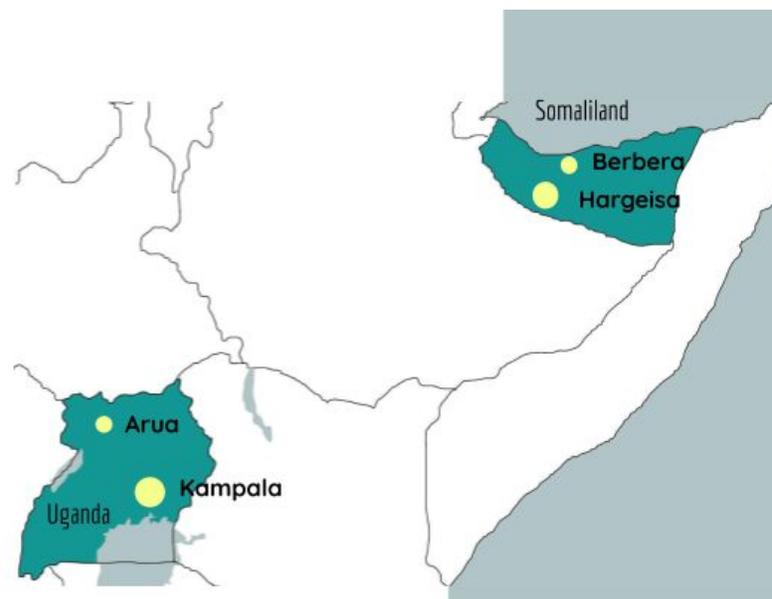


# Spatial Inequality in Times of Urban Transition

## Briefing Notes

July 2019



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## Introduction

Our research, conducted over a period of twenty months, amassed a number of useful insights which we are still comprehending and concocting for further discussion. The complexity of the subject allows for multiple interpretations of the phenomena researched.

There is a clear and pressing need for proper functioning of urban land markets with a purpose of reducing spatial inequalities. Policy interventions are needed that support the institutionalization of urban land markets as a primary agency to expedite the city's growth potential, since it ensures to some degree, equitable access to land. To effectuate policies that promote a vision of socially inclusive and sustainable cities, we draw our recommendations from an assessment of a central process of urban development, i.e. the changing of possession and use of urban plots, and their resultant impacts. Our recommendations are based on both in situ observations and insights from consultation with various stakeholders.

We recognize that, the **different narratives from the cities** have to be assessed against the limitations of the research. The processes of the functionalities of land markets in the different cities, bear some similarities and are thus comparable. This can be ascribed to the fact that i.) we had to initially provide our definition of transactions in relation to procedural and distributive justice and ii.) the variation of the issues under research, particularly country and city-specific complex and dynamic urban land markets within rapidly urbanizing contexts. **Urban transitions and the consecutive development of land are not linear processes** and do not follow a specific scheme. Urban land can develop or deteriorate, depending on a multitude of factors that are partly socially constituted. As land is the product sold on the markets, these also adapt and develop new features depending on the complex interrelation of need, demand and provision.

This understanding forms the departure point of our examination of land markets as explained in the following briefs

### **Brief 1: Land markets drive unsustainable urbanization**

Rapid urbanization has resulted in land fragmentation to meet the growing demand for land for both commercial and residential purposes. Uses and users compete over a limited asset. Resultant with these rapid changes has been the emergence of multiple layered land markets emanating from pluralistic legal tenure systems with complex interrelationships between statutorily-regulated and customary authority-regulated land. This results in socially constructed structures that govern the process of acquisition and produce inequalities in access to land. We present here our first findings regarding developments we deem most critical and jeopardizing sustainable development. These can be categorized

broadly along the different notions of sustainability, i.e. socially, economically and environmentally.

In terms of **social sustainability**, we gathered evidence that social disparity is aggravating via an uneven distribution of wealth that is anchored in the possession of land. Examples being, the unequal distribution of municipal infrastructure and the compensatory initiatives that people are forced to invent and that are typically more expensive on a per-unit basis. People with more purchasing power usually acquire larger land parcels, with greater social and financial values and well located. Land that is centrally located is more expensive, but also more likely to get connected – if not yet already – to public services, and thus providing services on a basis that is more regular at a higher quality and cheaper on a per-unit basis than the peripheral plots that the urban poor would more likely purchase. This eventually results in the accumulation of wealth for a few people who can rely on the market not only as a source of income, in terms of renting, leasing or reselling, but also as a mechanism that would steer locational and technical benefits towards the most powerful market participants.

**Spatial Inequalities** cannot be assessed without defining the kind of justice that is to be compared among equals. Though urban dwellers can be qualified by their predominant features, they hardly ever form homogeneous groups. Any feature within urban social diversity, including the broad spectrum of social and economic differences, such as ethnicity, age, gender, family constitution or sources and levels of income, can be used to establish a statistically homogeneous group, but they might differ in most of the other features. Clans living in the same area have strong social ties and ethnic homogeneity, but the social status of individual families will differ. Incomes might be similar within a middle class area, but their social networks will depend on their history of living in the area, if they are newcomers to the city, if they possess or rent the real estate they inhabit etc. An example of inequalities within a household can be exemplified by the gendered differences in access to services. For instance, a household might be fairly close to public amenities with some of the members expressing their satisfaction with the location of the household, however, it might be the case that the women in the household, socially often restricted in their mobility, might feel more disadvantaged by distances to services than men.

A challenge for defining what is spatially just hence comes with the scale of measurement that differs from an individual, a household or a collective perspective and also in terms of the common features applied when clustering collectives. We had to conclude for our research that **spatial justice is an important political principle** that needs to be pursued in order to ensure social stability and sustainable development, but it is not a universal principle that can be applied to the whole of a complex society. Despite this lack of a normative category, the assessment of social equality in urban development indicated that growing inequality contributes to an unsustainable and widely unjust development, e.g. in

terms of access to mobility. This is to be attributed to the processes and outcomes of the city as a system as a whole, of which land markets are an essential part.

**Economic sustainability** is, in addition to what has been said about the unequal distribution of urban prosperity, jeopardized by a number of actions and processes within the complex land markets. It is important to recognize that markets work, if measured by its declared purpose, i.e. processing transactions. However, they work differently for different stakeholders and can produce constraints for a general urban development context.

First of all, and not surprisingly, it was confirmed that **access to money is the primary basis** on which people can enter the land market. Other, e.g. social or institutional, factors typically moderate or mitigate the influence of money, but rarely dominate it, underlining the importance of the – capitalist – market, which almost inevitably revolves around the proxy means of establishing and implementing exchange of land as well as other commodities. Land markets are trading a good that the sellers have not produced and sometimes not even purchased themselves, which makes the prices of land mainly determined by market offer and demand, which are increasingly monetized.

The **incalculability of the cost of transaction**, resulting from the absence of clearly laid out regulations in the property acquisition process, coupled with a somewhat covert procedure of property acquisition, produces inequalities and difficulties in determining the actual procedural costs for acquiring a parcel of land, particularly in Uganda. In Somaliland, the process of acquisition of property is relatively comprehensible at the initial stages of land registration with clarity of the costs incurred in the transaction.

Moreover, land is **subject to speculative practices**. Land value increases are frequent in the researched areas, and generally owners are aware of them. It is noteworthy that a high percentage of interviewees were very confident in estimating the increase in value of their respective plot of land. On the one hand, land that is better located and has greater accessibility and assets is more likely to increase in value disproportionate to the general land value increase. On the other hand, not every land owner can benefit from prospective developments. Owning land can potentially be a burden, if it is e.g. too far away from the road network and not well serviced. Owners of such plots reported that they rent additional accommodation in the city and pay a caretaker to secure their land. This is most evident in the primary cities, especially in Kampala, where more than 12% of land users were found to be caretakers.

Another complexity of land markets lies in the **nature of the land right purchased**. That is, the land right can simultaneously be understood in many registers. The ongoing commodification of land leads to the domination of a commercial register of meaning and compromises the social connotations of land. Land functions as an investment in cities

where formal banking is expensive and distant and where the range of options available to support savings for old age or infirmity are limited. However, in an urban setting experiencing rapid rises in land value, land ownership is inevitably increasingly unaffordable for an increasing proportion of the population. Benefits from investments mostly works for a smaller group of a better-off middle class and upper class, whose market participation is mainly motivated by the investment opportunity. Moreover, the conclusion is that current urban economic development is not sustainable, mainly due to the fact of the described concentration of assets, which reduces opportunities for trade and production.

Eventually in terms of **environmental sustainability**, the main problem encountered with land markets is that these encourage unsustainable sprawl with scattered and fragmented use of land that is not suitable for settlement. This also manifests through market participation, where not only the assets, but also present and future disadvantages are traded: e.g. land in flood-prone areas, or that is unlikely to be connected to public services in the future, is sold at low prices hence encouraging encroachment on sensitive ecosystems and, mostly in Uganda, conversion of agricultural land to residential land.

## **Brief 2: Identifying options and opportunities**

Urban land markets perform a quintessential role in the structural transformation of cities as they facilitate growth in critical economic sectors. Economics as a discipline is performative, i.e. it does not describe a world that already exists but brings it into being through the way it models and postulates the world. This recognition offers a way to distinguish between the interaction of ideas and practices with the notion of the 'market' being one of the most powerful performative concepts. In actually-existing land markets, our research has illustrated the wide diversity of practices and social relations that make market transactions possible but which cannot be accommodated in the model of the market. Nevertheless, people draw on their understanding of the market in transactions rarely framing the exchange in these terms. The difference between empirical and theoretical notions offers the chance to **examine the relationships between postulatory and operational land markets** and spatial justice. Each of these has different relations to spatial justice, and potentially both are important.

In theory, markets are principally shaped by norms and laws that buyers, sellers and intermediaries would uphold. In the operational land markets, due to a lack of norms or regulations, markets are shaped very differently by the respective stakeholders and are increasingly diverse. They institutionalize processes that are established by the stakeholders that interact in them. Key factors here relate to the form of tenure that is being exchanged (and the possibility of converting this into some other tenure form), current (and potential) land use, and 'social factors'.

For the case of Ugandan cities, the inevitable consultation with multiple individuals and the intricacy of layered markets makes the process lengthy, though diverse in its options.

Additionally, there are significant social and cultural functions and values that are embedded in the process of land acquisition particularly in Arua, Hargeysa and Berbera. These are socially considered an important requirement of the process and unlikely to be abandoned shortly.

### **Brief 3: Future prospects and mobility**

An important insight from our research was the inconsistency of the different variables such as the markets, the stakeholders, and the location. The described dynamic constitution of land markets make these highly volatile, adaptive to new requirements and also essential for establishing new processes. But also the product sold here is apt to frequent change: though a location is per definition immobile, this does not mean that it could not change over time based on social and physical factors. Its urban situation and its assets, e.g. the connectivity and built features as well as its social or symbolic value, can vary. Any assessment, such as of its value or its level of spatial justice, is hence only evaluating momentary conditions – and cannot factor the future prospects into the respective formula.

Future prospects, however, especially the vision of future improvements of the areas people were habitating, had a strong impact on how people would evaluate their content with their neighbourhood. While 80% of the households interviewed expressed their satisfaction with their current living environment, nearly two thirds of this group also envisioned future relocation (within 5 years). This illustrates that the assessment of one's current location is made against one's present situation in life, and keeps future options to move somewhere "better" open.

In the dynamic situation of bigger cities, like Kampala, we therefore assume that citizens would resort to residential mobility as an option to ensure that they secure what they desire. High residential mobility is caused both by desire as well as necessity: the aspiration to improve one's household's living conditions is seen as an opportunity, while an area's improvement that is not matched by the economic progress of the residents would lead to gentrification and eviction.

However, we verified that residential mobility, in the perception of many residents, can counterbalance spatial inequality, as people can "move on". High residential mobility has a number of impacts, both negative and positive. That residents move in and out of existing neighbourhoods causes a certain loss of social cohesion and impacts on safety, trust and the social quality of the area. It also reduces the availability of social capital and mutual help. At the same time, it ensures – at least in theory – that a household can easily adapt to live changes, e.g. in household size or income, by changing their plot size, their location – and consequently their regular expenditures in terms of travel costs and paid services etc. Rental markets hence provide the best option for the vibrant urban populations in growing cities.

This can also be seen in the proportion of ownership and rental markets, that varies across all the cities. Kampala as the biggest and in total numbers fastest growing cities, has a dominant rental market over ownership. Of the 2,478 households interviewed in Kampala, more than 50% rent property. Rental markets are also preferred by a particular group of people due to either economic constraints or the structure of the market.

The rental market seems to appeal mostly to the relatively young household heads (below age 35). In all the four cities under research, more than 50% of the households surveyed, (with the exception of Berbera - 45%) were headed by individuals below the age of 35. The primary cities, Kampala and Hargeysa have the highest composition of household heads below the age of 35, who have stayed in their current areas of residence for less than 5 years and also who choose to rent over obtaining ownership of property. The majority of this group, however, expressed willingness and aspirations of acquiring ownership of land if they could afford especially in Kampala. It is worth noting that the young people comprise the majority of urban population especially in Sub Saharan Africa. According to the 2015 United Nations World Population Prospects, over 50% of the population in Sub-Saharan Africa is under the age of 20. Additionally, the World Bank 2013 report on Africa Development Indicators revealed that Uganda had the highest dependency ratio in Sub-Saharan Africa. With this, it is crucial to investigate the impact of rapid urbanization on the young population and particularly for this research, their participation in land markets.

## **Policy Recommendations**

Drawing from the assessment of the market-immanent challenges and the findings presented before, our recommendations focus on a combined approach which would have medium and long term consequences for policy development. Due to the thorough establishment and the general acceptance of current market practices short term changes are unlikely, but a conversion of existing practices can commence quite immediately.

We understand the three recommended approaches below as interconnected, and enhancing each other's impact. These approaches are (a) the proactive management of urban land, (b) the recognition of the social responsibility of land and (c) new options of shelter provision, namely rental markets that should be encouraged.

### **Recommendation 1: Managing land not markets**

Given the current pressure in terms of demand for and dynamics of urban land, segments of the complex urban land market will continue to emerge at any level: formal and informal, at the high and the bottom end of the market, and even catering for the most basic needs, e.g. selling unserviced land, that has limited access to social and economic participation. As

informal markets deal with unsuitable or insufficiently developed land, e.g. lack of access to infrastructure at the moment of purchase, hampers its development prospects. This is the current situation in the fast growing cities all over the continent, and especially accentuated in areas that struggle with infrastructure provision and sufficient capacities and resources. Though the research presents different ways of land transactions and processes, they share one common problem: there is little management or control over the transactions. More alarming is that bureaucracy does not imply that the formal public approval of a transaction would ensure conformity to planned or managed vision of urban development.

Municipalities do not have an overview of all transactions that would enable them to efficiently manage land development. Regulating the complex markets would be too burdensome for the current administration however, it is absolutely necessary that the public knows and approves land transactions and – even more importantly – the right and kind of use that the new owner might perform on the land.

This does not automatically require that all land transactions need to be formalized. Moving away from the formal/informal dichotomy of the processes of land acquisition, we recognize that transactions are a continuum of ‘institutional’ and ‘social’ processes. As in current practices, these processes are mixed throughout the acquisition process, involving the state at one stage of the acquisition process and allowing for socially constituted processes in another, which makes only the starting point and the final result a concern for better land management that does not interfere with the market processes.

## **Recommendation 2: Enhancing the social responsibility of land ownership**

Land Management does not necessarily mean to execute control over the market, but rather to organize and steer land use. To do this, a pro-active information policy and planning is sufficient. By setting clear limits to land use possibilities and prioritizing the social responsibility of urban land as a priority, speculation can be discouraged with instruments like increasing land taxes, incentives for infrastructure provision and land value capture. This should be embedded in the understanding of the social responsibility of land ownership. More transparency of land rights in the land transaction, would ensure that both buyer and seller base their prices and decisions on provided information while being coherent with the social and cultural aspects of complex land market’s processes.

## **Recommendation 3: Encourage rental markets**

Ultimately, and beyond the subject of land ownership, we suggest for urban and national policies, to support fair residential mobility by providing incentives and security for both sides of the rental market: renters and landlords.

As pointed out before, access to land through rental housing is, presently, a significant part of land market activity in terms of the share of tenants. Rental markets are also investment opportunities, but without making the land itself a subject of speculation. They can stabilize interest rates and ensure a more equitable access to urban shelter. It is also in the interest of the landlords to intensify the use and densify housing, especially in central locations which would make infrastructure provision more efficient. Ultimately, a stable urban rental market could contribute to a significant change in socio-economic development, giving citizens access to accommodation, services and mobility, and hence contributing to more just cities.

Evidently, the socially constituted urban land markets are an integral part of spatial development. These markets have created and continue to create opportunities for various socio-economic groups to participate in the land markets. If the different stakeholders, including local and national authorities, continue working with the markets, they could in parallel introduce transparent and proactive ways to steer and organize these. This can ultimately ensure a sustainable environment for the continued existence of the multiple land markets.