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HS Number: HS/075/11E

ISBN Number (Series): 978-92-1-131938-5 ISBN Number (Volume): 978-92-1-132369-6

Design and Layout: Gideon Mureithi/UNON

Printing: UNON, Publishing Services Section, Nairobi,

ISO 14001:2004-certified.



Volume 2

ACKNOWLEDGEMENTS

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Design and Layout: Gideon Mureithi/UNON

Printing: UNON, Publishing Services Section, Nairobi, ISO 14001:2004-certified.

ADEQUATE HOUSING SERIES

In the vast majority of countries access to affordable land and housing is a critical contemporary challenge. While in different countries and regions the specificities of the challenge vary, the universal truism is that it is becoming increasing difficult for the vast majority of urban residents to obtain and retain adequate and affordable land and housing.

The first four volumes in the Adequate Housing Series canvas the state of affordable land and housing in four regions facing major affordability difficulties: Latin America and the Caribbean, Asia, Africa, and Europe and North America (member countries of the United Nations Economic Commission for Europe).

Each volume firstly explores the major trends in housing conditions, availability, quality and tenure modalities. Following this, each volume analyses housing policy responses to address growing affordability problems and the improvement of substandard housing conditions. Lastly, key recommendations for local, national and international policy initiatives that can increase the provision of affordable housing in the respective regions is provided.

This flagship series is coordinated and produced by the Housing Policy Section of UN-HABITAT and to date the following volumes have been published:

Volume 1:	Latin America and the Caribbean	*
Volume 2:	Asia	e e
Volume 3:	Africa	•
Volume 4:	Europe and North America	

FOREWORD

The first four volumes in the Adequate Housing series respond to the urgent need for a global assessment of the state of land and housing. While countless studies, research projects, and reports have been undertaken on individual housing needs, projects, and programmes, no contemporary studies have compared and contrasted housing conditions, policies, and approaches on a regional or global scale.

This series fills this gap. The four volumes focus on the land and housing situation in four regions facing considerable challenges and affordability problems: Latin America and the Caribbean, Asia, Africa, and Europe and North America. They present a comparative documentation of the historical trajectory, major contemporary trends, and best practices in land and housing provision in each region.

Although the size and overall characteristics of the housing sector does vary markedly across these regions, and indeed their countries, common to all is the fact that obtaining and retaining housing that is adequate and affordable is a serious problem for a large proportion of the population.

Unfortunately housing affordability remains a challenge and it is worsening due to, among other factors, the economic effects of the global financial crisis and the increasing severity of disasters and conflicts, which both place an additional strain on already stretched land and housing resources. This series and its messages and recommendations are therefore timely.

These regional studies represent a significant step forward in investigating the state of the global housing challenge. A detailed examination and comparison of, as well as critical reflection on access to housing at the local, national and regional levels is the first and important step towards designing policies to improve access to

affordable housing opportunities and to bring solutions to scale. This will help in preventing city expansion on the basis of informal land development and informal housing supply. The four volumes represent a significant body of research, documentation, and critical review that I believe will be of value to those involved in the housing sector.

Dr. Joan Clos

Under-Secretary-General of the United Nations and

Executive Director, UN-HABITAT



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EXECUTIVE SUMMARY

The provision of affordable housing at scale remains a challenge to most countries, particularly those in the developing world and in transition. Currently, more than 1 billion people are living in slums. Over the next 25 years, more than 2 billion people will add to this growing demand for housing and basic infrastructure services. The situation is particularly serious in developing countries where governments at central, regional and local levels often lack the resources to adequately address this challenge.

The housing challenge is particularly evident in urban Asia. Although Asia is still predominantly rural, it is urbanising at the fastest rate in the world. Predictions suggest that between 2010 and 2050 the urban population in Asia will nearly double to reach 3.4 billion. Every day Asian cities will need to accommodate the 120,000 new residents, which equates to a daily housing demand of at least 20,000 housing units.

This report provides an overview of progress achieved in the provision of affordable housing in Asia. The central message is that affordable housing in Asia remains a serious and considerable challenge, especially for low-income households. Due to a lack of affordable and well-located housing alternatives, nearly a third of households in Asia live in slums and informal settlements. The presence and expansion of these is a physical manifestation of poorly functioning housing sectors, which do not provide a range of affordable housing alternatives, especially for low- and middle-income households.

Housing programmes, policies and institutional arrangements over the last sixty years have varied considerably throughout Asian countries. For example, some countries have sought direct government provision of 'social housing', others have supported the provision of urban land for private-sector-led development, whilst others have sought to upgrade existing informal settlements. In terms of scale, though, in the majority of Asian countries not enough has been

accomplished through housing programmes relative to the large and ever-growing housing demand.

This report highlights that access to affordable land is a principal barrier to increasing supply of affordable housing in Asia. Economic growth is pushing land prices up, especially well-located land in urban and inner-city areas. Low- and middle-income households are priced out of land markets in the vast majority of Asian cities. The lack of flexible housing finance for households also severely constrains affordable housing supply and effective demand. Formal housing finance mechanisms are, in general, inaccessible and unaffordable to low-, and many middleincome households. In countries where finance is available, down payment requirements and interest rates are high and loan periods are short, all of which limit the ability to secure formal housing finance.

While there are considerable challenges, this report also examines how countries in Asia have improved affordable land and housing supply. Several Asian countries have mearly achieved universal access to adequate housing through a range of policy interventions (for example Singapore). Likewise, although absolute numbers of slum dwellers have risen, the percentage of the urban population living in inadequate slum housing conditions in Asia has decreased over the last two decades. Furthermore, several Asian countries have been at the forefront of innovative slum upgrading projects and community savings and finance mechanisms that have increased access to, and the quality of housing for lowincome households. Many Asian countries are demonstrating that with strong political will and improved institutional capacity affordable housing can be provided, for example India and China which have robust national programmes that are showing evidence of affordable housing provision at a large scale.

vi EXECUTIVE SUMMARY

KEY MESSAGES

Asia is predominately rural yet it is urbanising at the fastest rate in the world. Every day for the coming decade Asian cities will need to accommodate 120,000 new residents, which will place additional pressure on affordable land and housing provision

In 1950 the urban population in Asia was 229 million, roughly comparable to all other regions. Within the space of sixty years, however, the population had grown seven-fold to over 1.7 billion in 2010. Asian cities have consistently been hubs of growth and expansion. Between 1950 and 2000 eight out of the world's ten fastest growing cities were in Asia: Tokyo, Mumbai, Dehli, Dhaka, Jakarta, Karachi, Seoul and Kolkata. Over half of the world's urban population currently lives in Asian cities.

These urbanisation trends are set to continue in the coming decades. Between 2010 and 2050 the urban population in Asia is predicted to nearly double to reach 3.4 billion. The rate and scale of urban growth in Asia is distinct to all other regions and such extensive change will continue to place pressure on the affordability of land and housing in the region.

One third of households in Asia live in slums and informal settlements, in large part due to a lack of affordable and well-located housing alternatives

Asia houses over half of all slum dwellers in the world. Asia is second only to Sub-Saharan African in terms of the percentage of urban population living in slums. The proportion of urban slum population living in slums is largest in Southern Asia (35.0 per cent) and lowest in Western Asia (24.6 per cent), with Eastern Asia (28.2 per cent) and South-Eastern Asia (31.0 per cent) between these two. Likewise, the proportion of slum dwellers is considerable in some Asian countries, for example Bangladesh (70.8 per cent) and Mongolia (57.9 per cent).

Affordable housing in Asia is a serious and considerable challenge, especially for lowincome households

The continued growth and expansion of cities has placed enormous strain on land and housing supply. The presence and expansion of urban slums and informal settlements is a physical manifestation of poorly functioning housing sectors, which do not provide a range of affordable housing alternatives, especially for low- and middle-income households. While Asia has experienced strong economic growth over the last three decades, the benefits of this growth have not been shared equally. Economic growth has increased the cost of key inputs to housing, particularly land and construction materials, which has made formal, market-produced housing prohibitively expensive for a vast proportion of the population in Asia.

The major housing challenge for the coming decades will be in Southern Asia

Southern Asia will have the fastest and most sustained growth in the coming decades, with its urban population predicted to more than double from 600 million in 2010 to 1.4 billion in 2050. This growth will stem from sustained natural population growth as well as rural to urban migration. Particularly alarming is Southern Asia's high levels of urban poverty, the highest in Asia, which will place further strain on households' ability of obtain, retain and maintain adequate housing. Increasing the supply and affordability of housing in South Asia is therefore an urgent challenge. It requires pro-active institutional and regulatory frameworks that can support housing delivery on a large scale, in turn reducing the effects of informal, unplanned housing that will result from such sizeable urbanisation.

Access to affordable land is a principal barrier to increasing supply of affordable housing The availability of land at affordable prices is fundamental to expanding the supply of affordable housing and limiting the growth of new slums. Land, however, remains a central constraint of increasing the supply of affordable housing in Asia. Economic growth is pushing up land prices, especially well-located land in urban and inner-city areas. In many cities in Asia land is largely privately owned which, as affordable housing is typically less profitable than high-income housing, makes affordable housing on such land difficult.

Low- and middle-income households are therefore priced out of land markets in the vast majority of Asian cities and have poor access to well-located land. There are increasingly fewer opportunities for low-income households to squat on unused public or private land, and where they do, evictions are common as private landowners seek to maximise profits through higher-density development. In countries where land is publicly owned, however, for example China and some cities in India, governments have been more successful in using their land for affordable housing through a variety of policy mechanisms.

The lack of flexible housing finance for households severely constrains affordable housing supply and effective demand Combined with land, the lack of housing finance is a major constraint in accessing adequate and affordable housing in Asia. Formal housing finance mechanisms are, in general, inaccessible and unaffordable to low-, and many middle-income households. In countries where finance is available, down payment requirements are high, as are interest rates, and loan periods are short, all of which limit the ability to secure formal housing finance.

Innovative housing microfinance and community funds, however, are improving finance access for many, especially women. The growth of these 'bottom up' approaches demonstrates the capacity and determination of vast numbers of urban poor to improve their financial stability and housing conditions. Governments in Asia can do much to support and 'scale-up' these approaches to harness the power inherent in community based organisations to direct housing improvement and supply.

viii KEY MESSAGES

Affordable housing supply and quality has improved in many parts of Asia over the last four decades

While there are considerable challenges, Asia also demonstrates the ability to address affordable land and housing supply. Several Asian countries, for example Singapore and Hong Kong, have more or less achieved universal access to adequate housing through a range of policy interventions. Likewise, although absolute numbers of slum dwellers have risen, the percentage of the urban population living in inadequate slum housing conditions in Asia has decreased over the last two decades. In recent years, several countries have improved the living conditions and affordability of housing for millions of people through concerted and targeted effort by the governments, for example in China where millions have become homeowners, average floor area has increased, and a range of programmes implemented that have improved housing affordability and widened housing access throughout the country.

Several Asian countries have been at the forefront of innovative slum upgrading projects In many respects, countries in Asia are leading the world in slum upgrading. Programmes such as the Kampung Improvement Programme in Indonesia and the Baan Mankong programme in Thailand demonstrate the opportunities to improve the environmental, social and economic dimensions of slums and informal settlements through engaging with a wide range of stakeholders. In many Asian countries the central actors are the slum dwellers themselves who have demonstrated a capacity to articulate their dwelling needs and priorities, develop upgrading proposals and plans, and manage and carry out upgrading work. Such slum upgrading programmes highlight the importance of scaling up from individual, one-off projects to national programmes which can address slum upgrading at the large scale that is required.

Many Asian countries are demonstrating that with strong political will and improved institutional capacity, affordable housing can be provided at scale. In particular, through national programmes, India and China are showing evidence of affordable housing at a large scale

There is some evidence of affordable housing available in Asia. In line with the recommendations of the Habitat Agenda, many governments in Asia are adopting and implementing policies and strategies aimed at making housing habitable, affordable and accessible. Access to adequate and affordable housing for all can conceivably be achieved if governments proactively implement supportive policies and strategies. However, doing so will, above all, require strong and consistent political will. The emerging economic powers of China and India have been more successful in reaching low- and middle-income households with affordable housing. Their national housing programmes, which are implemented at municipal level, have improved housing ownership and rental affordability through lowering housing cost and improving access to housing finance for a significant number of households for whom adequate housing would have otherwise been unaffordable.



ACRONYMS

BSUP (Indian) Basis Services to the Urban Poor CIS Commonwealth of Independent States

CBO Community Based Organisation

CLIFF Community-Led Infrastructure and Finance Facility
CMP (Philippine) Community Mortgage Programme

CPF (Singaporean) Central Provident Fund

CRH (Chinese) Cheap Rental Housing programme

DDA Delhi Development Authority
ECE Eastern and Central Europe

ECH (Chinese) Economical and Comfortable Housing programme

EU European Union

EWS Economically Weaker Section
GSS Global Shelter Strategy

HPF (Chinese) Housing Provident Fund

HUDCO (Indian) Housing and Urban Development Corporation

IBBL Islamic Bank of Bangladesh

IDP Internally/Internationally Displaced Person

IHSDP (Indian) Integrated Housing and Slum Development Programme

ILO International Labour Organisation

INR Indian Rupees

JNNURM Jawaharlal Nehru National Urban Renewal Mission

KIP Kampong Improvement Programme
LAC Latin America and the Caribbean

LGU Local Government Units
NHA National Housing Authority
SDI Shack/Slum Dwellers International

SEE South-Eastern Europe

SPARC Society for the Protection of Area Resource Centres

SSNS Samudaya Mirman Sahayak

TOKI (Turkish) National Housing Development Administration

UAE United Arab Emirates
UK United Kingdom
UN United Nations

UNITED United Nations Economic Commission for Europe
UN-HABITAT United Nations Human Settlements Programme

USA United States of America
USD United States Dollar

X ACRONYMS

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Rapid and sustained urban and population growth in Asia are fuelling the demand for welllocated, adequate and affordable housing. The scale of the challenge is immense: Asian cities receive 120,000 new dwellers every day which requires the construction of over 20,000 new houses.3

XİV PART ONE



PART ONE

INTRODUCTION

- AFFORDABLE

HOUSING IN THE

REGIONAL CONTEXT



1. INTRODUCTION – AFFORDABLE HOUSING IN THE REGIONAL CONTEXT

Access to adequate and affordable housing is a current and growing problem in a majority of countries in Asia. In some cases it is not that housing is too expensive but rather that incomes are too low. In other cases incomes are relatively high but housing supply and finance is limited and hence expensive. All over Asia households are forced to live in inadequate housing, mostly in slums and informal settlements, because there is an insufficient supply of better quality housing at a cost they can afford. Indeed, all too often, poor households spend an inordinate share of their incomes on housing. Consequently, many have to reduce expenditure on other basic needs, such as food, education and health, in order to meet housing needs.

Rapid and sustained urban and population growth in Asia are fuelling the demand for well-located, adequate and affordable housing. While the population in some Western and Eastern European cities is actually decreasing, not one Asian city is shrinking. 'Urbanization in Asia involves around 44 million people being added to the population in cities every year' which equates to a further 120,000 people per day added to the urban population.¹

This growth requires the construction of more than 20,000 new dwellings per day.²

Asia is also different to Africa and Latin America in that it has unmistakable precedents of countries that have solved their housing problems. Singapore and Hong Kong, for example, have successfully achieved more or less universal access to adequate housing through a range of policy interventions. Historically they too had slums and significant affordability issues, just as neighbouring countries such as Malaysia, Indonesia and the Philippines face today.

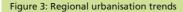
In light of the growing affordability problem this publication examines the status of affordable land and housing in Asian countries. It begins by introducing Asia and then briefly reviews historical housing trends and patterns that have shaped current housing policy and discourse. Following this the paper explores the status quo of affordable land and housing by outlining aspects such as housing needs, quality, tenure modalities, and affordability. Then, prominent aspects of housing affordability are explored, for example land supply, housing finance, government housing-delivery programmes, and slum upgrading initiatives. The publication ends by reviewing the lessons learnt and providing some recommendations for how to increase affordable land and housing at the large-scale that is required in Asia.

1.1 ASIA: URBAN CHALLENGES AND URBAN OPPORTUNITIES

Urbanisation has placed significant pressure of housing affordability in Asian cities. The urban population of Asia comprises 50.3 per cent of the world's total urban population, equating



Figure 2: Asia comprises countries from Turkey across to Japan, from Mongolia down to Indonesia.



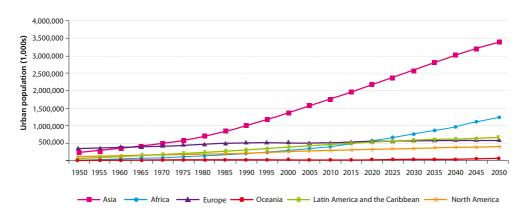


Figure 3: Growth in total urban population by region between 1950-2010, and projections for 2010-2050. The growth in Asia's total urban population is considerable especially relative to other regions.

(Source: UNDESA, 2009)

to over 1.7 billion people.4 In 1950 the urban population in Asian cities was 229 million, roughly comparable to all other regions (Figure 3). In the space of only 60 years, the urban population grew by over 1.5 billion. Between the years 1950 and 2000 eight out of ten of the world's fastest growing cities were in Asia (**Tokyo**, Mumbai, Delhi, Dhaka, Jakarta, Karachi, Seoul, Kolkata). Compared with urbanisation Western European countries, urbanisation is much faster. It took London 130 years to expand from one million to eight million whereas Bangkok took 45, Dhaka 37 and Seoul only 25 years.6

While there have been differences between countries, Asia is united by the overall trend of moving toward an urban future. In **China** alone the urban population grew by over 246 million between 1990 and 2007. This growth equates to an extra 39,000 new urban dwellers *every day* during these seventeen years. India also faces similar urbanisation patterns. During the same period, 121 million new urban dwellers arrived in Indian cities. However, it is not only the populated and economically developing countries; Indonesia increased its urban population by 60 million and the **Philippines** by 26 million during the same period. Such is the immense urban growth facing the vast majority of Asian cities.

The urban growth and expansion of Asian cities has placed major pressure on land and

housing. With the exception of **Singapore** and **Hong Kong**, in all countries the construction of affordable housing has not matched urban growth. Urban residents face a lack of housing options that are affordable and well located. The result has been the widespread proliferation of slums and informal settlements throughout Asian cities.

Asia has over half of all slum dwellers in the developing world. Compared with Africa, Oceania, Latin America and the Caribbean, Asia also has the highest percentage of slum dwellers. In Asia 61.0 per cent of the population lives in slums whereas in Northern Africa the figure is 13.3 per cent, In Oceania 24.1 per cent, and in Latin America and the Caribbean 23.5 per cent.

In the vast majority of Asian countries the construction of affordable housing has not matched urban growth. Due to a lack of housing options that are well located and affordable, slums and informal settlements have proliferated throughout Asian cities.

Nearly three quarters (71 per cent) of the population in **Bangladesh** live in slums. Similarly, in **Pakistan** nearly half of the population live in slums which equates to over 27 million people. ¹¹ **China** and **India**, however, dwarf all other Asian countries with over 170 million and 109 million slum dwellers respectively. With few affordable housing alternatives a significant proportion of



Figure 4: Singapore: a global leader in successfully addressing affordable housing at a large scale.

Photo © UN-HABITAT/Madanmohan Rao

urban residents have no other option but to turn to precarious informal housing as a means to house themselves.

Although the general trend of rapid urbanisation and population growth is common to all Asian countries, there are notable regional differences. The vast majority of the population live in Eastern and Southern Asia. Eastern Asia has over 40 per cent of the population and Southern Asia 33 per cent (Table 1). Southern Asia has the largest percentage of urban population living in slums (35.0 per cent) and Western Asia the smallest (24.6 per cent), however the absolute slum population in Eastern and Southern Asia is similar, around 190 million in 2010.

Southern Asia will have the fastest and most sustained urban growth in the coming decades

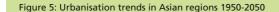
(Figure 5). It will more than double its urban population in the space of only forty years, from just under 600 million in 2010 to over 1.4 billion in 2050. Similarly, it will have the fastest population growth compared with other Asian regions (Figure 6). The rate of urban population increase in East Asia will slow and South-East and West Asia will have sustained urban growth but far less rapid compared with East and South Asia.

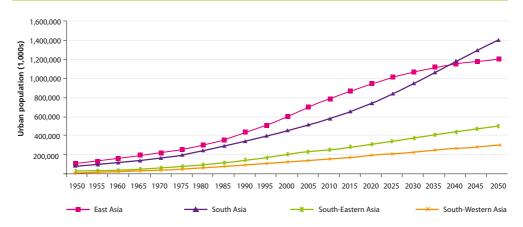
High urbanisation and population growth rates will continue to define the vast majority of Asian countries in the coming decades. **China**, for example, is to reach 65 per cent urban by 2030.¹² Such considerable and rapid change will continue to place enormous strain on Asian cities with an associated challenge of ensuring affordable housing is provided on a large scale. While the

Table 1: Regional urban population and slum population estimates in 2010

	Urban population (thousands)	Urban slum population (thousands)	Percentage of urban population living in slum
Eastern Asia	671,795	189,621	28.2
Southern Asia	545,765	190,748	35.0
South-Eastern Asia	286,578	88,912	31.0
Western Asia	145,164	35,713	24.6

Source: United Nations Population Division, World Urbanization Prospects: The 2007 Revision





Urbanisation trends in Asian regions 1950-2010, and projections for 2010-2050.

(Source: UNDESA, 2009)

Asia-Pacific region is leading the reduction of overall poverty in the world and is experiencing strong economic growth, 'economic growth has not benefited all urban dwellers in the region equally'.¹³

Of the state of housing in Asian cities the UN-HABITAT *State of Asian Cities 2010/11* report reinforces the fact that 'poor access, where any, to decent, secure, affordable land is the major factor behind Asia's abundance of slums. Much larger numbers of people are without a form of secure tenure than with secure land titles. The poor are priced out of formal land markets, on top of which the opportunities for them to squat unused public land are declining'. ¹⁴ Economic growth is pushing up land prices and evictions are common, yet they are almost always devastating to households' livelihoods and emotional wellbeing and are seldom effective in solving the challenge of slums.

1.2 A BRIEF HISTORICAL SNAPSHOT OF HOUSING POLICY AND PRACTICE TRENDS SINCE THE 1950s

While the historic trajectory of the Asian housing sector is similar to that of other developing regions, there are differences—some subtle, some striking—that set it apart from Africa, Latin America and Eastern and Central Europe.

From the 1950s onwards housing theory and practice was underpinned by a focus on direct government provision of public housing for rent or sale. High-density, multi-storied apartment blocks influenced by Modernist Movement ideals became the dominant housing approach to replace low-rise, slum housing inhabited by low-income households. These capital-intensive projects were largely planned and financed by governments and aimed to provide housing at a large-scale to reach the greatest number of people to stem the growth of informal slums.

While the approach of large-scale public housing was deemed a failure in most developing countries, Singapore and Hong Kong proved an exception. Their success is attributed to several factors. Their governments were relatively centralised, with decidedly regulated economies. Housing on such a scale was largely possible due to their steady economic advancement. As city states they did not have a large rural hinterland from which migrants relocated to urban areas so were not faced with the unceasing pressures of urbanisation. Land was publicly owned and appropriately regulated which enabled it to not only be provided for housing development through lease, but also to be used efficiently. Importantly, they had robust housing programmes, not simply small one-off housing projects. Such are some of the



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particularities that enabled **Singapore** and **Hong Kong** to successfully address their housing needs.

In other Asian countries, however, direct public housing provision had limited success and was frequently criticised. Such projects were a significant drain on public resources; project costs were inflated and economies of scale did not eventuate; building and planning designs that were based on European models were not suitable, especially in responding traditional needs and ways of living; and the poor did not benefit because such housing was simply too expensive to buy and maintain relative to their low income. 15 16 Consequently, such housing was limited in supply, it was poorly maintained, was inhabited by mainly middle- and upper-income groups, and informal housing continued to expand.

In the late 1960s the 'self-help' housing paradigm emerged in reaction to the apparent failures of direct government housing provision and the perceived benefit of 'helping the poor to help themselves'. The self-help model has its roots in the Latin American region, popularised by the theories of John F C Turner that were developed in the peripheral informal settlements in Lima, Peru. ¹⁷ Self-built housing in informal settlements and slums were proposed to be the solution to the housing deficit, not the problem.

Housing, it was argued, was best developed by the poor themselves, within a supportive regulatory and institutional framework.

Nevertheless, the widespread implementation of self-help housing programmes in Asian cites remained limited. In Africa and Latin America land invasions and illegal occupation were often tolerated, because land was publicly owned, and residents, without great threat of eviction, could proceed to incrementally build their houses. In Asian cities, however, there was 'greater probability of eviction because of the upsurge in land prices provoked by fast-paced economic growth and associated urbanization'.18 Extra pressure was placed on self-help processes in Asia because land was either not widely available or the soaring land prices for inner city areas meant slum dwellers were, often forcibly, removed and relocated to less economically valuable land.

While popular processes of self-build and bottom-up development did eventuate, they were not a long-term or large-scale solution to the immense housing demand facing Asian cities. Urban residents in Asian cities were faced with unsupportive institutional, regulatory and economic arrangements that prevented them from undertaking self-help housing projects within the formal regulatory system.¹⁹ Likewise, such processes could not deal with inequalities in land ownership. With land in many Asian cities highly privatized, self-help housing was constrained by unsupportive institutional structures and unequal land ownership. Therefore, while the poor could often develop and build their houses their efforts were constrained by the wider structural setting.

While the self-help paradigm dominated global housing policy discourse, housing sector practice was extremely diverse. There were those countries with expanding economies and relatively well functioning markets with a range of housing options, for example Japan, Hong Kong and Singapore. There were others that continued to ignore low-income housing and the proliferation of informal settlements and slums. There were those who continued with direct high-density subsidised housing provision, for example Malaysia who, as part of the Third Malaysian Plan, built 86,000 units between 1971-1975, which constituted one-third of the national output.²⁰

By the 1970s Asian governments begin to see the importance of the housing sector for economic and social development and many established governmental housing development agencies. ²¹ In many ways this emerged from the first Habitat conference in 1976 that focused on the need to remove institutional and regulatory constraints to support not only self-help housing but also a range of housing options for households at a range of income levels. Many governments still sought to directly produce housing but many sought to establish regulatory frameworks that support the private and self-help production of housing. Linked with such changes, there was a greater awareness of the ability of housing to

productively contribute to national economic

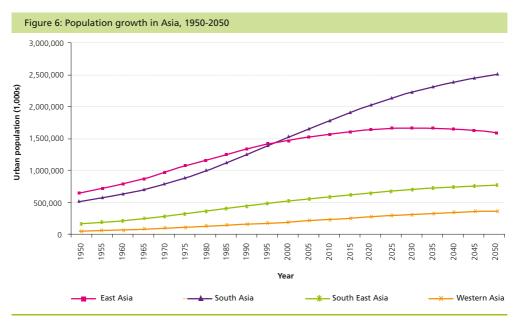
development.

From the 1980s onwards housing theory and policy shifted the role of governments away from direct providers of serviced land and housing towards enabling a wider range of market actors to produce housing. Within such a paradigm the government's role was that of 'enabling' the market to work through housing sector reforms that encouraged private investment and efficient housing production at scale. Housing deficits, poor housing quality, the existence and expansion of slums were argued to be the result of the failure of inefficient and skewed markets due

to overly onerous government involvement. The role of governments, therefore, became that of addressing market failures through various policy instruments and enabling the private sector to supply housing.

Unlike in other regions, for example Africa and Eastern Europe, Asian countries, especially those in South-east Asia, adopted the enabling strategies approach. The 'Million Houses Programme' in Sri Lanka (1984-1989) was the first large-scale government housing programme manifesting this paradigm shift. Throughout Asia, a significant change was the rise of formal civic engagement with a wide range of stakeholders. The urban poor became involved in such processes as planning, budgeting, service provision, etc, and were recognised actors in housing and upgrading processes. Naga City in the Philippines is one example of how the local authority created mechanisms where residents could be involved in the design, implementation and evaluation of the municipal development agenda.²² Throughout Asia, though, it was not just residents but a wide range of actors such as CBOs, NGOs, the private sector, and universities who were involved in partnerships in the housing sector.

Along with wider reforms, since the late 1980s **China** has shifted from a highly centralised- to



Total population growth in Asian regions 1950-2010, and projections for 2010-2050. (Source: UN-DESA, 2009)





Figure 7: High-rise multi-household housing sits in stark contrast to low-rise wooden dwellings in Penang, Malaysia. Photo © UN-HABITAT/Matthew French

a market-based housing sector: from a producer and provider of typically subsidised rental housing, to moving in a direction where housing production and consumption was undertaken through the market, with a strong focus on homeownership.²³ ²⁴ 'By 2002, 80 per cent of public housing had been sold to its occupiers'.²⁵ Such a transition was supported through several finance mechanisms, for instance the Housing Provident Fund which was modelled on **Singapore**'s national housing savings fund (see Section 3.2.3 for an overview of current low-income housing programmes in **China**).

Recognising the limitations and challenges self-help housing schemes, upgrading became a prevailing practice in many Asian cities. In many ways, South-East Asian countries were global pioneers in slum upgrading programmes. For instance, the Kampung Improvement Programme (KIP) in Indonesia, introduced in 1969, installed muchneeded infrastructure and improved the urban environment in rapidly deteriorating slums.²⁶ Within the first ten years it benefited over 3.3 million residents, equating to over 70 per cent of the slum population in Jakarta at a cost of only 118 USD per capita.²⁷ Likewise, the Baan Mankong programme and in **Thailand** is another notable example of the upgrading of informal areas.28 While such upgrading programmes did not focus on housing construction, their actions in effect gave de-facto tenure to residents which in turn promoted housing consolidation and improvement.

In South and South-East Asia in particular, industrialisation and export orientated growth fuelled strong economic development during the 1990s, which had significant structural effects, particularly for housing affordability. While the financial crisis of South-East Asia in 1997 slowed economic growth and cooled housing markets, the effects proved not to be structural and 'in the last decade, there has been an unprecedented rise in South Asian property prices'.29 Rapid economic growth from exportoriented industrialization reinforced the role an growth of primate cities, in turn exacerbating housing demand in such cities, for example Bangkok, Manila, and Kuala Lumpur.30 A considerable increase in foreign investment coupled with sustained high urbanisation rates increased urban land and housing demand and prices, as cities became hubs of economic development they attracted rural migrants and international capital.31 32

Structural socio-economic changes in Asian cities from the 1990s onwards resulted in the continued exclusion of lower-income groups from housing markets. The private sector has not been sufficiently stimulated to produce low-income housing because housing that is

affordable to lower-income sectors has not been profitable and therefore attractive for private sector housing developers.³³ Consequently, with a lack of government policies and programmes, informal housing approaches continued to be employed even though they became increasingly constrained by lack of available land. While self-built housing in slums and informal settlements has traditionally been seen to be a temporary phenomenon, Asian cities demonstrate that economic growth alone does not guarantee that those living in slums can or will move to better housing.

Private housing supply caters mostly to upperincome households where it is profitable for private developers to produce housing, which often results in a detrimental mismatch of supply and demand. For example, in Bangladesh there is actually a considerable surplus of housing at the upper-income level, yet an 'acute shortage of affordable housing for the great majority of middle- and lower-income groups'.34 Adding to the discord, the development and purchase of such upper-income housing is 'undertaken mostly for investment and rental purposes, not for use as primary residences'. Indeed, as a result, one third of housing in Bangladesh is produced informally, mostly in slums, on land which occupiers have no legal ownership.

While the enabling approach underpins much Asian housing policy, in practice access to affordable urban land for housing development remains a continual problem in Asian cities.³⁵ While masterplans and urban development plans have been produced, these more often than not sit in government offices and are not implemented or enforced. Some cities, for example Bangkok and Manila, have little influence or control over land development as such cites have high rates of private land ownership.36 Land prices in Bangkok rose 1,500 per cent between 1985-1990.37 Bangladesh is another example where, while the price of building materials has risen considerably, they have risen concurrent with incomes, whereas land prices have skyrocketed, which is a central reason why housing affordability in Bangladesh is so low.38

At the turn of the millennium new approaches of engagement are gaining prominence. There are many low-income, community-based,

WHILE THE **CHALLENGE** OF HOUSING AFFORDABILITY IN ASIA IS NOT NEW, IT IS AN INCREASING PROBLEM IN MOST ASIAN CITIES. THE KEY CHALLENGE REMAINS THE **NEED FOR GOVERNMENTS** TO INSTIL A SUPPORTIVE INSTITUTIONAL AND REGULATORY FRAMEWORK AND INCREASE THE SUPPLY OF SERVICED LANDTO ADDRESS CONTINUED RAPID URBANISATION AND POPULATION GROWTH.

civil society groups in Asia that are organising themselves in an effort to not only secure affordable land and housing but to address wider structural issues that perpetuate inequalities regarding urban housing and service provision. A notable example is Shack/Slum Dwellers International (SDI) which works throughout Asia, as well as Africa and Latin America. SDI is a network of national slum dweller organisations that aims to build capacity and share knowledge and experience on key dimensions of the struggle for affordable land and housing, for example micro-savings, empowerment of women, slum enumerations, land tenure reform, and housing supply and settlement upgrading.

The slums and informal settlements that currently proliferate on the periphery of Asian cities are physical manifestations of increasing socio-economic division and gentrification pressures. Middle- and upper-income households are increasingly seeking housing in exclusive 'gated communities', a typology that

can be found throughout Asian cities and are largely financed and led by private developers. Imposing advertisements abound for residential property that is portrayed as comfortable and secure, and often provided with associated mortgage finance for middle- and high-income household purchasers. Such housing, however, is simply out of financial reach for the vast majority of households and as a result, informal housing, slums, squatter settlements, low-quality rental housing, house sharing and street sleeping continue to proliferate in most Asian cities.

In Asian countries that have relatively strong economies and well functioning housing markets the present issue is not the cost of housing per se but rather securing housing finance. Compared with Africa and Latin America, the rapid economic development in Asia over the last several decades has led to large effective demand, but the lack of housing finance is the major obstacle. Many households are able to service a mortgage but they cannot get finance, often due to high down-payment requirements.

In India, for example, there is considerable potential at the lower-income end of the housing market. Private developers can produce low-cost housing units, but they cannot sell them because of the lack of lower-income finance options. There are 23 to 28 million middle- and lowerincome households in urban India with incomes between 5,000 and 11,000 INR (112 to 248 USD) that could meet housing repayments.39 Yet they are constrained as they cannot get credit to buy housing. While the poorest still can not afford such housing, expanding housing finance to the group where there is effective demand could potentially transform housing sector and economy. Likewise, in Bangladesh there is interest from private developers in producing housing for low-income households but 'in the absence of fundamental improvements in infrastructure, land, and housing development, this nascent trend will not go far'. 40 Small adjustments to the housing unit price and mortgage terms would increase the market to 40 per cent of the urban population. This, again, highlights the importance of developing housing finance mechanisms to support low-income households to secure housing.

In light of this brief historical snapshot it is clear that while the challenge of housing affordability is not new, it is an increasing problem in most Asian cities. Even with the significant theoretical, policy and practice shifts over the last sixty years, informal housing has continued to play a leading role in delivering urban housing at a economic cost that the poor can afford. While it may be economically beneficial, such informal development is not a suitable method for delivering affordable, comfortable, and healthy housing consistent with the sustainable and planned growth of cities and urban regions.

Over the last sixty years the key challenges have not notably changed. For households, the key micro challenge for obtaining and retaining affordable housing is access to affordable land and housing finance. For governments, the key macro challenge remains the need for governments to instil a supportive institutional and regulatory framework that can improve the affordability of housing and increase its supply in face of continued rapid urbanisation and population growth.

1.3 HOUSING AFFORDABILITY: ITS COMPONENTS AND MEASURES

Affordable housing is broadly defined as that which is adequate in quality and location and does not cost so much that it prohibits its occupants meeting other basic living costs or threatens their enjoyment of basic human rights.⁴¹

Housing affordability is affected by many factors. Figure 8 outlines the components of housing affordability for households. Affordability is principally set by two main variables: capital variables (house purchase costs) and occupation variables (costs associated with keeping the house).

The ability of a household to purchase a house is affected by the purchase cost (which is the sum cost of land, infrastructure, building materials and labour and profit) and the ability to finance the purchase (principally set by the finance down payment requirement and the balance of household savings).

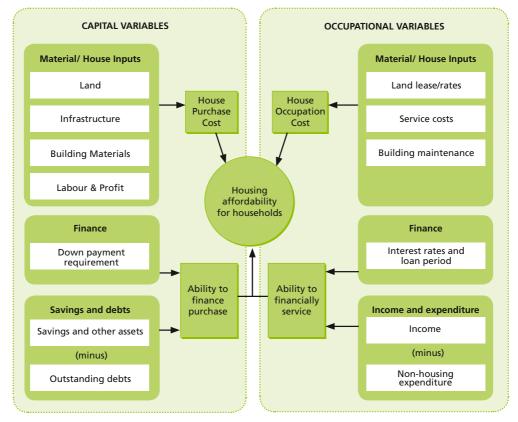


Figure 8: Basic components of housing affordability.

Once a house is purchased, the ability of a household to occupy and pay for the house is influenced by material inputs (land lease and rates, services costs, and building maintenance) and finance inputs (loan repayment period and interest rates, and household income minus non-housing expenditure).

Housing affordability, therefore, involves more than the often-used simplified conception of house purchase price to household income. The components outlined in Figure 8 are the many dimensions of housing affordability, and those that this regional paper focuses on. For example, in many Asian countries the high purchase cost of housing is often due to high land prices, which are a result of inadequate land policies that result in insufficient available land for development. Likewise, the lack of housing finance or unsupportive finance terms (for instance, high down payment requirement, high interest rates, short loan periods) also directly limit housing affordability especially for lower- and middleincome groups.42 43

Measures of affordability

While there is no universally agreed measure of what constitutes 'affordable housing', there are three common measures, which are associated with two components: housing costs and household income (Table 2).44 The first is houseprice-to-income ratio. The ratio is calculated by dividing the median house price by the median household income. It shows the number of annual median salaries it takes to buy a medianpriced house. Countries that have particularly high house-price-to-income ratios are typically those with high land prices and construction costs.45 The second measure is house rent-toincome ratio. This ratio is calculated by dividing the median annual rent by the median annual renter household income.

While there is no universally agreed ratio or percentage at which owner-occupied or rental housing is deemed unaffordable, these two measures enable cross-country comparisons as well as the ability to track housing affordability

AFFORDABLE HOUSING IS **BROADLY DEFINED** AS THAT WHICH IS ADEQUATE IN QUALITY AND **LOCATION AND** DOES NOT COST SO MUCH THAT IT PROHIBITS ITS OCCUPANTS MEETING OTHER BASIC LIVING COSTS OR THREATENS THEIR ENJOYMENT OF BASIC HUMAN RIGHTS, HOUSING AFFORDABILITY, HOWEVER, IS MULTI-DIMENSIONAL AND INVOLVES MORE THAN THE OFTEN-USED SIMPLIFIED CONCEPTION OF THE RATIO OF HOUSE PURCHASE PRICE TO HOUSEHOLD INCOME.

within a country over time, as incomes and house prices rise and/or fall.

The third measure of affordability is the residual income assessment. It is represented as a percentage of household income spent on housing-related expenses and demonstrates a household's ability to financially service housing without compromising on necessary non-housing expenditure. Although there is no universally agreed percentage, housing is generally deemed affordable when a household spends less than 30 per cent of their income on housing related expenses, such as mortgage repayments (for owner-occupiers), rent payments (for tenants), and direct operational expenses such as taxes, insurance and service payments, etc. A7 48

1.4 STRUCTURE AND CONTENT OF THE VOLUME

Definitions: regional and country groupings

The following United Nations definition of Asian countries and regions are used throughout this paper:

Western Asia:

Armenia, Azerbaijan, Bahrain, Cyprus, Georgia, Iraq, Israel, Jordan, Kuwait, Lebanon, Occupied Palestinian Territory, Oman, Qatar, Saudi Arabia, Syrian Arab Republic, Turkey, United Arab Emirates, Yemen.

South-Central Asia:

Afghanistan, Bangladesh, Bhutan, India, Islamic Republic of Iran, Kazakhstan, Kyrgyzstan, Maldives, Nepal, Pakistan, Sri Lanka, Tajikistan, Turkmenistan, Uzbekistan.

South-Eastern Asia:

Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand, Timor-Leste, Viet Nam.

Eastern Asia:

China, Hong Kong, SAR of China, Macao SAR of China, Japan, Democratic People's Republic of Korea, Republic of Korea, Mongolia

Data sources and analysis

Efforts have been made to reflect the enormous heterogeneity in the Asia region as this has implications for the significant differences in the provision of housing and the types of housing policy responses. The analytical assessment is based on existing information from government reports, such as recent UN-HABITAT Global Reports on Human Settlements, The State of Asian Cities 2010/11. The analysis draws on comparative evaluations on the topic carried out by major international organisations and research institutes as well as country specific assessments of affordable housing alternatives. It incorporates statistics and housing indicators from officially published sources of information and international databases.

Volume structure

Part One provides an overview of the challenge of affordable housing in the regional context. It has provided the introductory, historical and conceptual setting for the study of affordable

Table 2: Measuring housing	na affordability
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	House-Price-to-Income Ratio	House-Rent-to-Income Ratio	Housing-related expenditure as a percentage of income
Measure	Median house price divided by median household income. The ratio of the median freemarket price of a dwelling unit and the median annual household income.	Median annual rent divided by median annual renter household income. Incomes are median gross incomes of private and public renter households.	Annual median household income divided by annual median housing expenditure (mortgage payments, rent, services, taxes, insurance, etc).
Warning Trend	Very high or rising ratios imply that either there is no effective housing market or that land is extremely scarce, generally owing to regulatory inefficiencies or restrictions.	High values imply that supply is not keeping up with demand and affordability is low. Low values usually imply controlled tenancies or a high proportion of public housing.	A high percentage indicates housing is negatively impacting on meeting non-housing basic needs and the housing market is not functioning properly.
Significance	A key measure of housing affordability. Also generally regarded as the single indicator that gives the greatest amount of information about housing markets.	A key measure of housing affordability, especially for low-income households who may be unable to purchase housing.	It can account for essential non-housing expenditure such as food, water, clothing, schooling, transport, etc and the decisions households make regarding housing and non-housing expenditures.

housing in Asia. It has highlighted the major urban, economic, social, and historic factors in the region underlying differences in housing provision and specific housing challenges.

Part Two canvases the state of affordable land and housing in Asia. It systematically reviews trends in housing conditions with respect to housing needs at the national scale and analyses the quality of the existing housing stock using the UN-HABITAT's 'shelter deprivations' framework. It shows how the housing stock in Asia is grossly inadequate, both quantitatively and qualitatively. The proportion of households living in slums, which are characterised by inadequate but more affordable housing, is growing at an alarming rate in many cities.

Part Three explores the critical linkages between housing challenges and policy responses. It examines trends in affordable land and housing delivery systems. Existing land policy and legislative frameworks are reviewed, along with availability, accessibility and affordability of serviced land for housing. Several approaches have been tried in seeking to provide an adequate supply of well-located serviced land at affordable cost; and some of the key ones are presented. The section also reviews housing policy and legislative frameworks. Housing tenure patterns in different countries and the dominant building types are identified, followed by an examination of the current affordable housing stock, the types and numbers of housing units currently under construction, and housing beneficiaries. Privatization of public housing and public private partnership—two notable ways in which affordable housing has been provided are described; as well as some of the innovative financing mechanisms that have been used successfully.

Part Four firstly summarises the key notable trends over the last decade, in particular regarding subsidized public housing programmes, assisted self-help housing, housing finance and the



Figure 9: Slum housing in South Asia. Photo © UN-HABITAT

redevelopment of slum land by private developers. Secondly, it provides recommendations on how to facilitate more effective affordable land and housing delivery. These include adopting the enabling approach, reviewing legal and regulatory frameworks, making land-use planning and development control more realistic and flexible,

enhancing security of tenure, and promoting slum upgrading and co-operative housing. Finally, a brief conclusion is provided to recap the major themes and draw attention to ways forward for local, national and global action.

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The housing stock in many countries in Asia is grossly deficient both in terms of quantity and quality.

16 PART TWO



PART TWO

THE STATE OF AFFORDABLE LAND AND HOUSING



2. THE STATE OF AFFORDABLE LAND AND HOUSING

The housing stock in many countries in Asia is grossly deficient both in quantity and quality. Housing shortages and poor housing conditions are largely the result of the rapid urbanisation that has occurred in the region. Inadequate and overcrowded housing, unsafe water, and poor sanitation in densely populated cities are threatening the health and well-being of hundreds of millions of men, women and especially children, and the consequences for not dealing with these conditions for governments are far-reaching.

2.1 HOUSING NEEDS AT THE NATIONAL SCALE

Getting recent and reliable quantitative data on the housing stock, needs, deficits or surpluses is difficult. Data is often not collected, or, if it is, it is unreliable and unsystematic. Nevertheless, a cursory analysis of the housing situation in Asia reveals that there is a pressing housing shortage in most countries in the various sub-regions. For example, in South Asia alone there is a shortage of 38 million units, not counting those needing repair.⁴⁹

Countries in South-Central Asia have some of the largest housing deficits, both in terms of absolute

deficit (households without houses) and deficits related to extremely deteriorated or temporary housing that requires full replacement. The housing shortage in **Sri Lanka** was projected to rise from 400,000 to 650,000 units between 2002 and 2010.⁵⁰ The Central Bank of Sri Lanka estimates that the current *annual* unit demand stands between 50,000 and 100,000 units.⁵¹ The current urban housing shortage in **Bangladesh** is similar with 659,000 units.

Pakistan's housing deficit has been steadily increasing by 270,000 units per year.⁵² The country has an estimated backlog of 7.5 million units, which is considerable given the total national housing stock is 20.5 million.⁵³ Affordability is a problem, as two thirds of the population cannot afford any housing without some type of financial subsidy or support: the backlog for these households stands at 4.5 million units.

Estimates of housing need in **India** vary widely although a conservative estimate suggest that in 1991 the shortage of urban housing units was 5.1 million; by 2001 this had grown to 7.1 million units.⁵⁴ This shortage was comprised of actual deficit (23.5 per cent), overcrowding (33.1 per cent), housing needing complete replacement (29.0 per cent) and *kutcha* (temporary) housing (14.4 per cent).⁵⁵ As these housing deficit figures are only for urban areas the national (urban and rural) housing shortage is likely to be much higher. Some estimates currently put the national housing deficit as high as 40 million units.



Figure 11: Housing reconstruction in Banda Ache, Indonesia. Photo © UN-HABITAT

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Table 3: Five key shelter deprivations as measures of slums

Key indicators	Definition
Structural quality/ durability of dwellings	A house is considered 'durable' if it is built on a non-hazardous location and has a structure that is permanent and adequate enough to protect its inhabitants from the extremes of climatic conditions such as rain, heat, cold and humidity.
Sufficient living area	A house is considered to provide a sufficient living area for the household members if not more than three people share the same room.
Access to improved water	A household is considered to have access to improved water supply if it has a sufficient amount of water for family use, at an affordable price, available to household members without being subject to extreme effort, especially to women and children.
Access to improved sanitation	A household is considered to have access to 'improved' sanitation if it has a human excreta disposal system, either in the form of a private toilet or a public toilet shared by a maximum of two households. In urban areas, access to improved sanitation is defined by direct connection to a public, piped sewer; direct connection to a septic system; or access to pour-flush latrines or ventilated improved pit latrines, allowing for acceptable local technologies.
Security of tenure	Secure tenure is the right of all individuals and groups to effective protection by the state against forced evictions. International law defines forced eviction as "the permanent or temporary removal against their will of individuals, families and/or communities from the homes and/or land which they occupy, without the provision of, and access to appropriate forms of legal or other protection." 65

Source: UN-HABITAT, 2004b; UN-HABITAT, 2006b.

In South-East Asia formal housing delivery processes in most countries kept pace with the increased demand arising from urban growth up until the financial crisis of 1997, when the economies of many countries in the region declined or stagnated. Consequently, their housing deficits are less pronounced than other Asian sub-regions, although there are still deficits to address. **Indonesia** now needs to house approximately 735,000 new urban households per year. ⁵⁶ **Malaysia** is expected to require about 709,400 new housing units between 2006 and 2010. ⁵⁷

Like most other South-East Asian countries, the **Philippines** has considerable housing deficits. Between 2001 and 2004 the estimated need was 3.4 million units.⁵⁸ The Housing and Urban Development Council (HUDC) estimated that between 2005-2010 the national housing deficit was 3.75 million units. The largest demand was from new household formation (2.5 million units), followed by the backlog (984,000), overcrowded houses (387,000), informal settlers (588,000), substandard housing needing full

replacement (186,000) and homeless (8,300).⁵⁹ Supply has not been able to meet demand, for example in 2006 the HUDC was only able to build some 57,684 new housing units.⁶⁰

The tsunami that struck the Indian Ocean region in December 2004 severely affected the coastal areas of the Indonesian province of Aceh, Malaysia, Myanmar, Southern India, Sri Lanka, Thailand and the Maldives. It caused enormous destruction and suffering, claiming over 250,000 lives and leaving millions more homeless or displaced. In the aftermath of the disaster, a majority of the survivors were forced to seek temporary shelter in tents and shared barracks. One of the most pressing needs remains the provision of adequate permanent housing at affordable cost. For example, it has been estimated that in Aceh alone, 92,000 new houses need to be built and 151,000 damaged houses rehabilitated.61

Against international trends, **China** has actually increased its reported urban housing space per person from 6.7 square metres in 1990 to

9.3 square metres in 1998.⁶² A study of nine cities in China shows an even more notable achievement—an almost doubling of living space per household member from 8.0 square metres in 1988 to 15.8 square metres in 1999.⁶³

2.2 QUALITY ANALYSIS OF EXISTING HOUSING STOCK AND SHELTER DEPRIVATIONS

UN-HABITAT uses an operational definition of slums that has five measurable indicators at household level, known also as 'shelter deprivations' (see Table 3). Four of the five indicators measure physical expressions of slum conditions: non-durable housing structures; lack of water; lack of sanitation; and overcrowding. The fifth indicator, security of tenure, has to do with legality. This, however, is less easily measured, as it is often dependent on *de facto* or *de jure* rights, or lack of them. Information on numbers of slum dwellers and the shelter deprivations they suffer from most enables the design of interventions targeted at the most vulnerable and disadvantaged urban populations.⁶⁴

With urban growth in Asia continuing apace, by 2030 the region will have the largest urban population of all the continents, however many cities will be characterised by urban poverty and inequality, and urban growth will become virtually synonymous with slum formation. The proportion of households living in slums, which are characterised by inadequate but more

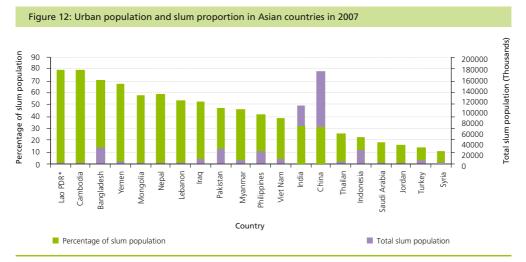
affordable housing, is growing at an alarming rate in many cities. 67

It should be noted that concepts such as those of overcrowding and ventilation and lighting standards have, however, been criticised for being based on foreign notions that are inconsistent with the cultural and climatic contexts in much of Asia, and where interiors of dwellings serve a different purpose to those in developed countries. ⁶⁸ Nevertheless, while the limitations of such normative standards are recognised, they are beneficial in enabling cross-country comparisons at the macro-level.

Although the data suggests a completely negative picture, it should be noted that in many parts of Asia housing quality is improving. Compared with other developing regions, Asia is leading the world in improving the quality of its housing stock in absolute terms. While in some Asian countries and cities housing quality is not drastically improving, there are many in which housing quality is improving and the proportion of households with multiple deprivations is decreasing. One example is the Indonesian cities of **Bitung** and **Jaya Pura** that have demonstrated their ability to increase housing supply and improve the quality of slums and informal settlements.⁶⁹

2.2.1 Housing durability

Housing durability—the permanence of residential structures—is directly associated



Percentage of urban population living in slums and total slum population for selected Asian cities, 2007.

Source: UN-HABITAT, 2006b:23.

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Table 4: Housing conditions among urban populations in Asia, 2003

		Percentage of population having:			
	Urban population (000s)	Finished floor materials	Sufficient living space	Access to improved drinking water	Access to improved sanitation
Eastern Asia	564,871	98.4	91.5	92.5	69.4
Southern Asia	448,738	84.8	65.0	94.3	67.0
South-Eastern Asia	228,636	98.6	73.1	91.0	80.0
Western Asia	124,370	96.4	91.1	95.1	94.9
		Source: UN-HABITAT (200			IN-HABITAT (2006b).

with accessibility and affordability. According to UN-HABITAT estimates, in 2003 Asia had the largest proportion (73 per cent) of urban dwellers in the developing world living in non-permanent housing. Over 50 per cent of this population lived in Southern Asia and 11 per cent in South-East Asia. In **Bangladesh**, **Nepal** and **Pakistan**, one in three urban dwellers lack durable housing, while in **India** this figure is one in ten (equating to around 28 million people). In Asia, in general, there does not appear to have been as much progress in improving housing durability as in other developing regions. However, as noted there have been significant improvements in several secondary cities in **Indonesia**.⁷⁰

Global figures on housing durability are based primarily on permanence of individual structures, rather than compliance with building codes or location. Most only take into account the nature of the floor material as few countries collect information on wall and roof materials. They are, therefore, grossly underestimated. Indeed, if the measures of durability were to include quality of roof and wall materials, the figures for durable housing in the stock for many countries would decrease significantly. For example, when only the floor criterion was used in **Indonesia**, 84 per cent of dwellings were considered durable as opposed to 70 per cent when the three components were taken into account.⁷¹

2.2.2 Sufficient living area

Overcrowding (lack of sufficient living area) is a manifestation of housing inequality that results from a combination of factors, the most

prominent of which are perhaps insufficient housing stock and lack of affordable housing. It is also argued to be a hidden form of homelessness as many people with nowhere to live are accommodated by relatives or friends, which results in overcrowding.

In 2003, approximately 20 per cent of urban dwellers in developing countries lived in houses that lacked sufficient living area (with three or more people sharing a room). Two-thirds of those in developing countries living in overcrowded conditions reside in Asia, with half of this number to be found in Southern Asia.⁷² One in three urban dwellers in Southern Asia lacks sufficient living area: the highest prevalence of overcrowding in the developing world.

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An analysis of sufficient living area in Asia in general shows a growing trends toward overcrowding in most cities and countries. Overcrowding and poor ventilation are related to morbidity and child mortality rates. The risk of disease transmission and infection can rise in relation to increasing numbers of occupants crowded into small, poorly ventilated spaces increases.

2.2.3 Access to improved water supply

Two-thirds of the world's population lacking access to an improved water supply live in Asia. This equates to over 670 million people in both rural and urban areas. However, according to official reports, the proportion of the population with access to an improved water source in urban areas in Asia is very high. The vast majority, 93 per cent, have access to safe drinking water.⁷³ In many countries, official statistics reflect better water coverage in urban areas than in rural areas. However, in many cities, the quantity, quality and affordability of water in slums falls below acceptable standards.

2.2.4 Access to improved sanitation

More than one in four people in the developing world do not have access to adequate sanitation. Asia alone accounts for over 70 per cent of this number, mainly because of the large populations of **China** and **India**. In 2000, approximately 33 per cent of the urban population in **China** lacked access to improved sanitation.

Recent years have seen a significant increase in the numbers of urban dwellers with access to

improved sanitation in Southern and South-Eastern Asia, however, access lags far behind in Eastern Asia where 31 per cent of the urban population still lacks access to improved sanitation, as Table 4 shows. Lack of access to an adequate toilet impacts adversely on household occupants' health, increases morbidity and mortality rates and more often than not does little to improve their dignity.

2.2.5 Security of tenure

Mass evictions of slum and squatter settlements in various cities in recent years suggest that security of tenure for the urban poor in Asia is becoming increasingly precarious. The scale of insecurity of tenure and forced evictions is largely a result of public and private sector policies and practices.

The three most common causes of mass evictions in cities in Asia are large-scale infrastructure projects, urban beautification initiatives and international mega events. For example, an estimated 1.5 million people were displaced from their homes due to construction and urban redevelopment in the eight-year run-up to the 2008 Olympic Games in **Beijing**, **China**. ⁷⁴ In many cases evictions are carried out without legal notice or without following due process. ⁷⁵

2.2.6 Multiple shelter deprivations

Housing that is characterised by one or more of the above shelter deprivations is defined as inadequate. However, the degree of inadequacy depends on both the number and the degree of the deprivations. Thus, a slightly crowded housing unit that satisfies all the other adequacy

Table 5: Proportion of slum households in developing regions by number of shelter deprivations, 2001

			Deprivations			
		One	Two	Three	Four	
Asia	Southern	66	29	5	0	
	South-Eastern	74	20	5	1	
	Western	77	16	6	1	
	Eastern	-	-	-	-	
Africa	Northern	89	11	0	0	
	Sub-Saharan	49	33	15	3	
Latin America and the Caribbean		66	25	8	1	

Source: UN-HABITAT (2005) Urban Indicators Programme, Phase III (data for Eastern Asia not available).

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criteria is closer to adequacy than a unit that is non-durable, crowded and has access neither to improved water nor to sanitation. The use of this definition sets a high benchmark for adequacy, making it more difficult to achieve housing that is both adequate and affordable.

Table 5 suggests that the majority of slum households in the different regions of Asia suffer from one or two shelter deprivations. Only a small minority suffer from three or four shelter deprivations. Western Asia has the highest percentage with only one deprivation (77 per cent) and the lowest for two deprivations (16 per cent). In contrast, Southern Asia has the lowest percentage of households with one deprivation (66 per cent) but the highest with two deprivations (29 per cent).

2.3 AFFORDABILITY

Median house prices in developed countries can often be 2.5 to 6 times the average median annual salary. In Asia, house-price-to-income ratios are higher in many countries, as the selected capital cities in Figure 14 show. **Vientiane**, the capital of Lao PDR, has a house price to annual income ratio of 23.2. **Dhaka** has a ratio of 16.7 and **Jakarta** a ratio of 14.6. Home ownership in many emerging Asian countries is therefore a significantly more expensive and difficult proposition than in other countries.

High house - price - to - income - ratios notwithstanding, housing in Asia is comparatively cheaper than equivalents in developed countries. For example, new fully serviced, very high-specification 140 square metre apartments in a lakeside setting in Wuhan, **China**, cost only USD 76,000.⁷⁷ Indeed, anecdotal evidence suggests widespread purchase of apartments in China by overseas investors aware of the good value they represent.⁷⁸ As formal housing is constructed of internationally tradable materials, the price tends to be elastic only in relation to labour costs and open or hidden subsidies on the real costs of land and materials.

Rent-to-income ratios vary significantly from one country to another, as Figure 14 and Figure 15 illustrate. They are lowest in countries where public housing is still dominant and highest in countries with high demand pressure, owing to insufficient supply of rental accommodation and high new household formation rates. In general, however, rent-to-income ratios in Asian cities are almost twice as high as in cities in developed countries. Of the supplementary of the

Pokhara, in Nepal, has one of the highest house rent-to-income ratios in Asia (a ratio of 34:1). **Chang Mai** in Thailand and **Lahore** in Pakistan have similar, also high ratios (25.0:1 and 23.3:1 respectively). Rent-to-income ratios are often much higher than house-price-to-income ratios.



Figure 13: Dense, low-rise informal slum housing in Nepal Photo © UN-HABITAT/Rasmus Precht

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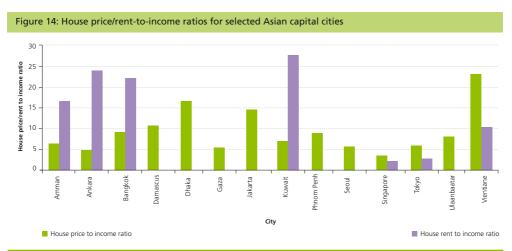
For example, in **Chang Mai**, it takes 6.8 annual median salaries to purchase a median priced house, but 25.0 median salaries to rent a median priced rental house. A similar trend is observed in **Surabaya**, where it is over 200 per cent more expensive to rent a house than to purchase one (Figure 15).

Poorer urban households in Asia simply cannot afford to spend such proportions of their income on housing. Millions of households, therefore,

have no other option than to rent rooms in housing built by the informal sector, often in slums and informal settlements. This offers them far more affordable options, with shared rooms or services being among the alternatives available to them. Millions of other households build rudimentary dwellings on illegally occupied land, while still hundreds of thousands of others become pavement dwellers, as in the major cities in **India**.

The cost of housing relative to income in Asia is second only to Africa. The relative cost of housing is particularly high for the lowest income groups. Rent-control measures may contribute to lower rent-to-income ratios, but they can also reduce rental housing supply.⁸¹ 82

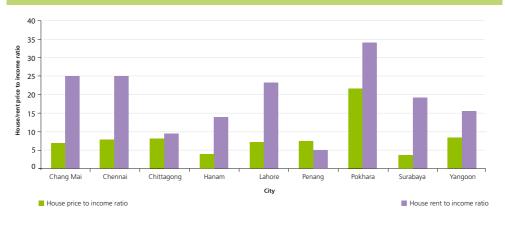
A key determinant of housing supply and affordability is the role played by the formal and informal sectors in housing production. In Asia, a substantial proportion of the housing stock is produced by the informal sector. One of the characteristics of the informal sector that distinguishes it from the formal sector is the order in which development takes place.⁸³ Formal sector housing is planned beforehand, after which it is at least partially serviced before construction. Only then do the occupants move in. In contrast, in the informal sector, occupation takes place first, often on vacant, un-serviced land. Housing is subsequently constructed, and then services and planning follow-typically after an extended period of time, trying to improve the situation retrospectvely.



House price/rent-to-income ratios for selected Asian capital cities (Note: house rent-to-income data not available for all cities; no value does not mean a ratio of zero). Source: UN-HABITAT, 2003

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Figure 15: House-price-to-income ratio compared with house rent-to-income ratio in selected Asian cities



House-price-to-income ratio compared with house rent-to-income ratio in selected Asian cities.

Source: UN-HABITAT. 2003

Low housing affordability in Asia is pervasive for several primary reasons.84 Firstly, the majority housing finance mechanisms have high interest rates and are inflexible, which makes obtaining housing finance and servicing monthly loan repayments difficult. Secondly, real estate prices are high primarily due to high land costs and the high cost of building materials. Thirdly, there are few alternative low-technology housing construction methods available, or used, which could reduce housing costs. Fourthly, the compliance costs and regulations surrounding formal housing development are expensive and time consuming. Lastly, there are significant income disparities between households, and the financial assets and incomes of low-income households are not high enough to afford mainstream, formal, market-procured housing.

Affordability issues are particularly widespread in South Asia. Estimates suggest that low household affordability in **India** affects 30 million households.⁸⁵ In **Sri Lanka** 40 per cent of households cannot even afford a basic low-cost dwelling. In **Pakistan**, two thirds of the population cannot access formal housing due to affordability constraints. Consequently, these households seek housing in informal, slum areas and in Karachi alone informal areas house 7.6 million people out to a total city population of 15.1 million.⁸⁶

Estimates suggest that in **Afghanistan**, 80 per cent of the population cannot afford to purchase

even the cheapest new low-cost house.87 Using figures from 2009, the typical monthly earnings for low-income households is 30 USD but the mortgage repayment on a new low-cost house is 49 USD (assuming a loan term of 20 years and interest rate of 10 per cent, on a home costing 5,000 USD of which 4,000 USD is borrowed). This case indicates that the percentage of the monthly mortgage repayment of a basic low-cost house to the median income is 163 per cent, making such housing prohibitively expensive and near impossible to obtain and retain.88 Affordability, then, is an issue regarding both the initial down-payment (in this example 1,000 USD which would take nearly six years assuming a regular income of which 50 per cent is saved) as well as servicing the mortgage repayments (which are 63 per cent more than the income). Of course, this also assumes finance is available and the household has an acceptable credit rating and can therefore obtain housing finance, neither of which are always the case.

2.4 DOMINANT BUILDING TYPES

Affordable housing takes a variety of forms and many different building types can be found in Asia. They range from traditional rural house types that have been adopted for use in an urban context to modern, multi-storey apartment complexes. Figure 18 shows the range of different dwelling types that can be found in selected cities in Asia. Some cities have a large share of detached housing, for example Naga, Cebu,





Figure 16: The contrasting order of development in the formal and informal sectors (Source: Based on Baross, 1987).

and **Hanoi**, whereas others have a large share of multi-household apartment blocks, for example **Hong Kong** and **Bangalore** and **Kathmandu**. These patterns reflect both historical urban developments and the availability of land for residential development.

Three main housing types can be found in **Kabul, Afghanistan**, five-storey walk-up flats; detached houses built on the middle of the plot; and houses built around a walled compound leaving the centre of the plot as an open courtyard. Each type corresponds to demand from different socioeconomic groups. ⁸⁹ In **Singapore**, the public housing stock, in which over 80 per cent of the population lives, comprises mostly of apartment blocks, which are on average 12 stories high although some of the more recent developments have been 30 to 40 stories. Indeed, the trend is towards taller buildings and the private sector has recently announced plans to construct 50-70 storey high apartment blocks. ⁹⁰

The new government in **Iraq**, faced with huge housing deficits following years of hiatus in supply and massive population movements, has recently developed a new housing policy strategy in which a range of housing typologies are supported,⁹¹ including provision of public housing in the form of high-rise apartment blocks.⁹² With available urban land continuing to become more and more scarce, and also more and more expensive, the trend towards high density, high-rise residential developments in inner-city areas is likely to continue throughout Asia in the coming decades.

2.5 TENURE MODALITIES

Over the last two decades most governments across the developing world, including those in Asia, have encouraged home-ownership. 93,94 While the majority of households in rural areas own the home in which they live, in urban areas throughout Asia this is not the case. In urban areas

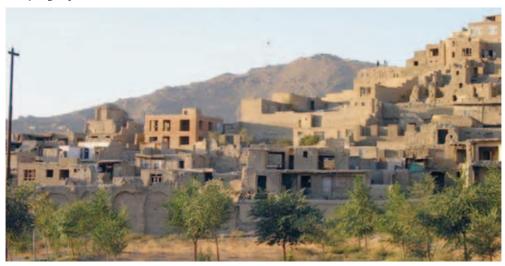
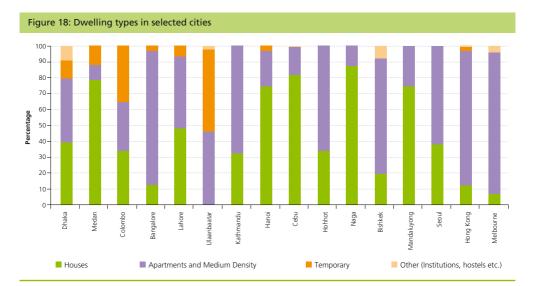


Figure 17: Eighty per cent of the population in Afghanistan cannot afford to purchase even the cheapest new low-cost house. Photo © UN-HABITAT

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home ownership is very expensive and ownership of housing that is developed by the formal sector is not affordable for a significant proportion of urban households, leaving rental housing as their only option. Nonetheless, rental housing has been widely ignored in national housing policies and programmes in favour of outright household ownership of housing. Despite a general trend against direct provision of housing in the developing world as recommended in the Habitat Agenda, there is still continuing support for public rental housing in some countries.⁹⁵

The success of **Singapore** in providing affordable housing to the majority of its population has been based on home-ownership through subsidised loan payments. The Housing and Development Board has housed 80 per cent of the population of whom 95 per cent are owners. ⁹⁶ In **China**, about 80 per cent of urban households own their homes, half of whom have taken out a mortgage. This is because an estimated 50 to 60 per cent of Chinese homeowners bought their homes during the privatisation period at below market value and few required mortgage finance. ⁹⁷

Homeownership was recognized as not being a viable option for all households in the **Republic of Korea**, which consequently started providing

rental housing for low-income households in 1989. By 1999, however, public rental units accounted for only 2 per cent of the total housing stock. In **Hong Kong**, the Housing Authority increased its rental housing stock by 18,000 units between 1991 and 2001—despite simultaneously selling of public rental housing during this period. This was a result of the Housing Authority continuing to build and also increasing the entitlement threshold in real terms, thereby raising the number of potential beneficiaries. The housing is highly subsidized, with tenants paying about 9 per cent of their income in rent compared to 29 per cent in the private sector.⁹⁸

An important source of rental housing in Asia is subsistence landlords (who rent out rooms in their house to sustain or augment the household's income) and petty-bourgeois landlords (who use the income from renting one or two units to invest in improvements to their quality of life).⁹⁹ Hence, an increasing proportion of rental accommodation is to be found in slums and informal settlements and does not conform to regulatory or legal requirements. There are also few legal and binding contracts between landlords and tenants.¹⁰⁰

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Figure 19: Housing and urban development in Bogra, Bangladesh. Photo © UN-HABITAT/Matthew French

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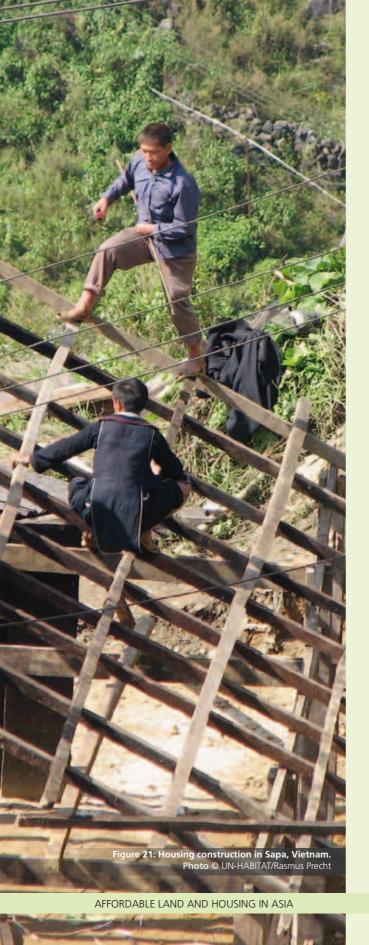
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Figure 20: Traditional, labour intensive building material production techniques are still widely used throughout

Asia, such as this example from a village in Northern Nepal Photo © UN-HABITAT/Matthew French

Over the last two decades microfinance and community savings groups have emerged as important mechanisms for facilitating access to housing finance for the urban poor in Asia.



PART THREE

ADDRESSING
THE CHALLENGE:
AFFORDABLE LAND
AND HOUSING
DELIVERY TRENDS
AND PATTERNS

3. ADDRESSING THE CHALLENGE: AFFORDABLE LAND AND HOUSING DELIVERY TRENDS AND PATTERNS

3.1 LAND

Legal access to land is a strategic prerequisite for the provision of adequate and affordable housing for all. It is also a strategic prerequisite for poverty reduction. Indeed, as paragraph 75 in the Istanbul Declaration notes: 'the failure to adopt, at all levels, appropriate rural and urban land policies and land management practices remains a primary cause of inequity and poverty'.¹⁰¹

Lack of access to land is also the cause of increased living costs; the proliferation of slums and informal settlements; environmental degradation; and the increased vulnerability of urban poor and women-headed households, and other marginalized and disadvantaged groups.

Development of urban land inherently involves significant risks, which the public sector is usually not well placed to assume responsibility for. These risks are consequently borne in such a way that public land is supplied where there is less demand for it; the housing that is built does not respond to land use demands; and middle- and upper-income, rather than poor, households are inadvertently subsidised. All of these problems lead to higher land prices and correspondingly higher house prices—and reduced affordability. 102

3.1.1 Land policy and legislative frameworks

In many countries in Asia, national government decides land policy and legislative frameworks governing planning and tenure, while local government is concerned with the details of land management and development. However, the private sector, which often has the most advanced technical knowledge of how to effectively deliver and develop land, can be instrumental in implementation once frameworks are agreed to. The example of **the Philippines** *Urban Development and Housing Act of 1992* in Box 1 provides a good example of how this can work in practice.

In addition to access to land, tenure security and property rights are key factors influencing housing adequacy and affordability. As the Global Land Tool Network (GLTN) advocates, land rights are best envisaged on a continuum, from de facto tenure located at the informal end of the continuum to registered freehold at the more formal end of the land rights continuum (Figure 20). 103 104 This continuum highlights that land tenure involves an intricate set of formal and informal rights that range from various rights of use to conditional or full rights of use and dispose of the land. 105

Land tenure security is important because it has been shown to facilitate the consolidation and improvement of housing as the threat of eviction, and therefore lost investment, is lower when people feel secure in their location. However, it is important to note that 'registered freehold' should not be seen as the ideal or 'preferred'

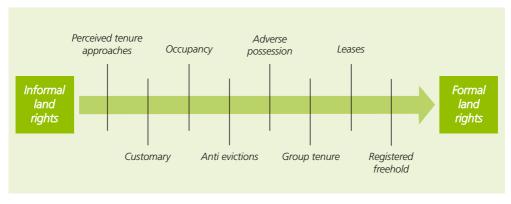


Figure 22: The continuum of land rights.

tenure modality, or as an ultimate right, and de facto tenure alone has been shown to be sufficient for households, especially those in slums and informal settlements, to consolidate and make improvements to their houses and settlements. Participatory enumerations—a surveying method that involves the urban poor in the counting and mapping of their communities—has proven to be an important first step in the process of enhancing tenure security and improving urban land management; the book *Count Me In: Surveying for Tenure Security and Urban Land Management* (2010) provides a clear and accessible overview of how to conduct participatory enumerations. ¹⁰⁶

Some Asian countries still have operational systems of traditional land allocation, for example, *adat* land in **Indonesia**, alongside and even overlapping the systems based on individual titling derived from European law. Most are based on community rights and decision-making and it often costs little for locals to gain use-rights to land. In earlier times, these systems ensured that most households could afford to own modest, durable accommodation. The change to titling systems is likely to involve significant transaction costs and would take land-holding outside the affordability of many households.

Land titling and registration practices in many Asian cities are time consuming and costly, which increases the overall cost of housing development. For example, in **Pakistan** there are 17 agencies involved and six procedures to register land for development. It takes 50 days and costs 5.3 per cent of the value of the property. These high costs and long time periods are comparable with other countries in the region. In contrast, **Saudi Arabia** requires only two procedures, which only take up to three days and are cost-free.

3.1.2 Provision of land for housing and availability of affordable land

Availability of land in urban areas in Asia is generally independent of the type of ownership. It is a problem in cities where most land is publicly owned, for example in **Delhi** and **Karachi**; but it is equally a problem in cities where the majority of the land is under private ownership, such as **Bangkok** and **Seoul**. Indeed, in many cities, the land problem is not because of scarcity, but rather refusal to sell and much of the land is held by owners who have no intention of developing it.¹⁰⁹

Public provision of serviced land and housing, especially to low-income households, is on

Box 1: Philippines: The Urban Development and Housing Act of 1992

Section 2: Declaration of State Policy and Program Objectives:

It shall be the policy of the State to undertake, in cooperation with the private sector, a comprehensive and continuing Urban Development and Housing Program, hereinafter referred to as the Program, which shall:

- (a) Uplift the conditions of the underprivileged and homeless citizens, in urban areas and in resettlements areas by making available to them decent housing at affordable cost, basic services, and employment opportunities;
- **(b)** Provide for the rational use and development of urban land in order to bring about the following:
 - (1) Equitable utilization of residential lands in urban and urbanizable areas with particular attention to the needs and requirement of the underprivileged and homeless citizens and not merely on the basis market forces;

- (2) Optimization of the use and productivity of land and urban resources;
- (3) Development of urban areas conducive to commercial and industrial activities which can generate more economic opportunities for the people;
- (4) Reduction in urban dysfunctions, particularly those that adversely affect public health, safety and ecology; and
- (5) Access to land and housing by the underprivileged and homeless citizens;
- (c) Adopt workable policies to regulate and direct urban growth and expansion towards a dispersed urban net and more balanced urbanrural interdependence;
- (d) Provide for an equitable land tenure system that shall guarantee security of tenure to Program beneficiaries but shall respect the rights of small property owners and ensure the payment of just compensation...

HOUSING IS A CATALYST FOR SOCIO-ECONOMIC **DEVELOPMENT AND** POVERTY REDUCTION THAT CUTS ACROSS ALMOST EVERY OTHER INDICATOR FOR HUMAN DEVELOPMENT, ACCESS TO ADEQUATE AND AFFORDABLE HOUSING PREVENTS INJURY. DISEASE AND PREMATURE DEATH; INCREASES HOUSEHOLD AND NATIONAL INCOME; AND PROVIDES SOCIO-POLITICAL STABILITY.

the decline in many Asian countries for several reasons. These include a lack of resources, inadequate administrative and technical capacities, and lack of political will.¹¹⁰

Some countries in Asia have, however, created parastatal bodies with responsibility for land development, the largest being *Perumnas* in **Indonesia**. Such bodies are established to:

- Channel land and housing at affordable prices to low- and middle-income households;
- Ensure that the land value increases associated with infrastructure provision are not appropriated by private developers; and
- Undertake important but risky projects avoided by the private sector.¹¹¹

Subsidies are sometimes used to release land for low- and middle-income groups, but it is very difficult to ensure accurate targeting. In **Iran**, land subsidies amount to three per cent of GDP but

most of the land distributed to both households and cooperatives remains undeveloped owing to the lack of sufficient resources to provide basic services. The government of **Iraq** allocated huge numbers of subsidised plots to middle-income households, armed forces personnel and government workers during the 1980s. Many are still not developed. Its

3.1.3 Access to, and servicing of, land for housing

Access to serviced land for housing is one of the major problems faced by practically all Asian cities. Several approaches have been tried in seeking to provide an adequate supply of well-located serviced land at affordable cost. They include the following:

Land banking

Land banking is used to acquire land for urban development ahead of need at relatively low cost. It can also be used to guide urban development, contain land speculation, redistribute land to the poor, and finance infrastructure investments. However, it requires strong administrative and financial capacities, which many developing country local authorities lack. Experience has also shown that most land banks have failed to keep land prices low and prevent speculation and extensive delays in acquiring and developing the land have tended to exclude poorer households. Although used successfully in Asian countries such as **Malaysia** and **Singapore**, land banking is no longer seen as the way forward.

Land sharing

Land sharing has been used by landowners wanting to move squatter households off their land and put it to alternative use. Rather than taking legal action in court, the landowner agrees that the occupants (tenants or squatters) can remain on part of the land, often with improved and secure accommodation at higher densities. The owner then develops the most economically attractive part of the land. The four basic features of land-sharing projects are: increased density, reconstruction, participation, and cross-subsidies. Land sharing has been used with variable success in **India**, **Thailand** and the **Philippines**. It is not widely used, largely because of the many preconditions that must be met.

Land readjustment

Land readjustment is a more widely used variant on land sharing. It involves combining small plots of land, servicing the larger area, and then returning it to the owners. In **Bangladesh** and **India**, readjusted land is returned to the owner on condition that a proportion of the increase in land values is handed back to government to make more land available to low-income groups. In the **Republic of Korea**, the government returns part of the property to the original owners and then sells the remainder at market prices to recover development costs. Approximately 30 per cent of the urban land supply in **Japan** has been developed through land readjustment.

Power of eminent domain

Most countries have legislation that enables governments to expropriate private land for public purposes, and determine the amount of compensation, if any, which should be paid. This is known as the 'power of eminent domain' which, in many developing countries, is a colonial inheritance. It can be used for land-banking ahead of need. In **India**, the Delhi Development Authority (DDA) owns a substantial portion of the land that it has acquired this way since 1957.

Land swapping, joint venture agreements, negotiated purchase

In the **Philippines**, Local Government Units (LGUs) are able to access privately-owned land for social housing through several approaches,

including land swapping, joint venture agreements, and negotiated purchase. The acquisition process is, however, complicated and prolonged by the lack of a standard land valuation methodology, particularly in cases where the site to be acquired is already occupied by informal settlers.¹¹⁴ Innovative land-use mechanisms have also been adopted in **Thailand**, where local, context-specific solutions are designed with close guidance from government, community groups and NGOs.¹¹⁵

3.1.4 Serviced/unserviced housing development sites

According to the Global Shelter Strategy for the year 2000:

'the greatest failure of Governments in the housing sector has been the incapacity to stimulate a supply of sufficient affordable and officially recognized serviced land to meet low-income housing needs.'119

A number of countries in Asia are trying to overcome this failure by providing either serviced or unserviced sites at an affordable price for urban poor and low income households.

Both the central government and city corporations in **Bangladesh**, are developing residential subdivisions for lease to upper- and upper-middle income households and resettlement programmes, and site-and-services schemes for



Figure 23: Informal housing extensions to public housing in Hanoi, Vietnam. Photo © UN-HABITAT/Claudio Acioly

lower- to middle-income groups. However, it has always been difficult to reach lower-income households with the latter. Also, the size of the combined public housing programmes has been minimal in relation to housing demand.¹²⁰

In **Malaysia**, the Government is implementing sites-and-services schemes to provide housing for low-income households that cannot own a house under the Public Low Cost Housing (PLCH) programme. Housing options under this scheme are (i) a vacant plot inclusive of basic services and (ii) a serviced plot plus a core house which the owner can extend in future.¹²¹ However, in the Plan for the period 2001 to 2005, the Government achieved less than half the target (48 per cent) of the target of 1,000 units.¹²²

In **Thailand**, the National Housing Authority (NHA) in Bangkok assists evicted slum dwellers to resettle in sites-and-services schemes which

the latter themselves identify and buy into. Many of the schemes, which the NHA manages along with its rental housing stock, are in the periphery of the Bangkok Metropolitan Area, far from employment opportunities.¹²³

3.2 HOUSING

Housing is a catalyst for socio-economic development and poverty reduction that cuts across almost every other indicator for human development. Access to adequate and affordable housing prevents injury, disease and premature death; increases household and national income; and provides socio-political stability. However, despite fundamental transformations in the economies and living standards of many countries in Asia in recent decades, there remains an urgent need to improve housing conditions for substantial numbers of people.



Box 2: Improving land access and land administration efficiency for the benefit of

Efficient land administration in Karnataka, India 116

Central to land access is efficient administration procedures for obtaining and retaining land. Asia has a number of good examples of improved land administration systems designed with the poor in mind. To mention but one of these is the Bhoomi land conveyance system of the government of Karnataka, India. Bhoomi has computerised 20 million records of land ownership of 6.7 farmers in the state. It focuses on on-line delivery and management of land records, which provides transparency in land records management and reduces the need for lengthy bureaucratic procedures in such tasks as changes to land ownership or verification of land ownership by other parties. It is a very successful example of the benefits of electronic records management, public-private partnership, coordination between government departments, and transparent information access for all-including often excluded low-income households-through locally accessible computer 'kiosks'.

UN-HABITAT efforts to enable access to land following the Indian ocean Tsunami ¹¹⁷

Following the Tsunami in December 2004, UN-HABITAT, together with other United Nations agencies, participated in the relief and reconstruction activities. In the Aceh region in Indonesia, efforts focused on land issues in the following three ways:

(a) relocation of entire settlements where the destruction was considerable;

(b) readjustment within existing settlements where there was partial only destruction; and

(c) in situ upgrading of settlements where such an approach was feasible.

These initiatives directly impacted on the lives of many indigenous peoples, for whom land issues are fundamentally important.

Land to the landless in Pakistan following the 2005 earthquake ¹¹⁸

Following the 8th October 2005 earthquake in Pakistan, UN-HABITAT supported a successful land distribution programme that was established by the Pakistan Earthquake Rehabilitation and Reconstruction Authority (EERA), whereby land from willing sellers was legally transferred to willing buyers with a minimum of administration and legal costs in a 'one window' process. This meant that the typically lengthy land administrative procedures were modified to speed up recovery efforts and facilitative the wide distribution of land, whilst maintaining a focus on quality and equity. As of the end of 2009, 8,156 households who lost their land or who were living on precarious mountain slopes obtained new land for housing through this programme, demonstrating the importance and value of efficient land administration procedures, especially in postdisaster contexts.

3.2.1 Housing policy and legislative frameworks

National housing policies, strategies and legislative frameworks in the Asia region have shifted significantly over the past few decades. Many of the changes have been aimed at promoting national housing strategies that seek to enable the poor to access adequate and affordable housing.¹²⁴ However, when it comes to highlighting the most significant innovations in housing policy in developing countries over the last two decades, the following can be singled out:

- The development of national shelter strategies by many governments in line with the Global Strategy for Shelter to the Year 2000 (GSS) and Habitat Agenda guidelines;
- Higher priority given to, and development of innovative approaches for, slum upgrading;
- Increased efforts to address discrimination against women and 'gender-blindness' in housing and service provision;
- Enhanced attention to human rights;
- Recognition by governments of the potential positive role of rental-housing, with initiatives to support its development.¹²⁵

Housing delivery processes in **Iraq**, **Lebanon**, **Syria** and **Yemen** have been strengthened by involving and increasing the role of the private sector and various civil society actors. Other countries such as **Bangladesh**, **the Philippines** and **the Republic of Korea** have emphasised housing programmes that are demand driven, decentralised market oriented, deregulated and initiated by the private sector.¹²⁶

In Jordan, the Housing and Urban Development Corporation (HUDC) was mandated to implement the National Housing Strategy throughout the Kingdom, and has introduced substantial reforms to the housing sector. In implementing the Housing Strategy, measures have been taken to eliminate the emergence of new slums and to increase the supply of affordable housing for lower-income groups. They include improving the legislative environment, reforming land policies, updating planning and building regulations, introducing a secondary mortgage

market, revising the rental law, and streamlining administrative procedures. 127

Building and land-use regulations are often not conducive to creating affordable housing for the majority. They are often very restrictive and laws on land use and building characteristics increase the unit cost to households. A clear example is restrictions on building heights: low heights on buildings and number of stories permitted. Lowrise development increases infrastructure costs, spreads the city outwards, and limits the size of housing development projects. Such restrictions are evident in Karachi which has a relatively low height limit on apartment buildings. 128 Where developers have gone above these regulations the legal status of their housing projects is pending and they cannot get future finance which restricts their ability to develop more houses.

3.2.2 Current affordable housing programmes and approaches

Many governments have withdrawn from direct delivery of housing, as recommended in the GSS and Habitat Agenda. However, public organisations are actively involved, in one way or another, in shelter production in a number of countries. They include government agencies, specialized institutions and financial bodies, many of whom are trying to ensure access to adequate and affordable housing for poor and low-income households, and other vulnerable, disadvantaged and marginalised groups.

In Bangladesh, the Government has launched Asrayon (shelter), Gharey Phera (return home) and Ekti Bari Ekti Khamar (one homestead one farm) programmes for the rural landless and homeless people to limit the number of people from rural Bengal migrating to urban areas, and also to encourage urban slum dwellers to return to their own villages and take up income generating activities. In the Asrayon programme the Government has been providing group housing and small agricultural plots on Governmentowned land for landless households. In the Gahrey Phera programme rural migrants to urban centres are given credits to enable them to return to their villages and earn their livelihood there. These programmes aim to reduce the problem of squatting and stem the growth of urban slums. The Government has also established the

Grihayan Tahabil (Housing Fund) through the Bangladesh Bank to provide housing loans to NGOs to build shelter for the urban poor. 129

Housing and Urban Development Corporation (HUDCO) in India has a specific mandate to improve the housing conditions of lower-income groups and the homeless. As the primary government agency through which public capital spending on housing is channelled, it provides financial support to those state governments, housing boards and local authorities implementing housing and urban development projects. HUDCO delivers housing through a variety of schemes, many of which are recommended in the Habitat Agenda (see the following section, 3.2.3 for an extended review of current programmes). Although, for all its efforts, the contribution of all the public housing programmes together is no more than 16 per cent of the total housing stock in India, 130 they include:

- Co-operative housing;
- Construction loans;
- Rental housing for employees;
- Rehabilitation and upgrading;
- Night shelters for pavement dwellers and other homeless people;
- Condominium ownership for working women:
- Housing delivery through NGOs and CBOs:
- Housing delivery through the private sector; and
- Individual housing loans.

housing programmes being are implemented by both the public and private sectors in Sri Lanka to provide adequate and affordable housing for all. The government provides direct assistance to low-income households to build or upgrade their housing and encourages private sector investment in housing through a range of fiscal incentives. The National Housing Development Authority, the State Mortgage and Investment Bank, the Housing Development Finance Corporation, the Plantation Housing and Social Welfare Trust, and the Ministry of Fisheries and Aquatic Resources are the main public sector institutions involved in the provision of low-income housing. The basic strategy of public housing programmes is to support a self-help system in which the National Housing Development Authority (NHDA) or other organisations provide a maximum loan of LKR 50,000 (USD 452) per beneficiary to build or upgrade their own house.¹³¹

Over the years **China** has provided large amounts of affordable housing for its citizens. Before market reforms in the 1990s, the majority of urban households lived in housing provided for workers by their work units (danwei) or by municipal councils. 132 More recently, the "Comfortable Housing Project" (anju gongcheng) was launched (in 1995) to build and sell flats at affordable cost to low-income households, especially those who had inadequate or no housing (see the extended case study in the following section, 3.2.3). In 1998, it was modified and renamed "Economic and Comfortable Housing" (jingji shiyong fang) which sought to reduce costs still further by reducing land prices, contractor profits, government charges and dwelling size. 133 The Housing Provident Fund was instituted in 2001 to aid households in saving for housing ownership and had assisted 2.4 million households by 2003.¹³⁴ However, the poorest households, those who have been laid off in the reforms of the 1990s or temporary migrants, tend to be excluded from the systems that provide affordable housing and endure very poor conditions compared with the general population.135

The first public housing programme in Hong Kong was implemented in 1954, and the government has continued to participate aggressively in the housing market ever since. In 2005, the public housing stock comprised of a total of over 1.1 million units, including rental flats and subsidised flats for sale, which housed about half the city's population (3.4 million people). These housing units include living quarters built under the Housing Authority's Home Ownership Scheme, the Middle Income Housing Scheme, the Housing Society's Flat for Sale Scheme, the Sandwich Class Housing Scheme and the Private Sector Participation Scheme. The government has also in the past provided direct financial assistance in different forms to public and non-public housing tenants to purchase their own flats. 136

The government approach in the Philippines over the past 25 years has been to boost homeownership for the poorest 50 per cent of the country's population through a range of approaches including direct production of housing, provision of public funds for development, or end-user financing, to entice the private sector to produce 'socialised' housing under the decentralized and participative approach, which led to the rise of joint venture projects between government (at all levels) and the private sector for low-income housing. The joint venture programmes have, however, remained contingent upon public sector funds and implicit subsidies, which are not always forthcoming. 137 A private sector company, Phinma Property Holdings Corporation (PPHC), is the country's leading developer of affordable medium rise housing in Metro Manila. 138

Singapore is an example of one of the most extensive systems of state intervention through direct construction. In 2002, an estimated 85 per cent of the population of 3.3 million were living in public housing units, which were subsidized to remain affordable to the majority of households. Of this number, 96 per cent were owned by their occupants and 4 per cent rented. The public housing programme is based on subsidized mortgage finance, primarily through the setting of interest rates. The success of the programme is due, in part, to Singapore's rapidly growing economy, which is one of the fastest growing in the world; and also to the fact that the government owned 85 per cent of the land. Acquiring land was thus not problematic, although compulsory acquisition was used. 139,140

In **Bhutan** housing programmes in urban areas are still dominated by public sector social rental housing and there is an acute housing shortage. Rapid urban population growth, lack of access to land, and a shortage of funds for public housing programmes are the primary reasons for the growth of the housing problem. In addition to new housing demand that stems from population growth, much of the existing housing stock requires renovation owing to its old age and low quality. To date, there has been little effort in providing affordable housing for low- and middle-income households; and the lack of sufficient housing is leading to severe overcrowding.¹⁴¹

In Malaysia, various housing development programmes have contributed to the increase in housing construction. Overall targets were surpassed for the Plan period 2001 to 2005. A total of 844,043 units were completed, 77.6 per cent of which were constructed by the private sector and the remaining by the public sector. In the 'low-medium-cost' housing category, a total of 83,910 units (63.9 per cent of the Plan targets) were completed. The private sector constructed 72.8 per cent of this number, demonstrating a positive response on its part to the increasing demand for houses in this category, and helping to reduce the demand for affordable housing. On the other hand, the total number of mediumand high-cost houses constructed by the private sector during the same period far exceeded the target reflecting a continuous demand for this category of housing.142

Western Asian countries have tended to retain strong government involvement in housing

Box 3: Affordable housing provision in Sri Lanka

Provision of affordable housing has been a priority of successive governments in Sri Lanka since independence in 1948. In 1977, the National Housing Development Authority was established to implement and promote mass housing programmes such as the One Hundred Thousand Housing Programme and the One Million Housing Programme to increase the housing stock and home ownership, by providing long-term subsidized loans for new developments and upgrading activities.

In 1994, because of increasing land scarcity, the focus shifted away from slum upgrading to a

programme to relocate slum dwellers in high density apartments built by the government. The Indian ocean tsunami in December 2004 completely destroyed around 99,480 homes and partially damaged about 44,290, together comprising 13 per cent of the housing stock in the administrative divisions along the coast. The Government is however committed to rebuilding houses and communities.

Source: Sri Lanka, 2005; Ergüden and Precht, 2006.

provision, especially in countries that have strong economies underpinned by oil exportation. In Saudi Arabia and the United Arab Emirates (UAE), for example, governments responsible to provide housing under a social contract between the rulers and citizens. This has been done through direct building programmes, mainly through approved contractors, with hugely discounted or entirely free allocation, and through interest free loans. 143 Huge amounts of money have been expended on these endeavours and many thousands of dwellings have been completed.144

The efficiency of these systems in supplying housing has, however, been questioned. Not only do the loans tend to encourage households to build more housing than they need,145 but also they lead to deterioration in the existing housing stock as prospective recipients of loans maximise their gain by living in poor housing conditions, 146 whilst owners see their housing lose value in competition with heavily discounted units. 147 In addition, the amount privately-funded housing was reduced in **Saudi Arabia** from 74 per cent in 1975 to 32 per cent in 1990.148 Since then, the number of loans available has been badly affected by the value of oil exports and other events such as the First Gulf War. Poor construction within a hot and highly saline environment has also led to poor durability and many households have abandoned government-built dwellings in UAE. 149 In Tunisia, Jordan, Lebanon and Yemen, however, the private sector carries out around 95 per cent of all housing construction. In Turkey, the private sector is dominant but the government produces around ten per cent of national housing supply (Box 4).

The above examples, drawn from all over Asia, underscore the important role that governments continue to play in the provision of adequate and affordable housing in a number of countries in Asia. Indeed, public housing remains the only way through which poor and low income households can access adequate and affordable housing in cities across Asia.

3.2.3 Extended case studies of current large-scale housing programmes and policies

3.2.3.1 National Indian programmes to increase affordable housing supply

India is experiencing some of the highest rates of urbanisation and population growth in Asia and consequently every day thousands of people move to cities and in doing so seek housing in which to live. In response to these physical and demographic changes the Indian Ministry of Housing and Urban Poverty Alleviation (MoHUPA) has developed several programmes

Box 4: The National Housing Development Administration of Turkey (TOKI)

The National Housing Development Administration of Turkey (TOKI) is the single public entity within the housing sector in Turkey that is responsible for increasing housing supply for the low-to-middle income population. Underpinning TOKI's strategy is the recognition that without increasing the provision of affordable housing at scale existing slums will expand and new slums will form. As urbanisation increases, many households have few options but to settle in slums, 'gecekondu', that contribute to many problems such as urban exclusion, poverty, degradation of the urban environment and the loss of natural resources. TOKI's stated aims are:

- Create a model framework for quality lowcost housing,
- Prevent real estate speculation that might use low-quality materials in the construction of low-margin housing,
- Produce housing for regions in Turkey where the private sector is not active,

- Offer low- and middle-income groups the opportunity to finance their own homes,
- Offer rural housing opportunities that decrease the pressure on the migration to urban areas,
- Collaborate with local municipalities to create urban renewal projects and
- Create financial opportunities to finance social housing projects such as innovative income-sharing projects with the private sector.

TOKI aims to produce between 5 and 10 per cent of housing need in Turkey through the development of low- and middle-income housing on TOKI-owned land. Beneficiaries of this 'social housing' pay a down-payment and enter into a loan agreement with bank on low interest rates and long repayment periods. These government-led housing projects are on a large scale, mainly 4 to 7 storey multi-household housing blocks.

Since 2003 TOKI has also undertaken a gecekondu upgrading programme. It has two strategies: temporary resettlement of occupants then resettlement in newly built houses, or resettlement elsewhere and land returned to TOKI for development. TOKI also has a 'Revenue-Sharing model' where they give their land to private developers who subsequently develop housing and give TOKI an agreed share of the profits, which they re-invest in low-income

By 2009 TOKI had built 400,000 houses, exceeding their seven-year goal of 350,000 houses. Their new goal for 2011 is to build 500,000 houses in the coming years with a focus on low-income households. The private sector remains dominant in housing supply and construction; in 2008 the private sector produced 81.9 per cent of houses, cooperatives 6.4 per cent and TOKI 11.7 per cent.

Affordability and finance limitations

projects.

TOKI housing is not widely affordable for lowand even many middle-income households. The unit cost is too expensive and there is lack of finance opportunities that households can access. Indeed, Habitat International (2010:43) note that 'in Turkey, the problem is not that homes are too expensive; rather, it is that home loans are too expensive. Thus, the biggest gaps in Turkey's housing system are on the demand side and helping people pay for housing, rather than the supply side and making home prices cheaper'.

There are also concerns regarding who benefits from the implicit subsidies. It appears that it is mostly middle-income workers and public servants, not the really poor who secure housing. Likewise, there appear to be problems with the eviction and resettlement of gecekondu residents on development sites. During a mission to Istanbul in 2009, the Advisory Group on Forced Evictions (AGFE) noted forced evictions were taking place in Istanbul due to high population growth with social inequalities and a desire to turn Istanbul into a 'Global First Class City'.

Furthermore, in early 2011, TOKI admitted that the social dimensions of housing had not been well addressed, for instance traditional lifestyles, culture and demographic needs in locations that are redeveloped. 150

From mid-2010 onwards TOKI modified its approach to specifically accommodate low-income housing in some of its development plans. It is doing this through strict eligibility criteria: households must earn less that 2,600 TL per month (1,690 USD), not own property elsewhere, and have not received a TOKI house before. These recent housing projects were heavily oversubscribed with over 30,000 applications received (so far) for only 5,641 units.¹⁵¹

The experience of TOKI in Turkey demonstrates the importance of affordable and available housing finance. It is not enough to just build finished housing units on a large scale; they need to be affordable and part of affordability is having appropriate finance mechanisms in place to allow households to access housing units. Like many other Asian countries, Turkey urgently needs improved housing finance markets to stimulate housing production at middle- and low-income levels. Private developers simply will not build houses if they cannot sell them. Predictable sources of finance that potential homebuyers can access are needed to stimulate housing production for all income sectors but particularly important is flexible finance opportunities for the low-income population.

Turkey also demonstrates the challenges of direct housing provision by governments. Targeted and deliberate mechanisms must be implemented to reach low-income households otherwise direct housing provision does not reach low-income households and the government ends up constructing and subsidising houses for the middle- and upper-income groups.

Source: Özsan and Karakas, 2005; Uzum et al, 2009; Habitat for Humanity International, 2010; Uzum, Çete, and Palancioglu, 2009; AGFE, 2009.

that aim to increase affordable housing supply and improve existing slum conditions. Their ambitious target is to achieve the 'provision of affordable housing for all and livelihood, shelter and basic services to all slum-dwellers and the urban poor'.

This extended case study outlines five key MoHUPA programmes. Information and data from this section is drawn from the following sources: MoHUPA (2010); Ministry of Urban Development of India (2009); Baindur and

Kamath (2009); Murali (2006); and Tiwari, G., Raghupathi, U. and Husain Ansari, J. (2007).

Jawaharlal Nehru National Urban Renewal Mission (JNNURM)

The national flagship programme is the Jawaharlal Nehru National Urban Renewal Mission (JNNURM), a six-year programme that commenced in 2006. It responds to the need for investment and policy reform at both national and city level to address physical aspects of urban areas, in particular housing, built

heritage, infrastructure and services. It pays particular attention to the needs of Economically Weaker Sections (EWS) and Lower Income Group (LIG). The stated aims are to 'augment social and economic infrastructure in cities', ensure basic services to the urban poor including security of tenure at affordable prices, initiate wide-ranging sector reforms and strengthen municipal governments to decentralise. The two components that address affordable land and housing provision are Basic Services to the Urban Poor (BSUP) and Integrated Housing and Slum Development Programme (IHSDP).

BSUP focuses on the integrated upgrading of slums in 65 major cities. It includes the provision of basic urban services, urban improvement and rehabilitation projects, community services projects (such as water supply, toilets, baths, etc), affordable housing projects, and street lighting.

The IHSDP focuses mainly on the provision of new affordable housing and upgrading of existing houses in cities and towns that are not eligible for BSUP. New housing provision is typically condominium housing on brown-field sites. The ceiling cost of a housing unit is set at INR 100,000 (2,253 USD), the minimum floor area is set at 25 meters squared, and each unit must have a kitchen and toilet.

Both programmes are largely directed and implemented at state level. They involve the preparation of a city development plan, preparation of budgets and project identification, release and leveraging of funds, and a focus on enabling the private sector through private-public partnership. Projects are financially assisted by the national government but states are required to contribute land and funds as well as leverage funds from public-private partnerships.

Central to both BSUP and IHSDP are city policy reforms that aim to improve the delivery of affordable housing 'at scale'. For example, decentralisation, reform of property tax regulations, rent control laws, enactment of Community Participation Law (at Municipal and State level) and financing services for the urban poor. In line with the National Indian Urban Housing and Habitat Policy (2007) a key regulation stipulates that 10 to 15 per cent

of land in every new public and private housing development and 20-25 per cent of Floor Area Ratio must be reserved for the Economically Weaker Section (EWS)/Lower Income Group (LIG).

As of 31 December 2010, the national government had approved 1,028,503 houses under BSUP and 515,244 under IHSDP. On the same date 585,255 BSUP houses were completed (or nearing completed) and 253,212 IHSDP houses had been completed. These are impressive achievements.

states lead the development implementation of projects, there have been different experiences and levels of success in different states depending on their capacity and willingness to reform. The state of Andhra Pradesh is an example of a state that has embraced the programme and is seeing results in 32 of its towns and cities. The state is prioritising in-situ upgrading of slums with a focus on ensuring security of tenure for all residents. When slums are in precarious or at risk areas, land is provided for relocation projects. The state has created a land pool for housing the urban poor as part of reforms required under JNNURM as well as taken an active role in facilitating the provision of affordable and high quality building materials at scale by working directly with manufacturers to secure cement and steel at fixed, below-market rates to guarantee quantity to meet the large housing demand. The State Bank of Hyderabad is issuing loans to beneficiaries of all JNNURM projects with special attention on the poorest of the poor by providing flexible terms. The state has a commitment to providing infrastructure services at affordable rates for both slum upgrading and new housing projects.

JNNURM, however, faces several issues and challenges. There is criticism that the programme, especially BSUP, caters more to the construction industry at the expense of the poor. Some reports suggest that the provisions of Urban Land Ceiling and Regulation Act are not adhered to which affects the ability of the programme to provide shelter for the poor. Often expenditure has been directed into 'big ticket' infrastructure items rather than affordable housing as the former are more visible. There is the challenge of engaging

state governments to implement and direct the programme at state level due to their retreat from enabling affordable housing markets and the lack of political commitment to addressing the needs of the poor. There remains the challenge of implementing the programme in peri-urban areas and small towns, which are currently experiencing very rapid urbanisation, due to the lack the institutional capacity to implement the programme. While these issues need addressing, the JNNURM programme remains a positive step forward to address affordable housing in India at a large scale that such a rapidly urbanising country demands.

An important part of the Ministry's strategy is that four other land and housing related programmes compliment the JNNURM programme, and together they improve the opportunities of delivering affordable land and housing 'at-scale':

Pajiv Awas Yojana (RAY)

Following on from the JNNURM, in late-2009 the National government launched the Pajiv Awas Yojana (RAY) programme to regularise and upgrade slums to meet the Government's vision of a 'slum free-India'. The central elements of the programme are regularisation of slums and tackling the shortages of urban land, which keep shelter out of financial reach of the poor with flow on effects of indirectly leading to informal slum developments.

Affordable Housing in Partnership

In 2009 the Affordable Housing in Partnership scheme was launched which seeks to create one million houses for the low-income sector through encouraging partnerships between various agencies. The programme includes the provision of a subsidy for infrastructure for housing units (less than 80 square meters) by the central government.

Interest Subsidy Scheme for Housing the Urban Poor (IHSUP)

The Interest Subsidy Scheme for Housing the Urban Poor (IHSUP), launched in early 2009, aims to improve the ability of housing finance for the urban poor. A five per cent subsidy for loans under INR 100,000 (2,253 USD) up to a maximum of 15 years is permitted for EWS an LIG.

Urban Statistics for HR and Assessments (USHA)

Importantly, India has recognised the need for improved housing market monitoring mechanisms and established the Urban Statistics for HR and Assessments (USHA) implemented by the National Buildings Organisation that works towards producing a national statistical database concerning housing and urban areas. Also, the Housing Start-up Index (HSUI) tool aims to monitor the role of the housing sector on national and city-wide economies.

As all these programmes are relatively new, their degree of success in delivering affordable land and housing at scale remains to be seen. For now though, what is clear is that their existence demonstrates the political commitment on a national level to address the challenge of slums and improve access to affordable shelter for all, which is certainly a positive step forward.

3.2.3.2 National housing programmes in China, the rapidly growing Asian tiger

China, cognisant of the challenges it faces with increasing urbanisation and deepening urban economic inequality, has three major housing programmes that aim to ensure adequate and affordable housing for all. The programmes indicate the radical transformation of China's housing sector over the last 30 years from a centrally planned system to a market-orientated housing system. They are underpinned by the principles of private home-ownership, market efficiencies, and the state as an enabler of markets rather than direct provider of housing. This extended case study outlines the three main programmes, drawing data and information from the following sources: Wang and Murie (2000); Huang (2004); Ma (2002); Smit and Purchase (2006); Deng, Shen and Wang (2010); Yang and Shen (2008); Stephens (2010).

Economical and Comfortable Housing (ECH)

The Economic and Comfortable Housing Programme (ECH) (jingji shiyong fang), which began as the 'Comfortable Housing Project' (anju gongcheng) when it was launched in 1995, aims to help lower- and middle-income households secure housing when they cannot afford private housing. Housing is mostly built by private developers for profit and sold through

market transactions. All units are developed for sale, not rent. House prices are lower because local governments provide land for free or at low-cost and reduce or waive development fees. Furthermore, they regulate the sale price and keep profits at 3 per cent. House prices are around 50 to 60 per cent of market prices (per square meter).

A large proportion of the population is eligible. Since 1998 onwards ECH housing has been positioned to be accessible to 70 to 80 per cent of the urban population. It was envisaged that higher-income households (10 to 15 per cent of the national population) would seek higher-quality housing and the lowest-income sector (10 to 15 per cent) would be given subsidized rental housing by employers or local governments. This broad eligibility reflects a goal of the ECH to stimulate the economy, especially after the Asian Financial crisis of the late-1990s. Providing housing to the majority of the population was one way to achieve this.

While the programme certainly produces housing 'at scale', affordability is an increasing concern. Middle- and low-income groups are increasingly forced out of being able to buy an ECH unit. High-income households are seeking ECH units and this is pushing costs up and limiting ownership opportunities for lower- and middle-income households. With high-income households demanding higher housing standards, primarily larger unit sizes, housing norms are

changing and house unit costs are increasing, even if the price per square meter (the common measure in China) remains the same. Therefore, lower-income households cannot afford the higher overall house unit costs. In Beijing, for example, the median price of an ECH unit was above the medium price of all the housing stock.

To address the prevalence of high-income purchasers of ECH housing the government has made reforms. In 2007 the government implemented regulations that the floor area of ECH housing be no more than 60 meters squared and only sold to moderate- and lowincome families. These eligibility criteria and development standards were implemented to reduce house unit costs, although this has had limited success because of powerful lobbying by developers at local government level. Likewise, there is much resistance from local governments who view the programme negatively as they have to bear most of the costs, especially land costs. Limits are often not enforced and household incomes not tested or tracked properly. While the overall success of these recent reforms are still not known, they are a positive sign of the government's desire to reach lower-income households.

Housing Provident Fund (HPF)

The Housing Provident Fund was trialled in 1991 and established as a national housing programme in 1994. Modelled on **Singapore's** Central Provident Fund, it is essentially a housing savings



Figure 24: The high-rise housing landscape of Hong Kong Photo © UN-HABITAT/Matthew French

scheme to promote home-ownership. Employers and employees contribute a certain percentage to an HPF account. Employees can get their funds for home purchase, or improvement, or self-construction at low interest rates (often one percent lower than market rates). Therefore, rather than workers or employers building their housing they save for it and buy it on the open market and in theory it is compulsory for both public and private employees (before 2002 it was only public sector employees). The Fund is centrally controlled in terms of decisions, the setting of rates, etc, and money is held in the China Central Bank. Local governments, however, do the day to day running of loans.

There remain affordability and accessibility issues with the HPF. As it is salary based, workers who get paid more, get larger employer contributions. Only 25 per cent of workers enrolled have taken loans. This low rate is because of the strict loan terms, the challenge of actually processing the loan, and stricter criteria (credit checks and income sources and levels). Also, loans are tied to income so those on low incomes cannot get a large loan, a challenge for low-income households. Furthermore, consistent increases in house prices are putting home ownership out of reach of the lower-income bracket. HPF loans are typically around half of the value of the property, so purchasers have to fund nearly half the purchase themselves, which is a challenge for many households. Due to national salary differences, there are also large differences between regions and cities in employer contribution percentages, and membership rates.

Nevertheless, the HPF is a considerable achievement in terms of the management of the programme and degree of government support. The default rate in 2006 and 2007 was only 0.07 per cent. Likewise, there has been huge demand of which the government is proud. In 2008: 77.4 million workers nationwide were participating in the programme and between 2005 and 2008 alone the savings fund doubled in nominal value.

Cheap Rental Housing (CRH)

Even within the reforms of the last 30 years, China has generally ignored the rental housing market, especially that of low-income people. Its policies and approaches focussed mainly on home ownership and the housing sector as a means of economic development. However, the Cheap Rental Housing programme is a governmentsubsidised rental housing programme for those with disabilities, low-incomes, disadvantaged groups, and seniors.

The programme was initially proposed as supporting both new-build rental housing and rent subsidies of existing rental properties, although new-build has come to dominate. Funding comes from local governments through several mechanisms such as capital gains from the HPF, annual budgetary allocations, and other local housing funds. The CRH has grown slowly due to the reluctance of local governments to implement at municipal level. In 2006 a new law specified that local governments must spend five per cent of the net gain from land conveyance fees on CRH, although this had limited practical success due to lack of enforcement. Between 1998 and 2006, the programme has only contributed one per cent of total housing production during this period. Nevertheless, this still represents a considerable size: to date 550,000 low-income households have benefited from CRH.

Recognising the challenges of the CRH programme and the need to scale up, the Chinese government launched an ambitious plan: Cheap Rental Housing Guarantee Plan from 2009-2011. This partly responded to the need to combat the detrimental economic effects resulting from the global recession. The plan aims to provide 7.5 million homes for lowincome households. Three-quarters will be in new-build and one quarter in existing housing through rental subsidies. Plans have been made for each year with targets for house construction and beneficiaries, which are in turn aggregated for each province. The central government has increased its funding for the plan to subsidize CRH construction and also stipulated that 10 percent of conveyance fees and all capital gains in HPF investments should be allocated to CRH.

Challenges and future directions

These three Chinese housing programmes demonstrate that with political will, institutional reforms, and capacity building at all levels of government housing that is affordable to the majority can be provided at scale. In 2003, these ECH units constituted 23 per cent of all new units sold in the city of Beijing. In the cities of

Boatu and Chengdu alone, 600,000 people have benefited from affordable ownership housing initiatives.¹⁵²

Nevertheless, affordability for low-income household in the housing sector in China remains a concern. From 1998-2004 house prices in Beijing rose 25 per cent annually, while disposable income rose only 12 per cent. 153 The median income to median house price ratio is 7.8 nationwide. In big cities like Beijing or Shanghai the ratio is even higher (above 10). Yang and Shen (2008) suggest that effective demand is not pushing up prices but rather this is partly due to foreign investment (estimated at 13 per cent of high-end residential property), which 'opens up space for price inflation'. Saving for the downpayment for a unit takes 15 years for a low- to medium-income household, 'therefore the downpayment requirement represents a significant additional barrier to home ownership for these households'.

What is clear across all three programmes is that China needs better integration between central and local government to scale up housing supply for low- and moderate-income households. Principally, more commitment is required from local governments. China's housing programmes also reinforce the benefit of understanding housing as an integral part of national and local economic systems. It has great potential to contribute to economic growth and improve the living conditions of the population. In

this sense the policies have been successful in building houses and stimulating the economy but there remain necessary improvements in terms of providing housing for those on low- and moderate-incomes.

3.2.4 Housing beneficiaries

Affordability is a key component of adequate housing. It is especially important in terms the success of policies, programmes, and projects in reaching and benefiting their intended beneficiaries, almost always low-income households.

As explained in Part One, from the 1970s onwards the World Bank and other development agencies promoted site, services and slum upgrading programmes in many Asian countries aimed at low-income groups. Indeed, the Kampung Improvement Programme in Indonesia showed that providing services that could benefit lowincome households was feasible. When the World Bank was supporting the programme, 'of the USD 4.6 billion total project costs, about 40 per cent of the benefits in 75 per cent of the projects directly reached people whose incomes were below one-third of the national average per capita income.'154 However, other projects did not reach the target groups, largely owing to the issue of affordability. The intended beneficiaries could not afford the repayments, representing 25 to 30 per cent of their, often irregular, household incomes, which in many cases were used for what



Figure 25: Incremental house construction and improvement in Colombo, Sri Lanka. Photo © Suzi Mutter

were deemed to be priority and urgent needs, ¹⁵⁵ such as health and education.

The many government programmes have had varied success in reaching target beneficiaries: low-income and urban poor households. One notable country is the **Philippines**, which demonstrates the opportunities for positive propoor action. In 2007 it announced the following achievements related to beneficiaries from various interventions in the housing sector since 2001:

- 100 Proclamations and Executive Orders providing security of tenure to 195,475 households;
- 77,964 households empowered to own property through the Community Mortgage Programme;
- 30,940 households relocated from Northrail and 8,003 households from Southrail (in Metro Manila);
- 125,603 households given assistance through various other direct housing provision programmes;
- 323,303 housing units funded by Development Bank of the. Philippines (DBP), Home Development Mutual Fund (HDMF), Land Bank of the Philippines (LBP), Government Service Insurance System (GSIS) and Social Security System (SSS);

- Access to affordable housing expanded with the reduction of interest rates, lower amortization and longer repayment period;
- Retail and development guaranty provided for loans of 170,757 housing units; and
- 869,132 licenses to sell issued to real estate developers.¹⁵⁶

3.2.5 Co-operative housing, community slum upgrading and the 'people's process'

The approach of co-operative housing has been gaining momentum in a number of countries in Asia in recent years. Co-operative housing provision is available either through government channels or independently. Housing co-operatives serve three basic functions towards the goal of adequate and affordable housing for their members:

- they enable households to pool resources to acquire and develop land and housing;
- 2. they facilitate access to finance; and
- 3. they enable groups to join forces and reduce construction costs.

In **India**, the co-operative housing movement has spread all over the country and is making an important contribution to housing supply. The number of housing co-operatives increased from 5,564 in 1960 to 72,040 in 1994, an almost fifteen-fold increase. The co-operatives



Figure 26: Infrastructure improvement as part of a wider slum upgrading programme in India Photo © Maartje van Eerd

have built an estimated 700,000 dwelling units, with another 800,000 units at various stages of construction. As they are considered so useful for urban poor households, housing co-operatives are given preferential treatment in terms of allocation of land, credit and other subsidies.

Asia is leading the world in community-led slum upgrading. Upgrading programmes such as the Kampung Improvement Programme in **Indonesia** and the Baan Mankong in **Thailand** demonstrate the opportunities to improve the environmental, social and economic dimensions of slums through engaging with a wide range of actors. ¹⁵⁷ ¹⁵⁸ A central actor in such programmes is the community, the residents themselves, who have demonstrated a capacity to articulate their dwelling needs and priorities, develop upgrading proposals and plans, and carry out the upgrading work.

This community-centred approach to housing development and settlement upgrading has been termed the 'People's Process', and has gained wide recognition and respect throughout Asia as a viable housing development mechanism. ¹⁵⁹ The key principles are the beneficiaries actively participating in the decision making over housing processes and products, and authorities taking a supporting role through such aspects as technical advice, training, legal support, recognition and finance. ¹⁶⁰ In **Ulaanbaatar, Mongolia**, the Community-Led Ger Area Upgrading project is underpinned by the approach and methodologies of the people's process, in particular the formation

of Community Development Councils (CDCs) that will work with other stakeholders to prepare Community Action Plans. ¹⁶²

The people's process has proven extremely beneficial in post-disaster situations in aiding recovery, cultivating a spirit of peace-building and community cohesiveness, and 'generating a process that would allow every family in need to build a basic secure home, which can be improved incrementally over time'. ¹⁶³ Problem identification exercises, community action planning, and community contracts are some of the many tools used by communities to identify their needs and priorities and respond to them in a collective and forward-looking manner.

3.2.6 Transformations of government-built houses

Transformation of government-built housing can be likened to attaching informal development to the most formally developed areas found in many cities. It involves households in construction activity to alter and/or extend the dwelling, turning consumers of housing into producers of housing. It also involves the household sector in investment in the housing stock in an unexpected but often welcome way.¹⁶⁵

The standard of the extensions being built in the transformation process tends to be at least as good as the original buildings. However, because of their unplanned and disorderly look, they can cause displeasure to those more interested in the



Figure 27: Women at Land Share Site 3, Borei Keila, Cambodia. Photo © Suzi Mutter

Control Paradigm and Support Paradigm

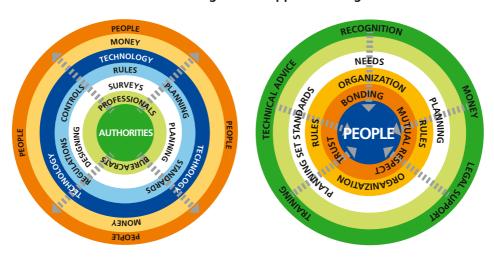


Figure 28: The 'control paradigm' that dominates much housing development contrasts the support paradigm, the 'People's Process', which is widely used in Asia and places people at the centre of development.

(Source: Lankatilleke, L. and Y. Todoroki, 2009).

appearance of the city than in meeting the needs of low-income people. While they inevitably generate higher than planned densities in their neighbourhoods as more people move into the new space created, they can reduce overcrowding at the household level. 166

Transformation is a universal phenomenon wherever it is allowed either actively or passively. It is evidently very widespread throughout the developing world, including in **Bangladesh**, **Hong Kong, India, Indonesia, Malaysia** and the **Philippines**. ¹⁶⁷

Transformations tend to increase the amount of accommodation by significant amount—for instance by 48 per cent in **Bangladesh**¹⁶⁸ and by 33 to 63 per cent in **Malaysia**. ¹⁶⁹ While they increase the economic value of the houses extended; the new space is rented at lower rates per room than the original dwellings. Thus, transformations can be very efficient generators of affordable housing. Local authorities need to support the process by ensuring that service provision is kept in working order and develop capacity where major increases in space are achieved.



Figure 29: Laying down of water pipes in Nepal. Photo © UN-HABITAT

3.2.7 The contribution of NGOs

The marginalisation and increasing poverty of a growing majority in the developing world has radically changed the role of Non-Governmental Organisations (NGOs) in the development process. The emergence of NGOs as significant actors in the provision of adequate and affordable housing in recent years is especially notable. Although no comprehensive figures track the number of NGOs active in housing delivery world-wide, a conservative estimate is several thousand. Some, such as Slum Dwellers International (SDI), operate as international umbrella NGOs which co-ordinate activities at regional, national and local levels. Almost 40 per cent are members of wider global or regional networks that foster collaboration in the implementation of the Habitat Agenda, adequate and affordable housing, gender, governance and other urban issues. 170

In some countries NGOs are major actors in the affordable housing sector. In **India**, for example, NGOs are key actors in enabling access to adequate housing and infrastructure, especially for women. They gather potential beneficiaries together, inform them of their rights, assist in the

formation of community organisations, lobby for benefits, catalyse the formation of community links within the group and sometimes even act as the developer of the infrastructure and dwellings.

Several international NGOs are involved in affordable housing provision, chief among these is Habitat for Humanity (HfH). In Asia, HfH is providing about 14,000 dwellings per year. The international NGO Practical Action (formerly Intermediate Technology Development Group – ITDG) has been promoting access to adequate and affordable housing through an integrated approach to housing development. The however, the number of affordable dwellings that have been provided through this approach thus far is insignificant relative to needs in the Asian countries (Bangladesh, India, Nepal and Sri Lanka) in which it has been working.

3.2.8 Building materials, the construction industry, and building regulations

Building materials typically constitute the single largest tangible input into the construction of housing, and can account for up to 80 per cent of the total value of a simple domestic house.¹⁷⁴

Box 5: Thailand: Community involvement in affordable housing initiatives

In 1992 the Thai government set up Urban Community Development Office (UCDO) in Bangkok. It exists to give loans and technical support for community groups to upgrade their existing settlements and dwellings, or to construct new settlements. The aim is to include a wide range of actors (community groups, authorities, private actors, etc) to make positive change for the lowest-income groups through creating stronger networks and partnerships.

In 2000 the Community Organisations
Development Institute (CODI) was established,
which was largely based on the UCDO model
but scaled up to address national demand. A
central programme of CODI is the Baan Mankong'
Programme, translated as 'secure housing'. The
programme aims to work with a wide range
of actors, including residents, to upgrade their
informal settlements and address tenure insecurity.
Land regularisation is typically achieved through
long term lease or cooperative land ownership.

The results are impressive and the Baan Mankong programme has become an example of the numerous opportunities for community supported slum upgrading. As of January 2011, 1,546

communities had been involved, comprising over 90,000 households, within a budget of over 160 million USD.

The originality of such upgrading programmes lies in their approach to affordable housing development. They are not direct government housing provision ('turn-key', ready to occupy units), nor are they complete, independent selfbuild by residents themselves. Residents retain control of dwelling construction decisions and government, CODI, provides a subsidy directly to residents: the 'people decide for themselves who to hire and work with '164. This results in a lower unit cost than turn-key housing but are finished faster than incremental self-build. It also offer the opportunity to up-skill the community as in the case of Baan Mankong they form into small building groups, cooperatives, "Chang Chumchon" (Guilds of the Commune). The role of these building groups varies: sometimes it is total house construction, sometimes just labour, sometimes just technical expertise on one aspect of the development.

Source: Boonyabancha, 2005; www.achr.net/baan_mankong.htm.



Figure 30: A family enjoying their newly constructed kitset house, Indonesia. Photo © UN-HABITAT

In simple terms, if the cost of building materials doubles in relation to average prices for other commodities, then the number of years that a household will have to work to afford the cost of materials will likewise nearly double.¹⁷⁵

A major reason why housing is unaffordable for the urban poor majority in Asia is the high costs of two key inputs—land and building materials. The problem with the former is that particular land regulations increase development costs (for example in **Pakistan**: see Box 6). The problem with the latter arises because many

governments, at central and local levels, insist on the use of conventional building materials and technologies. These are stipulated in building codes and regulations, many of which are a colonial heritage or adopted from foreign countries. These standards and regulations prevent the use of more appropriate, readily available local building materials, and also the use of cost-effective and environmentally-friendly construction technologies. ¹⁷⁶

The efficiency of the construction industry, in terms of its ability to supply housing in sufficient



Figure 31: Throughout Asia, informal building material suppliers provide many of the necessary construction inputs for incremental self-build houses. Photo © UN-HABITAT

quantity and at an affordable cost, is a key determinant of housing sector performance. In many countries in Asia, for example **Nepal**, the local building materials industry has many shortcomings, including poor productivity—leading to shortages and price fluctuation—and inability to diversify into new product lines.¹⁷⁷ One of the main reasons for this, especially in the small-scale sector, is poor technological capacity. Many cities with high house price-to-income ratios also have high construction costs per square metre.¹⁷⁸

The Habitat Agenda calls on governments to encourage the production and distribution of building materials, including strengthening the local building materials industry, based as far as possible on locally available resources. It also calls for the development of environmentally sound and affordable construction methods. It further calls for the review and revision of 'building codes and regulations based on current standards of engineering, building and planning practices, local

conditions and ease of administration, and [the adoption of] performance standards, as appropriate'.

3.2.9 Privatisation of public housing

Privatisation of public (government) owned housing is common in the national housing policies of many Asian countries. Privatisation has been achieved mostly through transfer to sitting tenants (free of charge, through vouchers, or sale at nominal fee) and reflects 'enabling strategies' and processes of market liberalisation, as discussed in Section 1.2. These policies have been implemented at a different pace in countries in Asia and have reduced the size of the public housing stock significantly.

Through privatisation of public sector housing, **China** now has one of the highest homeownership rates in the world and Chinese cities are pursuing a homeownership-oriented public policy aimed at the development of affordable housing.¹⁷⁹ In Jinan, a city of 1.5 million in Eastern China, the

8

Box 6: The importance of housing design and planning to match planning regulations and reduce costs: experiences from Pakistan

A common approach to housing the poor in Asian cities is to relocate slum households to new multi-storied apartment blocks, often on the periphery of cities. This is often justified on the basis that the only way to achieve suitable densities in urban areas, to match local planning regulations, is to have multi-storied apartment blocks. Houses on individual plots of land are seen as low-density and inappropriate or not possible given local planning regulations.

A recently completed conceptual study from Karachi, Pakistan challenges this prevailing view by highlighting that similar or even higher densities than specified in local planning regulations can be achieved by using an individual terrace house typology. In terms of settlement and building design, this highlights the importance of exploring design options to suit the local conditions and constraints, rather than settling for one building design and repeating it throughout a city or country.

The experience also demonstrates the opportunity for building and settlement regulations to improve housing affordability. For example, through reducing the size of the plots in Khuda Ki Basti 3 to the lower-end of the regulatory minimum (but still to a size that is comfortable and can accommodate household activities) the cost of a plot reduces from 525 USD to 308 USD, a 41 per cent cost reduction. This also reduces

the cost of infrastructure development (water, sewerage, and roads) for each plot by 44 per cent which can reduce the overall cost of each housing

While maximising plot area is desired by most urban households, both rich and poor, the fact is that to improve affordability, especially at the lower end of the market, development costs have to be reduced. Modifying planning regulations to facilitate the large-scale provision of land that is affordable for individual households is one important part of improving affordable housing provision. Building and planning regulations play a crucial role in determining the affordability of housing. Often cities have antiquated or inappropriate design standards and regulations that increase the cost of land and housing provision. Common regulations are inappropriately large minimum plot dimensions that result in expensive plots of land to purchase as well as to service with infrastructure.

As the experience from Pakistan shows, modifying building standards and regulations, for instance the minimum plot size or building height limit, can not only contribute to lowering the cost of new housing development but also allow for the in-situ upgrading of already informal areas through being able to formalise them within newly adopted more flexible regulations.

Source: Hasan, Sadig and Ahmed, 2010.

sale of public housing began in 1994. Following an initial slow uptake, terms were made more favourable and by the end of 1990 80 per cent of public housing units had been privatised. Overall, privatisation of public housing in Asia, together with various legal reforms abolishing rental control, has decreased affordable rental options in many Asian countries. 181

3.2.10 Public Private Partnerships (PPP)

In many developing countries, the paradigm shift towards market-orientation has seen a marriage of public and private players and policies giving rise to a new type of institutional arrangements. In **India**, in particular, new partnership arrangements between the public and private sectors have effectively replaced traditional public housing production.

Within **India, Kolkata** has been at the forefront of a housing market revival, having pioneered the implementation of the public private partnership (PPP) model, which is regarded as highly successful nationally. ¹⁸² The partnership is based on a joint venture model with the equity shares of public partners ranging between 11.0 per cent and 49.5 per cent depending upon the social content of the project. By 2004, 3,554 units were transferred to the public since the policy's implementation in 1993, and 3,000 additional units were under construction, ¹⁸⁴ which equates to an average annual production of roughly 500 housing units.

The overall output, however, constitutes just over half a percentage point of the annual average housing need in the city. 185

Other States in India have also attained varying levels of success as a result of their own operating principles and models. The government of Haryana, for instance, requires that private developers allocate 20 per cent of the total plots to the Economically Weaker Section (EWS) in order to obtain a licence for development of any residential area. In the case of apartment housing, 15 per cent of the total number of flats sanctioned in the scheme have to be allocated, by drawing of lots, to EWS households at a fixed Government rate.¹⁸⁶ The Maharashtra Housing and Area Development Authority permits a 20 per cent increase of the normally permissible floor space index (FSI) for schemes having at least 60 per cent of the tenements under EWS category.

3.2.11 Financing mechanisms

Affordability is not just about the price of housing; it is also critically about the access to and the cost of housing finance, as the example form **Turkey** in Box 4 demonstrated. Only a small proportion of the population in Asia can afford formal housing with the associated financing costs. In a context in which incomes are very low, the high costs associated with the large loan finance suggest that the potential is limited for reaching the lowest income groups, 'down-marketing',



Figure 32: Load-bearing masonry construction is common in most Central and Western Asian countries, and is typically well suited to the climate and local resource availability. Photo © UN-HABITAT

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through traditional housing finance. ¹⁸⁷ There are a range of innovative approaches to housing finance throughout Asia: from new government finance subsidies in **China**, to longstanding community-led housing finance such as the Community Mortgage Programme (CMP) in the **Philippines** (Box 8) and the Grameen Bank microfinance in **Bangladesh** (Box 9).

Singapore's Central Provident Fund (CPF) has been instrumental in enabling households to save for housing through providing incentives for saving alongside directing housing production. Workers contribute a certain percentage (depending on age) of their monthly income to the fund and the government helps by exempting CPF earnings from tax, and guaranteeing payment of CPF savings. Housing can be purchased through two schemes: The Public Housing Scheme and the Residential Properties Scheme. The CPF is an extremely successful housing finance approach with 95 per cent of employees aged 21 and above owning public housing brought with CPF savings.

The economic boom in **China** has encouraged investment in the high- and middle-income segments of the urban housing market but it has also created affordability problems for low-income households. To enable the latter group to access the housing market, equity grants have been introduced. In this process, land remains the property of the state and leases are auctioned to developers to construct affordable housing for ownership. Low-income households living

in slums or sub-standard housing are provided with one-off equity grants, and developers are offered fiscal incentives to build housing within a negotiated price range. More than 20 million housing units have been constructed through this approach in the last five years. ¹⁸⁹ China also uses financial subsidies to make housing affordable for the lowest income groups, for example the interest subsides on the HPF as explained previously, and the government policy: The Administrative Regulation on Low Rent Houses for Lowest Income Household in Cities and Towns. ¹⁹⁰

The Government Housing Bank of **Thailand** (GHB) was established in 1953 to provide finance to housing developers and prospective homeowners, in particular those at the lower end of the market. Although a public sector institution, the GHB is fully commercial in its operations. Having greatly improved its operational efficiency, and with adequate funding and reduced overheads, the GHB has been able to offer lower interest rates and improved loan conditions.

Between 2000 and 2008, the economy of Thailand has grown at a rate of more than eight per cent per annum. Since public sector housing has become more common, this has led the private sector to lower the costs of housing, which is making housing affordable to the majority. This has encouraged housing developers to target lower-middle income groups and brought about a down-market trend in private-sector housing production in the country. The private housing market has also developed its operations effectively and offers the lowest lending rates in the market, challenging other financial institutions to lower their interest rates in order to compete for business. As home ownership remains unaffordable to the lowest-income groups, the GHB also grants loans to developers to construct low-cost rental apartments. 191

In 1997 the government of **Bangladesh** introduced a nationwide loan scheme, the Housing Fund, with the aim of improving the quality of life of the poor by providing loans to construct safe and durable houses. Although a relatively small programme, the Housing Fund provides housing loans to low-income households to construct houses through partnership agreements with NGOs, as well as micro-credit through implementing agencies

and NGOs for income-generating purposes. The target groups of the Housing Fund are the rural poor, the landless, small and marginal farmers, and households rendered homeless by disasters.¹⁹²

Microfinance and community savings groups

Over the last two decades microfinance and community savings groups have emerged as important mechanisms for facilitating access to housing finance for the urban poor in Asia. Microfinance Institutions (MFIs) are developing a variety of ways to overcome one of the major constraints to scaling up—a shortage of funds. Most use several funding strategies and practices, as Table 6 shows. They include savings deposits, commercial finance institutions, state funds.

foundation funds, donor funds, international funds and internal cross-subsidies (for example higher interest on microenterprise loans).

The Community-led Infrastructure Finance Facility (CLIFF) provides loan finance for slum development projects implemented by the urban poor, with an aim to influence policy and practice and replicating and upscaling projects. CLIFF is currently supporting 15 projects in **India**, ten of which are housing projects and five sanitation projects. ¹⁹³ One such project is in conjunction with SPARC and SSNS (Box 7). The projects include the construction of over 5,300 new homes and 429 sanitation blocks, and span six cities across three states.

Table 6: Five majo	r microfinance	institutions in Asia
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Microfinance	Product description	Funding strategies	Other practices	
institution	and loan terms			
SEWA (Self- employed Women's Association) Bank, India	USD 300 5 years	Mandatory savings Donor funds Foundation funds Public funds	Cross-subsidy from microenterprise lending program (interest on housing loans is lower) Co-signers Women borrowers Counselling and borrower education	
SPARC (Society for the Promotion of Area Resource Centres), India	Not distinguished from microenterprise loans (exact numbers not available)	Mandatory savings Donor funds Foundation funds Bank funding/ partnerships Public funding	Group loans Women borrowers Counselling and borrower education	
CARD (Centre for Agriculture and Rural Development), Philippines	USD 350 12–20 months	Mandatory savings Donor funds Foundation funds Deposits Bank funding/ partnerships Credit enhancement	Group loans Women borrowers Counselling and borrower education Loan history (previous microenterprise loan)	
BRI (State-owned Bank Rakyat Indonesia), Indonesia	Up to USD 5,500 3–36 months	Deposits	Cross-subsidy from micro- enterprise lending program Loan history (previous microenterprise loan	
Grameen Bank, Bangladesh	USD 600 10 years	Mandatory savings Donor funds Foundation funds Deposits International investors/ International Finance Corporation	Cross-subsidy from micro- enterprise lending program Co-signers Women borrowers Counselling and borrower education Loan history (previous microenterprise loan)	

Source: (Duncan, n.d.: 52)

Table 7: Community savings groups in 13 Asian countries

Country		SAVINGS			FUN	IDS
	No. Cities and	No. members	No.	Total Savings	How many	National
	towns		Groups	(USD)	cities	fund?
Cambodia	24	24,733	524	638,165	14	Yes (UPDF)
Nepal	11	11,264	471	2,285,714	3	No
Korea	2	138	5	35,100	None yet	No
Burma	8 townships	4,359	54	48,646	1	No
Indonesia	5	1,607	128	9,666	1	No
Philippines	33	25,991	1,837	2,162,239	8	Yes
Vietnam	12	33,657	1,561	1,788,345	9	No
Sri Lanka	250 towns/cities (Women's Coop)	65,000	6,500	13,513,500	6	Yes (Clapnet)
	130 towns/cities	52,633	8,016	20,000,000	1	No
Mongolia	13	1,980	180	45,793	10	Yes (UDRC)
Thailand	274	91,758	1,500	1,674,056	31	Yes (CODI)
Fiji	5	25,000	2,500	97,000	0	No
India	2 (Bhuj and Leh)	323	20	7,825	0	No
	56 (Mahila Milan/SPARC)*	75,000*	1,170	850,000	0	Yes (SPARC Nirman)
Lao PDR	523 villages	104,803	532	12,584,000	22 Districts	Yes (LWU fund)
Community	1,379 cities/	518,246	24,998	USD 56	City funds	National
Finance in	districts/	savings	savings	million in	in 107	funds in 7
13 Asian countries	towns	members*	groups	community savings	cities/ districts	countries

Source: Asian Coalition of Housing Rights (ACHR) (2011) e-news, January March 2011. www.achr.net, p.3. (*Note: SPARC keeps loan data on only 10 per cent of its 750,000 members. This figure is therefore only documented savers hence the actual figure is likely to be much higher).

An estimated 415,000 households—between 2 and 3 million people slum dwellers—are expected to benefit from these CLIFF projects, which show how community-led solutions can work for the urban poor as well as the city as a whole. The aspects being demonstrated include design, construction process and quality, maintenance and cost recovery from a wide range of sources such as Transferable Development Rights (TDR), residential and unit sales, central and local government subsides, and the community. Most of the ten housing projects are nearing completion, meaning that hundreds of households will soon have access to adequate and affordable housing. 194

Grass-roots, community savings groups have emerged as a driving force in Asia. They typically operate in informal settlements or low-income areas where the residents see the benefits of working together to develop their savings capacity and capital base. While there are many variations, the central premise of community savings groups is that the poor should control the financial resources to enable them to be in charge of making decisions and acting on their dwelling needs and aspirations.¹⁹⁵

Group members contribute a certain amount to a collective account, from which they can draw when needed. The group can also use this asset base to secure larger sums for more significant activities, such as building houses. Developing a savings and credit capacity is the first step. From there groups work to secure more funds (development funds), which is important to speed up action compared with that which is possible with their slow personal savings capacity.

In Asia, the geographic scope and the scale of these savings groups is impressive (Table 7). In terms of total savings, they are the largest

Box 7: SPARC, SSNS and CLIFF: financing and community-led housing development in India

SPARC have a division called Samudaya Nirman Sahayak (SSNS), a sister NGO that assists communities with financial and technical aspects of housing development and construction. Housing projects are financed through the Community-Led Infrastructure Finance Facility (CLIFF). CLIFF was started in 2000 and is supported by Homeless International. It operates as a revolving fund and provides loans for technical assistance, financing of projects, and can provide guarantees to underwrite loans from commercial banks.

SSNS aims to improve the institutional arrangements for the poor to access resources to negotiate with authorities and eventually construct their houses. While to date projects are

not at a large scale, SSNS is showing signs of 'going to scale' with housing projects such as the second phase of Oshiwara relocation which has a multi-storey building for many households.

Through partnering with CLIFF, SSNS has been provided with capital and financial funds directly, rather than relying on government funds. These funds are used for settlement upgrading and housing improvement. Such mechanisms are characteristic of emerging trends in Asia where urban poor organisations work with municipalities/authorities to develop and implement plans, with external finance, but with the urban poor retaining control of the process.

Source: Cities Alliance (no date); SPARC (2009).

> Box 8: Philippines: Community Mortgage Programme (CMP)

The Community Mortgage Programme (CMP) is an innovative goverment financed, pro-poor housing finance programme. The key feature is that the urban poor initiative and develop projects themselves and therefore there is greater collective ownership and development than with traditional government housing programmes. The CMP was launched by the National Home Mortgage Finance Corporation in August 1988, primarily as a scheme for housing delivery and addressing settlement upgrading needs (negotiating between landowners and squatters).

The CMP can be considered a form of microfinance but also a housing upgrading and procurement method. It places a focus on housing ownership and tenure security for the low-income sector. Community associations are

the main implementers of the programme. They collect remittances, loan payments, and enforce sanctions and punishments. Loans are provided for plot acquisition as well as house construction. Between 1993 and 1998, the 'CMP accounted for an estimated 60 per cent of completed units of assistance targeted by the national shelter program.' (Mitlin, 2010:1). It is widely considered to successfully reach low-income households. However, the main challenge is that loan collection rates are only around 75 per cent, which is still higher than other schemes in Asia but leaves room for improvement. Furthermore, implementing the CMP is time consuming and in practice it is being challenged by the increasing price of land and reluctance of landowners to sell their land

Source: Lee, 1995; Cacnia, 2001; UN-HABITAT, 2009; Mitlin, 2010.

in **Sri Lanka** (33.5 million USD), **Lao PDR** (12.5 million) **Nepal** (2.2 million). In terms of members, they countries with the largest numbers of members are **India** (750,000), **Sri Lanka** (117,633), and **Lao PDR** (104,803). Community savings groups in six countries have secured national development funds: **Cambodia**, **Sri Lanka**, **Mongolia**, **Thailand**, **India** and **Lao PDR**.

Islamic housing finance is under-developed but has significant potential to improve housing affordability in the region. In **Pakistan**, *musharakah* is a popular Islamic housing finance approach which works on a declining-balance/

shared-equity partnership. After selecting a property the prospective owner (consumer) enters into an agreement with the bank whereby the bank buys the house, and leases it back to the consumer. The consumer then buys units of the property and eventually buys out the financiers equity and has sole title to the property. This is less risky for the bank and reduces the down payment requirement for households, which is often the main barrier to securing housing finance. Islamic mortgage finance in **Pakistan** grew 43 per cent between December 2007 and March 2009 alone, and it shows similar promise in **Bangladesh** with the presence of key banks such as the Islamic Bank of Bangladesh (IBBL). 196

Remittances

Remittances—money transfers a foreign worker makes to his or her home country or country of origin—can have a considerable impact on land and housing markets through the ability of households to buy or improve housing. The scale of remittances has been gradually increasing over the last decades and they now constitute one of the largest financial inflows to developing countries. The World Bank notes:

"Worldwide remittance flows are estimated to have exceeded 318 billion USD in 2007, of which developing countries received 240 billion USD. The true size, including unrecorded flows through formal and informal channels, is believed to be significantly larger. Recorded remittances are more than twice as large as official aid and nearly two-thirds of FDI [Foreign Direct Investment] flows to developing countries." 197

Figure 31 demonstrates that in all developing countries, inward remittance flows are much larger than outward flows. This is particularly the case with Latin America and the Caribbean and South Asia where inflows are more than 20 times greater than outflows. Developing countries in East Asia and the Pacific, and Latin America and the Caribbean constitute the largest inward remittance flow: 58.0 and 59.9 billion USD in 2007. Sub-Saharan Africa has the lowest inward and outward flow of remittances, with 10.8 and 2.9 billion respectively.

Three of the top five highest remittance-receiving countries 2007 were in Asia (in billions of USD):

India, first (27.0); **China**, second (25.7); and the Philippines, fourth (17.0). Within Asia, after these three countries, Bangladesh, Pakistan and Vietnam have the next largest remittances (6.4, 6.1 and 6.0 billion respectively), followed by Vietnam with 5 billion, and then Thailand the next largest with 1.7 billion. 198 In terms of remittances as a percentage of a country's GDP, the top five countries in Asia are: Nepal, with remittances constituting the equivalent of 18.0 per cent of its GDP; the **Philippines** with 13.0 per cent; and Bangladesh, Sri Lanka, and Vietnam with 8.8, 8.7 and 7.9 per cent respectively. 199 The top five global remittance-sending countries were the United States (42.2), Saudi Arabia (15.0), Switzerland (13.8), Germany (12.3) and the Russian Federation (11.4).

India and China's inward remittances are not only the largest of all countries but are have grown steadily over the last seven years. Between 2000 and 2007, China's inward remittances grew from 6 to 25 billion USD and India's from 12 to 27 billion USD during the same period. India's inward remittances represent a notable percentage of GDP, 2.8 per cent, whereas China's represent only 0.9 per cent.²⁰⁰

Overall, remittances are a crucial part of regional and national housing sectors in terms of housing finance. While limited data is available regarding the degree to which remittances are applied to land and housing, experience and anecdotal evidence suggests that remittances are indeed used to improve housing, build new housing, pay off existing housing finance (mortgages), and invest in new residential property.

Box 9: The Grameen Bank in Banglades

The Grameen Bank is a pioneering the possibly most well-known micro-finance institution in Asia, if not the world. It was started in 1976 and aims to provide small loans to households on favourable terms, notably a low interest rate. In 2009 its total revenue was 209 million USD. It is considered a success due to its low default rate, ability to keep interest rates low and borrowing terms flexible, and it does not rely on international donor funding or national government contributions and is therefore totally self-sufficient.

In 1984 the Bank introduced housing loans. These are perceived as very attractive by low-income households and consequently there has been

consistently high demand. The loan period is five years, repayments are weekly and the interest rate is fixed at eight per cent. Between February 2010 and January 2011, 7,215 houses have been built using the loans, which amount to 1.16 million USD. The houses are modest yet flood resistant, important in Bangladesh's river delta geography. With the loan, a household buys a kitset house: four pre-cast concrete columns, a sanitary slab and 26 corrugated iron roof and wall sheets and they construct it themselves. So far 130 million USD has been dispersed in housing loans. Title is invested with the borrower and in 96 per cent of cases this is a woman.

Source: Norton, 1990; http://www.grameen-info.org/index.

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Notes: Inward figures for 2006, outward figures for 2007. Based on the World Banks analytical regions.

Figure 33: Inward and outward remittance flows in developing countries according to region, 2007 (Inward) and 2006 (Outward).

Source: The World Bank (2008)

> Box 10: Human Settlements Finance Systems series

An in-depth examination of the specificities of housing finance systems in each country in the Asian region is not possible in this volume given space limitations and its regional focus. However, UN-HABITAT publishes an ongoing series, Human Settlements Finance Systems, which provides an analysis and review of country-specific housing finance systems.

Each volume explores such dimensions of housing finance as legal and regulatory frameworks, property and land rights and registration, and the relationship of housing finance systems to the wider national economy and financial sector. Furthermore, each covers specifics of government

interventions, subsidies and incentives, instruments for resource mobilisation, community-based finance institutions and instruments, and informal housing finance.

Some of the seminal volumes that have been published within this series so far are: Zimbabwe and Chile (2009), and Thailand, South Africa, Peru, Indonesia, Bolivia, and India (2008). These publications and others are available online via the UN-HABITAT website and are essential reading for a more in-depth analysis of the importance of housing finance systems in increasing access to affordable housing.

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Access to adequate and affordable housing is dependent upon an adequate and affordable supply of land, basic infrastructure, construction materials, labour, and finance: hence the imperative to improve access to these inputs.



PART FOUR

NOTABLE TRENDS, RECOMMENDATIONS AND CONCLUSIONS

4. NOTABLE TRENDS, RECOMMENDATIONS AND CONCLUSIONS

Access to adequate and affordable housing is dependent upon an adequate and affordable supply of land, basic infrastructure, construction materials, labour, and finance: hence the imperative to improve access to these inputs. However, numerous studies and reports on housing have underscored the failure of delivery systems of all kinds to satisfy these basic conditions, particularly at affordable levels for low-income households. Low-income groups are commonly excluded by formal markets and, consequently, are often forced to pay more in real terms for poorer-quality inputs through informal suppliers. It is in these areas that decisive action by governments is urgently needed.²⁰¹

4.1 NOTABLE TRENDS

A number of important lessons can be drawn from the foregoing review and analysis of the state of adequate and affordable housing, and the measures being taken to towards its provision. These are summarised below.

The right to adequate housing

The core elements of the right to adequate housing as defined by General Comment No. 4 of the United Nations Committee on Economic, Social and Cultural Rights include the following: (a) Legal security of tenure; (b) Availability of services, materials, facilities and infrastructure; (c) Affordability; (d) Habitability; (e) Accessibility; (f) Location; and (g) Cultural adequacy.

A majority of governments in the region have recognised housing development as an important contributor to economic growth and social development, as well as a tool for the realisation of human rights in general, and housing rights in particular. In trying to meet the requirements for provision of adequate and affordable housing to their populations, governments in Asia have pursued various housing policies and strategies.

Security of tenure

Eviction is the greatest threat to most existing slum dwellers since it means loss of well-located affordable housing. Many governments in Asia see security of tenure as a cornerstone of housing and urban development policies, and have passed various legislation ensuring rights to land and security of tenure. For example, many efforts were deployed to upgrade slums in **Jordan** and **Yemen** which aimed at granting security of tenure to the inhabitants.²⁰² Security of tenure is an important but not sufficient condition for people to invest in housing development and improvement. Other incentives such as loans, technical assistance, and community organization for mutual and self-help construction are also required.²⁰³

Subsidised public housing programmes

Large-scale government programmes of direct housing provision been successful in only a few Asian countries. **Hong Kong** is able to operate a massive subsidised public housing programme to meet the housing needs of half the population at affordable rent and price levels, without having to resort to planning tools. This, it is argued, is not only because the Government has land ownership and development rights, but also as it has prioritised and is committed to, addressing the housing issue.²⁰⁴ The Government's policy on land supply aims to ensure availability in adequate quantities to meet the projected needs.²⁰⁵ Similar issues pertain in **Singapore**.

Assisted self-help housing

Adequate and affordable owner-occupied or rental housing with secure tenure is a key asset on which individuals and households can build their future. Assisted self-help housing, in the forms of upgraded and new housing, is a proven way in which the paradigms of adequacy, affordability, and security have been brought together and enabled poor households to gain access to a decent home. The UN Millennium Project demonstrates that upgrading and providing new housing through self-help is an attainable target.²⁰⁶ Millions of poor households around the world are already implementing assisted self-help solutions successfully and meeting their need for affordable housing. Whether or not these millions can become tens of millions depends to a large extent on the political will of governments.

Housing finance

Housing finance is a considerable constraint on affordable housing in Asia. Housing finance is either not available or the terms are not favourable to the majority of households due to

short repayment periods, high interest rates and down-payment requirements. The Government Housing Bank of Thailand (GHB) in **Thailand** provides a good example of a government-managed institution successfully providing affordable housing finance for lower income groups. With a market share of over 38 per cent, GHB is the leading housing-finance lender in the country, a position it has achieved by mobilising domestic savings and stimulating greater private sector participation in housing finance. The combination of increased supply of competitive housing loans and a responsive housing supply system have made housing more easily affordable to 70 to 80 per cent of the population.²⁰⁷

Microfinance and community based savings groups have emerged as positive financial mechanisms that can reach the urban poor. The mechanisms have demonstrated that through collective action significant sums of money can be saved and used to leverage national and international development funds to scale up housing projects for group members. Such mechanisms, however, remain relatively small compared with housing demand and, in many countries, are constrained by unsupportive institutional and regulatory frameworks that keep low-income households excluded from urban and housing development plans.

Redevelopment of public/slum land by private developers

Disused public land and slum land in the centre of many Asian cities has increasingly been recognised as an opportunity for affordable housing. Different cities and countries are now taking up the opportunity by inviting the private sector to draw up redevelopment plans. In many cities in **India**, there is a large stock of disused industrial land under public ownership with considerable redevelopment potential. In **Kolkata**, an appropriate strategy to unlock the potential of the hundreds of acres of land in prime locations occupied by slums and *bustees* is being devised. Both state and local governments are examining how to free 10,000 acres of slum land in the prime pockets of the city.

Such schemes can, however, potentially suffer from two seemingly unrelated issues. First they tend to become highly political, as observed in **Kolkata**, where such attempts have met fierce objection from the opposition parties. Secondly, such projects encounter financial problems. For example, the city of **Mumbai** has started a massive redevelopment plan of slum areas based on the Dharavi slum upgrading experience. However, the city cannot action its redevelopment projects due to a lack of construction finance as formal institution and private sector financing is difficult to arrange because such upgrading projects are perceived to be too risky.²⁰⁸

In **China**, the problem of finance, particularly when affordable housing is provided, is being overcome through land auctions in major cities which require the highest bidders to construct dwellings for the low-and middle-income households.²⁰⁹ Transparency in the bidding process and respect to social content is vital for the viability of this approach. This is often missing in public private partnership projects in Kolkata. In China, pricing authorities in cities such as Shenzhen, Shanghai, and Hangzhou Shenzhen, set the prices and developers are discouraged to push the post ante prices or impose any additional cost burdens on the households.²¹⁰ Experience in **Delhi** suggests that different stakeholders should be involved at different stages of the land acquisition and development process in the pluralistic and liberalised context.²¹¹

What is slowly becoming apparent in large cities in China and India has already been experienced in Bangkok in the 1990s. The Bangkok case proves that private sector engagement in lowincome affordable housing is feasible, and could be a good prototype for other countries. However, it has had its share of problems as a result of investment overheating and unrealistic speculation. The massive development of housing in Bangkok Metropolitan region can be attributed mainly due to the steady growth in economy, which was growing by an average 8 per cent annually. It was thus possible to supply more than 100,000 units per year and as a result, the housing stock increased from 1,036,411 units in 1982 to 3,477,640 units in 2002, an increase of 2.4 times in only 20 years.²¹²

Gender

Gender-blindness in policy and practice has commonly led to adverse outcomes for women with respect to their access to and control over resources—especially land and housing.

Overcoming discrimination against women remains a major challenge in many countries in Asia.

Microfinance initiatives are showing the positive role women play in housing development. For example, nearly all Grameen Bank housing loans are taken by women (96 per cent). Likewise, most community based savings groups are developed, managed and directed by women with huge success. There remains, however, significant scope to provide women with the same opportunities as men at the all levels of government, professional vocations, and trade and enterprises that concern land and housing development to ensure the voices of all are heard.

Available, affordable and efficiently administered land: a central issue in Asia

The availability of land, at prices that are affordable, administered in an efficient and transparent manner is fundamental to expanding the supply of affordable housing and limiting the growth of new slums. The location of the land is key for access to infrastructure, services, amenities and employment opportunities Ensuring that land used for housing is in environmentally sound locations is also vital to the environmental sustainability of housing. ²¹³ Land, however, remains a central constraint of increasing the supply of affordable housing. Various approaches have been developed that aimed to improve access to affordable land with secure tenure.

Land sharing and readjustment initiatives are perhaps the most widely known initiatives which involve the surrender of a parcel of occupied land by a (usually) private owner in exchange for the opportunity to realize some of the commercial value of the site. The remainder of the site is then systematically planned, allocated to the slum dwellers already occupying the site, and services installed. With some variation in the details of transactions, this form of land release has been used widely in India, Thailand and the Republic of Korea, however it has not always been used to benefit the poor. Land banking is another widely used approach, whereby governments expropriate or purchase land and subsequently release the land at affordable prices specifically for poorer groups. However this approach is increasingly used less, as government resources are reduced

and land prices rise. Joint ventures are public/private partnerships which have been used in some countries, such as **the Philippines** and **Turkey** to facilitate access to land for the urban poor. Attempts have also been made through planning powers to ensure that land is set aside for low-cost housing, for example **Malaysia**, often as a condition of planning permission.

Other land development initiatives have been developed which, whilst they have not directly contributed to the supply of land for the urban poor, have been designed to facilitate the supply of residential land in general, or reduce the extent of speculation in the land market. Examples of such approaches include the establishment of the Urban Land Ceiling Act in **India**; and the introduction of fiscal measures such as 'betterment' charges accruing from capital gains, or the introduction of hefty taxes on unused land to prevent hoarding, as in the **Republic of Korea**

Promising land and housing delivery initiatives and commitments

In the Habitat Agenda (Para. 40), governments commit to:

"Increasing the supply of affordable housing, including through encouraging and promoting affordable home ownership and increasing the supply of affordable rental, communal, cooperative and other housing through partnerships among public, private and community initiatives, creating and promoting market-based incentives while giving due respect to the rights and obligations of both tenants and owners."

Many governments are endeavouring to honour their commitment through new land and housing delivery initiatives, many of which are outlined in various policy, strategy and implementation documents.

Poverty Reduction Strategy Papers (PRSPs) are prepared by governments in many Asian countries through a participatory process involving domestic stakeholders and external development partners, including the International Monetary Fund (IMF) and the World Bank. PRSPs describe the macroeconomic, structural and social policies and programmes that countries will pursue over

Table 8: New land and housing delivery initiatives outlined in PRSPS

	New land and housing delivery initiatives/measures
Bangladesh ²¹⁷	Protecting and recovering public land from illegal occupation. Distributing available <i>khas</i> (State) land to the poor for housing. Modernizing land records, updating and implementation of land use policies. Ensuring access of the poor owners to their new accretion in char land (low lying land reclaimed from the sea and rivers). Facilitating credit supports to landless and tenant farmers. Providing house building loans at lower interest rates along with an increased loan ceiling for both urban and rural areas. Reinforcing the idea of vertical housing instead of horizontal expansion in the housing policy.
Cambodia ²¹⁸	Create a supply of affordable land for low-income families in suitable locations. Stimulate the formation of affordable housing on such locations. Provide access to water, electricity and solid waste services in situ and on relocation sites. Provide adequate drainage systems in situ and on relocation sites. Provide adequate sanitation in upgradeable settlements and relocation sites. Improve transportation networks and services for low-income populations in existing upgradable settlements and on relocation sites. Develop disaster prevention and mitigation programme for existing settlements (whether upgradable or not) and on relocation sites.

a three year or longer horizon to promote broadbased growth and reduce poverty. A number of PRSPs outline new land and housing delivery initiatives that countries plan to implement to address the need for adequate and affordable housing. For example, the new land and housing delivery initiatives outlined in PRSPS for **Bangladesh** and **Cambodia** are summarised in Table 8. Three other examples now mentioned are from **Bhutan**, **Pakistan** and **Sri Lanka**.

The Government's goals for the housing sector in Bhutan are set out in the 2002 National Housing Policy. They are to: (i) provide safe, basic, and affordable housing; (ii) promote home ownership; and (iii) create a transparent and well-functioning housing market. It is recognised that achieving the objectives will require a multi-faceted approach, including: (i) developing a national urban land policy and limiting land speculation; (ii) promoting policy and regulatory reforms to attract the private sector; (iii) redefining the Government's role in the housing sector from housing provider and developer to regulator and advisor; (iv) enabling low- and middle-income (LMI) groups to access adequate housing finance; (v) stimulating the involvement of the private sector in planning, constructing, and maintaining LMI housing and related infrastructure.214

The **Pakistan** Interim Poverty Reduction Strategy Paper (I-PRSP) outlines plans to distribute *shamlat* land (common land) around villages free to the homeless, and to develop a package for improving living conditions in *kachi abadis* (slum areas) under the government's housing policy. A new regulatory framework for housing finance companies is to be developed by the State Bank and Securities and Exchange Commission (SECP) to encourage further investment in this industry.²¹⁵

In Sri Lanka a number of programmes will be implemented to broaden access and upgrade the quality of affordable housing available to the poor, including three main mechanisms. First, The sustainable townships programme is a self-financing voluntary re-housing programme in the city of Colombo in which slum dwellers voluntarily leave their dwellings and land and are re-housed in high-rise apartment blocks. Second, Special housing programmes for the ultra-poor in which concessionary financing will be provided to assist ultra-poor groups upgrade their housing conditions. This may take the form of housing grants and concessionary financing through popular financial institutions. This support will be provided to the disabled and handicapped, those displaced by natural and man-made disasters, fishing communities and migrant workers. Third,

Affordable housing for plantation workers involves the provision of some 200,000 housing units in cluster townships for the 300,000 workers engaged in the plantation sector.²¹⁶

4.2 RECOMMENDATIONS ON HOW TO FACILITATE MORE EFFECTIVE AFFORDABLE LAND AND HOUSING DELIVERY

The foregoing discussion and analysis in this report has shown that governments in Asia are endeavouring to improve access to adequate and affordable housing by adopting policies and strategies that are in line with the recommendations of the Habitat Agenda. They include the following:

- Housing market interventions to make housing more affordable for poorer households.
- Increasing the supply of buildable land (through tenure regularisation and infrastructure provision).
- Increasing secure access to affordable serviced land.
- Reviewing regulatory frameworks for land development and housing construction.
- Increasing affordability through the provision of subsidies and rental and other

- forms of housing assistance to people living in poverty.
- Supporting community-based, cooperative and non-profit rental and owner-occupied housing programmes.
- Building partnerships with groups in the private, NGO and community sectors.
- Promoting support services for the homeless and other vulnerable groups.
- Mobilising innovative financial and other resources, both public and private, for housing and community development.
- Creating and promoting market-based incentives to encourage the private sector to meet the need for affordable rental and owner-occupied housing.

The discussion and analysis also point to an urgent need for policy improvements in a number of areas, including the following:

- Existing regulatory frameworks, which in many cases fails to take into account affordability trade-offs.
- The rental sector, both formal and informal, which has largely been ignored by policymakers.
- Eviction and relocation strategies which continue to be implemented in violation of



Figure 35: Women in Solo, Indonesia, preparing roofing materials for upgrading their housing.

Photo © UN-HABITAT/Ruth McLeod

basic human rights by some governments in

Drawing on the discussion and analysis above, recommendations on how to facilitate more effective affordable land and delivery systems are presented below, with a particular focus on key actors in the housing sector: national governments, local authorities, private developers (commercial; self-help), housing co-operatives, NGOs and other social developers and landlords.

Adopt the enabling approach

The enabling approach is widely seen as the most promising way of addressing the housing challenge posed by urbanisation in developing countries. Foremost among these are rapidly growing urban populations, the urbanisation and feminisation of poverty, and the proliferation and expansion of slums and informal settlements. Within the enabling approach there are four ways in which adequate and affordable housing can be provided as newly-built dwellings:

- Through direct provision for groups most in need by NGOs and other welfare organisations;
- Through public-private partnerships;
- Through private sector provision, usually through a deal to allow more profitable housing in return for a proportion of 'affordable' dwellings;
- Through changes to regulatory frameworks to accept dwellings provided through the household sector in conjunction with informal sector builders.

In addition, the existing stock can be converted from informal housing to affordable housing through upgrading. Recent empirical research on the effects of housing policy on housing supply supports the argument that having governments enable rather than control or displace the private sector improves the affordability of housing in general—and for the urban poor in particular.²¹⁹

Regulatory frameworks

Reviewing legal and regulatory frameworks is an important way for governments, at both central and local levels, to play the facilitating role recommended in the GSS and Habitat Agenda in order to enable the poor and other vulnerable

and disadvantaged groups, including women, to access adequate, secure and affordable housing. The overall legal and regulatory framework for the housing sector has a significant impact on housing adequacy and affordability. Therefore, this framework must imperatively be reviewed on a regular basis if the goal of adequate shelter for all is to be achieved. The review of legal and regulatory frameworks is also fundamental to the achievement of MDG 7, Target 11: to have achieved a significant improvement in the lives of at least 100 million slum dwellers by the year 2020.

Regulatory frameworks also need to explicitly provide for the housing needs of women, as well as vulnerable and disadvantaged groups. Women's requirements with respect to dwelling size, layout, location and construction often differ from those of men, and they can often be inadvertently discriminated against by insensitive and inflexible planning norms. In view of the growing numbers of women-headed households, and the triple role of women (as mothers, as income earners, and as community managers) the consequences can be particularly far-reaching. Developing competence in gendersensitive planning (both women and men) is thus of vital importance.

The economic benefits of increasing housing provision

Beyond housing as a form of welfare and consumption the housing sector also plays an important part in national and regional economic development:

After several decades of debate on what housing might contribute to economic growth, it is now a widely held view that housing is not just a peripheral activity but a central force in sound economic development, much in the same way as investment in transportation, power and communication.

Housing is therefore much more than providing people a place to live, 'housing investment contributes, directly and indirectly, through backward and forward linkages in the economy, to national economic growth and, to a large extend, to national capital stock.'²²¹ ²²² Housing is a tool for employment creation, providing

opportunities to solve the underemployment problem and improve human capital, as well as for improving business capacity and private enterprise to deliver land and housing efficiently and economically.²²³ Therefore, expanding access to affordable housing does not only have social or equity benefits but also clear economic benefits where the housing market can contribute to the overall economic development of nations, cities, and households. The challenge is to harness the economic power of the housing sector to contribute to national economic development and filter these benefits down to households, both outcomes of which are evidenced in the Indian and Chinese housing programmes previously discussed.

Affordable serviced land for housing

Reasonably-priced, well-located serviced land at reasonable prices has been cited as arguably the major constraint to 'going to scale' in the production of affordable shelter.²²⁴ The Habitat Agenda (Para. 77) calls on governments to review 'restrictive, exclusionary and costly legal and regulatory processes, planning systems, standards and development regulations.'

Land-use planning and development control can be made more realistic and flexible, and less complex, by revising standards and procedures and eliminating unnecessary regulations. Allowing for more flexible standards would reduce the production costs of buildable serviced

land for housing. It will also avoid rendering informal land and housing production processes illegal, and reduce procedures that discriminate or segregate particular groups.²²⁵

Security of tenure

While access to serviced land is essential for the development of adequate and affordable housing, *de jure* security of tenure in the form of individual title is not a prerequisite. People will build their own homes as long as they feel secure that they will not be forcibly evicted.

Innovative tenure policies should be combined with responsive urban planning and infrastructure provision programmes, and innovative tenure arrangements should be considered and adopted. In addition, anti-eviction legislation should be implemented as a matter of priority, as security of tenure is a fundamental prerequisite for tenure regularization and upgrading.

Slum upgrading

Given the cost of construction and the constraints to making suitable urban land available for new housing development, slum upgrading rather than demolition is a significantly less costly solution to the problem of providing adequate and affordable shelter for urban households. Indeed, slum upgrading clearly represents the most cost effective means of improving the shelter conditions of the poor in Asia.



Figure 36: New housing in Nepal. Photo © UN-HABITAT/Rasmus Precht

The UN Millennium Project estimates that to upgrade slums and meet MDG 7, Target 11 on improving the lives of 100 million slum dwellers, while also preventing the formation of new slums, will require investing USD 4.2 billion per year, a total of USD 294 billion over the period 2005 to 2020. Further detailed estimates show that an investment of just USD 440 per person could markedly improve the lives of 670 million current and potential future slum dwellers. ²²⁶ Housing programmes in Asia should therefore refocus to provide a much higher priority to slum upgrading.

Building materials and the construction industry

Policies are needed to increase access to appropriate and affordable building materials. Likewise, research and development into innovative construction technologies should be supported. Equally urgent is the need to improve the quantity and quality of skilled workers in the informal housing sector. Environmentally-sound construction design and techniques, and energyefficient, low-polluting technologies should be promoted and made more widely available. In this respect, user-friendly technical literature on various innovations, such as compressed earth blocks, dome construction, ferro-cement channels, rammed earth and vault construction available.227 **UN-HABITAT** already appropriate technology development organisations have actively promoted wide-scale production and use of these appropriate building materials and construction technologies.

Small-scale contractors are central to the implementation of policies to increase access to adequate and affordable housing. If they are to be assisted by the government and local authorities to take a more central role, they must be more cooperative with regulating bodies in order to benefit from the change of attitude which public authorities are urged in the enabling approach and by UN-HABITAT and the International Labour Organisation (ILO).²²⁸ Large-scale contractors are encouraged to make better use of labour-based technologies.

Housing construction is a particularly sound investment in countries in Asia because low-cost homes are the most economically stimulating to these economies. Low-cost housing generates

30 per cent more worker income than high cost housing. Because the informal sector is more labour intensive than the formal sector, construction in the informal sector creates 20 per cent more jobs and builds six times more per dollar spent than formal sector construction. Informal sector construction is, however, prone to labour and occupational health and safety abuses. Still, countries that can take advantage of the growing urban populations by creating jobs and stimulating their economies will not only survive unprecedented urbanisation processes but prosper from them.²²⁹

Privatisation of public housing

Privatisation of public housing has been shown to be a good way of providing adequate and affordable housing in some countries. Indeed, it has been very successful in a number of cities in **China**. Lessons learned point to the following key interventions that, if implemented, can significantly increase the chances of success of sale and transfer endeavours:

- Monitoring and evaluation mechanisms must be set up (by the local authorities or other appropriate body) to ensure greater transparency of, and quality control over, sale and transfer programmes.
- The relevant public housing agencies must provide adequate information to ensure that beneficiaries fully understand all aspects of home ownership, including the choices being offered to them, their rights and responsibilities, and the financial implications.
- The capital needs of buildings must be comprehensively addressed by a public housing agency before transfer and funds must be made available for that purpose.
- Appropriate resident participation needs to be facilitated in the process. This should partially be brought about by the promotion of democratic, representative and well functioning residents' organisations.²³⁰

Co-operative housing and Community Based Organisations (CBOs)

The co-operative housing movement has been gaining momentum in developing countries in recent years. This is, in part, due to the failure



of other housing delivery systems to provide adequate and affordable urban housing. In addition, the tradition of collective support in rural areas, though not nearly as strong in cities and towns, retains some influence in many Asian countries. In the Habitat Agenda 'the co-operative approach is given a pre-dominant role with regard to the principles of strengthening enabling strategies, participation and partnerships.'

Cooperative groups and Community Based Organisations (CBOs) involved in housing provision should be promoted and encouraged through the provision of supportive local and national frameworks. Because in their present form they are relatively new, new forms are engagement need to be formulated for effective partnering of government and the private sector with CBOs. The efforts of CBOs should be supported at a large scale that the housing challenge demands.

Financing mechanisms

Lack of access to housing finance is a major constraint to access to adequate and affordable housing in Asia. Formal housing finance mechanisms are, in general, inaccessible and unaffordable to the poor. Innovations in housing microfinance and community funds are, however, improving access for many, in particular women. The growing use of community funds represents the following trends in the Asia region which should inform housing policy and strategy formulation:

- A shift from forced eviction or relocation and toward slum upgrading.
- Supporting the growth of community organisations and NGOs.
- A shift from a strict 'market enabling' paradigm in shelter delivery to the recognition that some degree of subsidy will be necessary to reach into the lower income brackets.

Governments should encourage and support the development of alternative housing finance systems. In particular, greater recognition and support must be given to community-based initiatives such as daily-savings schemes and the federations of the urban poor that have evolved from these. Housing finance systems that support the progressive building approach of poor households can make housing finance more affordable. Furthermore, the private sector must be stimulated to develop new models of housing finance, particularly for the poor who are trustworthy in repayment (through group lending) but cannot afford the mortgage models used for middle- and high-income groups.

Governments should, however, be judicious when seeking intervention opportunities, and ensure that their actions have no adverse consequences. Strategies must be developed to increase access to housing finance products in tandem with improving the availability and accessibility of other critical housing inputs (such as land, infrastructure and building materials). If housing is in short supply, a radical increase in access to housing finance without a concomitant increase in other fundamental housing inputs may lead to an increase in the price of housing, creating or continuing affordability constraints for lowincome households. Similarly, if vast numbers of houses are built but not enough households are able to obtain finance to purchase them, the housing market will collapse.²³¹

4.3 CONCLUSION

In many countries throughout Asia low-income households are forced to live in inadequate housing in slums and informal settlements because there is an insufficient supply of better quality housing at a cost they can afford. Indeed, all too often, poor households spend an inordinate share of their incomes on housing and many have to reduce expenditure on other basic needs, such as food, education and healthcare in order to meet basic housing needs.

The pressure on affordable land and housing in Asia is fuelled by rapid and sustained urban and population growth. Every day for the coming decade cities in Asia will need to accommodate an extra 120,000 people, which necessitates the construction of at least 20,000 new houses per day.²³² Clearly, in the face of such urbanisation pressures, households in Asia face considerable challenges in obtaining, retaining and maintaining a house that is adequate and affordable.

Countries in Asia are particularly disparateculturally, socially, geographically, economicallyas well as in terms of their housing and urban

planning histories and current forms. Asia has unmistakable precedents of countries that have largely solved their housing problems by successfully achieving universal access to adequate housing through a range of policy interventions, for example **Singapore**. However, unfortunately, Asia also has precedents of countries whose housing sectors are characterised by high rates of inadequate and insalubrious slum and informal settlements, and where a vast majority of the population lives deprived of their human right to adequate housing.

While Asian countries face considerable land and housing affordability challenges, this publication

has shown that there is some evidence of affordable land and housing provision. In particular, the emerging economic powers of **China** and **India** have been most successful in reaching a large number of low-income households with affordable housing. The report also shows that, in line with the recommendations of the Habitat Agenda, many governments, in Asia, are adopting and implementing policies and strategies aimed at making housing habitable, affordable and accessible. Access to adequate and affordable housing for all can conceivably be achieved if governments proactively implement such policies and strategies. However, doing so will, above all, require strong and consistent political will.

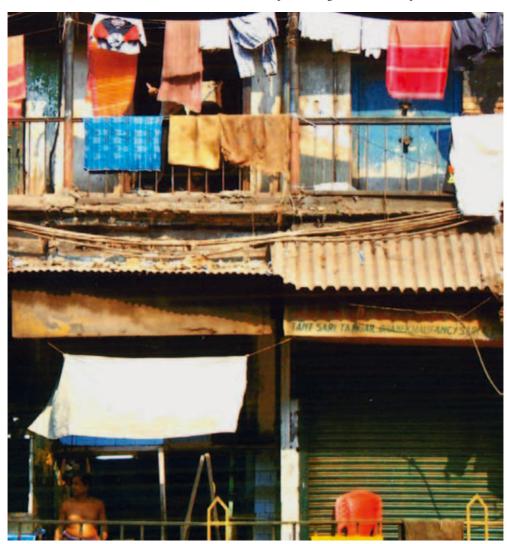


Figure 37: Like many cities in India, inner-city housing in Delhi is dense, often overcrowded, and is mixed with small-scale commercial enterprises. Photo © UN-HABITAT/Matthew French

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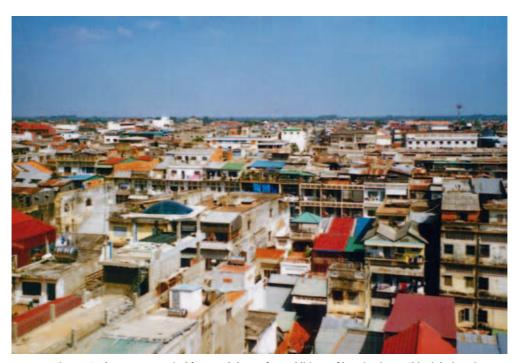


Figure 40: The narrow, vertical form and the rooftop additions of housing in Ho Chi Minh city, Vietnam. Photo © UN-HABITAT/Matthew French

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Affordable Land and Housing in Asia

This volume investigates the state of affordable land and housing in Asia. It explores the major trends in housing provision, conditions, availability, and quality; analyses housing policy responses and practices; and provides key recommendations for local, national and international policy initiatives that can increase affordable housing supply.

As this volume demonstrates, many households throughout Asia struggle to obtain, retain, and maintain housing that is adequate and affordable. While there have been significant shifts in theory and policy over the last three decades, in the vast majority of Asian countries, low- and middle-income households face significant housing affordability problems, largely due to limited access to affordable land and inflexible housing finance mechanisms. Yet, as explored in this volume, Asia also shows positive signs for expanding access to habitable, affordable housing, in particular through the strengthening of community-led slum upgrading and housing programmes, and the improved availability of flexible housing micro-finance.

Logically structured, clearly written, and richly-illustrated, the volume provides an accessible yet authoritative reference for housing experts, policy makers, researchers, NGOs, and community organisations regarding the challenge of housing affordability in Asian countries, the bottle-necks to expanding access, and the ways contemporary housing sector actors are supporting affordable land and housing provision.

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