

# AFFORDABLE HOUSING DELIVERY IN THAILAND: A CONTEXTUAL ASSESSMENT

Douglas Webster, PhD <sup>1</sup>



**An attempt is made to relate these issues to the Thai case. Thus the basic characteristics of the Thai urban system, as they relate to affordable housing delivery are first described. The paper concludes with a section discussing the applicability of the discussion of issues to Thai housing policy in the context of both generic learning (primarily East Asian) and the specifics of the Thai situation.**

## INTRODUCTION

### Context

Minimizing slums, squatter settlements and substandard housing are key objectives of most developing country governments, including Thailand.<sup>2</sup> Pursuing and achieving these objectives requires that sufficient supplies of adequate housing are available, accessible and affordable. Worldwide, many strategies have been used to pursue these objectives, ranging from providing public housing at very low cost (to the user) to highly market based approaches, that may involve upfront subsidies to reach the poorest society segments.

Developing countries have experienced varying levels of success providing adequate housing to their people, even when similar means to deliver affordable housing are deployed. Development experts once argued that slums are primarily a phenomenon associated with a given level of development (or underdevelopment) and that they will disappear with time, roughly in step with economic development. There is considerable truth to this argument, e.g., virtually all of the current richest cities in the world, e.g., New York City, Singapore,

<sup>1</sup> Douglas Webster is Chair of the Global Studies Program at Arizona State University, USA. He is Professor in the Schools of Geographical Sciences and Urban Planning, Sustainability, and Global Studies. Professor Webster has worked for several decades in East Asia, particularly Thailand. For example, he served as Senior Urban Policy Advisor in NESDB, Prime Minister's Office of the Thai Government from 1993 to 2003. He was Professor and Manager of Canadian Technical Assistance at Asian Institute of Technology from 1988 to 1992. He continues to advise Thai government agencies and private corporations on urban-related issues. He can be reached at [douglas.webster@asu.edu](mailto:douglas.webster@asu.edu)

<sup>2</sup> The United Nations definition of slums is available at <http://ww2.unhabitat.org/mdg/> The term sub-standard housing is explained at <http://www.habitat.org/hw/june-july01/feature1.html>

and Seoul, once contained large slums, which eventually disappeared, for the most part.<sup>3</sup> However, if one looks closely at the data (see Table 1), it is apparent that the correlation between economic well-being (measured in terms of GDP per capita), and incidence of slums is loosely correlated.

We undertook correlation analysis of GDP per capita (PPP) and incidence of slums in East Asian countries. The  $r^2$  was relatively low: .44. When we undertook similar analysis for Latin America, the  $r^2$  was higher 50.<sup>4</sup> (The latter result was expected, in Latin America, level of economic development explains slum incidence better, possibly because of less

diversity in pro-poor housing policies in Latin America.)

In sum, factors other than level of economic development, especially in East Asia, must play an important role in determining the incidence of slums, prime suspects being housing policies (explicit and implicit), income distribution, culture (e.g., social

**Table 1** : Relationship Between GDP per Capita & Percentage of Urban Population Living in Slums : Asia

	2008 GDP (PPP) per Capita*, \$	2008 GDP (Nominal) per Capita*, \$	% of Urban Population Living in Slums, 2005**	% Urban Buildings without Durable Structures***
<b>East Asia</b>				
China	5,962	2,912	32.9	18
Mongolia	3,567	1,998	57.9	
South Korea	27,939	19,115	0.7	
<b>South Asia</b>				
India	2,972	1,068	34.8	19
Pakistan	2,644	1,013	47.5	14
Nepal	1,112	441	60.7	
Afghanistan	800	393	n/a	
Bangladesh	1,334	494	70.8	58
Sri Lanka	4,585	2,031	13.6 <sup>^</sup>	8
<b>Southeast Asia</b>				
Thailand	7,703	3,869	26	7
Indonesia	3,975	2,254	26.3	
Laos	2,135	875	79.3	23
Malaysia	14,215	7221	n/a	
Philippines	3,510	1,847	43.7	38
Vietnam	2,781	1,051	41.3	11
Cambodia	1,905	651	78.9	
Burma	1,200	287	45.6	

\* World Development Indicators database, World Bank, July 2009

\*\* United Nations Statistics Database; UN-HABITAT; Millennium Development Goals Database

\*\*\* World Development Indicators 2007, World Bank; data year for most figures is 2000

<sup>^</sup>Data is from 2001

<sup>3</sup> For a description of the slum / squatter trajectory, see Neuwirth, Robert, *Shadow Cities: A Billion Squatters, A New Urban World*, New York, London: Routledge, 2005.

<sup>4</sup> The correlation ( $r^2$ ) was even lower when nominal GDP per capita data was used: .40 in the case of East Asia and .38 in the case of Latin America. However, since slums are a highly domestic economic activity, involving virtually no foreign content, the PPP measure was judged more appropriate.

norms related to payment of housing loans), and land availability (the geography of a city which is an important determinant of the elasticity of supply, the nature of urban land markets, and land market regulation).

Because policy is under human control, a nation, and to a lesser extent a city, can choose to have higher or lower levels of slums. For example, China in the late twentieth century had few slums (although considerable sub-standard housing) despite being relatively poor, while the Philippines had a much higher level of slums than would be expected given its level of economic development.

## PAPER OBJECTIVES

The objectives of this paper are to explore critical factors and issues that key stakeholders, primarily governments, face in deciding how to craft policies and allocate scarce resources to deliver affordable, transportation accessible (to jobs, education, health) housing to lower income populations.

An attempt is made to relate these issues to the Thai case. Thus the basic characteristics of the Thai urban system, as they relate to affordable housing delivery are

first described. The paper concludes with a section discussing the applicability of the discussion of issues to Thai housing policy in the context of both generic learning (primarily East Asian) and the specifics of the Thai situation.

## THE THAI CONTEXT

### Urbanization

Thailand is considerably under-urbanized, given its level of economic development. Approximately 45% of Thai people live in urban areas;<sup>5</sup> however, urban demographic growth rates remain low, usually under 1% per annum in municipalities (tesaban), and in the vicinity of 2-2.5% in peri-urban areas (i.e., jurisdictions outside official Municipalities the BMA, tesaban and tesaban tambon).

Thailand is currently experiencing remarkably low natural population increases and rural population seems reluctant to migrate to cities (especially permanently as opposed to seasonal or cyclical migration). The bottom line is that there is little demographic pressure on Thailand's cities, essentially a gift (demographic dividend) to policy makers responsible for housing, or other services, such as primary education. (of

course, rising urban incomes, and demographic and lifestyle trends are associated with smaller households, so that housing demand in urban Thailand is growing faster than the urban population.)

### Urban System Changes

A second factor affecting demand for affordable housing, in this case the geography of demand, is the rapid change in Thailand's urban system that is directly related to major shifts in the Thai economy's structure, especially between 1984 - 1997 (the "golden age of manufacturing"), and the post 1997 financial crisis era. These changes, detailed elsewhere,<sup>6</sup> operate at two levels: (i) the national urban system, and (ii) intra-urban : primarily in the Greater Bangkok Region.

Most people including most Thais, still think the national urban system consists of a highly primate Bangkok metropolitan area and a set of dominant regional centers, namely, Chiang Mai, Nakhon Ratchasima, Khon Kaen, and Hat Yai. In the past, public investment, including housing support has often only focused on these dominant regional centers, known as "regional cities". However, this stereotype is no longer an accurate depiction of Thailand's

<sup>5</sup> Data based on urbanization assessment and forecasts in Asian Development Bank and NESDB, Government of Thailand, Assessment and Recommendations: NESDB's Ninth Plan Strategies, Bangkok: Medium Term Recovery Project, 2000. The 45% urbanization level figure is considerably higher than official statistics indicate which considerably undercount urbanization (common to many developing countries) because peri-urban areas are not counted, unregistered populations, etc.

<sup>6</sup> For details regarding Thailand's urban system's changes, see : Webster, Douglas, Supporting Sustainable Development in Thailand : A Geographic Clusters Approach, Washington and Bangkok : World Bank.

urban system, dramatic change has occurred, driven by the rise of large-scale manufacturing (often multi-national) and tourism.

Manufacturing investment has driven the development of a Greater Bangkok Region that extends around the northern Gulf of Thailand, especially to the east of core Bangkok (see Map 1); e.g., the core three provinces (Chachoengsao, Chonburi, Rayong) of the Eastern Seaboard

manufacturing-based peri-urban region constitute an essentially urban node of over three million people. Tourism, especially beach tourism, has resulted in the rise of Phuket, and soon Greater Phuket, and a coastal strip, termed the Royal Coast, is emerging along the west coast of the Gulf of Thailand that will be an urbanized linear city housing over a million people, plus an even greater number of tourists annually.

In sum, the destinations of domestic migrants, the majority of whom are poor, and who constitute much of the demand for affordable housing, are changing rapidly as they chase manufacturing and tourism jobs. Public investment in land banks, infrastructure, housing subsidies, etc., needs to reflect these new rapidly emerging patterns.

At the intra Greater Bangkok scale, the geography of poverty is changing rapidly with the demand for relatively low cost labor high in the peri-urban areas, such as Ayutthaya,<sup>7</sup> and the Eastern Seaboard. Reinforcing this trend has been the resurgence of core oriented or centripetal development in Bangkok post 1997 with the core increasingly the site of high value economic activity. (During the “golden age of manufacturing” spatial development in Greater Bangkok was overwhelmingly centrifugal, i.e., peri-urban driven.)

More recent centripetal development has been driven by the successful initiation of a mass rapid transit system (BTS, MRTA), and the continued rise of the cultural - tourism economy in core Bangkok (tourism, MICE, media, advertising), large scale retail development, e.g., Central World, global governance functions, e.g., ESCAP, and domestic and multi-national corporate activity, although the latter category has

## Thailand; Emerging Clusters and Spatial Dynamics



<sup>7</sup> For a discussion of peri-urban dynamics in the Ayutthaya region, see : Maneepong, Chuthatip and D. Webster" Governance Responses to Emerging Peri-Urbanisation Issues at the Global - Local Nexus : Ayutthaya, Thailand", International Development Planning Review, Volume 30, Issue 2, 2008, pp 113 -154.

grown slower than in competing East Asian metropolitan areas. The bottom line is that the poor are being pushed out of the core city (essentially by land market forces) and being pulled to manufacturing jobs in the Greater Bangkok peri-urban areas, or being displaced to marginal locations, e.g., along railroad lines.

In sum, the new geography of urban poverty in Bangkok is characterized by a shift in the location of the poor from urban cores to peripheral areas (often along highways, rivers, canals, and around factories). Accordingly, an understanding of this new geography of urban poverty should guide approaches to poverty reduction, importantly including housing policies. New sources of poverty, e.g., unemployment at multinational corporations and their supply chains from rapid economic structural shifts associated with globalization, should be incorporated into such paradigms, e.g., financial implications for those holding mortgages.

### Financial Factors

According to the World Bank and other external analysts, Thailand's financial system is highly supportive of home ownership (generally ranked second to Malaysia in developing East Asia) both in terms of specialized agencies such as the Government Housing Bank (GH Bank) and mainstream commercial banks.<sup>8</sup> Mortgages

are relatively easy to obtain, extending the real and potential range of urban households able to purchase housing through the private market.

Although Thailand's economic growth rates have been relatively slow compared to other East Asian nations since 1997, households, including those in the lowest income quadrant have made real gains, enabling them, when combined with a well functioning household finance system, to purchase housing, particularly in suburban and peri-urban areas. For example, factory operator wages in large-scale factories in the Greater Bangkok area are in the range of 300 Baht (and up) or \$9 USD per day. A couple, both working, can afford to buy a small apartment in peri-urban areas such as Ayutthaya, based on such wages. (Such an apartment, usually constructed by a small-scale developer, may not conform to all building and planning codes, another story).

### Policy and Institutional Actors

Another factor characterizing Thailand's affordable housing system has been a succession of national government policies supporting affordable housing and slum upgrading, although their effectiveness has been mixed. The evolution of these policies has largely paralleled the global trajectory with movement from

public provisioning of affordable housing (a major responsibility of the National Housing Authority, especially in the past) to more market oriented approaches such as the Baan Mankong ("Pro Poor Housing Finance Program") policies of the Thai Rak Thai Government of Prime Minister Thaksin Shinawatra, the latter with the objective of eliminating slum housing in Thailand.

As noted, the government has developed financial mechanisms that directly support housing accessibility, notably GH Bank, and has also mandated housing financing functions to other nationally owned banks, such as the Government Savings Bank (GSB). International advice has played an important role in shaping Thai housing policy, especially in the 1984-2001 period.

For example, Land Readjustment approaches, that if implemented effectively can provide households with improved housing and capital, have been tried in Bangkok, largely as the result of Japanese funded technical assistance. To date, Land Readjustment has not caught on in Thailand, largely due to a lack of trust in the process by Thai urban residents.

Unlike some other countries in East Asia, NGOs and CBOs organize and work virtually unhindered in Thailand's cities, acting as advocates for greater housing accessibility. As a result, housing-

<sup>8</sup> For an extensive review of pro-poor housing finance in Thailand, see : National Housing Authority of Thailand et al, Pro-Poor Housing Finance : Thailand Country Report, Bangkok : UN ESCAP, 2009

oriented NGOs, staffed by skilled staff, officially supported by government agencies such as the Community Organization Development Institute (CODI), an arm of the Ministry of Social Development and Human Security, have emerged and proliferated over the years. In addition to advocacy, such organizations provide organization and technical assistance, and may also be involved in substantive areas such as provision of finance. In many cases CBOs are very active in slum / community upgrading, e.g., the neighborhood along the railroad track just north of Bangkok's central railway station (Hua Lamphong).

## CURRENT FACTORS AND ISSUES IN HOUSING PROVISION

"Best practice" in regard to upgrading housing conditions, eliminating slums, and making housing more affordable, i.e., financially accessible in East Asia, and the developing world as a whole, continues to change, as in other developmental policy areas, such as local economic development. Below, several of the key dynamics and issues currently at the forefront of the affordable housing provision dialogue are briefly discussed, to provide context for the concluding discussion on Thai housing dynamics and policy.

### Pro Poor Urban Development

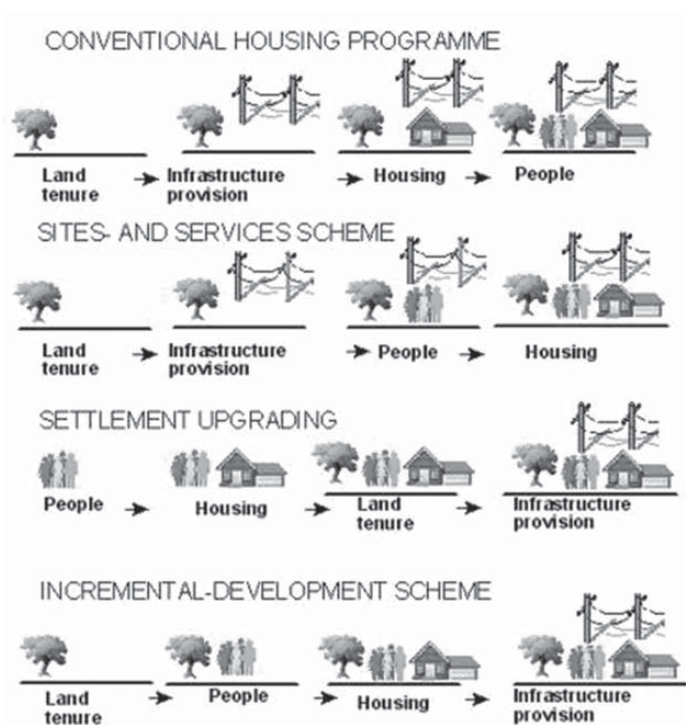
In the second half of the twentieth century, pro-poor housing policy and action by governments (local

and national) and international development organizations (particularly the World Bank and Asian Development Bank) had an overwhelmingly strong bias towards upgrading existing slums, rather than facilitating better communities for new migrants and new (non-migrant) low income households (young couples, etc.). (The slum upgrading approach is illustrated by Row 3 in Figure 1.)

This bias exists despite the fact that the majority of the future urban poor have yet to arrive in most developing East Asian metropolitan areas, and slum upgrading is much more expensive (per household or housing unit) than facilitating the delivery of affordable housing in new transportation accessible, affordable communities (Row 1 in Figure 1

when a conventional developer is involved, possibly working on subsidized or free land; Rows 2 and 4 in Figure 1 when financial resources are more constrained requiring people or communities to essentially build their own housing. Row 2 is the classic Site and Services model, while Row 4 represents an even more resource constrained situation where only secure land in a transportation accessible location is provided.)

Reasons for the current bias include the fact that slum upgrading is more dramatic politically (the before-after impact, if successful, is dramatic), and the needs of the existing poorly housed appear more pressing than poor households just entering the housing market through migration or family formation. Since the turn of



this century, there has been greater understanding of the need to have a more balanced approach to pro-poor housing in developing country urban areas, i.e., one that includes providing affordable housing (often in the suburbs but near accessible, affordable, reliable public transport systems) for those who might otherwise constitute the ranks of future slum dwellers. Such strategies are referred to as slum/poverty prevention strategies.

In sum, improvement of physical living conditions for low-income populations involves both (i) upgrading existing slum communities and (ii) facilitating absorption of new migrants and newly formed households within the physical urban framework. In fast growing urban situations, in cities that are early or mid-stage in the rural-urban transition, the majority of the potential poor have yet to enter the city.<sup>9</sup> It is incumbent on urban planners, policy makers, and managers, to address the question of new communities for low-income groups, particularly migrants. It is an extremely cost-effective means to shape livable cities of the future, and more specifically, improve living conditions and life chances for the poor, or potentially poor.

### Land Tenure

The holy grail of pro-poor housing policy is that slum dwellers should

**Thailand is considerably under-urbanized, given its level of economic development. Approximately 45% of Thai people live in urban areas;<sup>5</sup> however, urban demographic growth rates remain low, usually under 1% per annum in Municipalities (tesaban), and in the vicinity of 2-2.5% in peri-urban areas (i.e., jurisdictions outside official Municipalities the BMA, tesaban and tesaban tambon).**

be provided land tenure, essentially freehold status; the argument being that security of tenure will create incentives at the household level to invest in housing, at the community level to invest in infrastructure, social stability, etc., and that providing communities with legal status will ensure that they are recognized by local governments, and thus eligible for urban services. De Soto, and his followers,<sup>10</sup> point out that if slum housing is legalized, the poor are

immediately capitalized, capital which can be used to qualify for loans (for housing improvements, business start-ups, education, etc.).

While all the foregoing is true, on closer examination, a strong case can be made for more nuanced approaches to land tenure in some cases, e.g., granting slum inhabitants (especially in relatively small or mini slums) security of use for x, e.g., 10-20 years. Why? (i) Often squatter settlements are in extremely valuable locations in core cities, benefiting from literally billions of dollars in infrastructure investment, etc. (Manila is an extreme case, where vast expanses of much of the city's most accessible core city real estate is occupied by squatters living in one story slum buildings, resulting in a congested inefficient urban form, with "downtowns" rising and falling over relatively short periods of time.)

Environment and economic benefits accrue to cities with strong specialized urban nodes that are able to take advantage of infrastructure and strategic locations, largely a product of land markets. (ii) The windfall gains that accrue to residents of squatter communities often result in the buildings being upgraded, then resold or rented to others, typically middle class. There is a risk, seen

<sup>9</sup> For more information, see Webster, Douglas, *Urbanization Dynamics and Policy Frameworks in Developing East Asia*, Washington : 2004.

<sup>10</sup> De Soto, *The Mystery of Capital*, New York: Basic Books, 2000, pg 34. De Soto points out that in 2000 the value of untitled real estate in the Philippines was \$133 billion USD, seven times the total deposits in the country's commercial banks.

in some situations, that those who sell their houses will quickly exhaust their windfall, becoming “houseless”. At any rate, inequitable outcomes emerge.

### Public Sector Involvement

Virtually everywhere in East Asia, including China, policy makers are fast becoming aware that direct large-scale public-provisioning of housing does not work (with Singapore and Hong Kong being partial exceptions). The literature is clear, both theoretically and empirically, on the pitfalls of direct public sector provision of housing. As in the case of squatter areas lacking land tenure and incentives, individuals allow their units to deteriorate and common spaces (e.g., apartment lobbies) become subject to “tragedy of the commons” dynamics. Provision of housing on the scale needed to address the scale-of-need places extremely high demand on public capital, which when combined with institutional and human resource limitations in agencies providing housing leads to “drop in the bucket” supply relative to the problem. Usually the most in need do not receive such housing, which is on-rented through shadow markets.

Many countries sell public housing at highly subsidized prices or allow existing renters to buy public housing at vastly below market prices. This almost always results in shadow markets for the housing with windfall gains, through resale or rentals, being made by people well-off enough

to access public housing in the first place—a dynamic often observed in Bangkok.

The foregoing does not mean that there should not be a public sector role, given that adequate housing is a basic human need and right, although some East Asian nations are close to that position, e.g., in China there is no national agency for provision of housing, heavy reliance is placed on the market (The policy can not be dismissed, China has a higher urban rate of home ownership than in the US and there are no slums - although considerable substandard housing.)

The current pro-poor housing debate centers around where subsidies should be targeted - to consumers, property, or land. Increasingly popular are land subsidies whereby private developers are provided plots of transportation accessible (see below) land at highly subsidized prices by a government in turn for agreeing to build x number of units to be sold at no more than y per meter. The mechanism can be used to ensure all housing units on a plot are low cost or only a certain percentage, to create a more balanced socio-economic population. The mechanism works best when government directly owns land (as in Hong Kong or China) or has large land banks, but can be utilized through government land purchase and on-provision to developers. Generally, subsidies to land are preferable to subsidies to the property in that its land markets are more

transparent and thus the passing on of the subsidy can be more readily verified.

Consumer subsidies give them the ability to shop anywhere within the city for housing, subject to affordability after subsidy. However, developers may inflate prices on lower price housing units, effectively capturing all or part of the consumer subsidy. It is also very difficult to determine who is poor and deserving of the subsidy, especially in developing cities where tracking of individual income, e.g., through income tax data is poor, especially for the lowest income quartile of the population. Targeting is, of course, a problem with all subsidy attempts, but to some extent supply side subsidies, by way of unit size (size may be limited to 75 square meters or less), location, and neighborhood socio-economic composition are self-targeting.

### Transportation Accessibility

Transportation accessibility is an increasingly important issue in pro-poor housing policy, especially as slum/poverty prevention strategies become more important relative to slum upgrading. (One way commutes to work over 30 minutes are of concern, one way commutes over 40 minutes are undesirable in terms of individual and family stress.) The classic position of most urban analysts has been that the poor needed to be near the core of the city, the downtown or Central Business District (CBD), because that was



where they had best access to jobs and livelihood activities, e.g., street vending.

However, in middle income developing cities such as Bangkok, both the occupational mix of lower income people and the city form are changing quickly. Employment accessible to workers with lower qualifications is now found increasingly in peri-urban areas as noted above. At the same time, cities, including their cores, such as Bangkok, Manila, Jakarta, and Beijing, have become multi-nodal with several nodes of high employment, concentrations of high-rise buildings, commercial activity, etc. Thus, the accessibility to employment debate no longer centers on whether the housing of lower income people is in or near the urban core, but whether it is near fast, reliable, affordable public transportation, e.g., a subway or busway station, or a bus stop with reliable service to nearby employment nodes. In many ways, a suburban location near a subway station is preferable in accessibility terms to a location on the periphery of a downtown, remote from such services. From a subway station, people can commute to employment nodes anywhere in the city (of course, if they are dependent on mobile vending equipment, or other bulky items associated with their livelihood, the story is somewhat different).

In sum, land markets, land management, and transportation (routes, pricing, stops) are relevant to poverty reduction. Greater



accessibility can significantly benefit the poor, effectively expanding the affordable housing supply and employment. Put another way, accessible cities expand the housing supply and employment availability to the poor. Since more affordable housing and employment with lower credential barriers to entry are increasingly located on the urban periphery (where access can be difficult), the positive distributional impacts of better integrating transportation and land use can be significant. For example, in the larger urban regions of the Philippines, particularly Manila, lack of transportation access seriously constrains employment and housing access.

## APPLICATION TO THAILAND

What about Thailand? In the author's opinion, the implications are as follows:

(i) Thailand is at a stage in its economic development where it can seriously consider eliminating slums. Other countries, such as South Korea and Singapore entered their "end game" in

eliminating slums when their urban GDP per capita was approximately that of urban Thailand today. As indicated by Table 1, Thailand has the lowest percentage of urban population living in slums and the lowest percentage of buildings made from non-durable materials of all the countries reporting data (no data is listed for Malaysia and Singapore is excluded as a developed country), thus it is poised to move to the next step of no slums. Thailand's slow overall demographic growth, and very slow rates of urban population growth, relative to other developing East Asia countries, are further factors making slum and squatter elimination in Thailand an achievable medium term objective, e.g. fifteen years.

(ii) The location of concentrations of fast-growing urban employment, and rapidly growing employment accessible to workers (e.g., factory employment, service employment in tourism) is shifting rapidly. Housing policy, to the extent it has a spatial dimension, should attempt to locate affordable housing in these areas both at the macro (urban system) and meso (intra-metropolitan) scales.

(iii) Thailand should revisit land readjustment. A few pilot projects have been attempted, some with modest success. However, land readjustment could result in win-win outcomes for slum dwellers, property developers, and local governments in cases where squatter settlements are located on valuable urban land. By allowing replotting to occur, squatters could gain clear title in a condominium (on site or elsewhere in the city, and enjoy monetary gains from a share of the profits resulting from high-end redevelopment of the replotted land. Residents of urban Japan, particularly Tokyo, benefited significantly from widespread use of land readjustment in the post World War II period.

(iv) Thai governments and/or housing agencies should ensure land is available in peri-urban areas near good public transport to ensure land is available for low cost housing near factories, tourist complexes, etc. In some cases, it may be advisable to subsidize the cost of such land to property developers in conjunction with limits on unit floor space, in turn for a commitment to pass on the land cost savings to consumers. The geographic area of these communities should be at least at the neighborhood scale, if not larger. Low-income pocket development is not desirable. The fact that Bangkok's rapid transit lines are now being extended to peri-urban areas makes such a strategy feasible, i.e., low cost land and housing, but also transport accessibility.

**As noted, the government has developed financial mechanisms that directly support housing accessibility, notably GH Bank, and has also mandated housing financing functions to other nationally owned banks, such as the Government Savings Bank (GSB). International advice has played an important role in shaping Thai housing policy, especially in the 1984-2001 period.**

(v) Thai banks should be encouraged to improve their already first-rate financial support to housing (especially consumers, but also developers) to extend the pool of population which can qualify for a housing mortgage. Of course, caution needs to be exercised to avoid reckless lending such as occurred in the United States triggering the 2007- 2010 deep economic recession. A wide variety of responsible credit instruments is needed, varying from commercial housing mortgages accessible to low income earners from mainstream banks to micro credit to enable development of communities utilizing the incremental development approaches described in rows 2 and 4 of Figure 1.

(vi) Direct public provision of housing should be wound down, the track record is poor both in terms of targeting those in need, and in terms of scale.

(vii) A middle way should be pursued in terms of land tenure in the case of existing squatter areas located on prime real estate with high value to the society as a whole in terms of urban structural efficiency. For example transitional use guarantees for 20 years to protect present generations would be an equitable way to handle many such situations, rather than automatically granting freehold equivalent land tenure.

(viii) So far, mainly expensive high-end housing has clustered around rapid transit stations in Bangkok. However, there is no economic reason why low cost high density, high rise housing can not be built at a profit near such stations (land costs per unit would not be prohibitive under high FAR zoning), especially suburban stations, where land costs will be much lower than at core city stations, but accessibility still good.

(ix) There is considerable vacant land in the Bangkok metropolitan area, and to a lesser extent in other large Thai cities. Surprisingly, much of this land is in highly accessible locations in core Bangkok, e.g., near Ratchadpisek Road. Much of the vacant land is held by State Owned Enterprises (SOEs), such as the large State Railway of Thailand (SRT) holdings in the Makasan area. Other

large plots of vacant land are in private hands, the product of a lack of property taxes or idle land taxes in Thailand.

Some of this land, much of it highly transport accessible, needs to be made available in an orderly manner, consistent with overall city planning objectives, to low cost private developers and/or community organizations for low cost housing. Housing agencies or the national government would have to fund such land acquisition, sometimes taking a financial “loss”, by selling it at a subsidized rate. Ideally, the housing mix in such land subsidized areas should include middle income as well as low income housing, consistent with overall socio-economic patterns in Thai society, to create more diverse communities and to enable households to upgrade their housing within the community as their household incomes increase.

(x) Basic services need to be established up front by local authorities in new affordable communities such as feeder



roads, electricity, drainage, and educational and health facilities. The community itself, over time, should contribute to the cost of this infrastructure to enable replication of the model, through user fees and fair taxation.

(xi) Construction standards applying to individual buildings and community infrastructure in the community should be adequate to ensure safe and livable communities, but not so sophisticated as to make them unaffordable. Standards levels will be dependent on context, especially the eco-

nomical development level of the city in question. For example, in Ayutthaya, much of the worker housing (both apartments for rent and sale) do not meet existing construction codes, sometimes endangering residents. However, overly “high bar” regulations can actually encourage developers (especially small scale local developers that dominate property development for low income residents in areas such as Ayutthaya) to ignore them.



# LOW-INCOME HOMES

- ▶ LOWER AND MIDDLE INCOME HOUSING OPTIONS IN THAILAND
- ▶ SMALL HOUSES MOVEMENT: INNOVATION OR A NECESSITY?