

**POLICY RECOMMENDATION**

# System-wide Reform

**All or Nothing: Coordinated Policy to Enable Development  
Housing at Scale**

**Author :** Dr Patrick Lamson-Hall

**COMMONWEALTH  
SUSTAINABLE CITIES  
COALITION**

 **UK International  
Development**  
Partnership | Progress | Prosperity

**The Commonwealth Sustainable Cities Coalition is an initiative led by the members of the Commonwealth Sustainable Cities Initiative working in collaboration with The King's Foundation.**

---



The Association  
of Commonwealth  
Universities



**COMMONWEALTH  
ASSOCIATION  
OF ARCHITECTS**



Commonwealth Association of Planners



**Commonwealth  
Engineers' Council**



**COMMONWEALTH  
LOCAL GOVERNMENT FORUM**



**THE  
KING'S  
FOUNDATION**

# Contents

<b>Executive Summary</b>	<b>2</b>
<b>Policy Problem</b>	<b>3</b>
<b>Objective</b>	<b>4</b>
<b>Recommendations</b>	<b>4</b>
<b>Rationale</b>	<b>6</b>
<b>Expected Outcomes</b>	<b>7</b>
<b>Short-term outcomes</b>	<b>7</b>
<b>Medium- to long-term outcomes</b>	<b>7</b>
<b>Implementation Considerations</b>	<b>8</b>
<b>1. Institutions</b>	<b>8</b>
<b>2. Financing</b>	<b>8</b>
<b>3. Risks and mitigation</b>	<b>8</b>
<b>Monitoring</b>	<b>9</b>
<b>Call to Action</b>	<b>10</b>



**Bia West District, Ghana.** Kingsley Assiamah-Danti/iStock

This paper argues that housing delivery at scale requires coordinated reform across four interconnected domains: housing, land-use planning, infrastructure, and finance. Fragmented policy produces fragmented outcomes. Drawing on evidence from Bahir Dar, Ethiopia, it demonstrates how aligning these levers can reduce land, construction, and capital costs simultaneously; unlocking development housing that is affordable, well-located, and scalable across Commonwealth cities.

## **Executive Summary**

The delivery of decent housing in sufficient quantities and correct locations is foundational to inclusive, prosperous societies. Yet across the Commonwealth, fragmented policy approaches—housing, planning, infrastructure, and finance operating in silos—prevent delivery of development housing at scale. This recommendation proposes coordinated reform across all four domains to reduce the three major cost centres of housing (land, construction, capital) while facilitating formalization of informal production. Evidence from Bahir Dar, Ethiopia demonstrates that coordinated policy can dramatically increase formal housing production even in contexts of rapid urban growth.

## Policy Problem

In many wealthy Commonwealth countries, the supply of new housing in desirable locations is dramatically below the rate of new household formation, causing prices to spiral endlessly upward. Housing is increasingly out of reach even for working adults. In rapidly urbanizing Commonwealth countries, new housing is often well-matched to population growth and affordable to almost the entire population, but the quality is extremely poor in terms of construction and amenities, and homes often lack basic services, tenure security, or safety from natural disasters.

Housing reformers often inadvertently respond to the crisis by attempting to throw the baby out with the bathwater, one way or another—either by declaring price levels so unsustainably high that we should accept rent caps and regulation (inviting the risk of a supply collapse and the need for endless public subsidies), or by declaring poor quality homes to be worse than no home at all and attempting prohibitions and demolitions on incremental, self-built homes. These efforts are self-defeating: house prices are determined by supply and demand, and high prices can only permanently be solved by addressing the factors that lead them to be high in the first place. Furthermore, housing quality must be aligned with the willingness and ability of people to pay, or risk creating an unsustainable fiscal burden.

The fundamental problem is lack of coordination. Housing policy fails without adequate land supply. Urban planning produces paper plans without infrastructure investment. Infrastructure sits unused without housing policy formalization. And finance gets misallocated without coordination across the other three domains. Current approaches are insufficient because they fail to recognize that housing delivery requires simultaneous, coordinated action across all four policy realms.

Who is affected? Millions of low and middle-income households across the Commonwealth who cannot access decent housing in locations offering livelihood opportunities. In wealthy countries, working families are priced out of homeownership or forced into endless rent escalation. In rapidly urbanizing countries, households settle in ramshackle homes in squalid communities—a "housing first" strategy that allows people to gain a foothold in urban areas (a critical step on their journey toward greater education, health, and incomes) but at the near-term cost of substandard conditions.



## Objective

The objective is to enable the delivery of "development housing" at scale. Housing should be of decent quality (a term that must be defined differently in different social and economic contexts), well-located with regard to livelihoods and services (much simpler—homes must be within a 1-hour commute of the majority of livelihood opportunities within a metropolitan area), and affordable to a large enough share of the population that a mix of downward filtering of older homes and public construction of subsidized homes can eventually provide housing to all the people at the bottom of the market (roughly 60% of households). When affordable housing is linked to transportation and employment, a virtuous cycle of urbanization can support rising incomes and local and national prosperity.

## Recommendations

1. Home building has three cost centres that should be the area of focus—buildable urban land in a good location, the home itself (labour and materials), and capital for construction and home purchase. Production of development housing at scale requires an all-of-government effort to reduce all three costs at a society-wide scale, generally by increasing the supply. Four general policy realms are concerned: Housing policy must reduce the cost of building as much as possible, and, where costs cannot be reduced, allow them to be amortized. Housing policy must aim to bring as much housing production activity as possible from the informal sector into the formal sector by relaxing standards around home size, materials, required amenities, and minimum number of bedrooms or bathrooms—such rules must be brought in line with what the mass market can afford and is capable of administratively, encouraging a range of typologies. Tenure security and formalization will accelerate home upgrading by giving owners a guarantee that they can retain investments they make in their home and allows them to amortize the cost of amenities. Of equal or greater importance is the legalization of incremental construction and self-building, techniques that let households further amortize the cost of construction, but also begin living in and using their home before it is "finished," encouraging steady improvements. Finally, the rules to become a builder must be simplified, and issues around insurance and liability should be clarified, so that small builders can also operate more easily in the formal sector, facilitating competition in the finished-home sector to drive down costs.
2. Urban planning policy must reduce the cost of land as much as possible by increasing the supply via zoning and land use changes and transportation improvements, to keep the share of land in the cost of housing as low as possible. Cities benefit from long-term urban plans that accurately consider the future demand for urban land, giving predictability and stability to the land market by reducing pressure to speculate or withhold supply. Transportation improvements linked to the plan will be needed to incorporate new peripheral and rural areas, ensuring that the new urban land is well-connected and well-located. Urban planning policy must also eliminate or relax regulations that reduce densities or require excessive consumption of land, such as minimum plot size, setbacks, FAR/FSI, and building height rules, to ensure that urban land is intensively used. Urban planning policy must also relax rules about what activities are legally permitted on urban land (via zoning and land use changes) to open up more land for housing and to make large-scale building projects more economically viable, to give households the option to defray the costs of home ownership by operating home businesses, to support the formalization goals of the housing policy, and to facilitate mixed-use development.

3. Public goods policy must make that land buildable by furnishing it with the minimum necessary infrastructure and services needed to attract settlement. The near-term goal of public goods provision is simply to ensure that land which is notionally opened for settlement by urban planning policy is, in fact, suitable for settlement by low and middle-income urbanites who depend on the public sector to meet their basic needs for education, health, and basic infrastructure. Growth can be drawn away from high-risk and unsuitable areas if infrastructure is provided in sufficient quantity in suitable areas. Infrastructure and services can be upgraded and added to over time in response to changes in demand, but the key priority is to provide basic services at a scale that matches the demand for urban land. Public goods investments are also needed to ensure that metropolitan-scale transportation infrastructure (such as arterial roads) are constructed in a timely fashion and aligned with future growth areas as designated in the urban plan, to ensure that the land supply is sufficient and predictable. When basic services and connectivity are provided to new planned areas of growth, it will create a powerful impetus to formalize, supporting the goals of the housing policy.
  
4. Finance and fiscal policy must gather resources in order to pay for the public goods and increase the provision of loans for home purchase and construction. Finance and fiscal policy are two different branches of the same tree, which serves to stimulate and facilitate private sector investment and public sector investment. Public investment is needed in the public goods that increase the supply of urban land to facilitate the construction of new housing in the near-term via the current system of self-building, incremental building, and small-builders. Fiscal policy has to align with the proposed housing policy to ensure that resources are available in a timely manner to build and maintain necessary infrastructure, in particular the transportation and bulk infrastructure such as water. The urbanization of new land produces a considerable land value uplift that can be captured via taxation, fees, or investment, but infrastructure must be built before the land value uplift can be captured, and so public sector financing is needed to resolve the cash flow issue. Eventually, the emergence of a formal, regulated building sector that produces mass housing at scale will require construction finance and mortgage finance, typically provided by private institutions but often with government guarantees to reduce costs. Formalization of the housing market and a reduction in housing costs can support the emergence of a robust residential mortgage market by increasing the asset base and broadening the pool of potential customers.

## Rationale

Most new homes in the faster-urbanizing Commonwealth countries are produced informally by small builders or are self-built in unplanned settlements, with the anticipation of incremental improvements over time as resources allow—exactly as most homes have been built for most of human history. This "housing first" strategy allows people to gain or retain a foothold in an urban area, but it comes at the near-term cost of creating temporarily ramshackle homes in squalid communities. Can this be stopped or reversed in the near-term? Likely not. A pre-press study by UN Habitat found that at no point on record was a country experiencing an urbanization rate of greater than 3% per year able to reduce the population living in slums—and not for lack of trying.

Why can it not be stopped now? The rapidly urbanizing Commonwealth countries generally lack the institutional strength to prevent illegal settlement or the construction of substandard housing, and they lack the economic muscle or government capacity to provide an attractive alternative, so the goals of development housing (quality, location, and affordability) must be achieved gradually. Fortunately, policy decisions can accelerate the improvement of substandard housing and informal communities (termed in-situ upgrading) and also encourage the emergence of formal, regulated builders producing finished housing at scale.

To make the interactions between these policies clearer, we will look at a worked example of effective policy coordination in Bahir Dar, Ethiopia. Bahir Dar is a medium-sized city on the shore of Lake Tana that is adding almost 15,000 new residents a year, a 4.7% annual growth rate, equal to about 3,000 households. Although much of the newly developed housing in Bahir Dar is informal, the city has dramatically increased the share of formal housing in the past decade thanks to ambitious and coordinated policies at the national and local levels.

First, Bahir Dar decided to invest in the creation of an Urban Expansion Plan, with technical training from New York University and the national government, that allowed the city to anticipate the next thirty years of growth, and plan a network of arterial roads to make that land available in phases for urban development. The city government used the plan to identify two large urban expansion areas to be developed in the near term, and allocated funds from the municipal budget to extend transportation infrastructure into those areas. National policy allowed the city government to organize housing cooperative associations to engage in pooled savings for housing construction and infrastructure, bringing new homes within reach of members. Finance policy supported the cooperative schemes with additional contributions and also provided the city government with ample grant support for infrastructure construction via a World Bank performance-for-results program. The city was able to make its own determination about how to program those infrastructure funds and were able to invest in needed connective infrastructure in the new areas of growth.

The housing policy also allows for small plots and incremental construction, making it easier for households in the cooperative associations to get land and quickly build it, and reducing the cost of infrastructure per-household. A complementary housing policy that allows local governments to formalize the tenure of informal communities and provide them with basic services is also facilitating upgrading in other communities. Finally, the finance policy and housing policy provide clear tools that the city can use to capture the revenue from land sales and land development, making the process revenue-positive and incentivizing policymakers to undertake the activities.

Coordinated policy approaches in Ethiopia facilitated rapid municipal action in Bahir Dar to expand the supply of formal sector housing and improve the quality of other housing. Although the policies themselves were incomplete and imperfect when compared to an ideal scenario, an important lesson from Bahir Dar is that they were able to act quickly and at-scale—a much-needed mentality, given the speed of urban growth in many Commonwealth countries.

## Expected Outcomes

### Short-term outcomes

Increased formalization of existing informal settlements through secure tenure provision. Greater participation of small builders in the formal sector as regulatory barriers are simplified. Reduction in land speculation as urban expansion plans provide market predictability. Initial infrastructure investment in designated growth areas. Establishment of housing cooperative associations with pooled savings mechanisms for construction finance. These outcomes lay the groundwork for more substantial change but require 2-3 years to become clearly visible in housing production statistics.

### Medium- to long-term outcomes

Substantial increase in formal housing production at scale—targeting annual production rates that match or exceed household formation rates in growing urban areas. Expansion of well-serviced urban land supply measured in thousands of hectares. Reduction in housing costs relative to incomes, bringing development housing within reach of roughly 60% of urban households. Development of robust construction finance and mortgage markets as the formal sector demonstrates viability and profitability. Upgrading of previously informal settlements with improved infrastructure and services as residents invest in now-secure properties. Improved connectivity between housing locations and employment centres, ensuring homes are within 1-hour commutes. Increased government revenue from land value capture creating sustainable funding for ongoing infrastructure maintenance and expansion—making the process revenue-positive and creating a virtuous cycle.

# Implementation Considerations

## 1. Institutions

Coordination is the central institutional challenge. This requires active collaboration across housing authorities, urban planning departments, infrastructure ministries, and finance/treasury departments—agencies that often have competing priorities and little history of working together. Local governments need technical capacity for urban expansion planning, which may require external support from institutions such as New York University's Marron Institute, UN Habitat, or similar technical assistance providers. Housing cooperative associations need both a legal framework and organizational support to function effectively. Regulatory simplification requires legislative changes to building codes, zoning laws, and business registration procedures—a process that demands sustained political commitment and, frankly, champions willing to fight the inevitable bureaucratic resistance.

## 2. Financing

The central financing challenge is the cash flow problem: infrastructure must be built before the land value uplift can be captured. This requires upfront public financing. Potential sources include national budget allocations (often politically difficult to secure), performance-based grants from development institutions such as the World Bank or African Development Bank, municipal bonds backed by anticipated land value gains (requiring creditworthy municipalities and developed capital markets), or public-private partnerships for specific infrastructure projects (though these introduce their own complexities). Housing cooperatives require initial capital support—relatively modest sums that can catalyze substantial private savings mobilization. Construction finance and mortgages will develop through the private sector as the formal market matures and demonstrates profitability, but may require government guarantees to reduce initial costs and risks.

## 3. Risks and mitigation

Several operational risks merit attention. Infrastructure investment may fail to attract settlement if planning is disconnected from actual demand patterns—mitigation requires robust demand forecasting and community consultation in the expansion planning process, not just technical exercises. Relaxed building standards may enable genuinely unsafe construction—mitigation focuses regulatory attention on essential safety requirements (structural integrity, fire safety, egress) while eliminating unnecessary restrictions on aesthetics, plot size, or amenity levels, recognizing that incremental upgrading over time is a feature, not a bug, of this approach. Land value capture may prove insufficient or delayed relative to projections—mitigation requires conservative revenue projections, careful sequencing of infrastructure investment, and clear value capture mechanisms (land sales, betterment levies, property taxes) established before infrastructure construction begins. Coordination failure across agencies is perhaps the most serious risk and also the hardest to mitigate—it demands establishing a high-level coordination body with genuine authority to align policies and resolve conflicts, not just a talking shop.

## Monitoring

**Key indicators:** Number of households receiving secure tenure in formalized settlements (annual). Number of housing units approved and constructed through formal sector (annual, disaggregated by builder type). Area of new urban land opened for development (hectares, annual). Kilometers of infrastructure (roads, water, sanitation, electricity) constructed in expansion areas (annual). Land prices in new development areas relative to established areas (quarterly). Number of registered small builders operating formally (annual). Volume of housing cooperative savings and loans (annual, in local currency). Housing cost-to-income ratio for households at the 40th and 60th percentiles (annual). Percentage of new housing meeting basic service standards (annual). Government revenue from land value capture (annual, disaggregated by source).

**Reporting responsibility:** The national housing authority coordinates overall reporting with inputs from local governments, planning departments, and infrastructure ministries. Local governments report quarterly on formalization progress, construction permits issued, and infrastructure delivery in their jurisdictions. The finance ministry tracks fiscal allocations and land value capture revenue to assess financial sustainability. An annual consolidated report should be prepared and made publicly available to ensure transparency and enable course correction.

**Review timeframe:** Quarterly monitoring of infrastructure construction progress and formal sector housing activity allows for rapid identification of implementation bottlenecks. Annual comprehensive reviews of housing production volumes, formalization progress, land supply expansion, and cost trends provide strategic oversight and opportunity for policy adjustments. Every five years, a major strategic review should assess overall policy effectiveness, evaluate whether the coordination mechanisms are working, and provide an opportunity to adjust urban expansion plans based on observed patterns of growth and development—recognizing that plans must be living documents, not static blueprints.

## Call to Action

Production of development housing at scale is unlikely to emerge in the absence of enabling housing policy, urban policy, public goods policy, and fiscal policy. Housing policy, in the absence of enabling urban policy, public goods policy, and fiscal policy, will struggle to produce results on the ground. Urban policy, in the absence of enabling housing policy, public goods policy, and fiscal policy, will also struggle to produce formal housing at scale. But properly coordinated, the policies stimulate and facilitate private sector investment and public sector investment, leading to much better housing outcomes, even in the context of very rapid urban growth.

Commonwealth governments should immediately establish high-level interagency coordination bodies with genuine authority to align housing, planning, infrastructure, and finance policies—not advisory committees, but bodies with decision-making power. National governments should commit to developing or updating urban expansion plans for major cities, seeking technical support where local capacity is limited. Legislative reforms to relax building standards, simplify builder registration, and enable secure tenure should be prioritized in the next legislative cycle—these are not technically complex reforms, but they require political will to overcome vested interests and bureaucratic inertia.

Initial infrastructure investments in identified growth areas should be programmed with dedicated fiscal allocations, recognizing that these must precede land value capture. Housing cooperative frameworks should be established with startup capital support—modest investments that can catalyze substantial private savings mobilization. The time to act is now. Urban populations in Commonwealth countries are growing rapidly, and delay simply means more households settling in informal conditions that will be harder and more expensive to upgrade later.

The title of this recommendation—"All or Nothing"—is not hyperbole. These policies must be pursued together to be effective. Partial implementation produces partial results at best, and policy failure at worst. The choice facing Commonwealth governments is whether to pursue coordinated, ambitious reform that matches the scale of the challenge, or to continue with fragmented approaches that have demonstrably failed to deliver development housing at scale. The evidence from Bahir Dar and elsewhere is clear: coordination works, and it works even in challenging contexts. What is required now is the political commitment to act.



**COMMONWEALTH  
SUSTAINABLE CITIES  
COALITION**