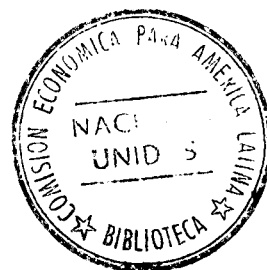


UNITED NATIONS  
ECONOMIC COMMISSION  
FOR LATIN AMERICA  
AND THE CARIBBEAN - ECLAC



Distr.  
LIMITED  
LC/L.391  
4 September 1986  
ORIGINAL: ENGLISH



PUBLIC LAND ACQUISITION IN LATIN AMERICA \*/

\*/ This document was prepared by the Consultant Francisco Sabatini and Ricardo Jord. Fuchs in collaboration with the ECLAC/UNCHS Joint Unit on Human Settlements, at the request of the United Nations Centre for Human Settlements. The views expressed in this work are the sole responsibility of the author and do not necessarily coincide with those of the Organization.



CONTENTS

	<u>Page</u>
INTRODUCTION .....	1
Chapter I THE RANGE OF POSSIBLE ALTERNATIVES AND THE LATIN AMERICAN EXPERIENCE .....	4
1. Objectives .....	4
2. Criteria for the selection of land to be acquired .....	8
3. Acquisition modalities .....	9
4. Administration modalities .....	11
5. Source of funds .....	12
6. Institutional systems .....	13
Chapter II CASE STUDIES .....	16
CASE STUDIES 1 AND 2 MEXICO .....	16
CASE STUDY No. 1 - PUBLIC ACQUISITION OF LAND FOR HOUSING PROGRAMMES .....	17
CASE STUDY No. 2 - PROGRAMMES OF LAND TENURE REGULARIZATION .....	22
CASE STUDY No. 3 - POLICY OF PUBLIC ACQUISITION OF LAND FOR URBAN DEVELOPMENT IN CHILE .....	33
CASE STUDY No. 4 - POLICY OF PUBLIC ACQUISITION OF LAND FOR THE DEVELOPMENT OF CIUDAD GUAYANA, WITH SPECIAL REFERENCE TO THE POLICY OF LAND FOR HOUSING PROJECTS .....	38
CHAPTER III GUIDELINES FOR ACTION .....	45
A. PUBLIC LAND ACQUISITION AND DEVELOPMENT CONTEXT IN LATIN AMERICA .....	49



	<u>Page</u>
B. HOW TO PLAN PUBLIC LAND ACQUISITION .....	54
I. Recommendations for the first stage .....	54
II. Recommendations for the second stage .....	56
III. Recommendations for the third stage .....	58
C. HOW TO ACQUIRE LAND .....	59
I. Recommendations for the first stage .....	59
II. Recommendations for the second stage .....	60
III. Recommendation for the third stage .....	61
D. HOW TO FORM LAND BANKS .....	61
I. Stage One .....	61
II. Recommendations for the second stage .....	61
III. Recommendations for the third stage .....	62
E. HOW TO DISPOSE OF LAND ACQUIRED .....	63
I. Recommendations for the first stage .....	63
II. Recommendations for the second stage .....	66
III. Recommendations for the third stage .....	67
F. THE INSTITUTIONAL SYSTEM FOR LAND ACQUISITION AND DEVELOPMENT .....	67
G. HOW TO RAISE FUNDS FOR PUBLIC LAND ACQUISITION .....	70
Notes .....	72
Bibliography .....	73

## INTRODUCTION

The urban land market and land policies in Latin American countries have not been capable of: i) facilitating the massive access to land of the urban poor, who represent over 50% of the total population in cities; and ii) impeding the worsening of urban structural problems, mainly urban sprawl, excessive centrality and residential segregation. In the light of this, it has become indispensable to apply urban land policies involving a higher level of public intervention in the land market than that currently prevailing in the countries of the region. These policies should be orientated to supply land at low prices, particularly for the more commonly required purposes, to guarantee rational land use in accordance with urban development plans, and to offset the speculation so widespread in Latin American cities. In this respect, the policies of public acquisition of land are highly relevant.

There have been in Latin America few significant experiences of public acquisition of land. This has been due to a series of factors, among which the most important are the existence of powerful vested interests in the real estate business; increased social pressure to obtain land; low administrative and planning capacities of the government; political instability, and chronic shortage of public funding. Cases of public acquisition of land which are interesting because of size, formation of "land banks", application of expropriation norms, etc., have been few and far between, and they have materialized only where and when the above-mentioned obstacles were partially overcome. In the last 10 to 15 years --due to the dominance of liberalism and the consequent contraction of the role of the State to a subsidiary one-- these experiences have been even scarcer. Most of the few interesting cases correspond to an earlier period.

In general, the experiences of public acquisition of land have been marked by the particular characteristics of urban problems in Latin America, especially social pressure related to the housing problem, the irregular nature of the makeshift urban settlements and the significance of speculation in land. It is a paradox that despite the tendency to import models and ideologies that prevails in the region, in the case of land policies --save for one or two not very significant cases-- there have been no attempts to apply some of the land acquisition policies that have been successful in other countries with market economies. This shows the extent to which the above-mentioned particular characteristics are determinant. Because of this, the specification of viable and suitable alternatives should be linked, firstly, to the close examination of what has been accomplished in the countries of the region. Only then is it appropriate to study some of the experiences of other regions.

In terms of methodology, the structure of the present report is that of a "Matrix of Methods, Procedures and Policies of Public Acquisition of Land". This matrix shows six variables related to the public acquisition of land, in relation to which the main alternatives are identified (see Matrix below). This report has three chapters, the first of which discusses the range of possible alternatives vis-à-vis each of the six variables and the Latin American context within which they would operate. The second chapter goes through the whole Matrix, dealing with four exceptional cases of public acquisition of land. Finally, Chapter III --after a brief discussion of the possibilities and difficulties involved in the application of an optimum policy from the technical point of view-- gives a set of guidelines on public land acquisition methods and procedures.

/Matrix

**MATRIX FOR METHODS, PROCEDURES AND POLICIES OF PUBLIC LAND ACQUISITION**

1. OBJECTIVES	REGULATE PRICE OF LAND AND CONTROL SPECULATION		SUPPLY LAND ACCORDING TO AN URBAN DEVELOPMENT PLAN		SUPPLY LAND FOR SPECIFIC USES UNRELATED TO URBAN DEVELOPMENT PLANS		
	LOCATION CRITERION (selection of areas considered strategic in relation to a given objective)		DIRECT COST CRITERION (acquiring the most land for a given amount of funds)		POTENTIAL USE CRITERION (acquiring land susceptible of specific uses other than present uses, minimizing future investments in infrastructure and facilities and/or social costs for future uses)		
3. ACQUISITION MODALITIES	AD HOC		IN ADVANCE				
	PURCHASE	EXPROPRIATION	INTER-INSTITUTIONAL TRANSFERS (PUBLIC)	PURCHASE	EXPROPRIATION	INTER-INSTITUTIONAL TRANSFERS (PUBLIC)	PRE-EMPTION
4. ADMINISTRATION MODALITIES	TRANSFERABLE						NON-TRANSFERABLE (to be used by purchasing institution for its programmes)
	TO THE PRIVATE SECTOR			TO OTHER PUBLIC INST.			
5. SOURCE OF FUNDS	SALE	LEASE	CONTRIBUTION TO PARTNERSHIPS WITH THE PRIVATE SECTOR		SALE	CESSIONS	CREDITS FROM DOMESTIC OR FOREIGN BANKS
	PUBLIC FUNDS		PRIVATE FUNDS				
	"WRITE OFFS"	REVOLVING	CENTRAL GOVERNMENT CREDITS	BONDS OR CERTIFICATES ISSUED BY LAND-PURCHASING INSTITUTION		SHARES IN PUBLIC/PRIVATE LAND-PURCHASING PARTNERSHIPS	
6. INSTITUTIONAL SYSTEM	PUBLIC INSTITUTION		AUTONOMOUS PUBLIC INSTITUTION		PUBLIC/PRIVATE INSTITUTION		
	NATIONAL/URBAN-METROPOLITAN LEVEL			INTRAURBAN LOCAL LEVEL			

This methodology has meant sacrificing brevity and elegance of style for the sake of greater systematicity and the possibility of comparing cases and experiences --not excluding other regions.

The Matrix offers the possibility of analysing the design or re-design of policies taking the following two dimensions into account. In the first place, there is the vast field of combinations and alternatives formally represented by the Matrix, which is capable of being completed in 17 280 different ways if the alternatives for each of the six variables are considered mutually exclusive. If, on the other hand, the combination of alternatives for the same variable are considered --combinations which generally take place in actual practice-- the total number of different ways of applying the Matrix increases considerably. This however, would not go beyond the stage of a formal game if the serious constraints that hamper the real field of alternatives for each situation were not considered. It is in connection with this point that the Matrix --in the second place-- offers the possibility of carrying out a systematic analysis of these constraints.

It is necessary to mention the limitations of the information available and the time constraint, which made it difficult to improve its quality. Direct approaches failed to produce new information to complete what was available. The only exceptions in this respect were some personal communications regarding experiences and interesting cases from qualified sources.

## Chapter I

### THE RANGE OF POSSIBLE ALTERNATIVES AND THE LATIN AMERICAN EXPERIENCE

For the analysis of policies, methods and procedures applied in the public acquisition of land, six main items have been selected: 1. Objectives of public acquisition of land; 2. Criteria to select the land to be acquired; 3. Acquisition modalities; 4. Administration modalities; 5. Source of funds; and 6. Institutional systems. The Matrix identifies what seem to be the main alternatives for each of these items within the context of market economies.

Each of the six items will be examined in turn, through the analysis of the following three aspects: alternatives contained in the Matrix (bearing in mind that they represent differences in focus and, therefore, are not necessarily mutually exclusive); conditions prevailing in Latin America in relation to the alternatives and, lastly, outstanding cases that have proved to be an exception to the rule. Chapter II is precisely this: a detailed analysis of four of these exceptional cases.

#### 1. Objectives

##### 1.1 The range of possible alternatives

Any action on the part of the public sector leading to the acquisition of land for urban use involves some type of objectives which may have been stated in an implicit or explicit way. In general terms, there are three types. Public acquisition of land may attempt to regulate the prices in the urban land market and thus exert significant control over speculation in land. This may be achieved through programmes of low-priced sales of the land acquired. Another type of objective is that of supplying land in accordance with an urban development plan which, in turn, may present two alternatives: for specific or miscellaneous uses.<sup>1/</sup> Finally, there is a third type of objective which may simply be that of supplying land for specific uses, unlinked to any urban development plan. The two latter objectives are mutually exclusive but either of them can combine with the first one.

##### 1.2 Conditions prevailing in Latin America

The prevailing objective in Latin America is that of providing land for specific uses, not connected to plans, particularly in relation to needs derived from welfare housing programmes and policies. The urgency deriving from the magnitude of the housing problem and of social pressures accounts, to a large extent, for the non-existence of plans and the fact that public acquisition of land is mainly oriented to the housing problem. In Mexico, public acquisition of land has assumed a massive character, with the leading role played by acquisitions carried out by public institutions either for housing programmes not linked to development plans or for their programmes for the regularization of land tenure in working-class settlements. In Peru, Law No. 13517 of 1961 for the restoration and improvement of barriadas (slum areas) also provided for the public acquisition of land to be transferred at low prices to new low-income groups. In Bolivia, the first urban reform of Latin America took place during the presidency of Paz Estenssoro (1954) and was directed at the

/public acquisition



public acquisition of land by means of expropriations, for sale by the municipalities to the homeless lower and middle income segments of the population. The failure of this urban reform was due, among other reasons, to the absence of an urban development plan. In Venezuela the only significant experiences of public acquisition of urban land have been the ones carried out by the old Banco Obrero for its housing programmes and, at present, by the Instituto Nacional de la Vivienda --INAVI-- (National Housing Institute), a later version of the Banco Obrero and by the Fondo Nacional de Desarrollo Urbano --FONDUR-- (National Fund for Urban Development) for housing purposes in satellite towns on the outskirts of cities with a high population density.

There are cases in which, although the execution of the welfare housing programmes is delegated to private constructors, as happens in Guatemala, the acquisition of land is carried out by the State. In Brazil, however, the welfare housing projects promoted by the State-owned Banco Nacional de la Habitacao (National Housing Bank) are carried out by the same enterprises responsible for their execution. Finally, another example which is worth mentioning is that of the Instituto de Crédito Territorial (ICT) in Colombia. This is the government institution that, over the longest period of time and with the most resources, has carried out the official welfare housing policy in Colombia. ICT has carried out housing programmes that may well be considered among the most important in Latin America, and it is the institution that has performed the most important operations of public acquisition of land in Colombia.

In most of the cases in the region --in which land acquisition linked to housing programmes has been carried out without due anticipation and through direct purchase, for and has therefore excluded expropriation mechanisms-- public action has been increasingly affected by speculation and rises in the price of land. The governments have been forced to resort to more and more peripheral locations with the consequent increased social costs of urban infrastructure and deterioration of accessibility. Also, incidentally, the land adjacent to those public investments has increased in value and become the object of speculation, thus raising the cost of carrying out future programmes in those very same places. Awareness of this serious problem has led to several attempts in the region to carry out policies of public acquisition of land incorporating the regulation of land prices and control of speculation as explicit objectives. These attempts --some of which have been incorporated in legislation-- have not had any significant practical effects. Interest groups linked to urban land have proved to have the necessary political and economic power in Latin America to either prevent these projects from being sanctioned by law or, if approved, to neutralize or distort them for their own benefit. A clear example of the first type of situation is that of the successive urban reform motions that were not carried by Congress in Colombia. Among them were the so-called "Roof Law" of 1960 and a similar one in 1965, Bill No. 45 of 1966 and Bill No. 66 of 1969. Another urban reform project which suffered the same fate was the urban development project prepared by the National Commission for Metropolitan Regions and Urban Policy in Brazil in 1976. Yet another case was that which occurred in 1964 in Venezuela, when an ambitious policy was designed for the progressive "municipalization of urban land". This policy incorporated, among other things, the nationalization of the rights of land use and a policy of public acquisition of land. After widespread public discussions and despite the support of sectors of the government party, the project was eventually pigeon-holed. Finally, in 1962 in Peru, during the brief government of the Military Junta, there was a motion to reform the Municipalities

/Law that

Law that included control measures over speculative increases in the value of land linked to real estate capital gains and provided for ample expropriation powers. This project was finally abandoned through the opposition of private interests which, paradoxically, due to this situation improved their organization. For example, the Peruvian Chamber of Urban Planners was created.

As regards laws to control speculation, some cases are worth mentioning although they were neutralized or distorted. The urban reform project in Bolivia in 1954 stipulated the expropriation of the vacant lots located within given urban radii of provincial capitals. The State then sold this land to non-house-owning working and middle class people in the form of lots to be used to build their houses. Any property exceeding one hectare, owned by one single person, be it a single site or more than one site, was declared susceptible of expropriation. This did not stop the action of speculators in areas of urban expansion which, because they were beyond the stated urban limits, were exempt from this law. Furthermore, by 1972, after eighteen years of urban reform which was applied almost exclusively in La Paz, the land expropriated in this city totalled only 95 hectares, favouring only between 4 and 6% of the urban population in the mid-1950s. Therefore, speculation was avoided in only approximately 2% of the urban land (Calvimontes, 1972). A further point is that there was no housing or urban development plan linked to this urban reform.

In 1975 in Venezuela an urban development institution, the Fondo Nacional de Desarrollo Urbano (FONDUR) was created and assigned responsibility for the massive acquisition of land. The land thus acquired was to be sold at low prices with the aim of controlling urban speculation. However, some private promoters --who were the main buyers of this land for allegedly immediate housing purposes-- were accused of transferring the land to third parties at market prices or of hoarding it with speculation in mind. It should be added that the FONDUR land acquisition programmes are by no means massive. It has been estimated that since its inception FONDUR has sold an annual average of 24.4 hectares in the whole country, whereas the need for land arising from the growth of Caracas alone is estimated at an annual 800 hectares (Salamanca, 1984).

In Peru, two laws may be of interest. The first one operated within the framework of the 1968 Plan of the Revolutionary Government of the Armed Forces which represented a vast effort of structural transformations. Among other objectives, the Government attempted to direct and control the process of urban growth by subordinating private initiative to decisions taken by the State. Perhaps the most important specific objective thus aimed was to lower the cost of housing, particularly for poor families, by eliminating speculation in land. This was the purpose behind the Law of Obligatory Expropriation (Decree Law No. 17813) that gave co-operatives, housing associations or any settler in general the possibility to apply for the expropriation of available land to be used for building their houses. A requisite for expropriation was for the interested parties to submit an approved funding project. This Law had the dual purpose of articulating these public interest measures with private construction capital. In practice, this Law was neutralized because the financial groups that had to approve the projects were, at the same time, the main owners of the land to be used for urban expansion. Applications therefore tended to take a long time to be processed or were rejected altogether. And what is more, there was no rational policy of public acquisition of land

/underlying this

underlying this legal initiative of "obligatory expropriations". In 1976 --by means of Decree Law No. 21419-- it was once again stipulated that the State should control the process of urban expansion and speculation by assuming sole responsibility for the buying and selling of any piece of land, with or without infrastructural facilities, in all the population centres of the country. This law was effective for a mere two months since mainly due to the pressure of interest groups connected with urban real estate, it was superseded by another law (Decree Law No. 21461) that considerably limited the participation of the public sector in the buying and selling of land.

### 1.3 Some exceptional cases

Among the exceptions to the rule, the following three are worth mentioning. The Municipality of Curitiba in Brazil and the Corporación Venezolana de Guayana (CVG) have carried out policies of land acquisition that may be considered exceptional since they aimed at providing land in close relation to integral plans for urban development. A similar policy was followed by the Corporación de Mejoramiento Urbano (CORMU) in Chile, which acted as the institution responsible for the central implementation of a policy of acquisition and provision of land for national urban development with the explicit objective of regulating the prices of land and controlling speculation. During the course of its short life-span, CORMU showed a significant level of achievements vis-à-vis this twofold objective, in contrast with the above-mentioned experiences in most of the countries of the region.

The Curitiba experience took place within the framework of a long town-planning tradition which began in Brazil in the early 1960s. In 1973, a series of metropolitan regions were constituted by law --Curitiba among them--, giving rise to an administrative system for metropolitan planning. The National Commission for Metropolitan Regions and Urban Policy created in 1974 guaranteed the effective participation of the federal government in the definition of objectives for each metropolitan region. These were translated into physical plans for the use of the soil, sewerage, social infrastructure and transport. Curitiba is perhaps one of the oldest and most successful realizations of this town-planning policy. For many years, the Municipality of Curitiba has been applying a policy of advance purchases of land. The objectives aimed at --and reached-- by this policy have been restricted, on the one hand, to the provision of land for the public works programmed by urban development plans and, on the other, to lower costs through the purchase of the necessary land with due anticipation. Since the land bought did not exceed the needs of public works and since there was no stipulation for the transfer of land to other urban development agents, success in reaching the first two objectives of the Matrix was limited and partial. This criticism of the Curitiba experience of public acquisition of land was made as early as 1968 (Hardoy et al., 1968).

The cases of CVG and CORMU are analysed in detail in Chapter II.

## 2. Criteria for the selection of land to be acquired

### 2.1 The range of possible alternatives

Excluding situations in which there is no explicit criterion governing the acquisition of land (for example, interinstitutional transfers of public land or land that private land developments have allocated to public roads, green areas and other public uses) there are three main types of criteria used for the selection of the location of the land to be bought. According to the "location criterion", public acquisition of land may aim at covering certain areas of the city considered strategic for a certain objective, namely, the uses assigned to the different areas by the urban development plans. This criterion operating at a macro-urban level may well be accompanied by another, operating at a micro-urban level: the "potential use (or indirect costs) criterion". The land may be acquired for its suitability to be put in an efficient way to specific uses different from present uses, therefore minimizing further investments in infrastructure and facilities and/or transport costs of the future users. In this way land acquisition operations may consider not only the direct costs involved but also other costs to be incurred when the land is put to the anticipated use, regardless of whether this use forms part of an urban development plan or not. Finally, it may also happen that the criterion used for the selection of land is simply that of "direct costs", through whose application the same amount of funds may buy the most land. In this case, public acquisition of land can hardly be expected to be associated to an urban development plan.

### 2.2 Conditions prevailing in Latin America

The political implications of the housing problem, the lack of financial resources, the permanent increases in the price of land as a result of speculation, the absence of urban development plans and the unfeasibility of massive expropriation (which might be the solution in order to acquire land at a lower cost) are the contributory reasons why the "direct costs" criterion has prevailed in the experiences of public acquisition of land in Latin America. Because of this, not only have acquisitions been non-systematic, since they have seldom formed part of an explicit policy, but they have also been made in the periphery of the cities, where land is cheaper. An example of this situation is that of the land acquisition operations carried out by ICT in Colombia for its housing programmes. Because ICT has used more economical land for its programmes, it has generated new settlements which are more and more distant from the employment and utilities centres. At the same time it has increased the per capita costs of providing urban infrastructure for the new settlers due to the distance of these settlements and to the resulting low average population density. Finally, this process has brought about an increase in the value of the land-gaps left by its application and of the land next to the new settlements, thus helping to reinforce speculation.

The weighting of the above-mentioned factors is so significant that, even in cases like the CORMU experience in Chile, where a policy of acquisition of land oriented by criteria other than that of "direct costs" was initially formulated and applied, the said factors eventually forced the application of the "direct costs" criterion. In this case, it was the social and political pressure resulting from the housing problem and the State's lack of funds that helped to make CORMU stray from

/its original

its original policy. The case of the Instituto del Fondo Nacional de la Vivienda para los Trabajadores (INFONAVIT) in Mexico is even more dramatic. The criterion explicitly stated by INFONAVIT for the acquisition of land for its housing programmes was that of lowering costs and avoiding large investments in infrastructure and facilities. For this reason, the original position was to look for land located near areas with industries and infrastructure. However, in practice INFONAVIT bought land lacking infrastructure, with the aim of lowering costs. In the few cases in which it acquired land with basic infrastructure facilities, this happened because they involved transfers of land from other public institutions and it was therefore bought at a very low cost.

### 2.3 Exceptional cases

The chronic lack of funds, combined with the absence of urban development plans --within the context of social pressures, speculation in land and difficulty in carrying out massive expropriations--, accounts for the widespread use of the "direct costs" criterion by the Latin American public institutions. This criterion may be replaced by others when there is a certain availability of funds that makes it possible to consider the indirect costs associated with the use to be given to the land to be acquired (potential use criterion) and/or when there are urban development plans that point, with due anticipation, to the kind of locations where land will be needed for specific uses (location criterion). The initial years of CORMU in Chile are an example of application of the former criterion. Similarly, the most significant example of adjustment to the latter criterion in Latin America is that of the purchases of land carried out by the Municipality of Curitiba. The acquisition of land by FONDUR in Venezuela for satellite towns to house the overflow from the metropolitan areas --in accordance with the urban development plans-- is another instance of prevalence of the location criterion, although its coverage was rather limited.

The case of Curitiba is a clear example of how the shortage of financial resources typical of the region has been no obstacle to the application of criteria other than that of direct costs in the public acquisition of land. The existence of a plan implies availability of the necessary information to make advance purchases according to the location criterion. The land thus acquired may cost the same --or less-- than if acquisition is carried out on an ad hoc basis, as the need arises, using the direct costs criterion, with the additional advantage that the pitfalls generally associated with this criterion may be avoided. All this is valid for the acquisition of land carried out according to the location criterion both on the outskirts of a city --following an urban development plan-- or within the city itself --for example, associated with an urban transport plan as has successfully been the case of Curitiba.

## 3. Acquisition modalities

### 3.1 The range of possible alternatives

Public acquisition of land may be classified according to the time lag existing between acquisition itself and materialization of the new use of the land acquired. According to this concept, acquisitions may be carried out either on an ad hoc basis or in advance. As regards modalities of acquisition proper, the alternatives are

/purchase, expropriation

purchase, expropriation and transfer of land between public institutions.<sup>2/</sup> These modalities are valid both for ad hoc acquisition and for advance operations. In the case of advance acquisitions, modalities having to do with pre-emption and with experiences of public/private partnerships, where the owners contribute with their land ("readjustments" and "joint capital ventures"), must also be considered. These forms of advance acquisition of land have not been applied in the region, despite being typical of market schemes and positive past experience in such different countries as France, Japan and India. The possibility of applying these forms in the region will be discussed in Chapter III.

Modalities of public acquisition of land where the initiative does not lie with public institutions have not been included. In this respect, the most outstanding cases have been acquisitions resulting from private land development projects (percentage of the area reserved by law for public use, roads, green areas and facilities).

### 3.2 Conditions prevailing in Latin America

Public acquisition of land in Latin America is generally carried out on an ad hoc basis, via direct purchases. The main constraints to the possibility of acquiring land in advance are the following: i) insufficient resources available to public institutions, which have to be allocated to solving the most serious and pressing problems; ii) permanent danger of invasion of the public sector "land banks" because of the demographic pressure applied on the land by those excluded from the land and homes markets and of expectations of milder retaliation than in the case of invasion of private land; and iii) resistance of interest groups to the existence of State-owned banks of land, particularly when their aims are to curb speculation.

The main obstacles to massive expropriation of land in Latin America are also three: i) the economic and political power of the groups that profit by the land, which is perhaps the most important constraint; ii) the need for substantial funds to cover compensation payments, which is made more acute in cases where the law stipulates payment in cash; and iii) the marked liberal conception of ownership rights prevailing in the countries of the region. With respect to the third constraint, it should be pointed out that in the European countries and in the United States, in particular, absolute rights of the individual over ownership have historically been becoming more restricted out of motives of social awareness. In Latin America, this change has, on the whole, taken place only at the level of constitutional rulings rather than civil law, which makes it less effective. In fact, an unrestricted private ownership right still prevails. Whenever there are provisions for expropriation, they are generally inoperative due to the constraints mentioned above. Two examples characteristic of the region are the cases of Peru and Honduras in the 1960s. In the latter country, the person whose property was expropriated could get it back (upon repayment of the compensation received) if within the period of one year the public sector did not make use of the land for the purposes stated on performing the expropriation. The possibility of forming "land banks", for example, to be used in massive housing programmes can be severely constrained in this way. In Peru, the law stipulates a maximum period of two years between the expropriation order and its final approval, after which the order expires. At the same time, the procedures to

/determine the

determine the amount to be paid as compensation involve such time-consuming red tape that owners can make them go on for the whole two-year period. Lastly, the State is obliged by law to pay cash for the land that it expropriates: a fact which, given the chronic public sector fiscal deficit, is an additional constraint.

### 3.3 Exceptional cases

Among the few experiences of advance acquisitions are the cases of CORMU in Chile, CVG in Venezuela and different public institutions engaged in housing programmes in Mexico. These cases are analysed in detail in Chapter II. In general, these have been experiences where the constraints listed in Section 3.2 have been less determinant. For example, the availability of the financial resources with which CVG operates is outstanding; also, the fact that in Mexico, the acquisition of land includes among its objectives the transfer of land to the municipalities so that they can tackle the problem of land invasions; and, finally, the correlation of the political forces favouring deep social changes that existed in the years when CORMU operated which, to a large extent, made it possible to neutralize the resistance of interest groups connected with land ownership.

Among the exceptional experiences of massive land expropriations perhaps the only significant ones in Latin America are the cases of CORMU and of the Mexican public institutions. In the case of Mexico, it may be interesting to note the profound changes introduced to the right of property by the Agrarian Reform Law linked with the Mexican Revolution. This law dissociated the concepts of ownership rights on the land and ownership rights on use of the land through the creation of ejidos. And precisely, a large number of expropriations carried out by public institutions for programmes of regularization of land tenure in the cities have affected ejido land. In these cases, the land was public property and expropriation affected only the rights of use: a fact which to a large extent explains why these expropriations were possible. The most important institution that carries on programmes of land regularization based on expropriations of ejido land is the Comisión Para la Regularización de la Tenencia de la Tierra (CORETT).

## 4. Administration modalities

### 4.1 The range of possible alternatives

The land acquired by a public institution may be allocated for use by the programmes of the institution itself (the "non-transferrable" alternative in the Matrix). Another alternative is its transfer to the private sector --via different forms of sale or leasing-- or to other public institutions. Finally, the land may form the State's contribution for the formation of joint partnerships with the private sector (with co-operatives, building societies or others).

### 4.2 Conditions prevailing in Latin America

The general rule in the few significant experiences of public acquisition of land in Latin America is for this land to be wholly used in the housing programmes or in the urban infrastructure works of the same public institutions as acquired it.

This is valid both for the cases of ad hoc purchases for public housing programmes unrelated to urban development plans --such as the ICT in Colombia-- and for advance purchases for the miscellaneous purposes contained in an urban development plan (as was the case of land acquisition by the Municipality of Curitiba).

The alternative modalities of administration of public land --transfers to other public institutions or to the private sector-- are not important in Latin America. This is so because, on the one hand, the transfer of land to other public institutions implies the existence of a policy of public acquisition of land with the co-ordinated action of one or more public institutions acting as suppliers of land for the others, while on the other hand, the acquisition of land to be transferred to the private sector in different forms, i.e., acquiring more land than required by the public programmes, only makes sense in terms of antispeculation and urban planning objectives that practices of public acquisition of land in Latin America generally omit.

#### 4.3 Exceptional cases

There has been little transfer of land acquired by public sector institutions to other public institutions or to the private sector. Examples of transfers to other public institutions have been the sales and cessions of land by CORMU in Chile and INDECO in Mexico. CORMU acquires land on an ad hoc basis on behalf of public institutions carrying out housing programmes; on other occasions it sells part of the land reserves. INDECO sells part of its "land bank" for the housing programmes of such institutions as BNOPSA, or transfers land to the municipalities to put an end to land takeovers and thus avoid infringement of the urban regulation plans.

Some examples of the different forms that transfers of public land to the private sector may take are the following: i) contributions in land by CORMU for the formation of joint partnerships for urban renewal; ii) sales of land made by the same Corporation to co-operatives and groups of local residents for housing projects; and iii) land leased by CVG in Venezuela, in order to guarantee its use in accordance with the urban development plan, and by INAVI and FONDUR in the same country, directed to low income families (for residential use) and to business agents (for commercial and industrial uses). Perhaps the only widespread modality of transfer of land to the private sector is that of land concessions. These take place subject to determined uses (fairgrounds, zoos, etc.) and levels of efficiency in use.

The Latin American situation presents a striking contrast with the importance that transfer of public land has in countries of other regions from the viewpoint of urban planning and speculation control objectives. For example, in Japan the sale of public/private co-owned land via "readjustments" is massive, and in the main cities in Sweden the leasehold system is applied to most publicly-owned land.

### 5. Source of funds

#### 5.1 The range of possible alternatives

The source of funds to finance public acquisition of land may be public or private. In the former case, it takes the form of government contributions, which correspond to three main categories: i) non-refundable contributions made repeatedly

/(the



(the "write-offs" alternative in the Matrix); ii) non-refundable contributions made one single time to form the necessary capital to generate a revolving fund to be used for the financing of programmes of land acquisition; and iii) credits given by the government to the land-acquisition institutions. In the case of funds from private sector sources, they may be: i) bonds or certificates issued and sold by the land-acquisition institutions themselves; ii) shares of public/private joint ventures carrying out land acquisition programmes, which are bought by private investors, and iii) credits from private domestic or foreign banks to the land-acquisition institutions.

## 5.2 Conditions prevailing in Latin America

The predominant modality for financing the public acquisition of land in Latin America is that of contributions of public funds not susceptible of recovery ("write-offs"). It should be borne in mind that the public acquisition of land in the region is mainly oriented to supply the necessary land for the housing programmes of the acquiring institutions. Since they are welfare programmes, i.e., non-profit making, they do not manage to attract private funding. Similarly, the objective of cost recovery or of self-financement of these programmes is generally incompatible with the target groups which these programmes aim to favour. In order to correct the distortions which generally accompany the said objective, it has been necessary for the governments to channel permanent subsidies into these institutions.

## 5.3 Exceptional cases

Among the cases that do not follow the rule with respect to source of funds for the acquisition of land are those of CVG in Venezuela and CORETT in Mexico. CVG bought --mainly through direct purchases-- almost all the land needed to build the new city by means of one single transaction. The criterion used for the administration of this land was that of selling only when strictly necessary to guarantee the private investments envisaged in the global development plan. This criterion also included leasing some of the land and holding on to some sites in areas undergoing a full process of development so that the Corporation could capitalize on the unearned increments resulting from both public and private investments. Consequently, although this has not been a permanent policy of land acquisition, at least it has been possible to recoup in part the funds originally allocated to land acquisition.

The procedure used by CORETT for its programmes of regularization of land tenure in settlements located in the urban periphery has been that of acquisition through expropriation. Therefore, the cost of land acquisition has been equivalent to that of the compensations paid. The source of these funds has been the quota payments made by the settlers favoured by the regularization programmes to buy, once and for all, the sites where they live. Also, the said payments cover the administrative costs of CORETT and generate a considerable surplus which is used for other purposes.

## 6. Institutional systems

### 6.1 Range of possible alternatives

The institutions responsible for the public acquisition of land may correspond to three main types. They are differentiated according to degree of autonomy, lifespan and whether they allow for participation of the private sector. The first /type corresponds

type corresponds to institutions that form part of the regular administrative structure of the State. The second type corresponds to autonomous public institutions which, like the first type, have been created without setting a date for the termination of their operation. The autonomy of this second type of institution refers, at least in principle, to the legal and financial aspects. The former aspect has to do with autonomous authority for decision-taking and the latter with availability of exclusive assets. Finally, the third type corresponds to joint public/private institutions which are autonomous in nature and whose period of operation is restricted to the time needed to meet a given aim (remodelling of an area, infrastructure for a peripheral sector, etc.). These institutions operate at an intra-urban level in given areas for whose development they have been created, whereas the first two types of organization generally operate at the level of urban area, with attributions to act either in one given city or in all the cities.

## 6.2 Conditions prevailing in Latin America

The institutions carrying out land acquisitions in the region are, on the whole, autonomous in nature and operate at the national urban level or in one particular city. However, their autonomy is generally restricted by three types of factors: i) legal limitations stipulated in the organic laws that rule their operation, which prevent them from acting with the same freedom as a private business corporation; ii) lack of sufficient independent funds, which makes them dependent on external contributions (mainly from the central government); and iii) problems of inter-institutional co-ordination which generate conflicts within the administrative structure of the State. An example of this was the case of CORMU in Chile. Since CORMU was the institution responsible for the central co-ordination of land acquisition for urban development in different cities of the country, which was an exceptional case in the region, its organic law stipulated that its action should be co-ordinated with the DPDU (Planning Department for Urban Development of the Ministry of Housing and Urban Development). The DPDU had to approve the expropriations decided by CORMU. In order to carry out its policy of advance acquisition of land, CORMU needed physical urban development plans. On the other hand, DPDU --as the body responsible for the co-ordination of urban development-- formulated that type of plans, although in practice, at least in the case of Santiago, CORMU formulated its own physical urban development plan, different from that of the DPDU. The question is why CORMU did not adopt DPDU's plan. This was a matter of conflicting powers within public agencies, stemming from the fact that the authorities of both agencies were generated independently. CORMU was an autonomous entity depending directly from the President of the Nation and was by that time imbued with new ideas on urban development and with considerable economic and legal power; DPDU was part of the regular structure of the public administration. The procedures for approval of expropriation became in fact a form of dependence of CORMU on criteria prevailing in DPDU, thus affecting CORMU's policy of advance acquisition of land for urban development.

In any case, it is quite common for more than one institution to be responsible for the acquisition of land in the countries of the region and for these institutions to operate with little or no co-ordination. A case in point in this connection is perhaps that of Mexico.

### 6.3 Exceptional cases

Three exceptions are worth mentioning vis-à-vis the institutional framework for the public acquisition of land: firstly, the joint partnerships formed by CORMU and private construction firms which were created to implement projects for the renewal of urban areas or neighbourhoods; secondly, partnerships entered into by CORMU and different municipalities with the purpose of carrying out local projects, and thirdly, the case of the Mexican fiduciary trusts formed with the participation of landowners, of the colonos (settlers) using that land, and the State. The fiduciary trusts are aimed at regularizing land tenure and therefore have limited duration and consider specific intra-urban areas.

Harmonizing public and private interests --which is the cornerstone of joint ventures-- is no easy matter in the countries of the region. The expectations of speculative gains on the part of the owners of the land are significantly higher than the benefits that joint ventures with the public sector might represent. This explains, at least in part, why these experiences are so few.

## Chapter II

### CASE STUDIES

This chapter analyses four outstanding cases of public acquisition of land in Latin America. The first two correspond to Mexico. Case study No. 1 refers to acquisition of land for housing programmes. It was chosen on account of the significant acreage involved and also account of it being typical of the objective that, on the whole, directs the practice of public acquisition of land in Latin America. The second case study has to do with land acquisition carried out as part of programmes for the regularization of land tenure in precarious urban settlements. This experience can perhaps be considered unique in the region, but tackles a problem that is common to the different Latin American countries. Case study 3 describes what has been the only experience of a co-ordinated national policy for public acquisition of land, which also incorporated the application of expropriation procedures and explicit objectives of control of speculation, namely, the case of CORMU in Chile. Lastly, case study No. 4 corresponds to the acquisition and administration of land for the new Guayana City undertaken by Venezuela's CVG. In this case, land acquisition was directly associated with an urban development plan. Furthermore, it is an experience forming part of a project for the building of a new city in a continent that offers vast areas available for new settlements.

The Matrices corresponding to the public institutions analysed in these four case studies appear at the end of this chapter.

### CASE STUDIES 1 AND 2

#### MEXICO

In the case of Mexico, acquisition of land by the public sector is directly linked to the housing deficit problems and possible alternatives for solving them, particularly as regards the working-class urban sectors. The State's housing action has been mainly oriented towards financing and building new houses and regularizing land tenure in urban illegal settlements.

Public acquisition of land has reached massive proportions in Mexico: an exceptional case within the Latin American context. The regularization programmes have involved considerable land expropriations in the periphery of the cities. The housing programmes have favoured the formation of State-owned land reserves, the volume of which has no precedent in the region. It is therefore paradoxical that this growing practice of public acquisition of land should not have given rise to a co-ordinated policy linked to urban development plans. There are numerous agencies performing land acquisition actions for different programmes connected with the housing problem, the most important of which are analysed in these two case studies.

The Mexican experience of public acquisition of land --despite being an exception within the Latin American context-- is oriented towards finding a solution to problems common to the different countries of the region: shortage of houses and of land to be used for housing purposes, with vast segments of the urban population housed in settlements of an irregular nature because of their illegal status vis-à-vis land ownership; lack of infrastructure and situation of marginality with respect to infrastructure and construction regulations.

The case of Mexico is also to a large extent typical of the social political and economic context of Latin America and may serve to illustrate the problems that such enormous efforts of public acquisition of land may have to face. Although in Mexico --as opposed to other Latin American countries-- there is a strong tradition of State intervention and there is a more significant availability of public funds, there have been obstacles that seriously impair the possibilities of success in the task of land acquisition.

Case study No. 1 analyses land acquisition associated with housing programmes carried out by the State. Case study No. 2 looks into such acquisitions as forming part of the regularization programmes.

#### CASE STUDY No. 1

PUBLIC ACQUISITION OF LAND FOR HOUSING PROGRAMMES  
(Banco Nacional de Obras y Servicios Públicos --BNOPSA--;  
Instituto Nacional para el Desarrollo de la  
Comunidad y de la Vivienda --INDECO--; and  
Fondo Nacional de la Vivienda para los  
Trabajadores --INFONAVIT)

From the series of institutions responsible for the housing programmes of the Mexican State, three of the most important have been selected. These institutions have developed a policy of public acquisition of land for specific purposes: in this case, housing.

BNOPSA is one of the oldest State institutions and was expressly created to tackle the problem of shortage of houses in the urban zones of Mexico. The history of BNOPSA goes back to 1925 with the creation of the Banco de México S.A., a predecessor of the present institution. INDECO was created in 1970 on the basis of the Instituto Nacional de la Vivienda created in 1954. INFONAVIT is an institution created in 1976 for the purpose of developing house construction programmes for workers.

#### 1. Objectives

a) BNOPSA. The objective of the public acquisition of land carried out by the National Bank for Public Works and Services (BNOPSA) is to act as supplier of land for its own housing programmes, which are not related to urban development plans. Among the series of duties performed by the Bank, there has been an intensification

/of its

of its housing action and BNOPSA is at present carrying out basic infrastructure projects and construction of housing developments for different sectors of the population.

b) INDECO. This institution is responsible for a series of programmes and plans, among which are the programmes for land acquisition and territorial reserves. Specifically, the objectives of the formation of a "land bank" are:

- i) To ensure the supply of land for the institution's own plans and for those of other public agencies.
- ii) To control, even in part, land speculation. The fact that the land held as reserve by INDECO is destined to serve the programmes of INDECO or of other public institutions and is not to be transferred to private agents implies a constraint on attaining the said objective. No matter how large the land banks may be, this situation makes it difficult to control speculation in general and to regulate the prices of land for the whole of the urban area.

The coverage of the land acquisition programme is wider than in the case of BNOPSA, both in terms of area of land held in reserve and variety of objectives aimed at. A very important objective is that of providing the local governments with the necessary land to respond to the demands of massive invasion and, at the same time, to encourage the use of the land according to the urban regulation plans. It should be borne in mind that INDECO is the institution responsible for carrying out the urban regulation plans for the cities of Mexico. However, since most of the proposals contained in the urban regulation plans have not had fully satisfactory results, it may be said that this objective has been only partially reached.

c) INFONAVIT. The objective of land acquisition in the case of INFONAVIT is to provide the necessary land for its own housing programmes, which are not associated to urban development plans.

## 2. Criteria for the selection of land to be acquired

In general, the information available vis-à-vis criteria for the selection of land by the Mexican public institutions is fragmentary and occasional, for which reason it is difficult to give a clear picture of the situation.

a) BNOPSA. The land on which the Bank builds houses is acquired according to procedures that may vary depending on the source of the projects. In the case of a formal request by a workers' federation, the usual procedure is for the federation to contribute the land. Therefore, in cases like this, the acquisition of land --considered from the viewpoint of the Bank-- is carried out without any explicit criterion being applied. The Bank has no say in the matter of location of the land acquired for this type of project, unless, on assessing the applications, the location of the land that the applicants contribute is taken into account. No information was available to determine whether this is standard procedure or not. Conversely, in the case of projects resulting from the Bank's own initiative and directed to the general public, the Bank makes use of its own banked land. It has been impossible to determine in any precise way the criteria used for the selection of land to be acquired for the purposes of setting up these land banks.

/b) INFONAVIT.

b) INFONAVIT. In theory, the criterion used by this institution is to acquire land that is near the sources of employment, in order to reduce the travelling costs and time of the groups of workers that will benefit by the housing programmes (potential use criterion). In practice, INFONAVIT has been forced to purchase sites with no infrastructure, due to the high commercial value of land where utilities already exist. It should be noted that this institution is not empowered to expropriate, so that it is not able to acquire "urbanized" sites at a lower cost. Thus, the direct cost criterion is the one used.

### 3. Acquisition modalities

a) BNOPSA. In the case of BNOPSA, land purchases are carried out, on average, a year ahead of the launching of the works. In the cases in which the Bank carries out such projects at the request of workers' federations, the land is acquired on an ad hoc basis. Advance acquisition, however, takes place in most cases. The Bank is one of the few institutions empowered with the authority to expropriate, although this is restricted exclusively to ejidos and communal property,<sup>3/</sup> on account of this authority being conferred by the Law of Agrarian Reform. Although no explicit information is available, the rest of the operations of the Bank take the form of direct purchase.

BNOPSA has not been confronted with any critical determinants as regards the size of its land banks. The reason for this is that the housing construction programmes of the Bank are quite small in comparison with those of other public agencies and considering the magnitude of the housing deficits. The target groups of BNOPSA's housing programmes are middle income families with capacity to pay, who can additionally gain access to mortgage loans from the private financing system which are needed to complement the credit given to purchasers by BNOPSA.

b) INDECO. Most of the land acquisition is carried out by this institution in advance, making use of the authority to expropriate ejidos and communal land which the Law of Agrarian Reform conferred on it. It is important to note that, at least in the case of Mexico City, 50% of its urban growth since 1940 has made use of ejidos and communal land, without taking into account urban growth using public land (Schteingart, 1981). INDECO also acquires land on an ad hoc basis in the case of less significant acquisition operations connected with programmes launched by other institutions to regularize the ownership of previously invaded land.

c) INFONAVIT. The main acquisition modality is the advance purchase of land from both the private and the public sector. The Institute has no power to expropriate. In 1976, 46.0% of the land acquired by INFONAVIT for its land bank came from other public entities. This is one of the reasons for the low prices paid. INDECO offers consultancy and other services as required by the policy of land acquisition of INFONAVIT. It should be noted that the modality of inter-institutional sales operations, although not unique in the countries of the region, is not generalized.

4. Administration modalities

a) BNOPSA. The land that the Bank acquires on an ad hoc basis for its own projects or for projects commissioned by other public institutions or by federations that supply their own land --once the legal procedures have been completed and the design and coverage of the project have been determined-- becomes part of a trust, with the Bank itself acting as trustee.<sup>4/</sup> On the other hand, the land acquired in advance to form part of the land reserves of the Bank is earmarked for the Bank's own projects: it is not transferred in the form of subdivisions or lots. Once the houses are built, however, the beneficiaries acquire ownership rights on both the land and the house.

b) INDECO. The land that the Institute has expropriated becomes the property of the public sector. This institution uses it both for its own housing and land improvement programmes and to be transferred or sold to other public institutions that may need it. This latter case includes transfers of land to local governments so that they may tackle the problem of massive invasion.

c) INFONAVIT. The land acquired by this institution is used for its own housing programmes. Once the land is built on, it is transferred as soon as the projects are executed.

5. Source of funds

a) BNOPSA. The Bank's funds come from different sources. The first source is credits granted by national and international banks. A second source consists of resources allocated by the Federal Government, made up basically of funds not susceptible of recovery. Thirdly, the Bank may issue and sell bonds in the form of mortgage bonds, participation bonds, certificates of deposit, etc., which are designed to finance specific projects.

b) INDECO. The resources of this Institute, both for the purchase of land and for house-building projects, come from private and public sources. The resources coming from private sources are used to finance and build new houses and originate in trusts jointly set up with private banks covering the land and other fixed assets that form part of the programme to be developed. The purchase of assets --including land-- and the operating costs of INDECO are financed with funds from the Federal Government, from the States and municipalities, and from self-generated resources which correspond roughly to the first-named. Therefore, funds allocated to land purchases are revolving, to a large extent. It should be added that INDECO makes financial investments with funds coming from these two non-private sources.

c) INFONAVIT. The financial resources of this Institute come from three basic sources: in the first place, the obligatory contributions of employers corresponding to 5% of the workers' wages; in the second place, contributions from the Federal Government, and lastly, resources coming from the yields of the investments made. Thus, funds correspond to two types: those not susceptible of recovery and revolving funds. However, since the entrepreneurs' contributions mentioned above are the main source of funds for the Institute, it may be said that funds for land acquisition are, basically, non-recoverable.



## 6. Institutional systems

a) BNOPSA. The Bank is an autonomous public entity. It operates according to the legal norms stipulated by the Ley General de Instituciones de Crédito y Organizaciones Auxiliares, i.e., the Banking Law, and by the Organic Law which regulates its operations and sets its objectives and administration procedures. Although its operations cover the whole of the country, investments are concentrated in the Metropolitan Area of Mexico City. In the period between 1941 and 1975, 85.1% of the total housing projects carried out by the Bank were located in this area (Garza and Schteingart, 1978). The concentration of works in the zone of Mexico City appears to be one of the salient characteristics of the Bank. It is in this area that the magnitude of the housing problem makes the need for action more pressing.

b) INDECO. The Institute is a decentralized public entity which is run by a council consisting of Secretaries and Under-secretaries of State. The council is chaired by the Secretary of Finance and Public Credit. The Institute's investments, as was the case of BNOPSA, are concentrated mainly in Mexico City (64.4% of total investments in 1974 (Garza and Schteingart, 1978)). INDECO is permanently engaged in a series of rural and urban programmes. The regional differentials that favour Mexico City point to the predominance of urban over rural programmes. This fact has often been considered striking by experts in Mexican public administration, since INDECO is an institution which, given its objectives, should assign priority to programmes in rural areas.

c) INFONAVIT. This is an autonomous public housing institution. Its operation is regulated by the Ley del Instituto del Fondo Nacional de la Vivienda para los Trabajadores (Law on the National Housing Fund for Workers) of April 1972. Its administrative council is made up of representatives of workers, managers and the Federal Government. INFONAVIT performs a redistributive task, from a spatial point of view. For example, the contributions of the enterprises operating in the Federal District in 1974 reached 57% of the total funds of the Institute, whereas the resources spent on this area corresponded only to 44% (Garza and Schteingart, 1978). Even so, there is still a strong concentration of investment in Mexico City.

## 7. Evaluation

In general, the growing action of the Mexican State vis-à-vis the development and construction of housing has had some effect on lowering the prices of dwellings. Despite this effort, however, it is estimated that 65% of the families have no access to houses built through the State programmes since their income is lower than the minimum wage and they are therefore not eligible for credits, which are a vital element in the form in which the institutions analysed above operate.

Nevertheless, through these programmes the State has influenced a change in the urban ownership of land, from State, communal or ejido to private property, thus extending the real estate market and contributing to the generation of returns on land.

/These two

These two facts --the restricted coverage of the housing programmes and the extension of the real estate market-- have reinforced the marginal status of ample urban working class sectors which have no choice but to take over, buy or rent land under conditions of illegality. In this way, as will also be seen in case study No. 2, the following circuit is reinforced: growth of the population settled illegally on public or private land; intervention by the State (housing or regularization programmes); incorporation into the market of the land on which the said public actions are performed; impossibility of vast sectors to have access to these housing solutions due to their low capacity to pay for the increased value of the land as a result of public action, and finally, increased volumes of illegally settled population.

In conclusion, it is worth mentioning that there is no national policy for the public acquisition of land for the State's housing programmes. The measures leading to the creation of land banks are for the exclusive use of each particular institution and are carried out aiming at generally different objectives and applying different criteria. One exception is that of land acquisition carried out by INDECO for other public institutions.

On the other hand, the restricted coverage of the housing programmes --within a framework of mounting pressure and social need-- favours the takeovers of land belonging to the different land banks.

In short, there is no national policy for the public acquisition of land because there is no co-ordinated action in relation to social housing projects linked to urban development plans.

## CASE STUDY No. 2

### PROGRAMMES OF LAND TENURE REGULARIZATION (Comisión para la Regularización de la Tenencia de la Tierra --CORETT--; Fideicomiso de Interés Social para el Desarrollo de la Ciudad de México --FIDEURBE)

In the last decade the Mexican State, apart from increasing its housing action, has begun to tackle for the first time the problems posed by the illegality of some of the land subdivisions and the invasion of land in the periphery of the cities. These problems are fundamentally related to lack of utilities, irregular tax situation and uncontrolled expansion of the urban centres. In view of this, the State has created numerous institutions, legal instruments and forms of co-ordination. The policy of regularization of land tenure is one of the main actions carried out by the State in connection with this problem. State action vis-à-vis regularization begins with the acquisition of land illegally occupied. Therefore, the success of these programmes will be determined by the coverage of the acquisition of such lands.

#### 1. Objectives

a) CORETT. This Commission was created in 1973 by Presidential decree. It began as a co-ordinating institution for INDECO, Fondo Nacional de Fomento Ejidal / (FONAPE) and

(FONAFE) and the Departamento de Asuntos Agrarios y Colonización, with the objective of regularizing settlements in the ejidos which had been subdivided in an irregular way. This co-ordinating activity lacked effectiveness since CORETT had not been granted sufficient decision-taking powers. After a brief period of operation CORETT was awarded the legal status of decentralized public institution with assets of its own.

Any process of regularization begins with the expropriation of the land. This is done to prevent the former owners (ejido-owners, in this case) from having the right to take part in this process. They only participate as the recipients of compensation.

b) FIDEURBE. The creation of this institution in 1973 was preceded by the formation of several urban trusts. "Trusts are fiduciary operations which the State resorts to with increased frequency in order to solve and institutionalize the most serious conflicts that the Republic has had to face with respect to the problems of legality of land tenure in the so-called popular settlements" (COPEVI, 1977). The success of these trusts created for the exclusive purpose of solving specific conflicts of land tenure moved the State to set up FIDEURBE. This is a public institution which, acting as a trust set up by law, has ample powers of intervention in the illegal settlements of the Mexico City periphery. As in the case of CORETT, the basic tenet of this institution is to acquire the land that will be later subjected to a process of regularization as a means to exclude the former owners of the land.

In the case of both CORETT and FIDEURBE, the acquisition of land may be considered as aiming at a specific use of the land (housing), unrelated to any urban development plan.

## 2. Criteria

a) CORETT. The places on which this institution concentrates its efforts are ejidos which have been illegally divided. According to the law, ejidos are not allowed to change the use that will be made of the land. And it is precisely here that the illegality lies; the use of the land has changed from agricultural to urban-residential. The zones under CORETT jurisdiction have not been highly conflictive. In general, to the compensation paid, both the colonos (dwellers in working-class settlements) and the owners are interested in the regularization of the land.

b) FIDEURBE. This operates on all types of illegal settlements in Mexico City --not only ejidos-- where there may be a situation of serious conflict. In many cases, social mobilization and violence determine the urgency with which FIDEURBE creates the trusts. In general, its action responds to the pressure generated by the mobilization of the groups of colonos affected by the illegal status of their settlements. This situation, derived from the fraudulent practices that the colonos have been victims of, implies on the one hand that they may have to confront one or even more people who claim to be the real owners and, on the other hand, that they may to a large extent be excluded from the public programmes of extension of utility services. However, in the last year FIDEURBE has attempted to overcome this reactive form of operation by stipulating terms and priorities for the areas to undergo regularization.

/In both

In both cases (CORETT and FIDEURBE) the criteria for land acquisition are outside the alternatives listed in the Matrix. The criterion used is related to the gravity of the social conflicts arising from the illegal nature of the settlements where a large number of the urban population have their homes. CORETT acts in places where conflicts have not reached the very serious stage, unlike FIDEURBE, whose mission is to be in charge of the most conflictive illegal settlements.

### 3. Acquisition modalities

Both institutions use a similar modality for the acquisition of land. They use their expropriatory authority in ad hoc operations. The compensation to be paid by FIDEURBE is calculated according to strict land valuations made by the public entities responsible for the administration of the trusts. No information was available on whether these valuations are part of a regular system applied to all cases or whether they are done with criteria that vary from case to case. Whatever the answer, landowners have a very little margin for negotiation with FIDEURBE when expropriations are decided.

In the case of CORETT, compensation payments are more generous. The New Agrarian Reform Law lays down that the surplus value of ejido land incorporated into urban areas whose possession is to be regularized must be shared between the State and the ejidatarios. The Law stipulates: "The members of the ejidos have the right to receive two standard urbanized plots and the equivalent to twice the commercial value of their agricultural lands or 20 per cent of the net profits of the land sub-division". It should be noted, on the one hand, that the ejido-owner suffering expropriation has already made a large profit out of the illegal subdivision of his land --to which the compensation money should be added-- and, on the other hand, that the expropriation does not concern the ownership of the land --which belongs to the State-- but the right of use, the restrictions on which (non-transferable, non-hereditary and usable exclusively for agricultural purposes) have been exceeded by the subject of the expropriation order.

Another characteristic that represents a difference with FIDEURBE is that CORETT allows landowners a greater margin of negotiation with respect to compensation. This is the result of the differences between the ways FIDEURBE and CORETT operate.

While both entities are capturing considerable land rents derived from the process of regularization, CORETT channels these resources to a Fund (FONAFE) that has the specific objective of improving ejidos in rural areas, while FIDEURBE channels them to the Public Treasury, which in turn, because of its permanent deficit, becomes highly dependent on these contributions. In contrast, CORETT has more autonomy to use the FONAFE fund. It is not unusual for part of these resources to be used to pay even higher compensation to urban ejidatarios expropriated.

Another difference between the two bodies is that FIDEURBE operates in highly conflicting settlements. As a public entity, and for political reasons, FIDEURBE is obliged to be very cautious of appearing to be on the side of landowners. As a result, owners in general are more adversely affected in terms of the compensation received.

#### 4. Administration modalities

The land is transferred to its new owners by CORETT and FIDEURBE by means of individual title deeds. The amount which the colonos must pay for it is equivalent to the prices fixed by CORETT and FIDEURBE, after deducing the amount which was previously paid illegally to the owners. In this way, this land is incorporated into the tax system and the situation of irregularity is overcome. The regularization, in turn, permits these areas to be incorporated into the urban service investment programmes performed by the State. Considering that regularization programmes are usually complemented with these infrastructure investments and that possession of title deeds allows the incorporation of this land into the formal urban land market, prices of land tend to raise significantly. These surplus values are captured --to a great extent-- by FIDEURBE and CORETT.

FIDEURBE, for the reasons previously explained, is not willing to enter into negotiations on prices or compensation. That is why it fixes prices unilaterally in accordance with its own valuations.

CORETT's regularizations take place under different conditions. Negotiations and local pressures are part of the process, and all this influences the regularization. The colonos pursue security based on the possession of title deeds; the ejidatarios are sure of getting high compensation. Also there are political factors influencing the whole process. "Clientism" objectives imply the incorporation of ejidatarios and colonos into the process of negotiations. In the particular case of ejidatarios their economic interests --and, through FONAFE, those of the rural ejidatarios (who represent over 50% of the Mexican campesinos)-- are favourably received. Moreover, the ejidatarios have the power to delay regularization until land prices are higher, thus getting higher compensation guaranteed by the New Agrarian Reform Law. The colonos, too, can negotiate with CORETT. Land prices are fixed depending on pressures and sponsorships that the colonos have been capable of raising. It is not unusual for the ejidatarios and the colonos to exert pressures on CORETT. This is possible because no direct relationship between the amount of compensation and the prices paid by colonos exists. The FONAFE fund is always available in order to pay higher compensation and/or to fix lower prices.

#### 5. Source of funds

The necessary funds to finance the acquisition of land for these regularization programmes come from the payments that the colonos must make in order to receive their title deeds. The monthly payments, the regularization quotas and the charges against expenses incurred on title deeds finance the regularization system. They cover the administrative costs of CORETT and FIDEURBE and the compensation payments to former owners, leaving a significant surplus. CORETT channels this surplus --which represents 67% of the total payments made by the colonos-- to the FONAFE fund, which, in turn, will assign these funds to the development of ejidos in the rural areas of the country (COPEVI, 1977). Where trusts are set up, the payments of the colonos are also used to finance the installation of different services and urban facilities for the regularized settlements. Moreover, the incorporation into the tax system of this land --whose legal status has been cleared-- implies new resources for the public treasury.

## 6. Institutional system

a) CORETT. This is a public institution, autonomous in nature and operating at the national level. It takes decentralized action in respect of the ejidos affected by the growth of the cities.

b) FIDEURBE. This is an autonomous public institution with particular characteristics since it acts as a trust whose operation covers Mexico City. The preceding trusts were structured as follows: the donors (contributing the assets) were the owners who had subdivided their land, the fiduciary institution (responsible for the administration of the trust) was the State Nacional Financiera; and the recipients (beneficiaries), the former owners and colonos. FIDEURBE is a trust that excludes former owners and colonos. The State itself acts as donor since it first expropriates the land to be regularized and then settles it on the trust. Nacional Financiera still acts as fiduciary institution and the beneficiary is, once again, the State itself, which receives the regularized land to be sold to the colonos at a later stage. All the new regularizations being carried out in the different areas of Mexico City are therefore incorporated into this broad trust.

## 7. Evaluation

The public acquisition of land analysed in case study No. 2 has, in addition to the land regularization objective already stated, two others:

i) Demobilization of the groups of organized colonos which had become a political threat because of their tendency to independence of the structures of the strong Partido Revolucionario Institucional in power; and

ii) Collection of funds to strengthen the public treasury.

As for the former, the regularizations make it possible to identify the conflicts and, consequently, disband the organizations of colonos that cover a larger territorial area. Also, what used to be a movement of social mobilization against people carrying out illegal land subdivisions has become a process of cautious negotiation with the State, the sole implementor of the regularization measures. The State, also, has been quite successful in fostering dynamics of co-optation and clientèle formation.

As regards the latter objective, the two main mechanisms have been the high prices charged to the colonos for the regularized land and the incorporation of this land into the tax base of the State.

The high expenses incurred by the colonos under these regularization programmes are causing the emergence of two practices: migration to new illegal settlements on account of incapacity to pay, or, what is more likely, subdivision of the land to sell part of it or to build additional rooms to be rented. This has involved the appearance of a new type of "informal" real estate agent, helping to make Mexico's urban housing situation even more complex.

In any case, once the land has been paid for and the title deeds received, the colonos may yield to the permanent temptation of selling the land, both because of its increased value (as a consequence of the process of regularization and the installation of facilities and infrastructure in the area) and because of the allurements that the realization of expectations fostered by the consumer society represents.

/Matrix

**MATRIX FOR METHODS, PROCEDURES AND POLICIES OF PUBLIC LAND ACQUISITION**

BANCO NACIONAL DE OBRAS Y SERVICIOS PUBLICOS S.A. (BNOPSA)

1. OBJECTIVES	REGULATE PRICE OF LAND AND CONTROL SPECULATION		SUPPLY LAND ACCORDING TO AN URBAN DEVELOPMENT PLAN		SUPPLY LAND FOR SPECIFIC USES UNRELATED TO URBAN DEVELOPMENT PLANS	
			FOR SPECIFIC USES	FOR MISCELLANEOUS USES		
2. CRITERIA (to select the land to be acquired)	LOCATION CRITERION (selection of areas considered strategic in relation to a given objective)		DIRECT COST CRITERION (acquiring the most land for a given amount of funds)		POTENTIAL USE CRITERION (acquiring land susceptible of specific uses other than present uses, minimizing future investments in infrastructure and facilities and/or social costs for future uses)	
	AD HOC		IN ADVANCE			
3. ACQUISITION MODALITIES	PURCHASE PRIORITATION	INTER-INSTITUTIONAL TRANSFERS (PUBLIC)	PURCHASE PRIORITATION	INTER-INSTITUTIONAL TRANSFERS (PUBLIC)	PRE-EMPTION	PARTNERSHIPS WITH PRIVATE OWNERS FOR DEVELOPMENT OR RENEWAL (Readjustments; Joint Capital Ventures; etc.)
	TRANSFERABLE					
4. ADMINISTRATION MODALITIES	TO THE PRIVATE SECTOR		TO OTHER PUBLIC INST.		NON-TRANSFERABLE (to be used by purchasing institution for its programmes)	
	SALE	LEASE	CONTRIBUTION TO PARTNERSHIPS WITH THE PRIVATE SECTOR	SALE	CESSIONS	
5. SOURCE OF FUNDS	PUBLIC FUNDS		PRIVATE FUNDS			
	WRITE OFFS	REVOLVING	CENTRAL GOVERNMENT CREDITS	BONDS OR CERTIFICATES ISSUED BY LAND PURCHASING INSTITUTION	SHARES IN PUBLIC/PRIVATE LAND PURCHASING PARTNERSHIPS	CREDITS FROM DOMESTIC OR FOREIGN BANKS
6. INSTITUTIONAL SYSTEM	PUBLIC INSTITUTION		AUTONOMOUS PUBLIC INSTITUTION		PUBLIC/PRIVATE INSTITUTION	
	NATIONAL/URBAN-METROPOLITAN LEVEL				INTRAUROBAN LOCAL LEVEL	



**MATRIX FOR METHODS, PROCEDURES AND POLICIES  
OF PUBLIC LAND ACQUISITION**  
INSTITUTO NACIONAL PARA EL DESARROLLO DE LA COMUNIDAD  
Y DE LA VIVIENDA (INDECO)

1. OBJECTIVES	REGULATE PRICE OF LAND AND CONTROL SPECULATION		SUPPLY LAND ACCORDING TO AN URBAN DEVELOPMENT PLAN		SUPPLY LAND FOR SPECIFIC USES UNRELATED TO URBAN DEVELOPMENT PLANS	
			FOR SPECIFIC USES	FOR MISCELLANEOUS USES		
2. CRITERIA (to select the land to be acquired)	LOCATION CRITERION (selection of areas considered strategic in relation to a given objective)		DIRECT COST CRITERION (acquiring the most land for a given amount of funds)		POTENTIAL USE CRITERION (acquiring land susceptible of specific uses other than present uses, minimizing future investments in infrastructure and facilities and/or social costs for future uses)	
3. ACQUISITION MODALITIES	AD HOC		IN ADVANCE			
	PURCHASE	EXPROPRIATION	INTER-INSTITUTIONAL TRANSFERS (PUBLIC)	PURCHASE	EXPROPRIATION	INTER-INSTITUTIONAL TRANSFERS (PUBLIC)
4. ADMINISTRATION MODALITIES	TRANSFERABLE TO THE PRIVATE SECTOR		NON-TRANSFERABLE (to be used by purchasing institution for its programmes)			
	SALE	LEASE	CONTRIBUTION TO PARTNERSHIPS WITH THE PRIVATE SECTOR		SALE	CESSIONS
5. SOURCE OF FUNDS	PUBLIC FUNDS		PRIVATE FUNDS			
	"WRITE OFFS"	REVOLVING CREDITS	CENTRAL GOVERNMENT CREDITS	BONDS OR CERTIFICATES ISSUED BY LAND-PURCHASING INSTITUTION		SHARES IN PUBLIC/PRIVATE LAND-PURCHASING PARTNERSHIPS
6. INSTITUTIONAL SYSTEM	PUBLIC INSTITUTION		AUTONOMOUS PUBLIC INSTITUTION		PUBLIC/PRIVATE INSTITUTION	
	NATIONAL/URBAN-METROPOLITAN LEVEL		INTRAUROBAN LOCAL LEVEL			

MATRIX FOR METHODS, PROCEDURES AND POLICIES OF PUBLIC LAND ACQUISITION

COMISION PARA LA REGULARIZACION DE LA TENENCIA DE LA TIERRA (CORETT)

1. OBJECTIVES	REGULATE PRICE OF LAND AND CONTROL SPECULATION		SUPPLY LAND ACCORDING TO AN URBAN DEVELOPMENT PLAN		SUPPLY LAND FOR SPECIFIC USES UNRELATED TO URBAN DEVELOPMENT PLANS		
			FOR SPECIFIC USES	FOR MISCEL. LANEIOUS USES			
2. CRITERIA (to select the land to be acquired)	LOCATION CRITERION (selection of areas considered strategic in relation to a given objective)		DIRECT COST CRITERION (acquiring the most land for a given amount of funds)				POTENTIAL USE CRITERION (acquiring land susceptible of specific uses other than present uses, minimizing future investments in infrastructure and facilities and/or social costs for future uses)
3. ACQUISITION MODALITIES	AD HOC		IN ADVANCE				
	PURCHASE	EXPROPRIATION	INTER-INSTITUTIONAL TRANSFERS (PUBLIC)	PURCHASE	EXPROPRIATION	INTER-INSTITUTIONAL TRANSFERS (PUBLIC)	PRE-EMPTION
4. ADMINISTRATION MODALITIES	TRANSFERABLE						
	SALE	LEASE	TO THE PRIVATE SECTOR		TO OTHER PUBLIC INST. CESSIONS		
5. SOURCE OF FUNDS	PUBLIC FUNDS		PRIVATE FUNDS				
	"WRITE OFFS"	REVOLVING	CENTRAL GOVERNMENT CREDITS	BONDS OR CERTIFICATES ISSUED BY LAND-PURCHASING INSTITUTION		SHARES IN PUBLIC/PRIVATE LAND-PURCHASING PARTNERSHIPS	CREDITS FROM DOMESTIC OR FOREIGN BANKS
6. INSTITUTIONAL SYSTEM	PUBLIC INSTITUTION		AUTONOMOUS PUBLIC INSTITUTION				
	NATIONAL/URBAN-METROPOLITAN LEVEL		PUBLIC/PRIVATE INSTITUTION				
						INTRAURBAN LOCAL LEVEL	

**MATRIX FOR METHODS, PROCEDURES AND POLICIES OF PUBLIC LAND ACQUISITION**

FONDO NACIONAL DE LA VIVIENDA PARA LOS TRABAJADORES (INFONAVIT)

1. OBJECTIVES	REGULATE PRICE OF LAND AND CONTROL SPECULATION		SUPPLY LAND ACCORDING TO AN URBAN DEVELOPMENT PLAN		SUPPLY LAND FOR SPECIFIC USES UNRELATED TO URBAN DEVELOPMENT PLANS
			FOR SPECIFIC USES	FOR MISCELLANEOUS USES	
2. CRITERIA (to select the land to be acquired)	LOCATION CRITERION (selection of areas considered strategic in relation to a given objective)		DIRECT COST CRITERION (acquiring the most land for a given amount of funds)		POTENTIAL USE CRITERION (acquiring land susceptible of specific uses other than present uses, minimizing future investments in infrastructure and facilities and/or social costs for future uses)
	AD HOC		IN ADVANCE		
3. ACQUISITION MODALITIES	PURCHASE	INTER-INSTITUTIONAL TRANSFERS (PUBLIC)	EXPROPRIATION	INTER-INSTITUTIONAL TRANSFERS (PUBLIC)	PARTNERSHIPS WITH PRIVATE OWNERS FOR DEVELOPMENT OR RENEWAL (Readjustments; Joint Capital Ventures; etc.)
	EXP. PRIATION			PRE-EMPTION	
4. ADMINISTRATION MODALITIES	TRANSFERABLE				
	TO THE PRIVATE SECTOR		TO OTHER PUBLIC INST.		
	SALE	LEASE	CONTRIBUTION TO PARTNERSHIPS WITH THE PRIVATE SECTOR	SALE	CESSIONS
5. SOURCE OF FUNDS	PUBLIC FUNDS				
	"WRITE OFFS"	REVOLVING	CENTRAL GOVERNMENT CREDITS	BONDS OR CERTIFICATES ISSUED BY LAND-PURCHASING INSTITUTION	SHARES IN PUBLIC/PRIVATE LAND-PURCHASING PARTNERSHIPS
					CREDITS FROM DOMESTIC OR FOREIGN BANKS
6. INSTITUTIONAL SYSTEM	PUBLIC INSTITUTION		AUTONOMOUS PUBLIC INSTITUTION		PUBLIC/PRIVATE INSTITUTION
	NATIONAL/URBAN-METROPOLITAN LEVEL				INTRAUROBAN LOCAL LEVEL

**MATRIX FOR METHODS, PROCEDURES AND POLICIES OF PUBLIC LAND ACQUISITION**

FIDEICOMISO DE INTERES SOCIAL PARA EL DESARROLLO DE LA CIUDAD DE MEXICO (FIDEURBE)

1. OBJECTIVES	REGULATE PRICE OF LAND AND CONTROL SPECULATION		SUPPLY LAND ACCORDING TO AN URBAN DEVELOPMENT PLAN FOR SPECIFIC USES		SUPPLY LAND FOR SPECIFIC USES UNRELATED TO URBAN DEVELOPMENT PLANS		
	LOCATION CRITERION (selection of areas considered strategic in relation to a given objective)		DIRECT COST CRITERION (acquiring the most land for a given amount of funds)		POTENTIAL USE CRITERION (acquiring land susceptible of specific uses other than present uses, minimizing future investments in infrastructure and facilities and/or social costs for future uses)		
3. ACQUISITION MODALITIES	AD HOC		IN ADVANCE				
	PURCHASE	EXPROPRIATION	INTER-INSTITUTIONAL TRANSFERS (PUBLIC)	PURCHASE	EXPROPRIATION	INTER-INSTITUTIONAL TRANSFERS (PUBLIC)	PRE-EMPTION
4. ADMINISTRATION MODALITIES	TRANSFERABLE TO THE PRIVATE SECTOR		TO OTHER PUBLIC INST.				
	SALE	LEASE	CONTRIBUTION TO PARTNERSHIPS WITH THE PRIVATE SECTOR		SALE	CESSIONS	NON-TRANSFERABLE (to be used by purchasing institution for its programmes)
5. SOURCE OF FUNDS	PUBLIC FUNDS		PRIVATE FUNDS				
	"WRITE OFFS"	REVOLVING	CENTRAL GOVERNMENT CREDITS	BONDS OR CERTIFICATES ISSUED BY LAND-PURCHASING INSTITUTION	SHARES IN PUBLIC/PRIVATE LAND-PURCHASING PARTNERSHIPS	CREDITS FROM DOMESTIC OR FOREIGN BANKS	
6. INSTITUTIONAL SYSTEM	PUBLIC INSTITUTION		AUTONOMOUS PUBLIC INSTITUTION				
	NATIONAL/URBAN-METROPOLITAN LEVEL		NATIONAL/URBAN-METROPOLITAN LEVEL		PUBLIC/PRIVATE INSTITUTION		
				INTRAURBAN LOCAL LEVEL			

CASE STUDY No. 3

POLICY OF PUBLIC ACQUISITION OF LAND FOR URBAN DEVELOPMENT IN CHILE  
(Corporación de Mejoramiento Urbano (CORMU))

This urban renewal corporation, which existed until 1974, was created by the same law that established the Ministry of Housing and Urban Development on 16 December 1965. Particularly interesting for the purposes of the present study are the earliest years of CORMU (1966-1970) since it was in this period that land reserves were held. As from 1970, CORMU was engaged primarily in direct construction activities, and although it still acted as a supplier of land for other public entities and continued to make use of its expropriation powers, the acquisition of land was effected on an ad hoc basis either for its own programmes or for those of other government agencies.

1. Objectives

The main objective of CORMU was to provide both the public and the private sector with adequate land for urban development. The adjective "adequate" implies i) location serving the purposes of urban development plans and ii) reasonable prices. In order to meet this main objective, CORMU was legally empowered to make use of extraordinary expropriatory faculties and was authorized to take an active part in the real estate market and also to hold permanent land reserves. Actual application of these three powers by CORMU brought about an "automatic" effect of decline in the prices of land, control of speculation and, in general, regulation of the real estate market (see Hardoy *et al.*, 1968, pp. 83-84).

2. Criteria for the selection of land to be acquired

In the first three years of the period under study the "potential use" criterion --as defined in the Matrix-- prevailed in the selection of land to be acquired. In the case of Santiago, CORMU promptly produced a plan for the geographical development of the city, which, in broad terms, defined the orientation of peripheral growth towards the east and future growth of the central area towards the south. In this way, on selecting land to undergo a process of urban development and in particular, land to be used in its own urban renewal projects, CORMU attempted to incorporate the "location" criterion (on a metropolitan scale) into that of "potential use" (on a district scale) in accordance with its proposals for the geographical development of Santiago. This was not achieved because the plan in question did not materialize, due to lack of support from the central authority in the Ministry. This plan of CORMU's never received official sanction.

In the rest of the cities of the country, CORMU operated exclusively in terms of the "potential use" criterion, since the urban development plans derived from the so-called pre-investment studies carried out in the main cities of the country were produced, on the whole, at a relatively later stage (in the last two years of this period). It should be noted that the "potential use" criterion applied by CORMU both in Santiago and in the rest of the cities was concerned mainly with

/provision of

provision of infrastructure for the area and only to a lesser degree with social cost --mainly in terms of time and transport costs-- to prospective users, the idea being to take into account the price of the land plus the urban development costs involved in the different types of projects to be carried out.

In the last two years conditions changed, basically as a result of the climate of growing social mobilization that preceded the election of Socialist presidential candidate Salvador Allende. The mounting pressure exerted on the State by action groups of pobladores (shanty town dwellers) organized by the left-wing parties in the main cities of the country forced CORMU to maximize the number of "housing solutions" with budgets that remained unchanged. The "direct cost" criterion prevailed, especially in the case of land that CORMU bought at a later stage for the "Operation Site" programme (this land was allocated despite the lack of public utility services, in contravention of the very same legal minimum requirements that the State had decreed in order to put an end to the cases of "loteos brujos" or spurious land developments, the last and most "successful" of which had taken place as late as 1967).

Concurrently, the spread of organized land take-overs meant in practice the actual neutralization of any criterion for land selection linked to the idea of planning urban development. Within the context of the social and political philosophy prevailing at the time, CORMU was forced to buy sites that had already been taken over or, as was also the case, to give in to the demands of squatters and use some of its own land for purposes other than that originally envisaged.

### 3. Acquisition modalities

CORMU acquired land either for immediate use (acquisition on an ad hoc basis) or as a means of setting up land reserves. An estimate of CORMU's first three years of operation shows that 50% of the land acquired was allocated to reserves (Hardoy et al., 1968, p. 84). As for acquisition modalities, there were direct purchases and expropriations, with a relatively significant number of cessions of land owned by other public entities which may not necessarily have been linked to specific projects. It should be noted that it is not possible to draw a fine dividing line between purchase and expropriation. This is illustrated by the fact that even in the case of expropriations there are differences between agreed (negotiated) expropriations and litigious (non-negotiated) expropriations. Similarly, there were owners who, being prevented from selling their land by the complicated legal status of their title deeds, were clamouring for a CORMU expropriation. In any case, what matters is that the CORMU policy of land acquisition was backed by the authority to expropriate and the will and determination to use it.

The usual procedure was for CORMU to buy land whose area exceeded immediate needs, so that the remainder might become part of the land reserves. This may be considered as a transitional stage between the ad hoc purchasing modality applied by the Land Purchase Department of the Corporación de la Vivienda (the Housing Corporation that later merged with CORMU when the latter was created) and the desired modality by means of which most of the needs would be catered for by land acquired with due anticipation. The latter situation never materialized, in view of CORMU's short life-span.

4. Administration modalities

In general, land acquired by CORMU constituted public property save for cases in which CORMU acted as purchaser on behalf of a joint venture (with participation of CORMU and the private sector) for purposes specific to the project originating this partnership. Ownership, in cases like this, was joint. Similarly, there were other purchases carried out by CORMU on behalf of other public or private institutions (such as co-operatives and local residents' organizations) for specific projects. The land acquired could also form part of CORMU's contribution to partnerships entered into with the private sector or could be used for CORMU's own projects.

5. Sources of funds

CORMU was a public entity, autonomous in nature, with funds of its own. In principle, the sources of funds were varied, the most important being funds allocated by the Central Government, funds allocated by the Housing Ministry for the purchase of land and also proceeds from rents, sales, commissions and fees. Accordingly, all these were public funds, save for such funds as came from private entities (particularly co-operatives and local residents' organizations) that had commissioned CORMU to buy land on their behalf. These public funds corresponded to two categories: "write offs" (Central Government contributions not susceptible of recovery) and "revolving funds" (susceptible of recovery).

In practice, CORMU was mainly dependent on the general contributions made by the Central Government. Because of the lack of a well-defined system of obtaining funds other than those provided by the national budget, its action was hampered, and it was prevented from operating as an efficient mechanism for supplying the land needed to carry out housing plans and regulate the urban development process (United Nations Organization, 1973, p. 67).

The fact that the CORMU experience was brief may largely account for the above-mentioned shortcomings. In 1968 Hardoy *et al.* (1968, p. 113) showed that the CORMU executive officers were expecting to develop a policy for the recovery of unearned increment on land holdings so that at a later stage cash contributions from the Central Government would be rendered unnecessary.

There were also some contextual factors that account for CORMU's inability to overcome its dependence on Central Government contributions. By law, CORMU was empowered to pay compensation to the owners of expropriated land in the form of land (belonging to CORMU), bonds or other bona mobilia or immobilia. However, perhaps the social and political resistance to urban expropriation practices (and rural expropriation as in the case of the Agrarian Reform being implemented at the time) was significant enough to render it unfeasible to use this authority conferred by law. CORMU always paid cash for the land that it expropriated -- a down payment of 20%, with the remainder at five years-- at values determined by specially appointed commissions of independent valuers whose decisions sometimes, according to CORMU, erred on the side of generosity. Needless to say, all this also imposed constraints on the effectiveness of CORMU's policy of public acquisition of land.

## 6. Institutional systems

In general, land was acquired by CORMU, as an autonomous public entity operating at the national level. However, in some instances the land was acquired by CORMU/private sector partnerships (specifically, building societies) or by CORMU/Municipality partnerships. These two cases represented joint ventures and autonomous public entities, respectively, and were ad hoc organizations created for the development of specific projects and, consequently, operating at a local intra-urban level.

## 7. Contextual variables

The CORMU experience took place against the backdrop of a significant increase of State participation in the country's economic and social life, which ran parallel to a radical increase of the population's political participation and mobilization. The said intervention by the State was particularly marked in the real estate sector, either through the execution of massive house-building programmes and programmes for the distribution of urban sites, or through the application of policies for the acquisition, productive use and control of urban land. This was accompanied by the rapid development of the necessary legal and administrative policy-making mechanisms based on expropriation and forecasts of the behaviour of the real estate market. There was also significant progress in the development of the national planning system and in the creation of mediating agencies for sectoral co-ordination. In the urban sphere, this signified the emergence of global urban development plans and of some important agencies for intersectoral co-ordination and integration of the local and urban planning levels. CORMU was, in this connection, a very rewarding experience.

## 8. Evaluation

The policy of public acquisition of land applied by CORMU in the period comprised between 1965 and 1970 fulfils what may be the two central requirements for this type of experience, considered within a market context: i) acquiring land for future use and ii) holding land reserves in order to adjust the uses to which the land is put to the stipulations of the urban development plan and also to neutralize speculation and the consequent negative effects of the high price of land on urban development. However, this policy was seriously cramped by three main factors. In the first place, the politico-social context permitted the application of this policy for only a short period of time. In actual fact, it was impossible to go beyond the initial stage at which --given the urgent need for land destined to important housing programmes-- most of the land acquisition was effected in accordance with the ad hoc modality. It was for this reason that the norms concerning the acquisition of land for future use and the holding of land reserves were only partially applied, with the consequent hindrances to attainment of the associated objectives (providing lands according to plan, curbing speculation and controlling land prices).

The pressure and the political changes registered from 1969 on adversely affected the CORMU acquisition policy. The fight to get a place of one's own --acknowledged by the State as a right to be satisfied-- posed urgent problems that made it unfeasible to cling to a policy based on planning (i.e., anticipating market trends and holding land reserves).



MATRIX FOR METHODS, PROCEDURES AND POLICIES OF PUBLIC LAND ACQUISITION

CORPORACION DE MEJORAMIENTO URBANO (CORMU)

1. OBJECTIVES	REGULATE PRICE OF LAND AND CONTROL SPECULATION		SUPPLY LAND ACCORDING TO AN URBAN DEVELOPMENT PLAN FOR SPECIFIC USES		SUPPLY LAND FOR SPECIFIC USES UNRELATED TO URBAN DEVELOPMENT PLANS			
	LOCATION CRITERION (selection of areas considered strategic in relation to a given objective)		DIRECT COST CRITERION (acquiring the most land for a given amount of funds)		POTENTIAL USE CRITERION (acquiring land susceptible of specific uses other than present uses, minimizing future investments in infrastructure and facilities and/or social costs for future uses)			
3. ACQUISITION MODALITIES	AD HOC		IN ADVANCE					
	PURCHASE	EXPROPRIATION	INTER-INSTITUTIONAL TRANSFERS (PUBLIC)	PURCHASE	EXPROPRIATION	INTER-INSTITUTIONAL TRANSFERS (PUBLIC)	PRE-EMPTION	PARTNERSHIPS WITH PRIVATE OWNERS FOR DEVELOPMENT OR RENEWAL (Readjustments; Joint Capital Ventures; etc.)
4. ADMINISTRATION MODALITIES	TO THE PRIVATE SECTOR		TRANSFERABLE				NON-TRANSFERABLE (to be used by purchasing institution for its programmes)	
	SALE	LEASE	CONTRIBUTION TO PARTNERSHIPS WITH THE PRIVATE SECTOR		SALE	CESSIONS		
5. SOURCE OF FUNDS	PUBLIC FUNDS		PRIVATE FUNDS					
	WRITE OFFS	REVOLVING	CENTRAL GOVERNMENT CREDITS	BONDS OR CERTIFICATES ISSUED BY LAND-PURCHASING INSTITUTION	SHARES IN PUBLIC/PRIVATE LAND-PURCHASING PARTNERSHIPS	CREDITS FROM DOMESTIC OR FOREIGN BANKS		
6. INSTITUTIONAL SYSTEM	PUBLIC INSTITUTION		AUTONOMOUS PUBLIC INSTITUTION				PUBLIC/PRIVATE INSTITUTION	
	NATIONAL/URBAN-METROPOLITAN LEVEL		INTRAURBAN LOCAL LEVEL					

In the second place, dependence on fiscal funds handicapped CORMU's manoeuvring capacity. The chronic shortage of funds and the restrictions on their uses were in open contradiction with the concept of a land purchasing agency engaged in meeting targets of a social nature and, to a large extent, in successfully competing with market forces by means of anticipating their trends. This was the reason why success was elusive: CORMU, because of the non-availability of self-generated revolving funds, could not act in the real estate market with the same freedom as the private agents.

Finally, the time-lag in the formulation of plans for the urban development of different cities and, in the case of Santiago, the differences respecting urban development that were never sorted out between the Dirección de Planificación del Desarrollo Urbano (Central Urban Development Planning Office) of the Housing Ministry and CORMU were factors contributory to the dilution of CORMU's main land acquisition objective: provision of land in accordance with a plan for urban development.

#### CASE STUDY No. 4

### POLICY OF PUBLIC ACQUISITION OF LAND FOR THE DEVELOPMENT OF CIUDAD GUAYANA, WITH SPECIAL REFERENCE TO THE POLICY OF LAND FOR HOUSING PROJECTS (Corporación Venezolana de Guayana (CVG))

The massive Ciudad Guayana project involved the combination of two efforts:

i) Diversification of the economic development of the country so as to reduce Venezuela's dependence on oil, a task tackled in the region of Guayana since the beginning of the 1950s through the exploitation of iron ore deposits by American concessionaires as well as through the launching of the construction of a steel mill on the Orinoco river and of dams to make the most of the vast hydroelectric potential of the Caroní river; and

ii) Formation of an urban-industrial pole in the region in order to redress the balance of Venezuela's central urban concentration. This objective was explicitly stated in 1960 with the creation of the Corporación Venezolana de Guayana as an autonomous entity with ample powers to attain these two objectives.

Thus, the designing and planning of the development of a new city became the most important of the CVG's concerns. The land allocated to the construction of the city represented an area of approximately 24 kilometres in length south of the Orinoco river, at the confluence of the Rivers Orinoco and Caroní. The physical development strategy formulated by CVG for the area comprised three main components (see Penfold, 1969, pp. 436-437):

i) The "single-city" strategy aiming to link both functionally and visually --by means of the building of Avenida Guayana-- the different activities and elements existing in different places within the vast area to be covered by Ciudad Guayana: among others, the steel mill at the western end, the main population settlement --San Felix-- at the eastern end and, in the centre, the mining town built by the Orinoco Mining Company --Puerto Ordaz-- and a stretch of beautiful land from north to south alongside the Caroní, the river that splits the whole area into two parts;

/ii) The

ii) The "westward settlement" strategy, consisting in encouraging the settlement of the new population in the area west of the river Caroní, where the productive and commercial activities and the places of work in general are concentrated. The purpose was to redress the balance of the distribution of the population east/west of the Caroní, changing the 1962 ratio of 3 to 1 in favour of the east side to a ratio of 1 to 2 in favour of the west side. Since the expected demographic growth was equally high (from 40 000 in 1960 to 220 000 in 1975); this objective would be attained, basically, by means of influencing the settlement of the new immigrants. Thus the policy of land for housing purposes became central to the project;

iii) The "city centre" strategy consisting in the building of a main civic and commercial centre in Alta Vista (a relatively high plateau located west of the Caroní and just south of Puerto Ordaz) with the objective of reinforcing the single-city nature of the activities and settlements of the area.

The "westward settlement" strategy and the corresponding land policy for the settlement of new immigrants very soon became the Achilles' heel of the whole urban development strategy. Despite the fact that the eastern-end settlements were already overflowing westwards at the time when the geographical strategy was agreed on, by 1969 the 3 to 1 ratio in favour of the eastern zone prevailing in 1962 remained unchanged although the total population had doubled (Penfold, 1969, p. 437).

This made it even more difficult for transport costs, which from the start had been estimated as very high when the city grew, to be lowered. Furthermore, the agglutinative role assigned to the Alta Vista civic-commercial centre was weakened, to the consequent detriment of the objectives of the single-city strategy.

Such, therefore, is the context within which the CVG land policy, particularly in relation to housing, is analysed.

## 1. Objectives

The main objective of the CVG land policy was to supply the necessary land for different uses within a strategy of physical development formulated in close association with the economic strategy for the region. In order to further the planned uses of the land, CVG applied a flexible system of land prices, which comprised subsidized prices in order to attract specific economic activities and prices charged to private builders, fixed in relation to the income levels of the people for whom the houses were to be built.

It may be of interest to note that the urban development strategy envisaged the urban integration of all the social strata, not excluding the poorer immigrants. In order to avoid the proliferation and consolidation of the shanty towns typical of Latin American cities, the idea was to offer land at low prices and reasonable terms to these immigrants so that by means of self-help programmes they could improve their living conditions.

This general objective of regulating the price of the land was complemented by that of recovering most of the unearned increment that a planning and investment process of this magnitude would no doubt generate, in order to prevent such profits from ending up in the hands of private speculators.

## /2. Criteria

## 2. Criteria

Once the Guayana region was selected for this important project for economic and regional development --in terms of available natural resources and access conditions-- CVG's next aim was to acquire all the land within the area of the future city.

## 3. Acquisition modalities

CVG acquired in advance --by means of direct purchases and transfers of land owned by other public entities-- practically the whole of the area to be covered by the future city, with the exception of the Orinoco Mining Company land and that owned by smallholders near the said Company's mining town (Puerto Ordaz). The Orinoco Mining Company assets included part of the Alta Vista land, a circumstance which, at the time, posed a problem to the CVG's physical development strategy in respect of the construction of the civic and commercial centre.

There was also an ad hoc modality for the acquisition of land, which was applied by CVG. This consisted in the expropriation of "shanties", which was carried out with the intention of paying compensation to the poorer residents and re-locating them in suitable areas where the families concerned were expected to build their permanent homes. Therefore, in this particular case, land acquisition had the objective of preventing undesirable uses of the land.

## 4. Administration modalities

In the creation of Ciudad Guayana a very important role was assigned to the modalities for the administration of land previously acquired by CVG. It should be borne in mind that the task of administering public property land represented a heavy burden for CVG, which had to be concerned with many other issues. Quite early in the process, opinions were divided into two opposite camps: those in favour of private ownership of the land and those favouring public ownership (see Rodwin, 1972, pp. 95-96). Amongst the arguments advanced in favour of the former position were the administrative load that the management of such a vast area of land represented for CVG; the problems that private agents would have in getting credits to finance improvements without resorting to using the land as collateral; and the need to improve upon the image of Ciudad Guayana as a government-property town, since this might act as a disincentive to capital inflow. The arguments in favour of the second position included the possibilities offered by the public property approach --as a consequence of increases in the value of land-- of recouping not only the original CVG investments that the works demanded but also the unearned increment, which very often exceeds the original investment, and of keeping control over the use of the land, thus avoiding too much intervention on the part of the Local Council --responsible for the administration of the zoning and building regulations-- which afforded no guarantee of suitable co-ordination. In the end, CVG opted for a flexible policy to serve the dual purpose of recovering unearned increments and using --rather than opposing-- market forces. Land for commercial and industrial purposes and the most sought-after residential areas remained in the hands of CVG to be leased to prospective users. The rest of the land was sold subject to restrictions on its use and even to the condition that the title-deed would be transferred only on completion

/of the

of the stipulated improvements. In general, land was sold only when necessary in order to accelerate development, and CVG, with the aim of retaining for its own use part of the unearned increment derived from the increase in the value of land, abstained from selling some strategically-located lots.

As regards land for housing purposes, it is interesting to note the settlement policy for immigrants which was applied by means of setting up "reception areas". This was done in order to receive the massive flows of poor immigrants that aggravated the problem of the existence of large non-planned settlement areas. To a large extent, the "westward settlement" strategy consisted in offering the de facto settlers adequate re-location within the city, with due attention to the preservation of the necessary lot-community-city relation. The existence of this relation and the guarantee of ownership combined with technical and financial assistance for self-help construction programmes ensured that the initial huts or cabins would be replaced or improved.

Within these "reception areas", the lots were leased to the new residents until the original hut was replaced by an adequate dwelling, at which time the sale took place. This procedure was used to prevent speculation in land.

In general terms, the administration of land by CVG was motivated by concern to ensure that the uses made of the land corresponded to those originally planned for the city.

#### 5. Source of funds

The land to be used for the Ciudad Guayana project was bought by CVG with funds that presumably were advanced by the public treasury. As this was a single purchase it is irrelevant to speak of a revolving fund for the public purchase of land, despite the fact that CVG applied a land policy incorporating the objective of recovering part of the unearned increment generated by its projects and investments.

#### 6. Institutional system

CVG is an autonomous policy agency operating at the regional and urban-metropolitan levels. It is interesting to note that the development of the Guayana region posed the classic regional planning dilemma of having to choose between carrying out the task through the co-ordinated action of many public offices or through one single organization endowed with ample executive power. Past experience in Venezuela, on the whole negative, as regards interinstitutional co-ordination tipped the balance in favour of opting for the latter alternative, thus giving origin to CVG (Friedman, 1966).

#### 7. Contextual variables

The policy of public acquisition of land applied in Ciudad Guayana was very advanced and represented an outstanding experience in Latin America. Amongst the contextual variables that contributed to this experience, the following are worth noting:

/i) The

i) The availability of economic resources on the part of the Venezuelan State, thanks to oil exports;

ii) The importance that was attached to regional development as a means of overcoming the marked urban-industrial concentration existing in the Latin American countries, a phenomenon which is commonly associated with underdevelopment. In the particular case of the Venezuelan region of Guayana, public opinion was openly in favour of this regional development plan, which to a large extent embodied the whole nation's expectations of progress;

iii) The fact that this project, involving as it did the construction of a new city, considerably facilitated the application of the land policy described above and, particularly, the advance purchase of practically the whole of the area to be used in the project, thus making it possible to hold important land reserves. It should be noted that in the rest of Venezuela --especially in Caracas--, in order to ensure the execution of its housing plans the State has been forced to buy land at the very high prices commonly prevailing in markets where speculation is rife. It has been impossible to adopt the necessary measures to control speculation and increases in the price of land, because of the power and resistance of real estate investors.

In any case, the fact that this was practically "virgin" land may explain why the public sector did not encounter too many serious problems in buying almost the whole of the land needed for Ciudad Guayana, but does not account for the public sector's success in keeping the urban development of a city under control for such a long time by means of direct administration of the land and in very significantly neutralizing speculation. Two very closely related facts may offer an alternative explanation: a context of integral planning and widespread public support.

Amongst the contextual variables that had a negative effect on the CVG land policy were the following: i) an accelerated population growth that from the very beginning rendered the housing policies and creation of new settlements insufficient; ii) the persistence of problems of interinstitutional and intersectoral co-ordination, particularly between the Local Council and the CVG; and iii) the constraints that Venezuelan law imposes on leasing operations which make it difficult to control land use: a lease is virtually limited to a five-year term, while the legality of an option to renew for another term on the previously-agreed conditions is questionable (Doebele, 1969).

## 8. Evaluation

This case study shows that suitable administration of the land is just as important as the actual process of acquisition. Mere acquisition does not guarantee that the objectives will be reached when they incorporate the concept of land reserves within an urban development plan and the control of speculation and prices. Thus, the modality adopted for the administration of public land becomes a key issue.

/Perhaps the

Perhaps the main shortcoming of the CVG land policy may lie in the relative failure of the "westward settlement" strategy. This may be partly attributed to the slow pace at which the distribution of land was carried out, with the result that demand exceeded the programmes. By 1966 the situation was assessed as follows: "The administrative procedures have slowed down the settlement programme by a figure more or less equivalent to one-half of the frequency of arrival of new settlers ... the programme has been responsible for the random location of 1,500 huts" (Corrada, 1966). Supply of land reserves was, therefore, no obstacle. Similarly, the difficulties encountered by the "westward settlement" strategy may have been due to other causes still to be gone into, which perhaps contributed to the fact that the locational trends in favour of the eastern area prevailing until 1969 should still remain unchanged despite important investments in the west and the incentives that the land policy offers to settle west of the Caroní.

/MATRIX

**MATRIX FOR METHODS, PROCEDURES AND POLICIES OF PUBLIC LAND ACQUISITION**

CORPORACION VENEZOLANA DE GUAYANA (CVG)

1. OBJECTIVES	REGULATE PRICE OF LAND AND CONTROL SPECULATION		SUPPLY LAND ACCORDING TO AN URBAN DEVELOPMENT PLAN FOR SPECIFIC USES		SUPPLY LAND FOR SPECIFIC USES UNRELATED TO URBAN DEVELOPMENT PLANS	
	LOCATION CRITERION (selection of areas considered strategic in relation to a given objective)		DIRECT COST CRITERION (acquiring the most land for a given amount of funds)		POTENTIAL USE CRITERION (acquiring land susceptible of specific uses other than present uses, minimizing future investments in infrastructure and facilities and/or social costs for future uses)	
3. ACQUISITION MODALITIES	AD HOC		IN ADVANCE		PARTNERSHIPS WITH PRIVATE OWNERS FOR DEVELOPMENT OR RENEWAL (Readjustments; Joint Capital Ventures; etc.)	
	PURCHASE	EXPROPRIATION	INTER-INSTITUTIONAL TRANSFERS (PUBLIC)	EXPROPRIATION	INTER-INSTITUTIONAL TRANSFERS (PUBLIC)	PRE-EMPTION
4. ADMINISTRATION MODALITIES	TRANSFERABLE		TO OTHER PUBLIC INST.		NON-TRANSFERABLE (to be used by purchasing institution for its programmes)	
	SALE	LEASE	CONTRIBUTION TO PARTNERSHIPS WITH THE PRIVATE SECTOR	SALE	CESSIONS	
5. SOURCE OF FUNDS	PUBLIC FUNDS		PRIVATE FUNDS			
	"WRITE OFFS"	REVOLVING	CENTRAL GOVERNMENT CREDITS	BONDS OR CERTIFICATES ISSUED BY LAND-PURCHASING INSTITUTION	SHARES IN PUBLIC/PRIVATE LAND-PURCHASING PARTNERSHIPS	CREDITS FROM DOMESTIC OR FOREIGN BANKS
6. INSTITUTIONAL SYSTEM	PUBLIC INSTITUTION		AUTONOMOUS PUBLIC INSTITUTION		PUBLIC/PRIVATE INSTITUTION	
	NATIONAL/URBAN-METROPOLITAN LEVEL				INTRAURBAN LOCAL LEVEL	



## CHAPTER III

### GUIDELINES FOR ACTION

This chapter will analyse in the first place the relevant characteristics of an optimum policy of public land acquisition. In the second place, the main constraints that impede the materialization of those optimal characteristics --and that have been discussed in the course of the report-- will be summarized. Finally, a set of pragmatic guidelines oriented towards narrowing the gap between reality and the optimum policy will be discussed.

#### 1. An optimum policy

Five main characteristics shape a desirable policy of public land acquisition capable of attaining the two central objectives of urban land policies in economies where land is subject to market conditions: the linking of urban development to a plan and the control of speculation in land (see Objectives variables in Matrix below).

Consideration of this optimum alternative --which could hardly be realized, at least in Latin America-- appears to be highly expedient from a methodological point of view. In the first place, it allows evaluation of the gap between particular experiences and the optimum alternative and identification of the constraints responsible for this gap. In the second place, analysis of the relationships between these characteristics permits evaluation of how far the absence of one or more of them affects the quality of the whole policy.

These main characteristics and their linkages are the following:

#### a) Advance acquisition

Land reserves may be restricted to the future needs of the public sector or may well exceed these needs. In the first case the reserves will correspond to the forecast of land requirements on the part of public institutions pertaining to the public sector. This will make it possible to: i) obtain land at a cheaper price than that quoted for ad hoc purchases (see Matrix, Arrow 1); ii) reserve land in specific locations for the planned public uses, thus preventing undesirable uses from materializing in the intervening period (Arrow 2); and iii) lessen the need to use the expropriation mechanism as a method of obtaining land at cheap prices, in which case the resistance generally associated with the application of this procedure would not arise (Arrow 3). In the second case, the reserves exceed the public sector's land requirements, and some of the land may be allotted to the private sector, which involves additional advantages (see "advance acquisition for transfers").

#### b) Planned acquisition

Public acquisition of land associated with an urban development plan makes it possible to give a longer temporal and urban projection to public acquisition of land. Not only are specific land needs catered for but also a contribution can be made to the consolidation of the desired urban development pattern. In the second

MATRIX FOR METHODS, PROCEDURES AND POLICIES OF PUBLIC LAND ACQUISITION

OPTIMUM ALTERNATIVE

1. OBJECTIVES	REGULATE PRICE OF LAND AND CONTROL SPECULATION		SUPPLY LAND ACCORDING TO AN URBAN DEVELOPMENT PLAN		SUPPLY LAND FOR SPECIFIC USES UNRELATED TO URBAN DEVELOPMENT PLANS	
	LOCATION CRITERION (selection of areas considered strategic in relation to a given objective)		DIRECT COST CRITERION (acquiring the most land for a given amount of funds)		POTENTIAL USE CRITERION (acquiring land susceptible of specific uses other than present uses, minimizing future investments in infrastructure and facilities and/or social costs for future uses)	
3. ACQUISITION MODALITIES	AD HOC		IN ADVANCE			
	PURCHASE	EXPROPRIATION	INTER-INSTITUTIONAL TRANSFERS (PUBLIC)	PURCHASE	EXPROPRIATION	INTER-INSTITUTIONAL TRANSFERS (PUBLIC)
4. ADMINISTRATION MODALITIES	TRANSFERABLE TO THE PRIVATE SECTOR		NON-TRANSFERABLE (to be used by purchasing institution for its programmes)			
	SALE	LEASE	CONTRIBUTION TO PARTNERSHIPS WITH THE PRIVATE SECTOR		SALE	CESSIONS
5. SOURCE OF FUNDS	PUBLIC FUNDS		PRIVATE FUNDS			
	"WRITE OFFS"	REVOLVING	CENTRAL GOVERNMENT CREDITS	BONDS OR CERTIFICATES ISSUED BY LAND-PURCHASING INSTITUTION		SHARES IN PUBLIC/PRIVATE LAND-PURCHASING PARTNERSHIPS
6. INSTITUTIONAL SYSTEM	PUBLIC INSTITUTION		AUTONOMOUS PUBLIC INSTITUTION			
	NATIONAL/URBAN-METROPOLITAN LEVEL			PUBLIC/PRIVATE INSTITUTION		
INTRAURBAN LOCAL LEVEL						

/place, the

place, the links with an urban development plan permit the application of the "location" criterion for land acquisition (Arrow 4), as well as of criteria for the administration of land already acquired (Arrow 5).

c) Advance acquisition for transfers

When more land than is needed by the public sector is acquired, this is done in order to transfer it to the private sector, thus very significantly helping to: i) control speculation and prices, either because the land is sold at a cheap price or because land close to public investment projects is sold to recover the unearned increment generated (Arrow 6); and ii) reinforce the urban development plan in so far as the cheap transfer of land --by sale or lease-- to the private sector is made conditional upon compliance with the uses stipulated in the plan (Arrow 7).

d) Self-financed acquisition

The possibility of carrying out permanent anticipatory acquisition of land is largely conditioned by availability of resources. It would therefore be interesting to encourage the formation of public revolving funds and to attract private funds to finance land acquisition (Arrows 8 and 9). When there is too much dependence on contributions from the central government, acquisition can hardly go beyond the ad hoc modality which is oriented towards satisfying immediate needs. Similarly, availability of independent resources can favour the "potential use" --rather than the "direct costs"-- criterion for land acquisition.

e) Obligatory acquisition

The postulate that advance acquisition makes it possible to avoid resorting to expropriation is somewhat relative. The landowners may also anticipate future uses of the land and may increase its price, which is precisely what speculation in land consists in. This is even more in evidence when there is an urban development plan. In that case, two possible courses of action may be considered: i) to keep the plan a secret --which may prove to be unfeasible since it would inhibit discussion and would prevent the plan from getting the necessary public support; and ii) to obtain the necessary authority to carry out expropriations and the will to use expropriation as a means of procuring land in the requisite places and at reasonable prices. Anticipation and planning (characteristics a) and b)) can, to a large extent, prevent the use of the expropriation mechanism, yet, at the same time, it appears to be necessary that acquisition should be backed by the threat of expropriation. That is why this type of acquisition has been called "obligatory". However, it should be borne in mind that mere authority to expropriate --devoid of anticipating and planning-- is no guarantee of a good method of land acquisition. In this connection, suffice it to mention the failure of the Urban Reform in Bolivia (1954).

2. Constraints

The obstacles that the countries of the region have to surmount before achieving full success in the application of the above-mentioned optimum policy have already been discussed throughout this report. What follows is a brief summary thereof. The possibility of consolidating the application of advance acquisition of land is restricted by: i) the urgency of the housing problem and social pressure for land, which implies a permanent threat of invasion of the public land "banks"; ii) the

/powerful and

powerful and politically influential private interests which are engaged in land speculation and would undoubtedly be affected by application of the modality of anticipating market trends; and iii) the chronic lack of funds of the public sector.

The possibility of application of planned acquisition of land may be subject to the following constraints: i) absence of urban development plans; ii) lack of inter-institutional co-ordination within the public sector; iii) lack of information systems; and iv) ideological resistance to planning.

The possibility of carrying out self-financed land acquisition in Latin America is remote because: i) the urgent social needs force the public sector to use whatever scarce resources are available to satisfy the day-to-day demands and make it impossible to allocate resources for the formation of revolving funds to be used in the acquisition of land; and ii) the low repayment capacity of a great many of the prospective beneficiaries of a policy of public acquisition of land makes it difficult to recoup the funds invested.

The application of obligatory acquisition has proved to be almost unfeasible in Latin America. This is, no doubt, due to the fact that the region has weak economies where the safe alternatives for productive investment are very rare. To make up for this shortcoming, big and small investors alike resort to investing in land. In consequence, there exist neither the legal mechanisms nor the political will for the generalized application of expropriation and/or for expropriation to become an effective coercive measure to back the public acquisition of land. There are many expropriation regulations whose force is invalidated by the series of restrictions that generally accompany them, and also many motions that have not been carried (or have been neutralized) by the legislative power.

The absolute and relative importance of these different restrictions should be reassessed within the context of the present economic crisis and of Latin America's return-to-democracy processes. For example, the economic interests linked to the land market have become weaker because the recession has tended to erode the foundations of speculation: economic growth and aggregate demand, which make the value of land increase. Also, it may be likely that ideological resistance to planning will decrease, considering that: i) in the opinion of the majority of the population, the economic crisis appears to be closely linked to the application of liberal and even ultra-liberal models in the region; ii) to palliate the effects of the crisis, the State has had to take a gradually more active role by helping the most seriously affected business sectors; and iii) there has been an increase in social participation associated with return-to-democracy, which favours pragmatic solutions and the formation of a consensus of the social and political forces.

However, there are also some constraints that become more serious within this new context. Such is the case of lack of funds. It is also likely that social pressure for land will become stronger. This may happen because the repressed demands and the accrued deficits resulting from the liberalism-authoritarian government combination emerge to the surface. Yet another point to take into account is that the new context may facilitate the channelling of these demands through procedures that are incompatible with planning schemes (land invasions, illegal allotments).

### 3. Pragmatic guidelines for action

Analysis of the not very significant tradition of public acquisition of land in Latin America and of the strength of existing constraints points to the obvious conclusion that prospects for action should concentrate on what is feasible rather than on what should be done. The problem is not lack of ideas and technical solutions but feasibility of application and materialization. Because of this, two pragmatic guidelines are suggested as the framework for future efforts in respect of public acquisition of land in the countries of the region.

i) Stage-by-stage approach. The adjustment of action to the desirable characteristics of policies of public land acquisition listed in the first section of this chapter should be attempted gradually, giving due consideration to the importance of the different constraints already mentioned. Partial action undertaken should not be understood as "doing everything possible" but as part of a strategy of approximation to the desired end. Therefore, its potential as "spearhead" action should be emphasized. For example, the measures concerned could generate demonstration effects or help to develop administrative capacities in the public institutions, that would later contribute to further approximation to the optimum alternative.

ii) Conciliation of interests. Since a great many of the obstacles to the application of more advanced land policies originate in conflicting interests of the State, landowners and users, an effort to conciliate interests must be made. The economic crisis and the process of re-democratization offer new prospects in this connection. Most of the new governments resulting from return-to-democracy processes have the support of varying degrees of social unification and consensus of the political forces. This is relatively new in Latin America. What has traditionally been the case is for democracy to emphasize competitiveness between social projects and ideologies, with the consensus component --which is what guarantees the stability of democratic systems-- as the weakest link in the chain. As regards urban land, there have been some successful experiences of policies and conciliation of interests which, however, have not had any repercussions in Latin America, as has been the case with "readjustments" for new land developments and with joint capital ventures for urban renewal.

#### A. PUBLIC LAND ACQUISITION AND DEVELOPMENT CONTEXT IN LATIN AMERICA

Considering the set of constraints outlined previously, the changes in the context of land acquisition and development brought about by the economic crisis and the processes related to democratization, and the isolated nature of the few experiences in the area of public acquisition of land in Latin America, the following global recommendation is proposed:

To design and implement a coherent series of policies for the public acquisition of land, which is incremental in its ends and accommodative in its means.

This global recommendation and the series of specific recommendations which it generates --and which are listed in the following sections-- are aimed at urban problems which are common to the countries comprised in the region, and which are in any case the most pressing ones, namely:

/i) an

- i) an unsatisfied and growing need for land and housing;
- ii) distinctly centralized and segregated urban patterns and an uncontrolled urban sprawl; and
- iii) widespread land speculation.

The strategy underlying this global recommendation is, appropriately, to tackle these problems on an incremental basis. In other words, a primary objective is to bring about a quantitative increase in the amount of land available for housing. In stage two, a secondary objective is added: the provision of land in accordance with an urban development plan. Finally, in a third stage the aim would be to channel the State supply of land into the open market in order to exert a certain degree of control over prices and speculation.

Attainment of the foregoing objectives would have a positive repercussion on the attainment of others. For example, attainment of the third-stage objective --control of speculation and price regulation-- would help to increase the amount of land available for satisfying demands arising from subsequent urban expansion. For this reason, the stages should not be seen as linear, with one stage following or replacing the other, but as a cumulative superimposition of new objectives and tasks.

Graph 1 shows the recommended policies in relation to the three stages envisaged.

Large sections of the cities in Latin America are irregular as far as tenure of land and property is concerned. In these areas title-deeds are non-existent, because land has been either illegally occupied or allotted with disregard for legal urbanization regulations. The absence of title-deeds for large numbers of poor families settled in cities, together with the considerable volume of unsatisfied needs for land and housing, have determined that the main aim of the first stage should be that of legally providing land in sufficient quantities and by methods such that, firstly, future illegal occupation or illegal allotment is discouraged, and, secondly, that the necessary guarantees are provided for a progressive and self-sustained habitat. Incidentally, this would contribute, to some extent, to the control of speculation (a third-stage objective) by putting a stop to the illegal land allotments.

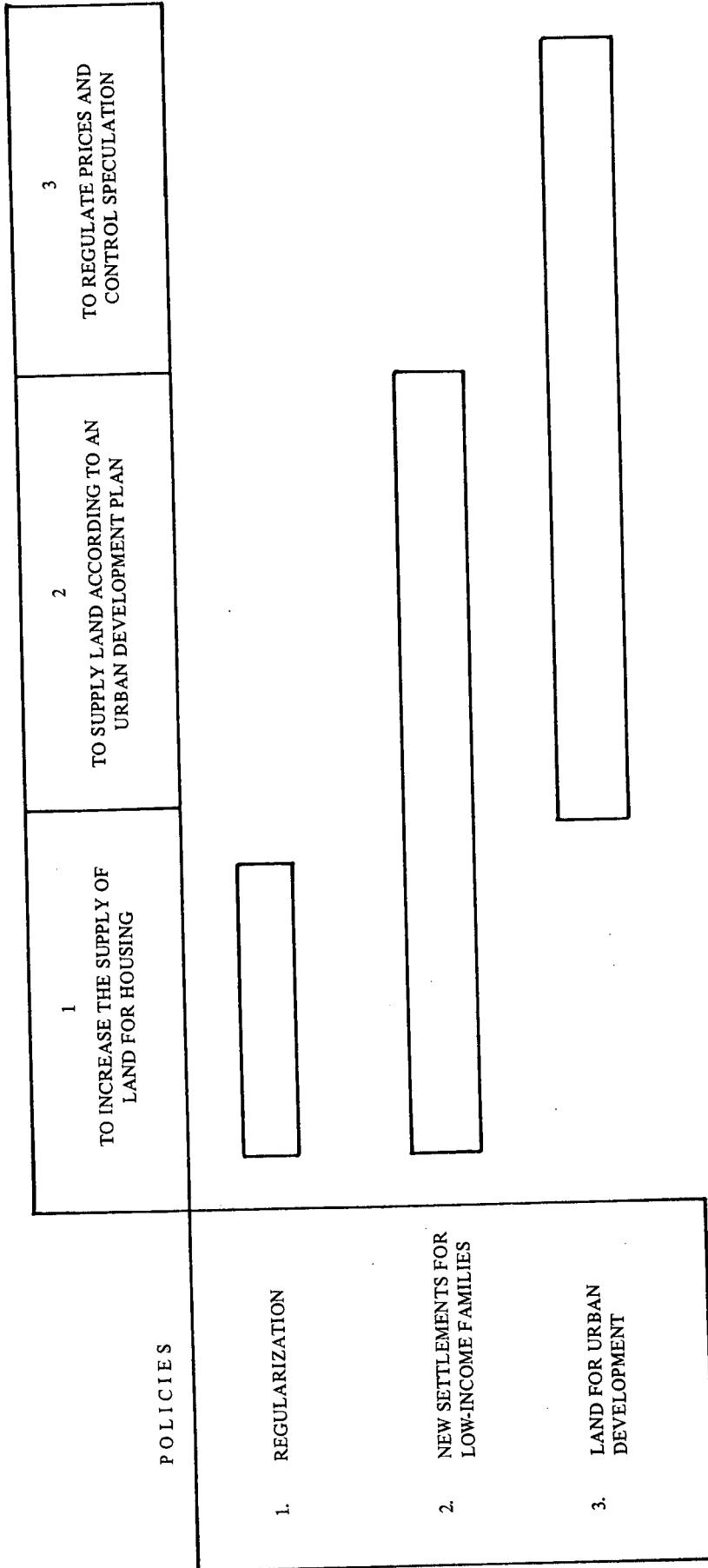
Furthermore, discouraging illegal occupation and allotment of land would prevent a worsening of the urban structure problems which are caused by these irregularities.

Until significant control of illegal land occupation and allotment is achieved, it is not feasible to consider the formation of State-controlled land banks other than those aimed at providing land for low-income family housing (for example, land banks for public services and investment, or for private uses other than low-cost housing).

The policy of land regularization is governed by the avoidance, whenever possible, of land clearance schemes, because of the social harm involved. It is often the case that families in irregular urban settlements make some kind of capital investment; they also create social and economic networks for survival --the importance of which is increasingly being pointed out by surveys, particularly by anthropologists-- all of which is lost or destroyed by clearance schemes. However, for geomorphological

Graph 1

STAGES AND OBJECTIVES



reasons (steep

reasons (steep slopes, areas prone to flooding, etc.) which are related to high costs of urbanization, some clearance is inevitable. In the policy of new settlements for low-income families, the provision of land for families or groups affected by clearance schemes must be taken into account.

On the other hand, regularization might also be combined with the replanning of a settlement, with the aim of increasing the density of an area by legal settlement, not only of the families occupying the plots of land, but also of the "homeless" who live there as "informal tenants" or subtenants.

The second stage --continuation of the regularization policy notwithstanding-- is entered upon with the drawing-up of a physical plan for urban development. Under the plan, public acquisition of land --especially where the policy of new settlements for low-income families is concerned-- is subject to considerations not only of quantity but also of location. Moreover, such a plan would provide a new criterion for deciding on the clearance of irregular settlements when it reserves this land for other uses.

With a physical plan available, it is logical to establish a State-controlled land bank which reserves plots for public uses (policy of land for urban development). The plan provides information concerning areas in which land is required for public purposes and investment; such land should therefore not be available to the private sector for other uses. A land bank of this kind cannot be established at an earlier stage, not only because it requires the existence of a plan, but also because of the danger of illegal occupation of the land.

This sort of land bank would also have the effect of controlling speculation, although its impact is limited. When the State acquires land in advance for its urban investment projects, it can obtain better prices, and in this way that land will not be subject to possible speculative practices.

In the third stage a more ambitious aim as regards combating speculation is included. This stage allows the State to acquire land in excess of its needs for its investment programmes contained in the physical plan of urban development, and subsequently to transfer this excess land to the private sector. The specific objectives of this kind of activity are: i) to regulate the prices of land; ii) to bring private uses of land into line with the plan; and iii) to recover unearned increments from public investments.

The kind of State intervention underlying the Global Recommendation is aimed at: i) providing land for those who have no access to the formal land and housing market; ii) enabling the private-sector land market to extend its activities to groups who until now have been excluded from it; iii) providing cheap land for public investment programmes; and iv) discouraging increases in the price of land, besides pursuing other goals mentioned in the third stage. This is obviously not an attempt at replacing market forces by planning; the idea is to provide solutions where market forces do not operate (which largely signifies about 50% of the residential land requirements in Latin American cities). At the same time, public land acquisition policies are intended to increase market effectiveness (in terms of social coverage) and to attain efficiency and equity aims related to the prices of land and to the distribution of increases in the value of land.

/With regard



With regard to the practice of expropriation, its use will be kept to a minimum. There are two reasons for this: i) it is not politically viable, at least initially, to carry out widespread expropriations; and ii) expropriation is not compatible with the idea of conciliating interests. The strategy underlying the Global Recommendation is --via a series of stages with incremental objectives-- to define specific objectives as and when required, with the common interests of different groups in mind.

During the first stage expropriations will be carried out only under the regularization policy. This action will have an adverse effect on illegal dealers in land, but it will benefit the "settlers" and the owners of illegally occupied land. The policy of new settlements for low-income families --at least in the first stage-- will avoid expropriation. Land will be acquired by means of transfers from other public agencies, by direct purchase, and in association with private owners.

In view of the above, and given the fact that these policies would stop illegal occupation and illegal land allotments,<sup>5/</sup> the interests conciliated would be those of low-income families without land, low-income families in irregular settlements, owners of land which would be liable to illegal occupation were it not for these policies, and owners of illegally-occupied land.

In the second stage the practice of expropriation will be kept to a minimum, although negotiation with landowners will be carried out from a position of strength based on the possibility of expropriation. This position of strength would be founded on a vast organization of "homeless" families carried out at a local level by the State through the policy of new settlements for low-income families and in a context of social participation and democratization. In the case of the policy of land for urban development --and the setting-up of a land bank for public investment-- early purchase of land in areas to be developed under the Urban Development Plan could be a way of avoiding the practice of expropriation. If this is not the case, when the time comes for investment under the Plan, and the possibility of speculation occurs, land acquisition should necessarily include expropriation. It must be remembered that a physical plan can embody a degree of flexibility at a local (micro-spatial) level, but once projects are materialized, this flexibility tends to disappear.

The interests which could be conciliated at this stage are: i) those of organized groups of low-income families who are pressing for land, and for recognition of the social function that land fulfils; ii) those of land owners affected by the recession, who would find a solution to their economic problems by entering into association with the State in order to develop their land; and iii) those of public agencies which require land for the purposes of extending the services they provide (education, health, justice, etc.). This third point refers to the fact that an interest in the policies of public acquisition of land --given its characteristics-- would tend to project itself inwards into government services, and go beyond the agencies directly concerned with such policies. This is a key consideration in the highly unco-ordinated context of State action in Latin America.

In the third stage --when the policy of land for urban development includes its anti-speculation objectives-- expropriation may be required to support the acquisition of land in excess of the requirements for public investment programmes. In general terms, the presence in land banks of land "in excess" coincides with the

/wider interests

wider interests of the community: the regulation of price increases in land, greater efficiency in the private use of land under the Urban Development Plan, and recovery of increased land value generated by public works. It is true that, in principle, no particular group's interests would be especially favoured by the policy in question. However, this can be remedied by the sale of cheap land to building firms for housing, to industries and to private-sector services, all of which would normally be affected by land speculation. This is particularly relevant when they require land located close to public facilities and services --which is the case in point.

## B. HOW TO PLAN PUBLIC LAND ACQUISITION

### I. Recommendations for the first stage

#### 1. Regularization policy

Recommendation B.I.1.a). To make widespread use of expropriation as an efficient way of regulating land tenure in favour of de facto colonos.

In Latin America --even under extremely liberalistic governments-- expropriation is carried out in favour of illegal occupants, although not as frequently as it should be. On the other hand, any regularization of this type of settlement which does not start with expropriation of the land in favour of the State, can easily lead to negotiations which can become so bogged down as to be futile. This is basically what happened in the case of Mexico with urban trusts before the creation of FIDEURBE.

Recommendation B.I.1.b). Within the range of irregular settlements caused by illegal occupation, to select, in the first instance, for the purposes of application of this policy, those lands whose owners have requested expropriation; out of these, priority should be given to those in which the cost of completion of the urban development required by law is lower (because of existing installations, soil quality, etc.).

It should be borne in mind that owners of illegally occupied land generally have no other alternative for recovering at least part of their capital, than compensation received for expropriation carried out by the State for the purposes of regularization. Application of the recommended selection criteria for land regularization is an attempt to influence landowners in general with a view to reducing their possible resistance to the policy, and, at the same time, to start off with land in which the cost of urban development is lower, with the aim of applying the policy on a large scale. It is important to realize that all land has to be regulated, as a fact which gives these criteria only short-term importance.

Recommendation B.I.1.c). Within the range of irregular settlements caused by illegal allotments, to select, in the first instance, for the purposes of this policy, those lands in which the disputes between the illegal dealers in land and the colonos are serious, or have become public; out of these, priority should be given to those in which the cost of completion of the urban development required by law is lower.

/With the

With the objectives of the first stage in mind, it seems important to generate an "atmosphere of normalization" in relation to the modalities of access to urban land.

Recommendation B.I.1.d). To minimize clearance schemes in respect of irregular settlements on land which is physically unsuitable for regulated urban settlement.

The high cost of urban settlement on land which is physically unsuitable should be weighed against the social cost which is avoided by not going ahead with clearance schemes.

Recommendation B.I.1.e). To pay to the owner of land which has been illegally occupied compensation amounting to the price that he paid for the land at the time of purchase --as determined by the sales contract registered in the official records-- plus an increase equivalent to the official inflation rate as well as interest for the period between the date of purchase and expropriation. The rate of interest should be the average paid on short-term deposits by the financial institutions of the country over the same period. In cases where no official sales record exists, or where the purchase price cannot be determined (acquisition by inheritance, for example), the price of the land will be its officially-assessed value at the time of the illegal occupation.

Given that those concerned are owners of illegally occupied land and not illegal land dealers, their rights are to be respected. However, any unreasonable profit from speculation is eliminated, as are cases of tax evasion produced by differences in prices between official values and market prices.

Recommendation B.I.1.f). To pay owners who allotted land illegally a compensation which amounts to the agricultural value of the land plus the cost of urban development carried out by the owner and conforming to legal requirements, less the sums paid to the owner by the colonos. In cases where the calculation of compensation gives a negative result, the owner will receive nothing.

Recommendation B.I.1.g). To pay to the owners of illegally occupied land and to the owners of illegally distributed land the compensation outlined in recommendations B.I.1.e) and B.I.1.f) respectively, in the form of a debt contracted by the colonos who benefit from the regularization, in favour of the original owner. The debt is to be paid off in monthly installments, and a mortgage in favour of the creditor is required on each plot of land.

The aim of this recommendation is to avoid the serious disputes which might arise if the settlers who benefit from the regularization policy were direct debtors to the State. Moreover, in this way the State does not require availability of funds for the payment of compensation.

## 2. Policy for new settlements for low-income families

Recommendation B.I.2.a). To acquire a maximum amount of land by way of transfers from other public bodies and by means of contributions made by private landowners who enter into association with the State for the purposes of urban development and land allotment. Within these categories, priority should be given

/to land

to land for which the cost of urban development is lower. If the recommended methods of acquisition result in an insufficient amount of land for establishing new settlement programmes which are capable of discouraging illegal development, direct land purchase will be required.

In the first stage emphasis must be placed on discouraging future illegal occupation and illegal distribution. For this reason importance is attached to the quantitative aspect, and to reducing to a minimum the cost of land acquisition. It may be possible, in a period of economic recession, either to interest large-scale landowners (who acquired their land before the recession for speculation purposes, or for real estate development projects which are no longer economically viable) to enter into association with the public sector, or else to purchase such land at reasonable prices.

Land acquired from other public agencies is considered a transfer, and represents a first step in establishing a co-ordinated policy of public acquisition of land. Land required by public agencies for extending their services will in future be distributed by the authorities in charge of policies for the public acquisition of land.

Recommendation B.I.2.b). To grant private owners who have contributed land to their association with the State compensation in the form of developed urban sites produced during the allotment of land under compulsory zoning schemes.

With the aim of minimizing the practice of expropriation at this stage, it is preferable to form a mixed society with individual owners of large tracts of land rather than to define areas, force owners to form a society, and expropriate those who refuse, which is the classic readjustment modality.

## II. Recommendations for the second stage

The second stage of the policy of public acquisition of land is to be seen within the context of a physical plan for urban development at the regional-metropolitan level. The chief characteristic of urban planning in Latin America is the use of zoning and of regulations for the use of land which are markedly static and idealistic in the sense that they are permanently being overtaken by market tendencies. For this reason, the first recommendations are concerned with defining this new context of urban planning.

Recommendation B.II. To draw up on a basis of public consultation a physical plan for regional-metropolitan urban development, the aims of which are: to encourage decentralization, to control urban sprawl, and to promote residential development on a smaller spatial scale of social segregation. The plan takes the form of specification of areas of future public investment in terms both of infrastructure networks (water mains, electricity and, particularly, transport) and of social services (hospitals, schools, sports grounds, etc.).

Problems of centralization and urban sprawl are particularly serious in the large low-income areas of Latin American cities. In such areas, the lack of an aggregated demand in the context of large-scale spatial segregation has prevented the emergence of sub-centres for services and employment; this has meant mass movements of the population to and from the historic city centres, with the

/consequent aggravation

consequent aggravation of transport problems. At the same time, disorderly urban development, in such areas has produced uncontrolled urban sprawl. The plan should therefore focus its attention on these problems. Co-ordination in locating areas for investment among different public agencies --which is almost non-existent in Latin America-- would be considered in the plan, and would contribute to the formation of sub centres in problem areas. The policies for public acquisition of land to promote smaller-scale residential segregation would support the setting-up of such sub-centres. The presence of families with a relatively higher economic capacity, and of certain public services, would encourage the location of private services and enterprises, which would also benefit the low-income families that predominate in these areas.

Latin American countries are known for promulgating laws and regulations which are inapplicable because of the lack of adequate administrative and economic support. This can be remedied to some extent if the plan is a result of broad consultation involving local community associations and organizations. In fact, the method of solving differences by plebiscite could be appropriate in some cases. Consultation implies public knowledge of the plan, and political support for the plan itself and for the more drastic measures which might have to be taken against private interests.

1. Policy of new settlements for low-income families

Recommendation B.II.1.a). To promote the acquisition of land in areas consistent with the Urban Development Plan and its respective investment programmes (at macro-spatial level).

Recommendation B.II.1.b). To acquire large areas of land in order to promote (at micro-spatial level) heterogeneously-structured social residential development around centres of social services and, in general, around non-residential public or private activities.

This recommendation is aimed at avoiding the predominant pattern of residential development in Latin American cities --whether carried out by builders, by town planners, under minimum housing programmes, or even through illegal occupation-- which is on a small spatial scale, is socially homogeneous, and lacks social services. This pattern has tended to emphasize, on the one hand, the large-scale social segregation in the cities in question and, on the other, the dependence of a great majority of the population on the historic city centre. To bring about changes in these patterns of urban development, it will be necessary to promote development on the spatial scale suggested here.

Recommendation B.II.1.c). To compensate the owners of land defined by the authorities as a "readjustment zone" for the voluntary contribution of their land to an association with the State, with developed sites subject to certain restrictions as regards their use.

Recommendation B.II.1.d). To compensate the owners of land who are expropriated within "readjustment zones", with the agricultural value of their land.

Recommendation B.II.1.e). To establish a public mechanism for the purchase of land which is susceptible of urban development.

/It should

It should be remembered that, given a depressed land market which shows no sign of sustained reactivation, State interest in land purchase will not become, as it would in "normal" periods of traditional growth in land prices, a factor stimulating price increases. On the contrary, it could create competition among those offering land for sale to interest an unexpected purchaser.

## 2. The policy of land for urban development

Recommendation B.II.2.a). To acquire land in advance for the location of public services and investments within the areas defined in the plan and in accordance with the expansion programmes of different public services.

The plan will define areas within which activity centres and services of a varied hierarchical nature should be encouraged. Land acquisition for such purposes will therefore imply a number of alternatives at a local level. This situation, together with a certain amount of foresight, would permit of a gradual process of purchases which, in spite of the fact that the plan is publicly known, would not generate speculation. Experience in Curitiba --at least where the city transport plan is concerned-- shows that this is possible, and that expropriation can be avoided.

### III. Recommendations for the third stage

#### 1. Policy of land for urban development

Recommendation B.III.1.a). To acquire in advance land adjacent to that which is acquired for the location of services and public investment, with the purpose of disposing of it once the investment projects are partially or totally completed.

Such land acquired in excess of public-sector requirements could be located between sites earmarked for social services, and other facilities, as well as in the immediate economic impact area of public investments.

Recommendation B.III.1.b). To establish pre-emption areas in favour of the State around the nuclei of social and public services comprised in the physical plan for urban development.

Pre-emption rights would be exercised in the impact area once the investment projects had begun or were under way, with the aim of acquiring land which it had not been possible to acquire previously, and which was considered crucial either because of the expected value increments or because of its importance in regulating private use of land in the whole area.

Recommendation B.III.1.c). To compensate owners of expropriated land (who did not reach a price agreement with the public sector) with an amount equivalent to the market value of the land one year before public investment began.

Recommendation B.III.1.d). To establish a progressive tax on the tenure of vacant land in pre-emption areas, defined as those surrounding public urban investment nuclei.

The exercise of pre-emption rights, while producing a drop in prices of land, also considerably lessens interest in selling land. The application of a tax on vacant urban land is aimed at encouraging development and avoiding stagnation in establishing sub-centres defined in the Urban Development Plan.

## C. HOW TO ACQUIRE LAND

### I. Recommendations for the first stage

#### 1. Regularization policy

The methods of land acquisition for this policy appear in Recommendation B.I.1.a).

Recommendation C.I.1.a). To grant powers of land acquisition through expropriation to one single authority per city responsible for the regularization policy. These powers are therefore limited to urban settlements which are irregular as far as land tenure is concerned.

Recommendation C.I.1.b). In cases of expropriation, to provide for the transfer of property rights in favour of the expropriating agency (the decision to expropriate being sufficient for transfer purposes) to be legally separated from the process of determining amounts and methods of compensation and its payment.

This recommendation for cases of expropriation under the regularization policy, seeks to accelerate the transfer of property rights to the State, which is an essential condition for carrying out the physical and legal action comprised in regularization.

Recommendation C.I.1.c). To redesign settlements --whenever possible-- with the intention of allocating sites and title-deeds to all resident families and not only to those exercising irregular tenure.

The following considerations must be taken into account: i) the inconvenience of clearance schemes; ii) the hitherto relatively inefficient utilization of space, which derives from the spontaneous and irregular nature of the settlements; and iii) the fact that the families which would benefit from this recommendation already live in the settlement as allegados (i.e., homeless families that are sheltered in houses or sites of those exercising irregular tenure).

#### 2. The policy of new settlements for low-income families

The methods of land acquisition for this policy appear in Recommendation B.I.2.a).

Recommendation C.I.2.a). To concentrate the powers of land acquisition under the policy of new settlements for low-income families in one agency per city. These powers will include the right to purchase and to receive transfers of land from other public agencies, and to draw up agreements with individual owners for the development and distribution of their lands.

## II. Recommendations for the second stage

### 1. Policy of new settlements for low-income families

Recommendation C.II.1.a). To define "readjustment zones" in areas undergoing urban expansion and to invite owners to go into partnership with the local governments. Their land would be the owners' contribution to these partnerships, whose objective would be land development and redistribution.

Recommendation C.II.1.b). To expropriate owners of land in "readjustment zones" who do not wish to form an association with local government agencies, when 70% of the landowners or the owners of 70% of the area have agreed to do so.

The inclusion of the two alternatives, i.e., expropriation being applicable in the case of counting either on 70% of the landowners or on those owners whose land represents 70% of the total, has the aim of preventing the said landowners --given the unequal structure of land tenure-- from having the necessary power to abort the project, irrespective of whether they are groups of small landowners in the former case or large landowners in the latter.

In these cases, to avoid any delay in the development of projects, expropriation procedures as laid down in Recommendation C.I.1.b) should apply.

Another method of land acquisition under this policy at the stage under discussion is that of direct purchase (see Recommendation B.II.1.e)).

Recommendation C.II.1.c). To grant to the agency in charge of the policy of new settlements for low-income families, over and above the faculties stipulated in Recommendation C.I.2.a), the power to approve or to veto readjustment projects to be carried out by local government agencies.

Recommendation C.II.1.d). To grant local governments the power to form associations with owners of land for the purpose of urban development and re-allotment, as well as the power to carry out special expropriations --in accordance with Recommendation C.I.1.b)-- aimed at including in the projects the land of owners who refuse to form such associations.

### 2. Policy of land for urban development

Recommendation C.II.2.a). To grant powers to one authority per city (in charge of drawing up and co-ordinating the physical plan for urban development as well as the policy of land for urban development) to carry out direct land purchases and expropriations.

Recommendation C.II.2.b). To purchase or expropriate land in urban settlements in order to strengthen existing centres of activity comprised in the physical plan for urban development. This land would be used for locating public investment in services and other facilities which are not available in the area.

This type of acquisition would be carried out preferably in low-income settlements where the population shows a high degree of dependence upon distant areas for public and private services and facilities.

/Recommendation C.II.2.c).



Recommendation C.II.2.c). To accord landowners expropriated under the type of support acquisitions outlined in Recommendation C.II.2.b) compensation amounting to the market price or to the replacement value of their property, according to the landowner's preference.

### III. Recommendation for the third stage

#### 1. Policy of land for urban development

Recommendation C.III.1.a). To grant the authority referred to in Recommendation C.II.2.a) the power to purchase directly or to negotiate, backed by the threat of expropriation, in pre-emption areas in order to acquire land in excess of the requirements of public investment programmes comprised in the physical plan for urban development.

### D. HOW TO FORM LAND BANKS

#### I. Stage One

Methods of land acquisition for first-stage policies do not include advance acquisition and therefore preclude a system of land banks. In regularization policies on an ad hoc basis land acquisition through expropriation is aimed specifically at regulating land tenure in favour of de facto residents. In the policy of new settlements for low-income families at this stage, land purchase, transfers from other public agencies, and agreements with individual landowners, are aimed specifically at land acquisition for groups of families previously organized by the executing agency for this policy. Each case of acquisition has a pre-defined group in view.

#### II. Recommendations for the second stage

#### 1. Policy of new settlements for low-income families

Recommendation D.II.1.a). To transfer to the single agency in each city responsible for the policy of land for urban development land that has been reserved, under projects generated by the policy of new settlements for low-income families, for the location of public facilities and services and public investment projects, including adjacent sites as defined in Recommendation B.III.1.a).

At this stage, the broad concept of the policy of new settlements for low-income families is upheld: land acquisition is specifically aimed at previously defined and organized groups of families. It must be remembered that the shortage is so serious that latent pressure for land could lead to illegal occupation, and that land banks could facilitate this situation. On the other hand, at this stage the policy of new settlements for low-income families includes the development projects of large-scale geographical areas which could give rise to the setting-up of nuclei of activity within these areas. Land transfers have this precise objective in mind. In readjustment projects, transfers are carried out by local governments, whereas in projects arising from direct land purchase, transfers are effected by the single agency responsible for the policy of new settlements for low-income families. Finally, the fact that these transfers would include land which is adjacent to the planned location of public investment, facilities and services, is a step towards third-stage objectives.

2. Policy of land for urban development

Recommendation D.II.2.a). To purchase land in advance for facilities, services, and public investment, in specified locations which take into account the geographical specifications of the Urban Development Plan. Purchases should be made with as little publicity as possible, well in advance, and staggered sufficiently in time so as to avoid encouraging speculation, at least until enough land has been acquired for planned public use.

Land purchase or expropriated by the agency responsible for this policy in order to strengthen centres of public facilities and services (see Recommendation C.II.2.b) is acquired on an ad hoc basis and would not form part of the land bank.

Recommendation D.II.2.b). To transfer to public agencies which provide services and which construct facilities and urban infrastructures, land which is suitable for executing their investment projects in the locations mentioned in Recommendation D.II.2.a).

Recommendation D.II.2.c). To structure the size of the land bank to suit the estimated needs for public services and facilities resulting from demographic projections and from the expected intra-urban spatial distribution of new population, in accordance with the physical patterns of the Urban Development Plan.

It should be remembered that land acquired in order to remedy deficits in existing public services and facilities would not form part of the land banks, but would be considered as ad hoc acquisitions carried out under Recommendation C.II.2.b). On the other hand, the size of the land bank would bear a relation to the requirements of estimated demographic growth, rather than to the demand generated by existing programmes to extend public services, which are usually insufficient.

III. Recommendations for the third stage

1. The policy of land for urban development

Recommendation D.III.1.a). To purchase in advance --in addition to land required for public investment (see Recommendation D.II.2.a)-- land which lies between, or is adjacent to, these investment locations, within the economic impact area, the latter being defined in relation to land price formation processes.

Recommendation D.III.1.b). To exercise pre-emption rights in the economic impact areas surrounding public investment nuclei included in the Urban Development Plan, once investment is carried out and/or land speculation is detected.

Recommendation D.III.1.c). To sell, sooner rather than later, (sale or transfer would take place as soon as interest emerges in carrying out appropriate specific private investment), to construction companies or private investors, land which is between, or adjacent to, public investment areas included in the Plan, with the aim of fostering desirable private uses (desirable private uses will vary, and may comprise middle-income housing projects, shops and private services, workshops and small industries, etc., with the possible inclusion of a State request for tenders from construction companies for the execution of low-cost housing projects) which support the emergence of centres of activity in these areas.

/Recommendation D.III.1.d).

Recommendation D.III.1.d). To sell later, rather than sooner (sale or transfer would take place when land prices had risen and stabilized --which is likely to happen when public investment is well-advanced-- and would not be tied to specific private uses of the land), to private purchasers, land which lies between, or adjacent to, areas of public investment comprised in the Plan, with the aim of recovering for the community unearned increments of land value stemming from such investment and, in general, from the strengthening of the "central" character of the area.

The aim of influencing private uses of land and of recovering unearned increments of land value (Recommendation D.III.1.c) and D.III.1.d) means that the amount of land to be acquired in excess of the direct needs of the public sector should be as large as possible, taking into account the availability of funds and the sales offers (whether these are direct offers, or result from the definition of areas subject to pre-emption).

The concentration of public land acquisition in a relatively small area and its accompanying public investment will in all likelihood tend to generate speculative attitudes and expectations on the part of landowners. This policy should be implemented with sufficient flexibility for decisions concerning the definition of pre-emption areas to be advanced or postponed, in accordance with the behaviour of landowners.

## E. HOW TO DISPOSE OF LAND ACQUIRED

### I. Recommendations for the first stage

#### 1. Regularization policy

Recommendation E.I.1.a). To sell regularized land to resident colonos; to transfer --in the form of cessions-- land required for completion of public services and facilities in the area to the single agency responsible for the policy of land for urban development; and finally, where increased density of the area is possible, to transfer to the agency responsible for the policy of new settlements for low-income families any surplus plots of land after the process of regularization has been completed.

Recommendation E.I.1.b). To grant colonos the title-deeds of regulated plots immediately (i.e., as soon as regularization is completed), on condition that the colonos concerned take out a mortgage in favour of the original owner of the land.

It is important for low-income colonos to enjoy security of land tenure as a basis for subsequent self-help improvements to their dwellings. The drawing-up of individual colonos' debt contracts with the original owner signifies a thinning-out of possible conflicts and pressures which would otherwise accumulate for the State. Problems arising from repayment of these debts would be of a private nature, to be dealt with in the conventional way. On the other hand, the danger that colonos in possession of title-deeds might sell their plots, thus reproducing the problems

/of illegal

of illegal settlement (the problem of social unrest, for example, which was important in the Mexican experience), would be averted by the mortgage taken out on the property. In order to sell, the colonos would have to pay off the mortgage.

Recommendation E.I.1.c). To establish the selling price of regularized plots in such a way that the total sum of debts contracted by the colonos in favour of the original owner is equivalent to the compensation payment stipulated in Recommendation B.I.1.e) (for illegally-occupied land) or in Recommendation B.I.1.f) (for illegally-allotted land). The price of each plot of regulated land is arrived at by making it proportional to the total value in accordance with the number of plots (excluding those transferred to public agencies under Recommendation E.I.1.a), the size of each, and its location within the settlement.

Recommendation E.I.1.d). To establish mortgage repayment schedules which are compatible with the socio-economic situation of each family of colonos. Repayments will be made on a monthly basis and will consist of 20% of the net income of each family group.

Recommendation E.I.1.e). To establish a regularization fee to be paid by colonos during the land regularization process as a prerequisite for the issue of title-deeds. These fees would cover the administrative costs of the agency responsible for the policy, as well as the cost of re-designing the area, of installing the minimum essential public services required by law, and of drawing up and issuing title-deeds.

Recommendation E.I.1.f). To establish "progressive urban development norms" for low-income urban settlements (including settlements to be regularized). These norms would include the waiving of the traditional specification in urban planning which conditions the occupation of land to the prior completion of public services required by law; they would also involve a lowering of standards.

It is worth considering that the alternative to traditional specifications both of the standards and of the timing of urban development works has been illegal settlement or illegal land allocation, in which neither specification is respected. Several organizations, such as the World Bank, have drawn attention to the inadvisability of setting homogeneous standards for the whole city, and have suggested a lowering of standards that will not affect the quality of life (for example, in the specification of width for streets which will be used by very few private cars). The adoption of these "progressive urban development norms" would bring about a substantial reduction in the regularization fee, and in the amount of time required for the regularization process. They should, however, be supplemented by subsequent upgrading programmes undertaken by the State.

## 2. Policy of new settlements for low-income families

Recommendation E.I.2.a). To sell plots of developed urban land to homeless colonos who come from other urban settlements (where they live as allegados or tenants), from illegal settlements which will not be subject to regularization, or from regularized settlements in which the number of regularized plots is lower than the number of families by which the settlement had been occupied.

/Recommendation E.I.2.b).

Recommendation E.I.2.b). To defer the issue of title-deeds to new colonos until the full price of the developed plot has been paid. In the meantime, the colonos will occupy the plots as "assignees". The difference between an "assignee" and an owner is that the former, unlike the owner, may not dispose of the property (through selling, letting, or bequathing). In the event of an "assignee's" death, the status of "assignee" may be transferred to heirs resident on the property, as long as the transfer occurs within the period originally established for repayment of the debt. If the "assignee's" death occurs after the repayment period has expired and the debt is still unpaid, the State will auction off the property to recover the debt, and pass on any surplus to the legal heirs.

Recommendation E.I.2.c). After five years as "assignee", and if improvements which at least equal the original selling price of the plot have been carried out, the "assignee" will acquire the right to sell the property. The State will transfer the title-deeds to the buyer if the selling price is equal to or higher than the amount owed by the "assignee". Any difference will be passed on to the "assignee".

These last two recommendations are aimed at avoiding social unrest.

Recommendation E.I.2.d). To establish a standard reference price per square metre for developed urban plots, based on the replacement cost of all the developed land which is constantly being sold under this policy. This cost is calculated by taking the weighted average of i) the price of the land plus the cost of urban development (in the case of developments that start with direct purchase of land) and ii) the cost of investment in urban development (in the case of developments that start on the basis of partnerships with landowners). The procedure is to consider how much land will be acquired by direct purchase and how much through partnerships in the near future. The standard price per square metre is a "reference" in the sense that it may vary according to minor local factors (shape of the plots, accessibility, gradient, etc.).

Recommendation E.I.2.e). To discount from the selling price of developed urban plots any amounts which the colonos may have saved in terms of total project costs by their contributions of manpower to urban development works.

The ad hoc character of land acquisition effected under this policy will identify the future beneficiaries, thereby making it possible for them to take an active part in the development of the projects.

Repayment schedules for colonos in respect of debts to the State will be established under Recommendation E.I.1.d).

Recommendation E.I.2.f). To hand over to individual landowners who have formed partnerships with the State for development and distribution of their land a batch of fully developed plots of land (with lowered standards: see Recommendation E.I.1.f).). The amount of developed land to be transferred is calculated in such a way that its total estimated selling price --as determined by independent valuation-- is equivalent to the value of the original contribution of land (according to the valuation at that time) plus a certain percentage. This percentage will be equivalent to the interest which would have accrued to the landowner's original capital (as calculated in the initial valuation of the land) over a period of five years at the average rate of interest on short-term investment in private financial institutions at the moment of entry into partnership.

/These terms

These terms are somewhat stricter than the usual methods of recompense to landowners in urban development agreements. However, this is due to the fact that the aim of this policy is to make the maximum amount of land available for settling low-income families, and for this reason the amount of land which is held by the State as a result of this type of partnership must be as large as possible. Also, the economic recession --as manifested in reduced speculative expectations and lack of private capital for urban development and construction-- make these terms attractive to landowners. Another feature of this recommendation is that the use of land returned to landowners is prescribed by the State. The aim is to encourage greater social heterogeneity by controlling such variables as the size of plots. Finally, the reason for transferring to owners plots which are fully developed --unlike those reserved by the State for low-income families-- is that in this way the total amount of land to be returned to owners will be smaller. It can be assumed that the difference in value between land which has minimum urban development and that which is fully developed is greater than the differences in development costs. In any event, the degree of development of land returned on these terms could be subject to negotiation in each case.

## II. Recommendations for the second stage

### 1. Policy of new settlements for low-income families

For the disposal of land acquired, the same recommendations as in the first stage are appropriate (Recommendation E.I.2.a); E.I.2.b); E.I.2.c); E.I.2.d); and E.I.2.e)). Recommendation E.I.2.f) will vary because of the existence of partnerships in association with several landowners, not only one. Also, the greater spatial scale of projects and their clear connection with the Urban Development Plan require new methods of handing land over.

Recommendation E.II.1.a). To hand over to owners who have entered into an association with city authorities for the distribution and development of a previously defined area (readjustment) fully developed urban plots with lowered standards. The amount of developed land returned to each owner will be established as under Recommendation E.I.2.f).

The degree of development and of strictness of zoning may be negotiated for the land to be returned when the recommendation is not fully practicable. On the other hand, it may be possible to negotiate with each owner the type of plot to be returned, according to its use (residential, commercial) or its size or location.

Recommendation E.II.1.b). To transfer to the land bank managed by the single agency responsible for the policy of land for urban development land which has become the property of local governments as a result of readjustment projects for public services, facilities and urban investment, when the execution of these works is not the responsibility of the local governments in question. These transfers include land which is adjacent to, or lies between, those plots reserved for the works mentioned above: land to be transferred to private citizens in accordance with the objectives of the third stage. The agency responsible for the policy of new settlements for low-income families would reserve for its projects the land to be used for low-income residential purposes.

2. Policy of land for urban development

Recommendation E.II.2.a). To transfer land --either that acquired on an ad hoc basis or that available from land banks-- to the appropriate public agencies for the provision of services, the construction of facilities and/or the execution of urban investment works, subject to the presentation of financed projects.

This land is transferred in the amounts and the locations laid down in the Urban Development Plan. Receiving agencies may not use it for other purposes.

III. Recommendations for the third stage

1. The policy of land for urban development

The disposal of land for public agencies is dealt with in Recommendation E.II.2.a).

Recommendation E.III.1.a). To sell land to private citizens sooner rather than later (see Recommendation D.III.1.c)) on the following conditions: payment by installments, with a period of grace, and at prices below market value, with deferment of the granting of title-deeds until the agreed use of the land is realized.

Prices, terms and grace periods could vary from case to case, with due regard to the aim of ensuring realization of the specific private uses of land which have been planned.

Recommendation E.III.1.b). To sell land cash down to private citizens later rather than sooner (see Recommendation D.III.1.d)). The sale would take the form of an auction to the highest bidder.

F. THE INSTITUTIONAL SYSTEM FOR LAND ACQUISITION AND DEVELOPMENT

Recommendation F.a). To create one single agency per city with its expansion area to be responsible for the regularization policy (for its functions and tasks, see the respective Recommendations). (In countries with central governments this would be a national agency; in countries with federal governments --and bearing in mind the differences among States, particularly in legal matters, as well as the existence of Ministries or Department of Housing within States-- the agency would be at State level). It will be a specialized agency forming part of the normal structure of the Housing Ministry or Department.

Recommendation F.b). To create one single agency per city with its expansion area to be responsible for the policy of new settlements for low-income families (for its functions and tasks, see the respective Recommendations for each stage). (The centralized nature of this agency --at national or State level-- is justified by the influence that a policy of new settlements for low-income families would have on trends in national distribution of the population.) It will be a specialized agency forming part of the normal structure of the Housing Ministry or Department.

/Recommendation F.c).

Recommendation F.c). To create one single agency per city with its expansion area to be responsible for the policy of land for urban development (for its functions and tasks, see the respective Recommendations for each stage). (Each of these agencies will have its own physical plan for urban development, in accordance with the national laws for urban development.) The agency will form part of the metropolitan or urban government and its activities will be closely linked with the drawing-up and implementation of the physical plan for urban development.

Recommendation F.d). To grant the agency responsible in each city for the policy of land for urban development, the power to veto project decisions taken by the agencies for the regularization policy and the policy of new settlements for low-income families.

The measure recommended here will come into force together with the physical plan for urban development. In addition, it will be necessary to establish permanent co-ordination in each city between the metropolitan or urban government that administers the physical plan and the public agencies --generally within the Ministry of Public Works-- which put into effect investment in urban infrastructure networks. It would appear to be impossible to carry out the Urban Development Plan without taking into account such crucial decisions as those concerning investment in urban networks.

Recommendation F.e). To authorize local governments to form association with owners of land earmarked for urban development and allotment, subject to the approval of the agency responsible for the policy of land for urban development. ("Local government" refers to that of a territory which, together with others of similar size, forms part of a metropolitan area. In cities without intra-urban governments, the right to form such associations will pertain to the agency responsible for the policy of land for urban development.)

Recommendation F.f). To create a permanent information system for urban land in each city under the agency responsible for the policy of land for urban development. This information system will cover variables related to the use of land (land division, legal tenure, type and density of use, socio-economic characteristics of land users, level of facilities and development, etc.) as well as market variables (prices, supply, expectations, dynamics of changes in use, etc.).

A national information system for urban land would appear to be unsuitable since, in the first place, national markets for urban land do not exist, and, secondly, land use is affected by local geographic and economic factors.

Information relevant to the work carried out by agencies --whether at national or State level-- responsible for the regularization policy and for the policy of new settlements for low-income families, will be regularly sent to such agencies.

Recommendation F.g). To create a specialized organization at national or State level within the Ministry or Department of Housing, for advising the agency responsible in each city for the policy of land for urban development on urban land information systems. The advisory service would consist of training programmes and methodological suggestions.

/This organization



This organization will play a prominent part in the preparation of common methods of collecting data to be sent to the centralized agencies responsible for the policies of regularization and new settlements for low-income families.

The availability of a complete and permanent record of land is a mammoth task for most cities. However, there are cheaper and quicker alternatives whereby the information base on which the public purchasing institutions operate can be considerably improved. For example, there are geographical sampling techniques that, even without complete records (or framework for the sample) make it possible to generate reliable information about such relevant variables as size of sites, ownership, speculative expectations, infrastructure --or lack thereof--, prices and conduct of transactions. These studies are not very expensive and could be undertaken with common data-collection methods under the guidance of the central specialized organization in question.

Recommendation F.h). To create a department within the agency responsible for the policy of new settlements for low-income families, for the purpose of encouraging families earmarked for development projects to organize themselves in their settlements. Thus, projects can be aimed at satisfying the needs, not of individuals, but of organized groups.

Low-income "homeless" families live --as allegados or tenants-- in existing popular settlements. They are constituents of social networks for survival based largely on a reciprocal exchange of gifts and favours. This has been described by some authors as "a donation-based economy". Moreover, "homeless" families --as well as the families who take them in-- make up "informal" economic circuits consisting of occasional employment and low-productivity jobs for which opportunities are to a great extent dependent on their place of residence. Projects for new settlements under this policy necessarily imply the clearance of such families. Their transfer to permanent settlements in groups, and to nearby locations, represents an attempt to retain these social networks as far as possible.

On the other hand, organization of the demand for land in the present habitat of "homeless" families would: i) give a true estimate of land requirements; ii) supply a mechanism which would discourage illegal occupation; iii) provide organized social support for the policy of public land acquisition; and iv) permit the implementation of training programmes on self-help construction and community development, as a platform for the subsequent execution of projects for new integrated settlements with a temporal projection extending beyond the mere assignment of plots.

Finally, organized demand may be useful in the execution of projects. Organized participation of families in the projects could include: i) manpower contributions to urban development works, which would be accorded recognition in the form of discounts from the total selling price of the plots; and ii) administration of the system of repayment collection, which, considering the large number of small debts, might otherwise be too costly to be administered centrally by the agency responsible for the policy.

In short, pre-planned organization of the demand for this type of project would: i) avoid the destruction of the social and economic networks for survival; ii) stimulate initiative and self-reliance; and iii) favour the processes of training, community organization, and social mobilization.

/G. HOW

## G. HOW TO RAISE FUNDS FOR PUBLIC LAND ACQUISITION

### 1. Regularization policy

From the financial point of view, this policy can be considered as self-financed. The State assumes that irregular land tenure is linked to disputes between the landowner and the de facto occupants (even if the former is a public-sector agency). The regularization policy is aimed at providing a legal alternative for the transfer of land to the colonos. State action ends with the issue of the title-deeds. After this, the problem is reduced to a private affair between creditor and debtor. The source of funding for land acquisition under this policy is clearly the payments made by the colonos.

### 2. The policy of new settlements for low-income families

The funds required for this policy are those needed for land purchase and for urban development. It should be remembered that in the case of associations with landowners, land is acquired by means of State capital contributions to urban development. Transfers of land from other public agencies, in the first stage, are free. The policy of land for urban development includes the free distribution of land to public agencies requiring land for their programmes in respect of services and extension of urban facilities.

The funds required to implement this policy are considerable. This is particularly true at the beginning, when the policy is concerned not only with land requirements generated by urban growth, but also with existing land deficits. For this reason it is possible to envisage a period --of variable duration-- in which the deficit is being reduced, and another in which only new demands are attended to. The funds would have two components whose proportions would constantly vary. The first would be initial or "seed" capital contributed by the State over a period of time. The second would be the revolving funds arising from repayments made by colonos who had benefited from the policy. As the total number of favoured colonos would increase year by year, the total volume of resources arising from repayments would also increase. In these circumstances the State contribution of "seed" capital could diminish at the same rate. Thus, a situation would be reached in which the revolving funds would cover the costs of the policy.

Recommendation G.2.a). To rechannel funds allocated in the ordinary budget of the Ministry or Department of Housing from policies of housing development and of low-cost housing construction to the policy of new settlements for low-income families, for as long as is necessary to form the "seed" capital.

This reallocation of public funds from housing construction to land programmes would: i) considerably increase the number of people benefited, and ii) tap the enormous potential for self-help construction among low-income groups which is demonstrated by the fact that in Latin American cities 50% or more of the dwellings have been constructed by the occupiers themselves under adverse conditions (unemployment, low incomes). Evidence of programmes of this kind in different parts of the world shows that the initial investment is at least equalled by the effort families make in self-help construction of their dwellings.

/Recommendation G.2.b).

Recommendation G.2.b). To sell on private financial markets long-term bonds issued to that end by the agency responsible for this policy.

The economic viability of this recommendation is greater in the present economic recession, when investment in shares or certificates backed by private institutions involves a high element of risk, or is discredited.

Recommendation G.2.c). To pass a law which would oblige social security agencies to invest a percentage of workers' social security funds in the purchase of the bonds mentioned in Recommendation G.2.b).

Recommendation G.2.d). To allow residents in popular urban settlements who are not property owners and who have not been assigned plots to withdraw up to 20% of their accumulated social security funds for the purchase of a plot within the projects included in this policy. In such cases, the following restrictions will apply: i) that these funds must be sufficient to cover a minimum percentage (to be specified) of the total price of the plot; ii) that the plot may not be sold or transferred unless it is replaced by an item of property equal or superior in value to the plot, or unless the funds withdrawn from the social security agency are returned; and iii) when the assignee loses his right to the plot, or the right to bequeath it (for one of the causes given in Recommendation E.I.2.b)., the State will be obliged to repay to the social security fund the amount which was withdrawn, plus legal inflation-indexing.

In a prolonged economic recession, workers' social security funds take on greater importance. The recommendation is aimed at increasing the revolving funds for the policy referred to here, thereby bringing the moment of self-financing nearer. Moreover, this measure would not bring about a real decrease in pensions, as the fall in pension values is offset by a proportional drop in housing costs (repayments or rents). It is considered that 20% of income is a reasonable expenditure on housing in low-income groups. Also, individual capitalization would not be affected, since the plots are not only essential goods, but are eternal and marketable.

Although the putting of this recommendation into effect would not benefit a high percentage of the large numbers of unemployed, the volume of resources it would generate for the policy is still significant.

### 3. The policy of land for urban development

Initially, "seed" capital is required for establishing land banks in each city. Subsequently, through the sale of improved land to private citizens and the tax levied on owners within the pre-emption areas, revolving funds would be made available.

Recommendation G.3.a). To institute credit lines opened by the national or State government in favour of metropolitan or urban governments in order to establish the land banks stipulated in the policy of land for urban development.

Recommendation G.3.b). To levy a progressive tax on owners of vacant land and a tax on the increased value of land resulting from public works in pre-emption areas (see Recommendation C.III.1.a).

/It should

It should also be remembered that a substantial amount of the land which forms these banks would be contributed by the agency responsible for the policy of new settlements for low-income families (see Recommendation D.II.1.a) and by local intra-urban governments which carry out readjustment projects (see Recommendation E.II.1.b).

#### Notes

1/ An urban development plan refers both to a city and to its expansion area. It specifies the objectives, terms, agents and resources of the processes of urban development and expansion (from a functional point of view) and the translation of the said objectives into physical realizations. On the other hand, an urban regulation plan --the most commonly used urban planning instrument in Latin America-- is merely a set of norms and restrictions vis-à-vis urban land use.

2/ Strictly speaking, these transfers of land do not constitute acquisition of new land by the public sector, but rather by the specific public institutions under study.

3/ Ejidos and communal property are agricultural land belonging to the State, in respect of which right of use has been conferred on individual or groups. The State, therefore, cannot avail itself of this land without due expropriation procedures.

4/ A trust is a fiduciary operation whereby the settler allocates some assets for a certain licit purpose assigning responsibility for its execution to a body of trustees. Commercial Code, Art. 346.

5/ Chile is one of the few Latin American countries, if not the only one, which has managed to put a stop to large-scale illegal land allotments. This was achieved --after several futile attempts at legislation-- when the State developed a comprehensive alternative (the sites and services programmes, 1967-1970).

Bibliography

- Brazil, Government of, A Nova Legislação sobre o Parcelamento do Solo Urbano e la atuação do Estado, mimeo.
- Calvimontes, C., "La reforma de la propiedad del suelo urbano en la administración de Paz Estenssoro", in Revista Interamericana de Planificación, Bogotá, Colombia, Sociedad Interamericana de Planificación (SIAP), 1972.
- FUNDACOM-ILDIS-CORDIPLAN, La vivienda popular en América Latina, Caracas, Venezuela, Editorial Humberto Pereira, 1979.
- Geisse, G. and Sabatini, F., "Renta de la tierra y heterogeneidad urbana", Documento de Trabajo No.112, Instituto de Estudios Urbanos, Universidad Católica de Chile, 1984.
- Hardoy, J. et al., "Políticas agrarias y urbanas en América Latina", in Revista Interamericana de Planificación, Bogotá, Colombia, SIAP, 1981.
- Hardoy, J. and Acosta, M., "Políticas urbanas y reforma urbana en Cuba", Documento de Trabajo, Buenos Aires, Argentina, Instituto Torcuato di Tella, 1971.
- Hardoy, J. et al., Política de la tierra urbana y mecanismos para su regulación en América del Sur, Buenos Aires, Argentina, Editorial del Instituto Torcuato di Tella, 1968.
- Mandelker, D., "Critical area controls: a new dimension in American land development regulations", in AIP News, Vol.41, No.1, Chicago, American Institute of Planning (now American Planning Association), 1975.
- Murillo, G. and Ungar, E., "Política, vivienda popular y el proceso de toma de decisiones en Colombia", Bogotá, Colombia, Universidad de Los Andes, Department of Political Sciences, 1978.
- Nogueira, S. and Negron, M., "La creación de nuevas ciudades dentro de las estrategias de desarrollo regional en Venezuela", in Revista Interamericana de Planificación, Vol. VIII, Mexico, SIAP, 1974.
- Paredes, G., Banco municipal de tierras del Municipio de Cali, factibilidad jurídica: proyecto de acuerdo, Cali, Colombia, 1980.
- Prakask, V., "Métodos de financiamiento del desarrollo urbano", in Revista Interamericana de Planificación, Vol. IV, No.16, Mexico, SIAP, 1970.
- Ramacciotti, O., "Plan de desarrollo metropolitano de Guatemala", in Revista Interamericana de Planificación, Vol. VII, No.27, Mexico, SIAP, 1972.
- Salamanca, F., Estado y políticas de tierras: El caso del área metropolitana de Caracas, tesis, Instituto de Estudios Urbanos, Santiago, Chile, 1984.
- Sánchez, A. and Calderón, J., El laberinto de la ciudad: políticas urbanas del Estado 1950-1979, Lima, Peru, Centro de Estudios y Promoción del Desarrollo (DESCO), 1980.
- Unikel, L., "La dinámica del crecimiento de la ciudad de México", in Revista Interamericana de Planificación, Vol. IV, No.21, Mexico, SIAP, 1972.
- United Nations, Housing Policy Guidelines for Developing Countries, United Nations publication, Sales No.: E.76.IV.11, 1977.
- , Land for Human Settlements. Latin America, Vol. V, United Nations publication, New York, 1977.
- , Land for Human Settlements. Global Review, United Nations publication, New York, 1977.
- , Non-conventional financing of housing for low-income households, United Nations publication, Sales No.: E.78.IV.12, 1978.
- Viera, B., O Estado e Política Urbano no Brasil, tesis de Doutorado en Ciencia Política, Stanford University, U.S.A., 1979.
- Working Party on Urban Land Policy. Task Force N II, Acquisition modalities and management of land by public authorities, Gotenburg, 1979.

Yujnovsky, O., "Notas sobre la configuración espacial interna y las políticas de uso del suelo urbano en América Latina", in Revista Interamericana de Planificación Vol. IX, No.35, Mexico, SIAP, 1975.

#### Mexico

- COPEVI, Investigación sobre vivienda, Vol. II. La producción de vivienda en la zona metropolitana de la ciudad de México, Mexico, D.F., 1977.
- , Investigación sobre vivienda, Vol. III. Las políticas habitacionales del Estado mexicano, Mexico, D.F., 1977.
- Cuenya, B., Gazzoli, R., Garza, G. and Schteingart, M., La acción habitacional del Estado en México, El Colegio de México, Mexico, 1978.
- Schteingart, M., "Crecimiento urbano y tenencia de la tierra. El caso de la ciudad de México", in Revista Interamericana de Planificación, Vol. XV, No.60, Mexico, SIAP, 1981.
- Sociedad Interamericana de Planificación (SIAP), Políticas del Estado en materia de vivienda en América Latina, Vol. III, Bogotá, Colombia, SIAP, 1977.
- Yujnovsky, O., Políticas de Asentamientos Humanos, Buenos Aires, Argentina, CLACSO-SIAP, 1979.

#### Guayana-Venezuela

- Corrada, R., The Housing Development Program for Ciudad Guayana, Seminar on Public Criteria for Housing, Universidad de Puerto Rico, 1966.
- Doebele, W., "Legal Issues of Regional Development", in Rodwin and Associates, Planning Urban Growth and Regional Development, Cambridge, Mass, MIT Press, 1969.
- Friedman, J., "Desarrollo de la Guayana venezolana en una perspectiva regional", in Revista de Planificación, No.3, Santiago, Chile, 1966.
- Penfold, A., "Ciudad Guayana", in Architectural Design, Vol. XXXIX, No.8, London, 1969.
- Rodwin, L.L., "Ciudad Guayana: a New City", in Scientific American, Vol. 213, No.3, 1965.
- Sociedad Interamericana de Planificación (SIAP), Políticas del Estado en Materia de Vivienda en América Latina, Vol. II, Bogotá, Colombia, SIAP, 1977.
- Turner, J., Asentamientos urbanos no regulados. Cuadernos de la Sociedad Venezolana de Planificación, No.36, Caracas, Venezuela, 1966.

#### Chile

- Ministerio de Vivienda y Urbanismo (MINVU), Folleto Descriptivo de CORMU, Santiago, Chile, 1968.
- , Análisis y programas de atención a urbanizaciones marginales, Santiago, Chile, 1968.
- , Informe preliminar sobre funciones, organización e instrumentos para la planificación del desarrollo urbano, Santiago, Chile, 1966.
- , Planificación en vivienda y urbanismo, Santiago, Chile, 1969.
- MINVU-Dirección de Planificación del Desarrollo Urbano (DPDU), Anteproyecto de un sistema administrativo para el desarrollo urbano-metropolitano de Santiago, Santiago, Chile, 1968.
- , Organización para el programa de desarrollo urbano del área metropolitana de Santiago, Santiago, Chile, 1968.

- , Planificación del desarrollo urbano chileno: un proceso de transición,  
Santiago, Chile, 1970.
- , Prehipótesis de estructuración y crecimiento para el área metropolitana de  
Santiago, Santiago, Chile, 1969.
- MINVU-Corporación de Mejoramiento Urbano (CORMU), Remodelación San Borja, Santiago,  
Chile, 1970.

