

PRO-POOR HOUSING

Issues we know, Answers we need

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Issues we know:

- An essential part of political sloganism
- “Housing for all”, “Slums Free Cities”, “Maang Raha hai har Insaan-Roti, Kapra, aur Makan”, and so on.....
- In some countries delivery is SOME, and in most it is NONE
- It is a common issue of the region, needing sharing of experience and knowledge
- Each country in the region has its own geo-socio-economic parameters, from Afghanistan to Indonesia, all facing a common issue of “shelter less poor”, so regional successful models would need indigenization

South Asia: Population Trends

	Total Population (mn) 2007	Population Growth % 2007-2015	Urban Population (mn) 2007	Urban Population % of Total	Urbanization Growth %	GDP Growth Rate % 2000-07
India	1,125	1.3	329	29	2.5	7.8
Pakistan	162	2.1	58	36	3.3	5.6
Sri Lanka	20	0.3	3	15	0.2	5.3
Thailand	64	0.5	21	33	1.6	5.3
Mongolia	26	1.0	1.5	57	1.3	7.5
Indonesia	225	1.0	113	50	4.3	5.1
Bangladesh	158	1.6	42	27	3.7	5.7

The SA Region

- The SA Region represents one out of four persons and one out of two poor on the planet
- It is among the lowest in terms of Mortgage Finance (Average Mortgage Debt to GDP Ratio 3.3)
- Region is faced with massive housing shortage, Indian Urban Housing shortage 25 million plus
- Nearly the entire urban shortage is in Economically Weaker and Poor sections
- Persons per Room Density in India/Pakistan is 3.5. EU is 1.1, USA is 0.5

Where the urban Poor Live

- Hiding behind higher persons/room density, and living in slums
- In some cases homeless poor live on footpaths, and even in abandoned sewerage pipes,
- A slum household is defined as a group of individuals living under the same roof lacking **one or more** of the following conditions:
“**access to improved water; access to improved sanitation facilities; sufficient living area (not more than three people sharing the same room); structural quality and durability of dwellings; and security of tenure**”
- **Slums**, Shanty Towns, Jhopar Patti, Jhuggi, Basti, Katchi Abadi, Squatter Settlements, legal/illegal habitat, and you name it
- Nearly 50% of major metropolitans in the regions are slums
- Two prong approach would be needed: slums improvement programs and rehabilitation programs

Slums Prevalence in SA

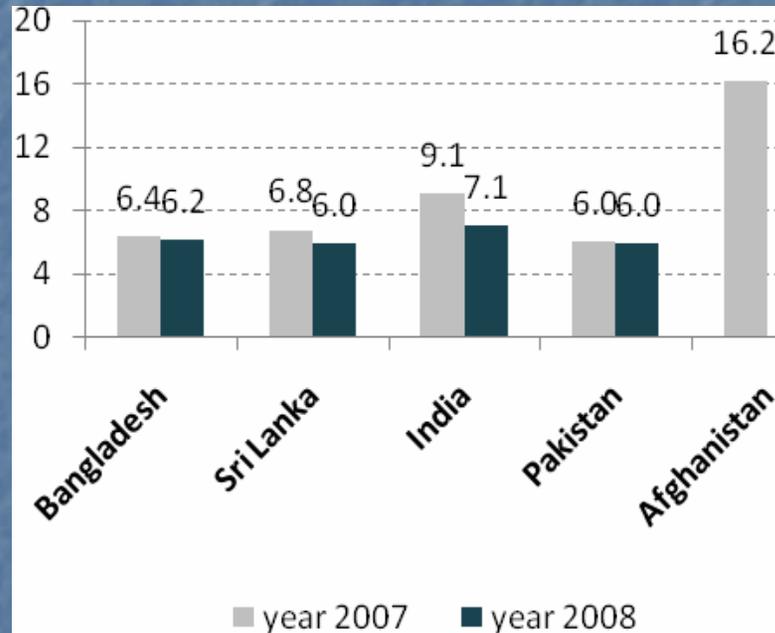
- **Afghanistan:** 80 percent of the Kabul population (2.44 million) live in slums, damaged or destroyed housing
- **Bangladesh:** 2,100 slums; more than 2 million people in Dhaka live either in slums or are without any proper shelter
- **India:** 52,000 slums holding 8 million urban households, representing about 14 percent of the total urban population.
- **Pakistan:** Karachi alone has between 600-800 slums, sheltering about 7.6 million (or 1 million households) out of the total city population of 15.1 million people
- **Sri Lanka:** A considerable share of the population of Sri Lanka lives in plantations, slums and shanties.
- **Mongolia:** 51% of the population is residing in temporary *ger* dwellings
- **Indonesia:** 17.2 million families live in approximately 10,000 slum areas

Urbanization Explosion

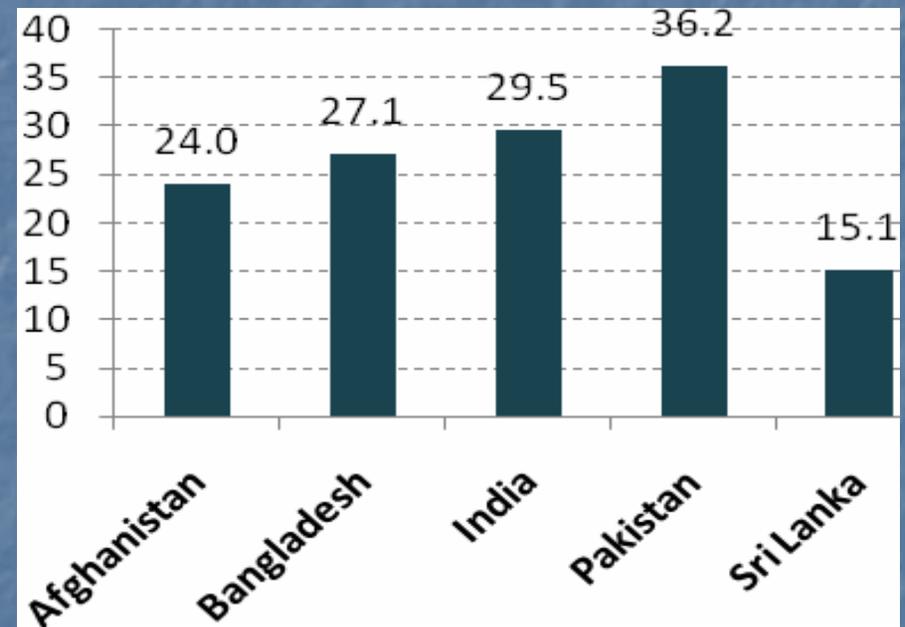
- World population is expected to reach between 7.9-10.9 billion by 2050
- By 2030 nearly 60% of the world population will be urban, and half of that will be urban poor, living in poor habitat and in slums
- Urban growth rates are highest in the developing world, which absorbs an average of 5 million new urban residents every month and is responsible for 95 per cent of the world's urban population growth
- Factors contributing to urban migration are: greater economic growth, rising income levels, employment opportunities in the cities, occupational shift from agriculture to manufacturing and services, and changing attitudes towards consumption and life style.
- Changing family culture and shrinking household size
- Slum population in India has increased from 26 million units in 1981 to 61.8 million units in 2001

Economic Growth and Urbanization

■ GDP Growth Rate



Urban population



Population explosion in cities

- In 1950, about 232 million people lived in urban areas, which represented about 17% of Asia's total population. In 2005, Asia's urban population had risen to 1.6 billion people, or about 40% of the region's total population.
- Half of Asia's total population will live in urban areas by the year 2025
- This means that by 2030, one out of every two urban residents in the world will be in Asia
- In **India**, as per census 2001, the total housing stock was 249 million units out of which 29% (72 million) were in urban areas. India today faces an Urban housing shortage of 25 million units.
- **Pakistan** faces an estimated 2.5 million urban housing shortage.

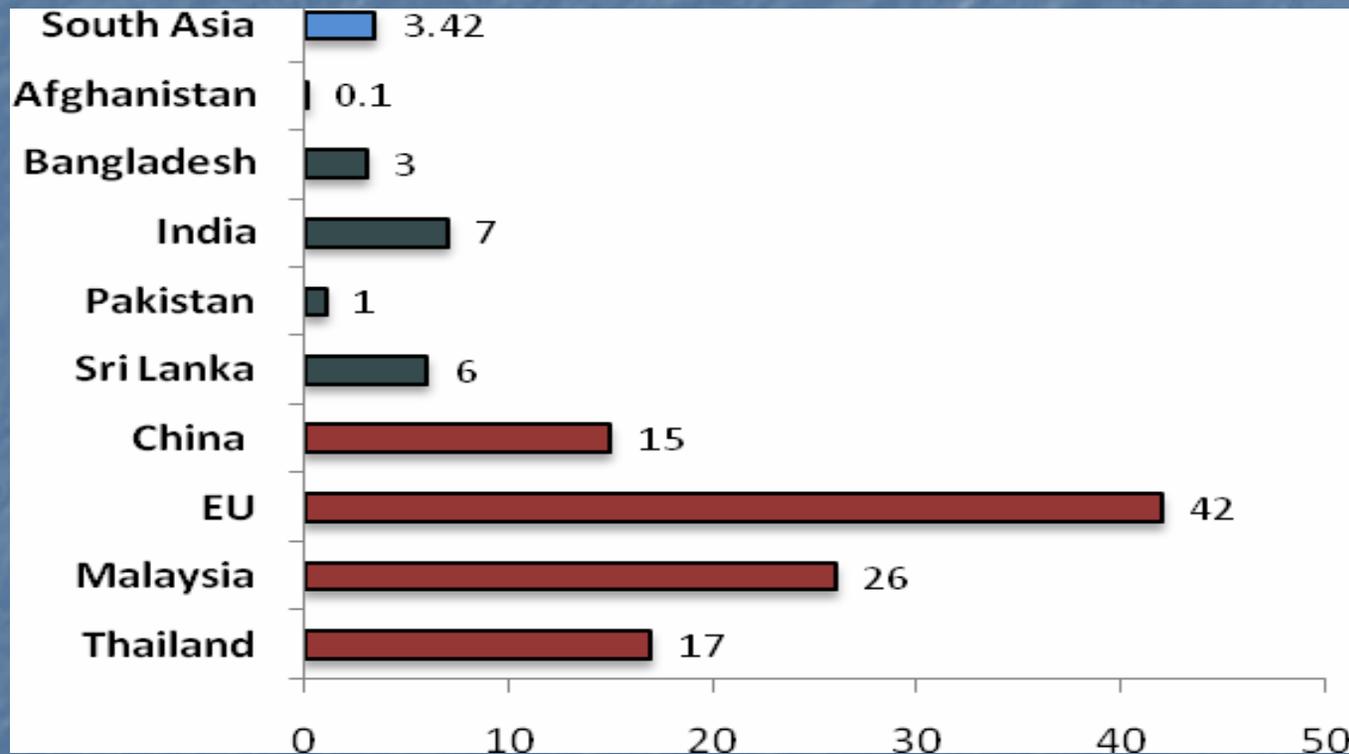
Nearly entire Urban Housing Shortage is in Economically Weaker Sections of society

Factors contributing to Urban Housing Shortage

- Urbanization Rates
- Population Growth rate
- Depletion of existing stock
- Changing size of persons per household (a cultural phenomenon)
- Cities growing in circles around inner circles, rather than developing new satellite towns
- Need to live close to place of work
- Failure in redefining city limits with progressive Master Plans (urban/rural rezoning)
- Land prices force poor into suburbs with no civic amenities, transport, utilities, while Slums in cities provide all that

Role of Formal Housing Finance

Housing Debt to GDP (percent)



Source: Financing Homes 2008

Housing Micro Finance

some innovative approaches

- **India:** Housing Microfinance Program of NHB supporting Micro Housing Finance Corporation and many such MFIs
- **Mongolia:** Ger area project sponsored by Japan Fund for Poverty Reduction (JFPR),
- **Sri Lanka:** Women's Bank program,
- **Thailand:** Baan Mankong program (....)
- **Indonesia:** Subsidized Home Mortgage Program (....)
- **Bangladesh:** Grameen Bank and Islamic Bank BD
- **Pakistan:** Micro-housing finance program of Tameer Bank, Kashaf Foundation, First Micro Finance bank etc
- **Afghanistan:** MISFA Program and First Micro Finance Bank

Pro-Poor Policy Initiatives and Programs

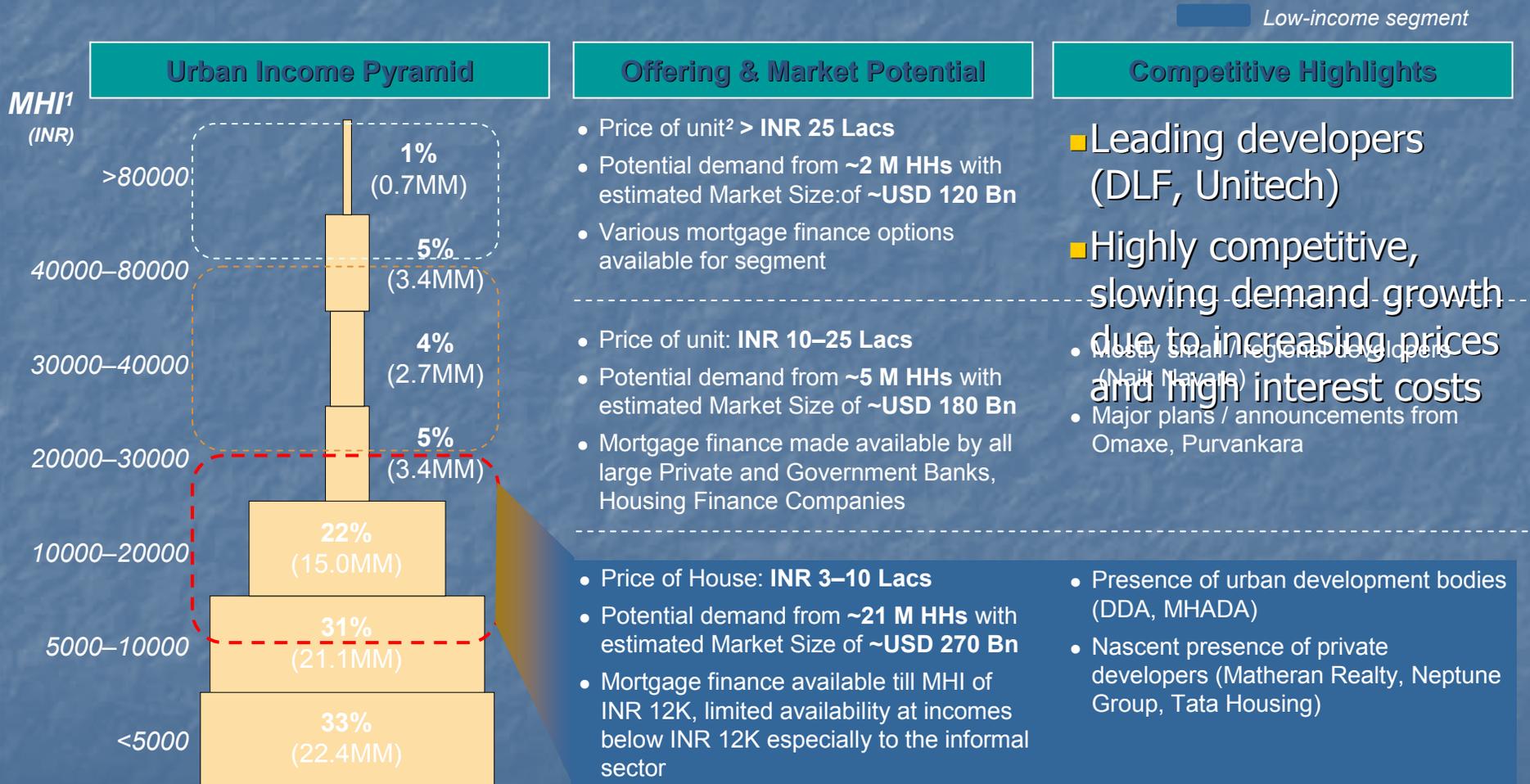
- India
- Indonesia
- Afghanistan
- Pakistan
- Thailand
- Bangladesh
- Sri Lanka

India: Policy interventions

- First National Housing Policy-1988 (revised in 1994 and 1998)
- National Urban Housing and Habitat Policy, 2007 with a focus on urban poor
- Policies and Programs through successive 5-year Plans
 - NHB as regulator for HFCs (1988), along with RBI for Banks
 - Housing being a State Subject, so centre/province coordination through provincial Housing Development Boards
 - Govt's realization in 1980s that Public Sector alone can not deliver, more so in social housing segment, and an active involvement of Private Sector is essential
- Approach Paper to 11th Five Year Plan: To provide serviced plots at affordable prices to EWS and LIG. (Population of UP State only is 160 mn (2001), equal to the population of Pakistan or Bangladesh)

India: Housing Continuum

The low-income housing segment in India, catering to households with monthly income of INR 7,000 – 24,000, is estimated at 21 Mn households and USD 270 Bn is largely underserved and uncontested



Note: ¹ Monthly Household Income; ² Affordability defined as households which have EMI / MHI Ratio of 40% of a Home loan which has a 20% down payment on an Home value, EMI level of INR 1,200 per Lac (at 12% interest for a 15 year loan)

Source: NHB Trends in Housing; CRIS Infac Report; Monitor Research

India: Pro-Poor Programs

■ **Special Missions:**

- Jawaharlal Nehru National Urban Renewal Mission (JNNURM) across 63 cities in the country
- Basic Services to the Urban Poor (BSUP) serves to provide a garland of 7 entitlements/services

■ **Special Schemes:**

- Subsidy Program for the poor and vulnerable groups like Indira Awas Yojana (IAY), *etc*
- Loan at below-market interest rate for housing and at normal rate for housing/ infrastructure through the National Housing Bank (NHB) and Housing and Urban Development Corporation (HUDCO)
- Interest Subsidy Scheme for Housing the Urban Poor (ISHUP).

India: Low Cost initiatives

- Four pilot projects for low income housing promoted by Monitor Group and NHB.
- Success of these pilots is already serving its purpose, visible through entry and success of developers and entrepreneurs in low income housing market
- TMC a Motheran Realty Project, Mumbai of 3000 units-Price range IRs 0.2-0.7 mn
- Value Budget Housing Development Corp (VBHDC) to build low cost homes across India-Price range IRs 0.3-0.9 mn
- TATAS 1300 flats (Phase-1) Mumbai. A 283 SqFt ,1BK flat IRs 0.39 mn
- Taral Bakeri 850 low income apartments in Ahmadabad
- Foliage Developers-low income housing project, Ahmadabad. 400 units, 1 BK to 1-2BHK, Price IRs 0.3-0.7 mn
- Santosh Associates low-income housing 418 flats, Ahmadabad
- HOMEX of Mexico is bringing its low cost housing expertise in India.

SAHF to encourage HOMEX style ventures between regional developers

Indonesia: Pro-Poor Initiatives

- Constitution of Indonesia stipulates that every citizen has a right to live in a decent and healthy house and environment
- National Movement for One Million Houses(2003), to provide affordable housing and to improve quality of living environment
- Subsidized Home Mortgage (KPR) for low income communities (1976)
- Ministry of Housing launched Sharia compatible KPR Sharia (KPRS) schemes in 2005

Afghanistan: Pro-Poor housing

- Afghanistan current population of around 25 million plus, which is likely to reach 37 million by 2015
- More than 80% of the people belong to Economically Weaker Sections, and thus a candidate for micro and low income housing and housing finance
- Informal settlements shelter 80% of the population and cover 69% of the residential land in Kabul. One-third have no titles, and an equal number have non-bankable titles
- Kabul population is 4.1 million. In Kabul most of the existing housing is either damaged or destroyed, and an estimated \$ 2.5 billion are needed for reconstruction/rehabilitation
- Potential demand for Housing Micro Finance is huge
- Two institutions are attempting to address this issue: MISFA, a donor supported initiative to promote microfinance in Afghanistan, and FMFB, an MFI in the private sector
- These initiatives are too meager for the size of problem
- Afghanistan needs technical and material support to address its low-cost and low-income housing issues

Afghanistan: Micro Finance

- Microfinance Investment Support Facility for Afghanistan (MISFA-2003) a donor supported program
- By 2009 it had a client base of 422,000, being served through 16 NGOs. Very small (2%) are home improvement loans
- MISFA's outreach covers 26 provinces. Nearly 60% of the clientele is women folk.
- The MISFA MF Program has an urban outreach of 72% and rural outreach of 28%
- First Micro Finance Bank (FMFB) started its operations in 2004,
- FMFB loan size ranges from \$200 to \$ 50,000. The average tenor of house improvement loans is 20 months.
- Major challenges in Pro-Poor housing are: absence of institutionalized Mortgage Finance, weak or no Titles, Income verification, foreclosure, Govt's economic constraints, etc
- All this calls for new and innovative low income housing solutions
- Afghanistan needs technical and execution support from regional countries having expertise in the area (Donors can not do it all)

Pakistan: Policy initiatives

- National Housing Policy-2001
- Central Bank's (SBP) pro-active role in promotion of housing finance
- 12 Point Program of Housing Advisory Group (HAG), with a focus on low income housing and housing finance
- Govt. Program of one million housing units(2008)
- State owned housing finance institution (HBFC) has a business focus on low and middle income housing finance
- Plan to set up pro-poor "Social Housing Bank"
- Pro-Poor Housing schemes by the Federal and Provincial Governments(small and slow)

Pakistan: Some statistics

- Population 160,000 million
- Population: 2/3rd rural, 1/3rd urban
- Major metropolitans:
Karachi, Lahore, Rawalpindi/Islamabad,
Peshawar, Hyderabad and Faisalabad
facing high rate of urbanization
- Karachi population 15 million, growing @ of 7-8%
- Nearly half of Karachi's population is in squatter settlements (600-800 squatter settlements)
- Karachi only needs 100,000 new housing units per year to meet natural growth, cover backlog & urbanization pressure

Pakistan: Housing Continuum



Mortgage Affordability
(Rupees in Million)

- Per Capita Income
- Minimum Wage Rate

Housing Market

Rs.5,000 per month
Rs.6,000 per month

Income Distribution

Housing Shortage *
(In Million)

Total existing backlog is estimated at 7.5 Million units. The shortage in various income segments is assumed in the same proportion, as per income distribution pattern. However, actual shortage is much higher in low income segments as opposed to higher income segments.

Pakistan: Low Cost Low Income Housing Schemes

- **Public Sector Projects**
 - Korangi Town Project, Surjani Town, Liyari Expressway Projects(3), Karachi.
- **Public-Private Partnership**
 - Al-Azam Apartments, Maymar Apartments, Khuda Ki Basti (KKB-1,2,3)
- **Pure Private Sector Initiatives**
 - Awami Villas, Rawalpindi
 - Heritage Homes, Lahore

Thailand

- Govt. of Thailand offers two major programs with different approaches:
- **Baan Eua-Arthorn (BEA) Program** of National Housing Authority
BEA is a community housing program enabling lower income households to have homeownership in new communities with social and personal security. The BEA program targets low income households
- **Baan Mankong (BMK) Program** of Community Organizations Development Institute (CODI)
The concept of BMK is not to tackle each slum's problem individually but to look at collective problems on a city-wide scale. At initial stages, low-income groups work closely with their local representatives/agencies. Once these city-wide plans are finalized and upgrading projects are selected, the Community Organizations Development Institute (CODI) channels infrastructure subsidies and housing loans directly to the communities

Bangladesh: Grameen Bank

- Established as a formal bank in 1983. Its 95% ownership is with its borrowers
- 100% loans financed from Bank's deposits
- Outreach: 2,554 branches, covering 84,237 villages
- Housing loans since 1984. Average loan size \$ 190, tenor 5 years, Interest 8%
- 671,412 houses financed with TK 8.8 Bn
- A large number of housing in BD is Huts (Chappar) or on Boats.
- Recovery rate is 98%.

Poor are good borrowers

Women Empowerment through Housing (Sri Lanka)

- **Sri Lanka's** Women's Bank is a cooperative society built, owned and operated by and for poor women.
- The Women's Bank in reviewing the housing conditions of its membership has found that most of them did not have a decent shelter to live in. They are used to construct their houses on incremental or progressive housing concept. The Women's Bank provides loans for home improvement. Recovery is 99%
- In India, a HFC provides concessional housing loans if house is owned by housewife or joint.
- Pakistan's HBFC experience suggests that where housewife is a co-borrower, default rate is much lower
- Bangladesh: Grameen's 97% borrowers are women

Lessons Learned

- Low Cost Housing Schemes (LCHS) under Private-Public Partnership (PPP) were better managed and more sustainable
- Pure Public Sector Schemes were both used and abused
- Large Scale Builders & their Associations have an important role to play
- LCHC should be equipped with essential services and infrastructure at the planning stage
- Transparent identification and screening of beneficiaries
- In-built barriers to prevent speculators

Lessons Learned (contd.)

- Transport, Utilities, Schooling and Health are key elements of success
- NGOs play a key role In micro-housing schemes
- Alternate security (e.g., Group assurance)
- Ownership transfer be tied to the owner living in that house for certain period
- Cross-subsidy models are a further help
- Built-in Smart Subsidies. Manage abuse
- One-fourth of World's population lives without electricity. We need to link Pro-Poor Housing solutions with Alternate Energy Programs like "Solar for Social Housing"

Way Forward

South Asia-Pacific Housing Forum

- Physical (Conferences/Workshops) and Virtual (Web-based service) knowledge sharing
- Each country has unique approaches and specific experiences to offer
- Intra regional direct assistance programs
- Regional platform for Capacity Building
- SAHF needs technical and financial support of multilateral agencies
- SAHF main focus to be 'Affordable Housing for all'
- UNESCAP's "Pro-Poor Housing' initiative is commendable

Coordination between the two Programs will serve the sacred mission of Pro-Poor housing through Asia-Pacific Housing Forum

PRO POOR HOUSING....

An idea whose time has come

Thank You

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