2 Determinants of Social Capital Value

Ferdinand Tonnies described the urbanisation phenomenon of nineteenth century Europe as a transition from “gemeinschaft” (community) to “gesellschaft” (association) which had severe impacts for social, spiritual, economic and physical well-being of the time. [12] Traditional communities

served as a “chrysalis” for enabling exchange, protecting and for nurturing future generations. This collaborative, nurturing approach to life is lost when entering the city. Exacerbated by wars, famine, genocide, cultural oppression and attracted by the dream of a better future, people are migrating toward Cities – most often to the burgeoning slums – ‘melting pots’ in which people are forced to interact by proximity, not by shared history, blood ties, values, or destiny. In this context, it is every man for himself. Over time, the concept of community and social capital can be eroded unless the housing delivery process is designed to take advantage of the social capital potential inherent in recently urbanised citizens. This is often ignored by utilitarian approaches to human habitat. The development process can provide collaborative planning and construction activities which provide an opportunity for reciprocity, building trust, development of networks and the enhancement of reputation.

Social capital cannot be assumed to exist (as often romantically presumed in urban Africa) Program design has to be based upon careful analysis and assessment. As part of an assessment of its programs HFH identified four outcomes which would ensure sustainable delivery. These are listed in Figure 4. Based thereupon HFH traced the determinants which had historically impacted these outcomes. Of particular interest here, is the “Social Value” outcome (or the value of social capital). These determinants were identified as follows, and are thoroughly researched prior program design or investment:

- 33 **Extra-legal structures:** In the absence of accessible legal structures the poor often develop informal mechanisms for handling contracts, land sale, housing lease or rental. Although these are not recognised by the formal legal system they are very efficient and effective and are accepted locally. They can, however be oppressive or inequitous. Regularising extralegality potentially lowers delivery costs, secures tenure, and creates a legal instruments for credit.

Fig. 4 Determinants of Sustainable Habitat and Sustainable Delivery

- 34 **Norms, Values and Beliefs (and Sanctions):** Increased social capital creates increasing obligations people and these are a substantial part of the rules governing behaviour within a community. Where such rules fail to promote cooperative action, savings, enforcement of social

and legal obligations, investment is unlikely to yield sustainable results. Thus, norms and values are key to investment decisions related to people and place. Fig.5 illustrates a principle HFH uses in targeting communities suitable for investment.

Fig.5 Investment Principle: Community Targeting

- 1 **Social Structures and Reputation:** The existence of institutions and networks that enforce norms and sanctions (referred to above) serves to enhance the reputation of the community, builds trust and increases investment. Interestingly, political patronage tends to undermine the social capital formation by perpetuating dependency, thereby lowering investment appeal.
- 2 **Environmental Behaviour:** Where communities assume responsibility for the management of the physical environment, its quality and condition, market value is significantly enhanced.

4 4 Conclusion

Social determinants lie at the root of both habitat and market sustainability and thus, the sustainability of delivery systems. The study of social capital continues to expand knowledge of the relationships between the way humans think believe and behave, and their economic development. No longer can development practitioners ignore the role of culture. There is need to distinguish between norms and values that contribute toward sustainability and those which work against it. Practice has to shift from a mindset of relief to an approach based upon investment. By focusing sustainable results, housing may serve to attract investment, re-investment and as the basis for housing and financial market development. Secondary markets, serve as a critical bridge between sustainable habitat and sustainable delivery and should be included in the mainstream of housing policy and practice. Scaling up delivery to meet Africa's housing challenge requires investment from the market, not merely charity or aid funding. To succeed implies demonstrating that the poor are worth investing in.

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