

Housing and Housing Finance

Challenges and Opportunities

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HOUSING FINANCE

A NEW HORIZON FOR DFIS

A REVIEW OF SOME ASIA-PACIFIC
COUNTRIES

Issues we know

- 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**
- Increasing Backlog
- Each country facing a common issue of “shelter less poor”,
- Regional successful models need **INDIGENIZATION**

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 importance of SA Region

- SA Region represents 1 of 4 persons and 1 of 2 poor on the Planet
- Lowest in terms of Mortgage Finance
 - Average Mortgage Debt to GDP Ratio 3.3
- Massive housing shortage in Region
 - Indian Urban Housing shortage 25 million plus
- Nearly entire urban shortage in Economically Weaker and Poor sections
- Persons per Room Density:
 - India/Pakistan is 3.5
 - EU is 1.1
 - USA is 0.5

Where Urban Poor Live

- Persons/Room density
- Footpaths
- Abandoned Sewerage Pipes
- Slums:
 - Shanty Towns
 - Jhopar Patti
 - Jhuggi, Basti
 - Katchi Abadi
 - Squatter Settlements
 - Legal/Illegal habitat
- 50% of major metropolitans are slums



TWO PRONG APPROACH NEEDED

“Slums Improvement Programs” and “Rehabilitation Programs”

Slums Prevalence

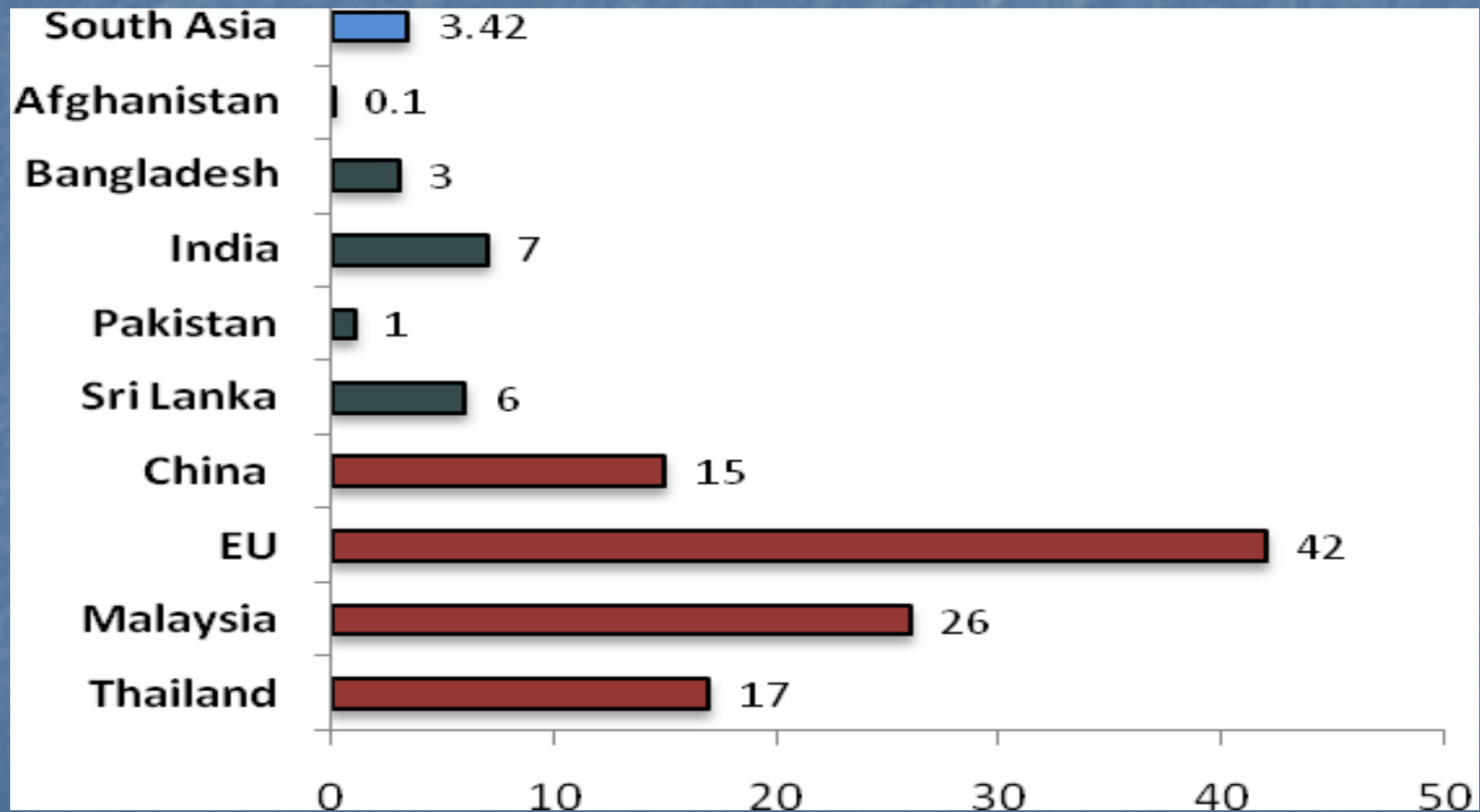
- **Afghanistan:** Kabul - 80% (2.44 mn)
- **Bangladesh:** Dhaka - 2,100 slums; more than 2 mn people
- **India:** 52,000 slums holding 8 mn urban households
- **Pakistan:** Karachi - 600-800 slums (7.6 mn or 1 mn households)
- **Sri Lanka:** Plantations, Slums and Shanties.
- **Indonesia:** 17.2 mn in 10,000 slum areas
- **Mongolia:** 51% in temporary "*ger*" dwellings

A Traditional GER Dwelling



Role of Formal Housing Finance

Housing Debt to GDP (percent)



Source: Financing Homes 2008

Importance of Housing

- Contributes towards:
 - Overall Economic Growth
 - Social Uplift
 - Employment
- Deepens, Broadens and Stabilizes the Financial Sector
- Accounts for 75-90% of household wealth in emerging market countries
- Increases National Savings and Investment, and contributes towards Poverty Reduction
- 15-40% of Monthly Household Expenditure Worldwide

Importance of Housing (cont.)

- South Asia
 - 40-50 industries directly linked with Housing Construction
- Construction and related sectors
 - 9% percent of the labor force worldwide
- Housing Investment
 - 15-35% of aggregate investment
- Mortgage Debt
 - 30% of GDP worldwide
 - Only 3.42% in South Asia

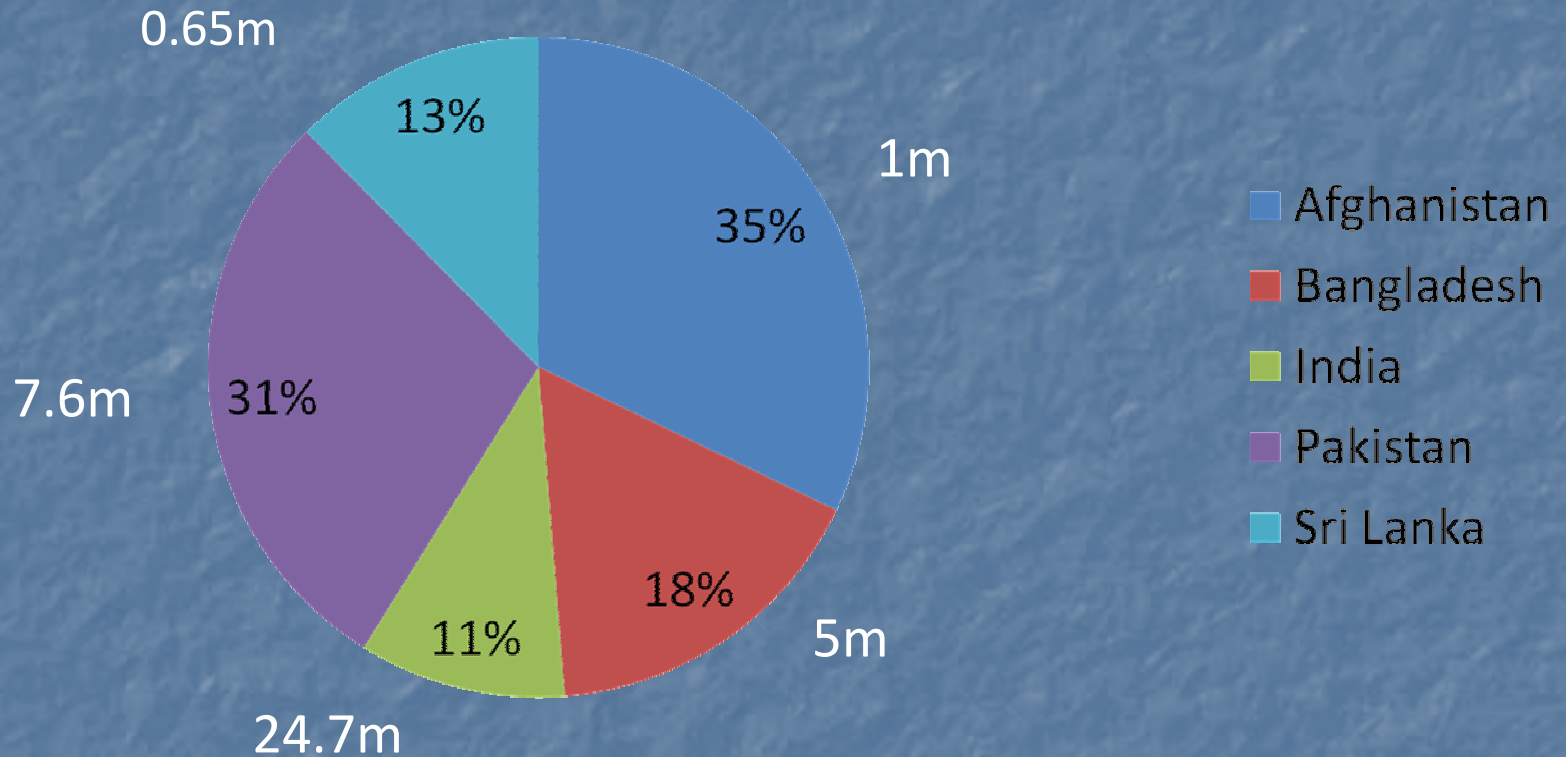
Growth potential of Housing Finance

- The world population is expected to reach 7.9 - 10.9 billion by 2050. Within the next two decades, 60% of the world's people will reside in urban areas.
- Rapid economic growth in the region, coupled with significant population increases and growing urbanization trends makes for a considerable potential for housing and housing finance growth.
- Household size is shrinking, and a significant middle class will be forming in the coming decades, mostly composed of young people who are eager to have their own, albeit modest, home.
- The averse attitudes to debt are changing, particularly for home ownership.
- These developments are propitious to a scaled-up outreach of housing and housing finance markets.
- And private sector lending for housing would free scarce government resources for other social and economic needs.

Estimates of the growth potential

- Difficult to make precise estimates of the growth potential of the housing and housing finance sectors in the region. Some tentative projections:
 - Afghanistan: \$2.5 billion investment (\$276 million a year financing needs) in Kabul's informal housing sector alone.
 - Bangladesh: 3.5 million new rural houses required, and about 1.9-3 million dwellings require incremental construction and repair.
 - India: US \$108 billion investment up to 2012.
 - Pakistan: US\$5.6 billion investment for 2009 alone (US\$2 billion or 1.26% of GDP financing need) for 470,000 housing units.
 - Sri Lanka: up to US\$8.8 billion financing needs by 2020.

A shortage of over 38 million housing units in South Asia region only



Estimated 212.5 mn homeless in SA – 14% of 1.5 billion total population

Total Mortgage Balances Outstanding and Market Shares, by country

Country	Bank Mortgage Financing	State Specialized Mortgage Financing	Private Specialized Mortgage Financing	Islamic Mortgage Financing
Afghanistan	100% (a)	0%	0%	included in (a)
Bangladesh (Tk. 142.4 bn)	64%	17%	12%	7%
India (IRs. 3,970 bn)	66% (b)	4%	30%	included in (b)
Pakistan (Rs. 89.9 bn)	76%	13%	0%	11%
Sri Lanka (Rs. 181 bn)	75%	25%	0%	0%

Source: Paper presented by Tatiana Nenova, Sr. Economist, World Bank, at SAPH-Forum Conference in Delhi, Jan 19-22, 2010

Housing Micro Finance Innovative Approaches

- **India:** Housing Microfinance Program of NHB
- **Mongolia:** *Ger* area project sponsored by 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
 - First Micro Finance Bank

Women Empowerment through Housing

- **Sri Lanka:**
 - Women's Bank is a cooperative society built
 - Owned and Operated by and for poor women
 - Most did not have decent shelter
 - Houses constructed on incremental or progressive housing
 - Loans for home improvement
 - Recovery is 99%
- **India:** HFC provides concessions on housing loans if house is owned by housewife or joint
- **Pakistan:** HBFC experience suggests that where housewife is a co-borrower, default rate is much lower
- **Bangladesh:**
 - Grameen's 97% borrowers are women
 - Default rate is less than 2%

Way Forward

South Asia-Pacific Housing Forum

- Knowledge Sharing
- Each country has unique approaches and 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 SAPH-Forum Program, UNESCAP Pro-Poor Housing Initiative, and ADFIAP will serve the sacred mission of Pro-Poor and Affordable housing in the region.

**ISSUES WE KNOW...
ANSWERS WE NEED**

PRO POOR HOUSING....

An idea whose time has come

Thank You

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