

# ADEQUATE AND AFFORDABLE HOUSING

ENHANCING ADB'S SUPPORT  
TO DEVELOPING MEMBER COUNTRIES

*Hong Soo Lee and Ashna Singh*

NO. 82

September 2022

ADB SUSTAINABLE DEVELOPMENT  
WORKING PAPER SERIES



ADB Sustainable Development Working Paper Series

## Adequate and Affordable Housing Enhancing ADB's Support to Developing Member Countries

Hong Soo Lee and Ashna Singh

No. 82 | September 2022

Hong Soo Lee is a senior urban specialist in the Urban Sector Group, Sustainable Development and Climate Change Department, ADB.

Ashna Singh is a senior housing expert, and principal and founder of Total Housing Inc. She serves as a consultant to ADB's Urban Sector Group.



Creative Commons Attribution 3.0 IGO license (CC BY 3.0 IGO)

© 2022 Asian Development Bank  
6 ADB Avenue, Mandaluyong City, 1550 Metro Manila, Philippines  
Tel +63 2 8632 4444; Fax +63 2 8636 2444  
[www.adb.org](http://www.adb.org)

Some rights reserved. Published in 2022.

ISSN 2789-0619 (print); 2789-0627 (electronic)  
Publication Stock No. WPS220353-2  
DOI: <http://dx.doi.org/10.22617/WPS220353-2>

The views expressed in this publication are those of the authors and do not necessarily reflect the views and policies of the Asian Development Bank (ADB) or its Board of Governors or the governments they represent.

ADB does not guarantee the accuracy of the data included in this publication and accepts no responsibility for any consequence of their use. The mention of specific companies or products of manufacturers does not imply that they are endorsed or recommended by ADB in preference to others of a similar nature that are not mentioned.

By making any designation of or reference to a particular territory or geographic area, or by using the term “country” in this document, ADB does not intend to make any judgments as to the legal or other status of any territory or area.

This work is available under the Creative Commons Attribution 3.0 IGO license (CC BY 3.0 IGO) <https://creativecommons.org/licenses/by/3.0/igo/>. By using the content of this publication, you agree to be bound by the terms of this license. For attribution, translations, adaptations, and permissions, please read the provisions and terms of use at <https://www.adb.org/terms-use#openaccess>.

This CC license does not apply to non-ADB copyright materials in this publication. If the material is attributed to another source, please contact the copyright owner or publisher of that source for permission to reproduce it. ADB cannot be held liable for any claims that arise as a result of your use of the material.

Please contact [pubsmarketing@adb.org](mailto:pubsmarketing@adb.org) if you have questions or comments with respect to content, or if you wish to obtain copyright permission for your intended use that does not fall within these terms, or for permission to use ADB logo.

The ADB Sustainable Development Working Paper Series presents data, information, and/or findings from ongoing research and studies to encourage exchange of ideas and elicit comment and feedback about development issues in Asia and the Pacific. Since papers in this series are intended for quick and easy dissemination, the content may or may not be fully edited and may later be modified for final publication.

Corrigenda to ADB publications may be found at <http://www.adb.org/publications/corrigenda>.

Notes:

In this publication, “\$” refers to United States dollars.

ADB recognizes “America” as the United States, “China” as the People’s Republic of China, and “Calcutta” as Kolkata.

# CONTENTS

<b>TABLES, FIGURES, AND BOXES</b>	<b>iv</b>
<b>FOREWORD</b>	<b>v</b>
<b>ACKNOWLEDGMENTS</b>	<b>vi</b>
<b>ABBREVIATIONS</b>	<b>vii</b>
<b>EXECUTIVE SUMMARY</b>	<b>viii</b>
<b>I. INTRODUCTION</b>	<b>1</b>
A. Context of the Global Housing Challenge	1
B. This Study	3
<b>II. ADB'S ASSISTANCE IN THE HOUSING SECTOR (2000–2020)</b>	<b>4</b>
A. Methodology	4
B. Macro-Level Analysis: Project Trends	9
<b>III. TWO DEVELOPING MEMBER COUNTRIES, TWO TRAJECTORIES</b>	<b>17</b>
A. Uzbekistan	17
B. Mongolia	21
<b>IV. HOW DID WE GET HERE?</b>	<b>24</b>
A. The Global Trajectory of Housing Policy	24
B. Unintended Consequences: Did the Pendulum Swing Too Far?	28
<b>V. WHAT HAVE WE LEARNED?</b>	<b>31</b>
A. Lessons from ADB Projects (2000–2020)	31
B. How to Think About Housing: A Broader Perspective	36
<b>VI. POTENTIAL ADB HOUSING ASSISTANCE</b>	<b>45</b>
A. Basic Principles	45
B. Sovereign versus Nonsovereign Funds	45
C. Housing Policy and Institutions	47
D. Low-Income and Informal Communities	49
E. Housing Finance	51
F. Housing Supply	53
<b>REFERENCES</b>	<b>55</b>

## TABLES, FIGURES, AND BOXES

### TABLES

1	Potential ADB Interventions in the Housing Sector by Funding Type and Target Income Quintile	xvi
2	List of Housing-Related Projects Reviewed	7
3	List of Housing-Related Technical Assistance Projects Reviewed	8
4	Housing-Related Lending Operations Reviewed by Category	10
5	Sovereign Housing-Related Lending Operations Excluding Uzbekistan by Category	10
6	Housing-Related Technical Assistance Projects Reviewed by Category	11
7	Housing-Related ADB Lending Projects by Region and Decade (2000–2010 and 2011–2020)	12
8	ADB Lending by Category and Decade (2000–2010 and 2011–2020)	12
9	ADB Sovereign Lending by Category and Decade (2000–2010 and 2011–2020)	13
10	ADB Sovereign Lending Excluding Uzbekistan by Category and Decade (2000–2010 and 2011–2020)	13
11	ADB Nonsovereign Investments by Category and Decade (2000–2010 and 2011–2020)	14
12	Performance across Project Categories (Completed Sovereign and Nonsovereign Projects)	14
13	Sovereign Projects Performance	15
14	Sovereign Projects Performance Excluding Uzbekistan	15
15	Nonsovereign Projects Performance	16
16	Potential ADB Interventions in the Housing Sector by Funding Type and Target Income Quintile	46

### FIGURES

1	Lending Operations by Category	x
2	Lending Operations by Region and Decade	xi
3	Performance for Sovereign (Top) and Nonsovereign (Bottom) Lending	xii
4	Imbalances Resulting from a Distorted View of Finance and Skewed Policies	xiv
5	Suitable Housing Policy Interventions by Public and Private Sector	xv
6	Imbalances Resulting from a Distorted View of Finance and Skewed Policies	30
7	Segmenting the Users: Paying Too Little or Too Much for Housing?	37
8	Segmenting Housing Stock by Adequacy and Affordability	38
9	Housing Policy—Role of Public and Private Sector and Suitable Interventions	41

### BOXES

1	Evolution of the 30% Housing Expenditure-to-Income Ratio	40
2	Content of a Housing Sector Assessment	48

## FOREWORD

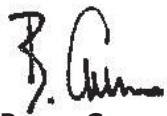
Housing is a basic social good. It provides shelter and privacy and supports dignity and health. Yet, globally, over a billion people have no access to decent quality housing. Sixty percent of these people live in Asia and the Pacific. Never in recent history has the importance of safe, sanitary, affordable, and secure housing been as evident as during the last 2 years of the coronavirus disease (COVID-19) crisis. People without access to adequate housing have suffered disproportionately during the pandemic.

Affordable housing is one the main objectives under Operational Priority 4—*Making cities more livable*—in the Asian Development Bank’s Strategy 2030. ADB aims to support the development of pro-poor and inclusive cities that provide social services and safe and healthy environments. As the bank plans to scale up its support in the housing sector, this publication will inform how it does so. It highlights lessons from ADB’s experiences of the last 2 decades and from broader global practices.

Housing is a complex and multifaceted sector, and there is no silver bullet to address its challenges. Housing needs to differ not just across countries but also between cities and neighborhoods within cities. A house means different things to different people. It can be a permanent home for some, temporary accommodation for others, a roof over one’s head for the poorest, and a long-term financial investment for the wealthy. A good housing policy needs to recognize and reflect these nuanced demands. A successful housing ecosystem requires the supply- and demand-side of housing value chains to operate effectively at scale.

The authors suggest that the selective pursuit of changing housing paradigms over the past few decades has contributed to a shifting of priorities away from the poor and vulnerable groups. The publication encourages policymakers to strive for a balance between providing assistance to the poor and vulnerable *and* making markets work better.

I commend the authors for their efforts and am confident that this publication will provide useful insights to help policymakers foster more inclusive, affordable, and resilient housing in Asia.



**Bruno Carrasco**

Director General concurrently Chief Compliance Officer  
Sustainable Development and Climate Change Department  
Asian Development Bank

## **ACKNOWLEDGMENTS**

The report was prepared by Hong Soo Lee at the Urban Sector Group of Sustainable Development and Climate Change Department (SDCC) of the Asian Development Bank (ADB) and Ashna Singh, a senior housing expert, and principal and founder of Total Housing Inc.

We acknowledge Sungsup Ra, chief sector officer, SDCC, chief of the Urban Sector Group, SDCC, ADB for valuable feedback. In addition, we would like to acknowledge the research and technical support provided by Aldrin Plaza, Okju Jeong, Elyn Ruth Ravancho, and Lindy Lois Gamolo. Separately We also thank Robert Buckley of the Urban Institute in Washington, DC, and Rebecca Ochong, senior manager of Habitat for Humanity on their reviews.

Finally, we also would like to acknowledge the shared insights and advice from the World Bank, the Cities Alliance, the German Agency for International Cooperation (GIZ), and the Centre for Policy Research in India.



## ABBREVIATIONS

ADB	–	Asian Development Bank
ARHP	–	Affordable Rural Housing Program (Uzbekistan)
CWRD	–	Central and West Asia Department
DMC	–	developing member country
EARD	–	East Asia Department
EIR	–	expenditure-to-income ratio
FSU	–	former Soviet Union
HAAP	–	Housing Area Action Plan (Mongolia)
HFP	–	housing finance project
HIRDIP	–	Housing for Integrated Rural Development Investment Program (Uzbekistan)
IUDP	–	integrated urban development project
KUIDP	–	Karnataka Urban Infrastructure Development Project (India)
MMSDP	–	Mortgage Market Sector Development Project (Uzbekistan)
NGO	–	nongovernment organization
NUSSP	–	Neighborhood Upgrading and Shelter Sector Project (Indonesia)
O&M	–	operation and maintenance
PARD	–	Pacific Department
PCR	–	project completion report
PPER	–	project performance evaluation report
PSOD	–	Private Sector Operations Department
RIM	–	residual income method
RRP	–	report and recommendation of the President
RSDD	–	Regional and Sustainable Development Department
SARD	–	South Asia Department
SDCC	–	Sustainable Development and Climate Change
SERD	–	Southeast Asia Department
TA	–	technical assistance
UMRC	–	Uzbekistan Mortgage Refinancing Company

# EXECUTIVE SUMMARY

## The Housing Challenge

Globally, over a billion people—roughly one out of every seven—have no access to decent quality housing, and some 3 billion will need housing by 2030.<sup>1</sup> Of the 1,033 million people living in slums and informal settlements, nearly 600 million, or 60%, live in Asia: some 370 million (36%) in East Asia and Southeast Asia, and 227 million (22%) in Central Asia and South Asia (footnote 1). The number is on the increase as about 127,000 individuals come to Asia's cities daily.<sup>2</sup> The housing gap is the worst in lower- and middle-income countries where urbanization and population growth are outpacing the formal housing supply, and an ever-growing number of people are housing-cost burdened or live in inadequate shelter.

The coronavirus disease (COVID-19) pandemic has further exposed the housing inequities in Asia and globally. It has revealed the fragile relationship between a person's living environment and their social, physical, and economic well-being, and in particular between housing and public health outcomes. The pandemic is harming nearly everyone but, all else being equal, those without safe, sanitary, affordable, and secure housing are suffering the most.

## A Time to Reengage

As is often the case during times of crises, the housing policy debate has once again come to the fore, and many questions are being asked about past actions of governments and development institutions that may have unintentionally contributed to the problem and how to make things better for the future. ADB, too, is asking these questions.

ADB supported successful housing and urban sector projects with its developing member countries (DMCs) in the 1980s and 1990s. An institutional reorganization then occurred in the early 2000s with the establishment of the Regional and Sustainable Development Department (RSDD). The RSDD did not include the urban development and housing sector as a distinct group. Since RSDD's focus was on the water sector rather than the urban sector, housing became one of many sub-themes.<sup>3</sup> After another institutional reorganization in the mid-2010s, housing lost much of its institutional weight within ADB.<sup>4</sup> The limited housing-related lending that happened thereafter was not founded on a conscious or strategic approach on the part of ADB but a response to disparate demands from its DMCs.

In 2015, RSDD was renamed the Sustainable Development and Climate Change Department (SDCC). SDCC includes secretariats of the sector and thematic groups, including the urban sector group aimed at ADB's Strategy 2030 Operational Priority 4: *Making cities more livable*. Under this priority, ADB is preparing to reengage in the housing sector. This report provides a synopsis of the housing portfolio over

---

<sup>1</sup> UN Statistics Division. 2019 Report on Sustainable Development Goal 11: Sustainable Cities and Communities. <https://unstats.un.org/sdgs/report/2019/goal-11/>.

<sup>2</sup> ADB. 2016. *The Housing Challenge in Emerging Asia: Options and Solutions*. Tokyo: Asian Development Bank Institute.

<sup>3</sup> Urban development projects became classified as multisector projects, a group that includes rural development, environment, and a number of other sectors. Source: Operations Evaluation Department. 2006. *Evaluation Study: Urban Sector Strategy and Operations*. Manila: ADB.

<sup>4</sup> ADB. 2017. *Through the Decades. ADB's Fifth Decade (2007–2016)*. Manila. <http://dx.doi.org/10.22617/TCS178966-2>.

the past 2 decades against a backdrop of broader global practices and lessons to guide ADB's future operations.<sup>5</sup>

## A Synopsis of ADB's Housing-Related Assistance (2000–2020)

Significant changes have taken place in the composition of ADB's housing sector assistance over the past 50 years: from the conventional sites-and-services and slum upgrading projects in the 1980s and 1990s that were targeted to the poorest, to integrated urban development and housing finance projects in the 2000s and 2010s, and more recently, stand-alone operations to expand housing finance.

As part of this study, 28 lending operations were identified across ADB's urban and finance teams, and its Private Sector Operations Department (PSOD) between 2000 and 2020, of which 23 were deemed housing-related.<sup>6</sup> Among them, 16 were sovereign and seven were nonsovereign operations. The 23 operations were grouped under three dominant categories.<sup>7</sup>

- Category 1: Mortgage and housing finance;
- Category 2: Integrated infrastructure, slum upgrading, and microfinance; and
- Category 3: Housing policy, housing supply, and construction finance.

Below are highlights from the housing-related portfolio review.

**By category** (Figure 1). Overall, considering sovereign and nonsovereign projects, Category 1 constituted 46% of the total number of projects and 57% of the dollar value of all housing-related lending (\$1,634 million). The average loan amount across projects attributed to Category 1 was \$126 million, which is more than double that in Category 2 at \$61 million.

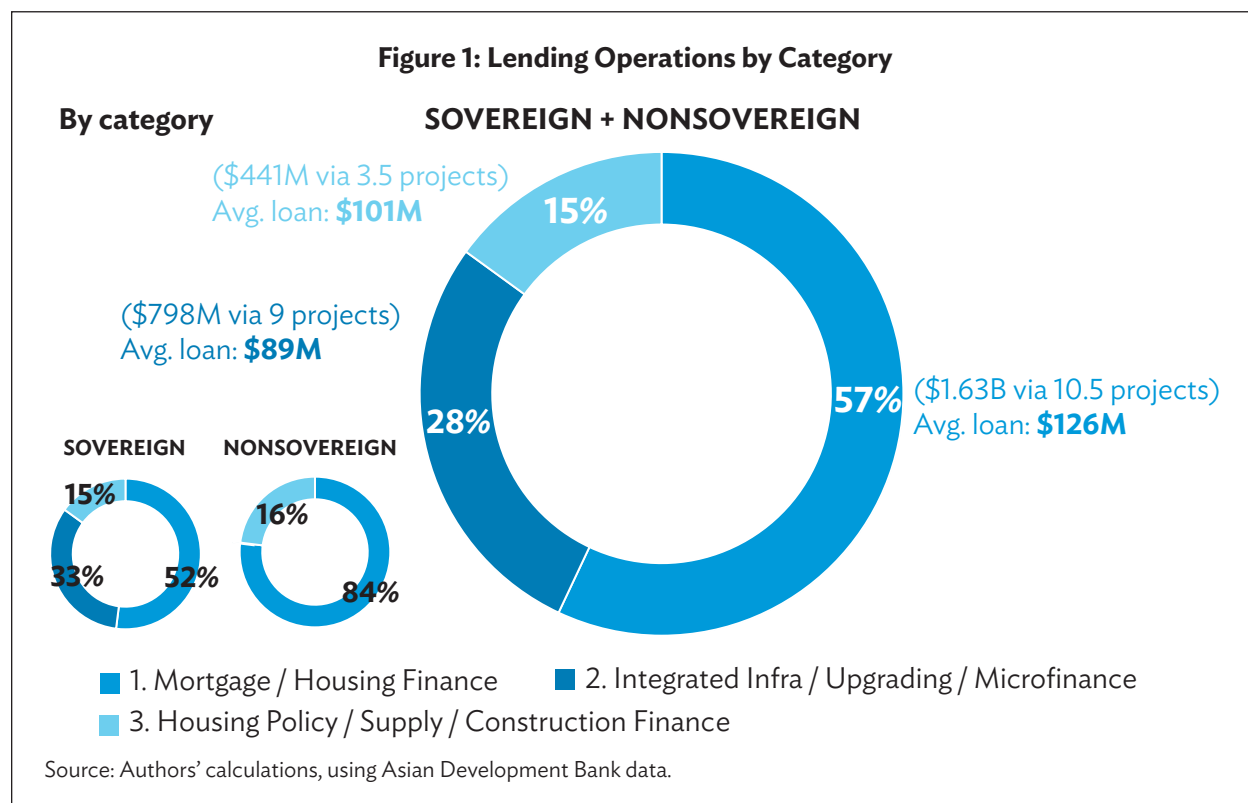
In terms of sovereign projects only, Category 1 projects constitute about a third of the projects (34%) and more than half (52%) of the dollar value of housing-related projects. The average loan amount attributed Category 1 was \$158 million, which is over two times that in Category 2 at \$61 million.

In terms of nonsovereign projects only, about two-thirds (71%) of the total number of projects are in Category 1, accounting for over three-fourths (84%) of the total dollar value. The average loan amount attributed to Category 1 was \$61 million, about double that in Category 3 at \$35 million. There were no nonsovereign projects in Category 2.

<sup>5</sup> ADB. 2019. *Strategy 2030 Operational Plan for Priority 4: Making Cities More Livable, 2019–2024*. Manila. <https://www.adb.org/documents/strategy-2030-op4-livable-cities>.

<sup>6</sup> This includes housing-related projects that were approved or became effective and closed between 2000 and 2020. It also includes projects that were approved before 2000 but closed in the early 2000s, and projects that started in 2020 that will close after 2020. It does not include projects and technical assistance (TA) projects that started after 2020.

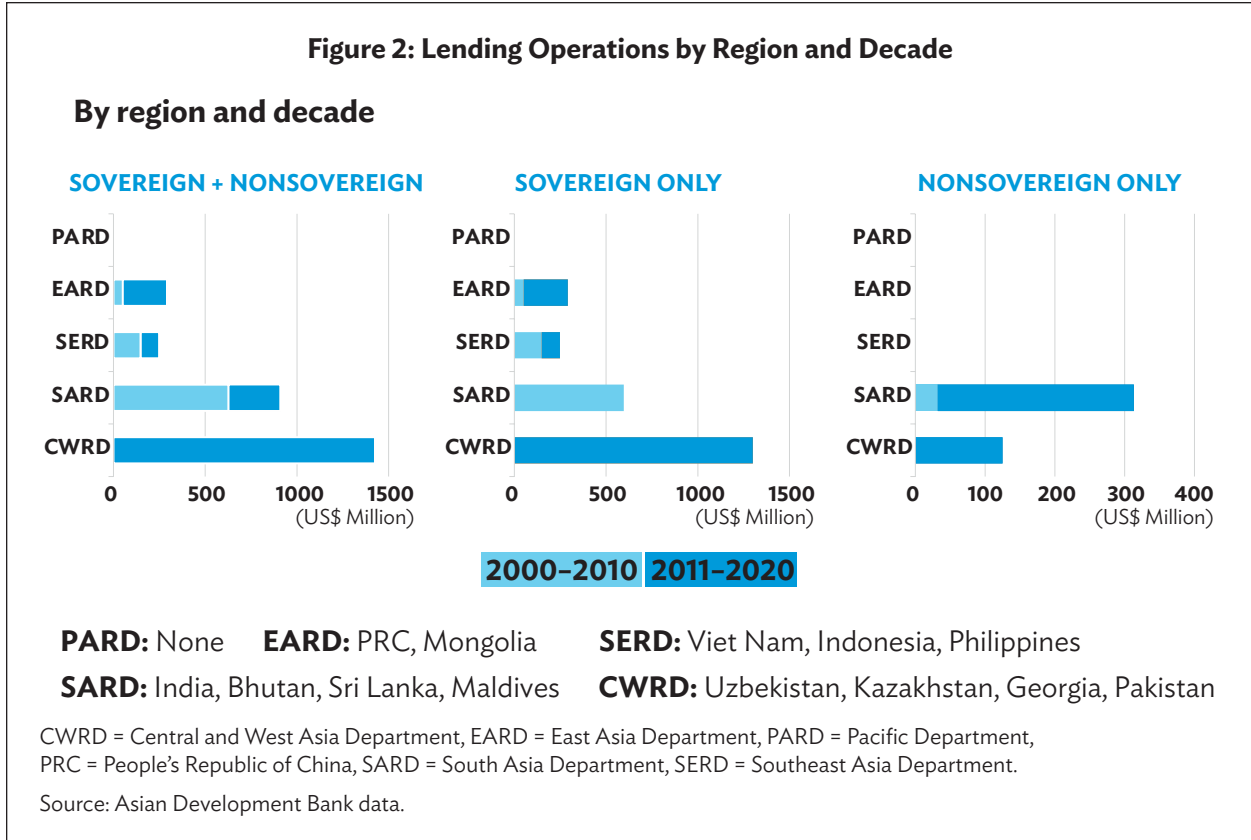
<sup>7</sup> If a project spanned more than one category, it was split equally across the two most relevant categories.



**By region** (Figure 2). The Central and West Asia Department (CWRD) is the largest recipient of ADB funding in the housing sector, with much of this funding being used to increase access to housing finance. The East Asia Department (EARD) had its funding increased significantly in the last decade, although only in Mongolia. All other regions witnessed a drop or no funding for housing-related work.

**By timeline** (Figure 2). A comparison of all sovereign and nonsovereign housing-related projects across the 2 decades (2000–2010 and 2011–2020) reveals that the dollar value of Category 1 projects increased fivefold, from \$249 million to \$1,385 million, while Category 2 projects witnessed a decline from \$578 million to \$220 million. Category 3 went from zero investment in 2000–2010 to constituting about one-fifth of all housing-related investment in 2011–2020, mostly focused on supporting supply-side interventions (e.g., housing construction and construction finance).

Among only sovereign housing-related projects, the spike is even higher, from \$217 million in 2000–2010 to \$1,050 million in 2011–2020. Total sovereign lending doubled from \$795 million in 2000–2010 to \$1,640 million in 2011–2020 but much of it is attributed to CWRD.



**By performance** (Figure 3). From among the projects reviewed, 14 are completed and closed (11 sovereign and 3 nonsovereign). Among these, nine (64%) received a performance rating of *successful*, and five (36%) were rated *partly successful*. In terms of the dollar amount, \$826 million out of \$1,577 million (52% of lending) was rated *successful*. In category 1, 38% lending was rated *successful*, compared to 72% in Category 2.

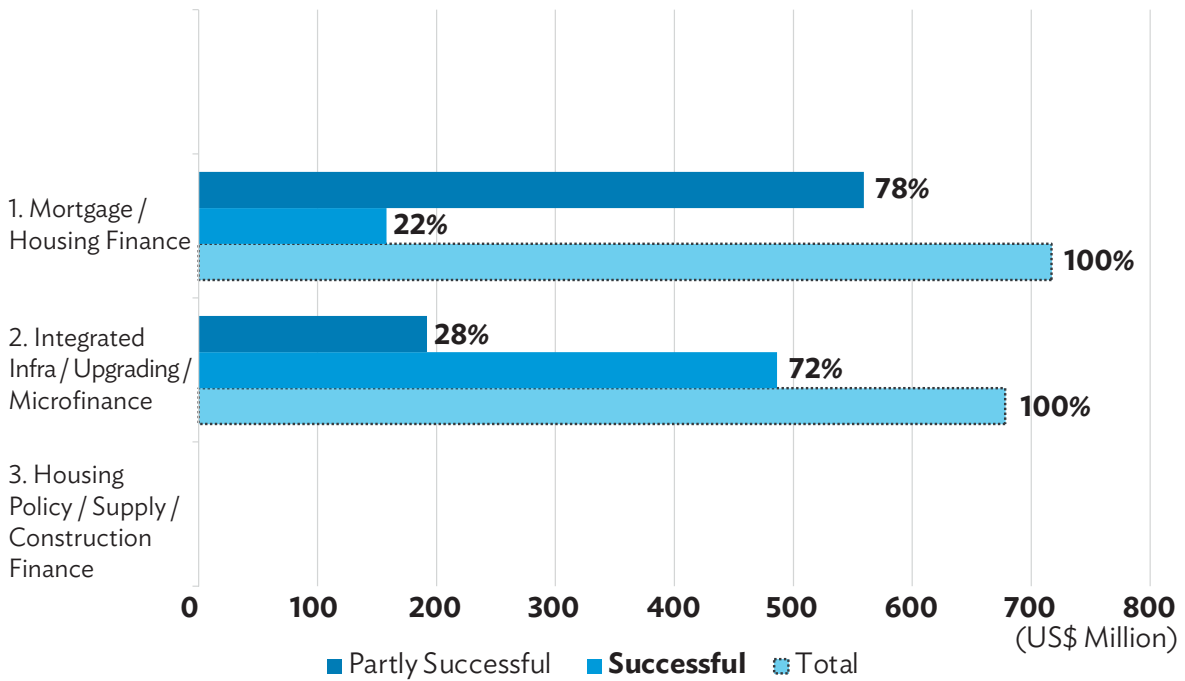
When considering sovereign projects only, \$158 million out of \$717 million or 22% of Category 1 lending was rated *successful*, and 78% was rated *less than successful*. Of the total sovereign lending under Category 2, \$486 million out of \$678 million (72% was rated *successful*, and 28% was rated *less than successful*). Among the nonsovereign projects reviewed, three are completed, with a dollar value of \$182 million. All three were rated *successful*.

Among all the sovereign projects reviewed, 11 are completed and closed. Among these, six (55%) received a performance rating of *successful*, and five (45%) were rated *partly successful*. Among Category 2 projects, only \$158 million out of \$717 million (22%) of Category 1 lending was rated *successful*, and 78% was rated *less than successful*. In contrast, of the total lending under Category 2, \$486 million out of \$678 million (72%) was rated *successful* and 28% was rated *less than successful*. That said, Uzbekistan seems to be a clear outlier and when excluded from this analysis, the results are markedly different with the success rate in terms of dollar value more or less equal across Categories 1 and 2, at 72% and 73%.

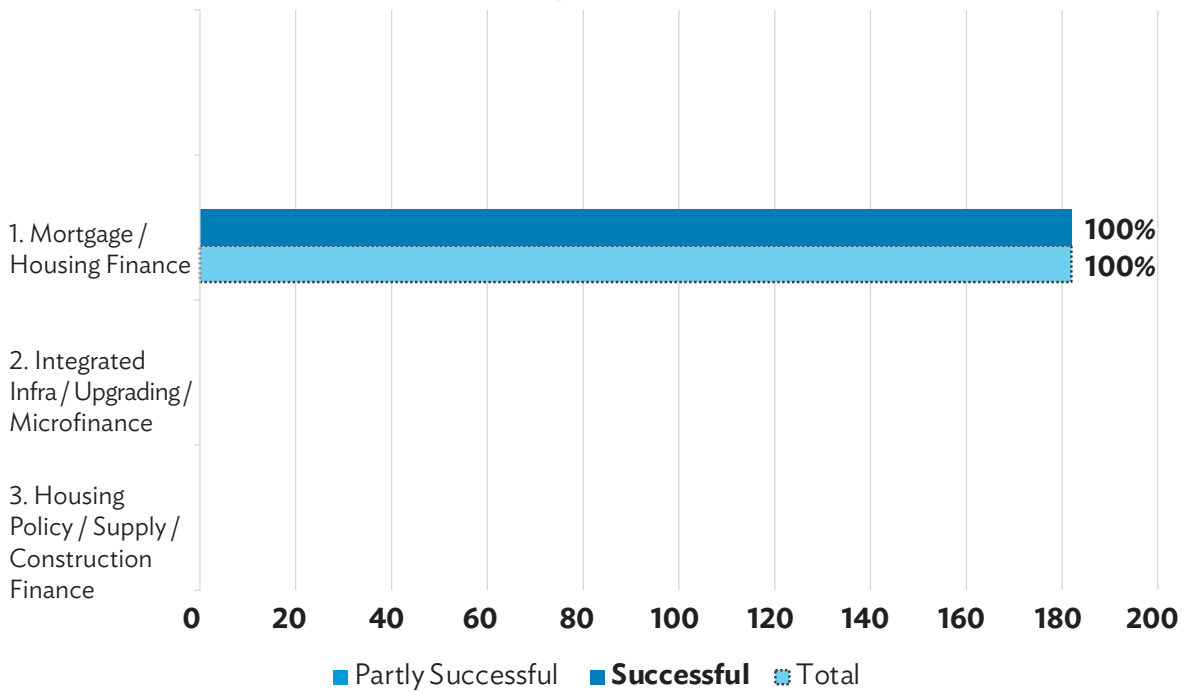
Of the seven nonsovereign projects reviewed, three are completed, with a dollar value of \$182 million. All three projects were rated *successful*.

**Figure 3: Performance for Sovereign (Top) and Nonsovereign (Bottom) Lending**

**By performance for sovereign**



**By performance for nonsovereign**



Source: Asian Development Bank data.

## A Complex and Variable Operating Environment

ADB projects over the last 2 decades present important lessons to inform future directions in the housing sector. While there are common threads in the numerous approaches and the lessons learned across ADB's DMCs, there are also notable differences.

Two country examples illustrate ADB's complex and variable operational environment. Mongolia and Uzbekistan are the two "extremes" of ADB spectrum of housing assistance. Although both have lower- and middle-income status, they are distinctly different in terms of their historical context, scale, and specificity of housing need; socioeconomic conditions; maturity of their housing and financial sectors; and the compositions and success of the ongoing housing-related project portfolios.

- Uzbekistan is a relatively new partner in the housing sector but one that developed rapidly over the past 7 years in what appears to be a response to the government's demand for support centered on the provision of publicly subsidized housing through the expansion of housing finance, which largely included mortgage finance and construction finance.
- Mongolia's partnership with ADB appears to have gradually evolved over the past 2 decades, starting with the foundations of legal and policy reform, followed by identifying priority areas for intervention, gradually introducing and expanding housing finance, and is now applying lessons from previous experiences to scale up efforts across the country.

The distinctly different trajectories in the two countries in terms of ADB housing-related lending is also attributed, to a large extent, to Mongolia's approach being largely designed by the Urban Sector Division using a broader planning approach, while the Uzbekistan projects were processed through the Financial Sector Division at the request of the government, and hence have a largely finance-based approach. Mongolia has a more comprehensive planning approach with a relatively smaller lending portfolio, while Uzbekistan has a finance-based approach with a much larger lending portfolio. However, both countries have important lessons to offer from their current and past experiences.

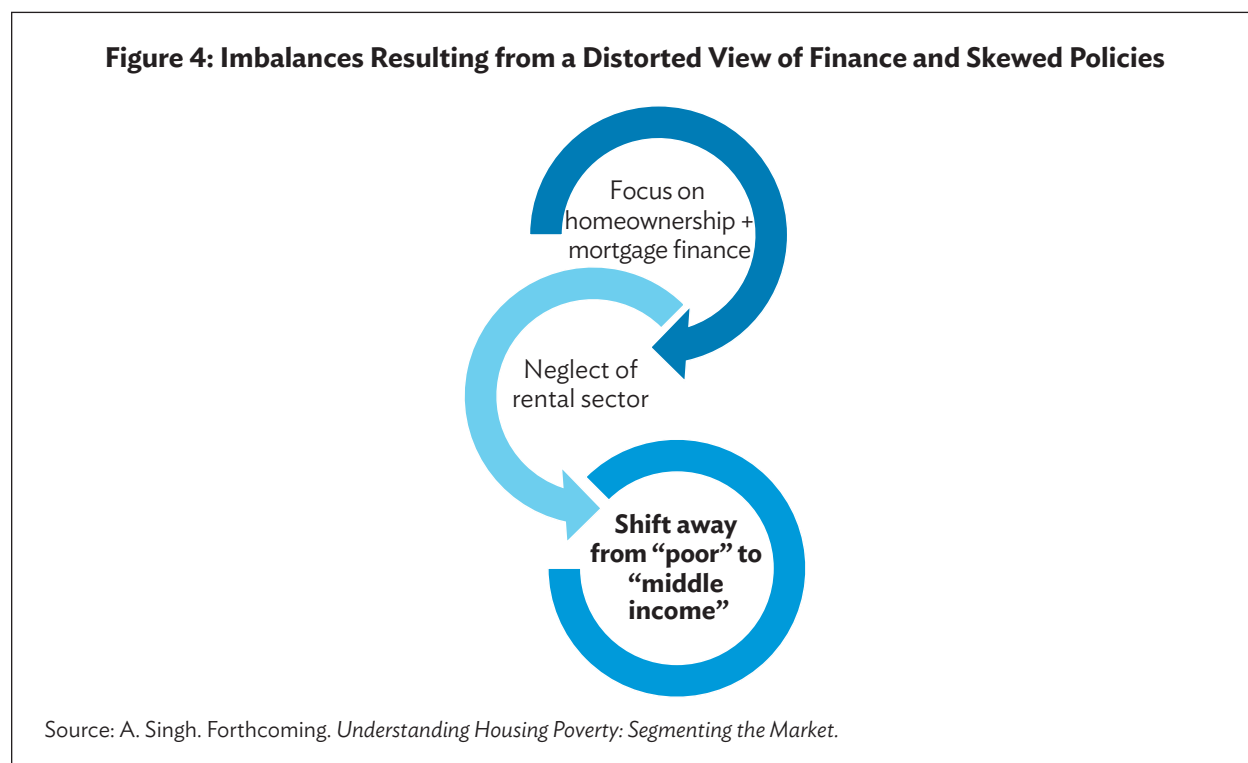
## How Did We Get Here?

**The trajectory of housing policy.** The shelter agenda in developing countries in the 1970s and 1980s shifted from low-cost housing production to sites-and-services, and later in the 1990s to slum upgrading. However, the complexity of administering and supervising these projects, with the unwillingness of governments to allocate public lands, eventually brought into question many aspects of these models, including their standards, costs, ownership, sustainability, scalability, impact, cost recovery, and financial viability. Even as many of these issues began to be addressed, the inability to take pilot projects to scale caused them to be dubbed as "failures." They were largely abandoned by the late 1990s, including some that later came to be recognized as very successful.

There was another major shift in the late-1990s. This shift cast the government's role as an "enabler" that embraced the private sector through a suitable policy governing the overall sector, not just the needs of the poor. This was a departure from the piecemeal project-by-project approach to a more programmatic and policy-driven approach. It provided a signal for governments to shift from being the hitherto uncompetitive and inefficient producers of housing for the poor to facilitating and improving the sector more broadly. This was to be done through well-targeted and transparent public resources and a reformed legal and regulatory environment to enable the private sector's performance in the delivery of housing. The pursuit of this mandate, although well-intentioned, appears to have marked the beginnings of the shift away from the traditional pro-poor projects.

Starting around the mid-2000s, ADB began to disengage from its traditional role in the housing sector, as did the broader donor community. From then on, much of ADB’s housing-related engagements were not driven by a strategic direction or approach but rather by somewhat sporadic interventions in response to demands from its client DMC governments.

**Unintended consequences.** Is it possible that the quest of governments and donors for an ‘enabling’ policy environment in the housing sector and moving government away from direct production of housing may have gone too far? Or that while many governments steered away from the production role, they never truly took on the role of enabler that had been envisioned, and instead passed on the responsibility for housing provision to the markets, finance, and the private sector? Whatever the case, over the past few decades, both housing policy and international development programs appear to have unintendedly steered away from segments of society needing assistance, and whom the private sector is unlikely to serve. In particular, emphasis on homeownership and housing finance—specifically mortgage finance—in recent decades appears to have come at the cost of many other aspects of the housing ecosystem, including rental housing. (Figure 4).



## What Have We Learned?

Housing is a complex, multifaceted sector with economic, social, cultural, physical, environmental, and financial ramifications. It is a fixed long-term asset with a relatively inelastic supply in many countries. A successful housing ecosystem requires the supply- and demand-side housing value chains to operate effectively and at scale.

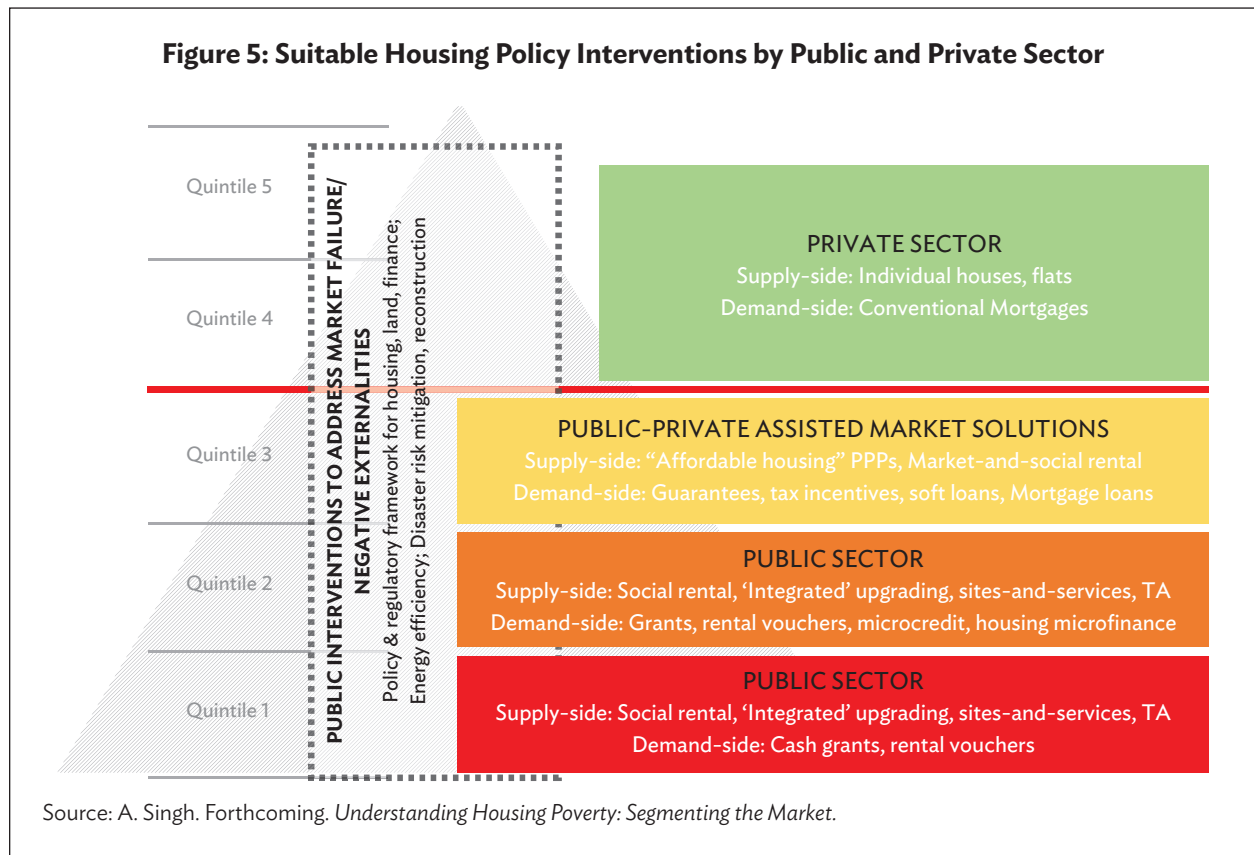
Housing needs differ not just across countries but also among cities, and among neighborhoods within cities. A house means different things to different people. It can be a permanent home for some, a temporary accommodation for others, a roof over one’s head – *literally* – for the poorest, and a long-term financial investment for the wealthy. Housing solutions for these different groups of people can be vastly



different, and a good housing policy needs to recognize and reflect these nuances. Assessing housing need thus goes beyond a merely *quantitative* exercise of the number of households versus housing units; it requires a deeper *qualitative* understanding of the users and the sorts of housing solutions that would be suitable in terms of price, location, unit design, and size.

COVID-19 created a public health crisis of epic proportions, one that has directly or indirectly affected every person in the world: the rich and the poor, the “haves” and “have-nots.” Yet, its disproportionate impact on the lives of the poor, particularly those living in poor quality housing, is abundantly clear.

One thing is evident, there is no “silver bullet” to address the housing challenge. It is also evident that there is a clear need to strive for a balance between (i) assisting the poor and vulnerable, and (ii) making the markets work better for the nonpoor. A well-functioning housing ecosystem thus includes two essential components: (i) a well-targeted subsidy system for the poor and low-income households, and (ii) a housing finance and housing supply for middle-income households that is set up with the right prerequisites in place, so they can pay their own way without subsidies. This is not an ‘either-or’ situation; these two goals can be complementary and mutually reinforcing in the complex workings of the housing sector (Figure 5).



### Potential ADB Housing Assistance

There is a need to assist the poor on a sustainable basis and to ensure that the distortions that reduce their access to housing do not continue. The same applies to the middle class and their access to an adequate supply of affordable housing and housing finance that is founded on a strong legal and regulatory environment. Without it, they will capture subsidies aimed at the poor.

The critical relationship between the public and private sector in housing naturally lends itself to ADB's sovereign and nonsovereign PSOD funding. Sovereign funds are best suited for public sector interventions, such as enhancing the enabler role of governments (e.g., housing, finance policy, legal, regulatory reforms, titling, and registration), and on providing assistance to the most vulnerable groups (e.g., infrastructure upgrading, rental, and cash subsidies). Nonsovereign funds, on the other hand, are better suited to focus on supporting market players such as small-scale developers, banks, and housing finance companies to bring housing delivery more downstream. Moreover, the complementarities in the housing sector—between the public and private sector, between the finance and urban sector teams—make a sound case for joint housing sector work in ADB (Table 1).

Regarding ADB's involvement in the housing sector, this report recommends a focus on lower-income countries and urban areas and the bottom-two income quintiles of the income distribution, specifically women, girls, and other vulnerable groups. Table 1 presents interventions by thematic area that ADB may consider as part of its housing agenda moving forward.

**Table 1: Potential ADB Interventions in the Housing Sector by Funding Type and Target Income Quintile**

Thematic area	Intervention	Assistance Type	ADB Funding Type	Target Group (Income Quintile)
<b>Housing policy and institutions</b>	Housing assessment, policy development	TA	Primarily Sovereign	N/A
	Institutional capacity building	TA	Sovereign	N/A
	Policy, regulatory, and legal reform	TA		
<b>Low-income and informal communities</b>	Tenure regularization	TA	Sovereign	Q1, Q2, Q3
	In-situ upgrading	TA / Loan	Sovereign	Q1, Q2
	Sites-and-services	TA / Loan	Sovereign	Q1, Q2
	Densification of existing settlements	TA / Loan	Sovereign	Q2, Q3
	Resettlement from hazardous zones	TA / Loan	Sovereign	Q1, Q2, Q3
	Resilience to climate change	TA / Loan / Investment	Sovereign / Nonsovereign	Q1, Q2, Q3
<b>Housing finance</b>	Legal and regulatory reform	TA	Primarily Sovereign	N/A
	Conventional mortgage market expansion	TA / Loan / Investment	Primarily Nonsovereign	Q2, Q3
	Small-mortgage finance	TA / Loan / Investment	Sovereign / Nonsovereign	Q2, Q3
	Housing microfinance (for home improvement)	TA / Loan / Investment	Sovereign / Nonsovereign	Q2, Q3
<b>Housing supply</b>	Development of affordable housing (Including PPP)	TA / Loan / Investment	Sovereign / Nonsovereign	Q2, Q3, Q4
	social housing	TA / Loan / Investment	Sovereign / Nonsovereign	Q2, Q3

N/A = not applicable, PPP = public-private partnership, Q = quintile (income), TA = technical assistance.

Source: Authors' elaboration.





*Polka dots and picket fences (painting by Ashna Singh)*

## I. INTRODUCTION



**M Square affordable housing project in Georgia.** ADB is supporting two unfinished residential complexes for the low-to-middle income population (photo by ADB).

### A. Context of the Global Housing Challenge

Affordable housing is one of the objectives under ADB's Strategy 2030 Operational Priority 4: *Making cities more livable*, which supports pro-poor and inclusive cities with social services and safe and healthy urban environments. Access to affordable and adequate housing is also one of the United Nations Sustainable Development Goals, specifically Goal 11 which aims to *make cities and human settlements inclusive, safe, resilient and sustainable*.

Housing is a basic necessity; its absence exacerbates inequities, hindering productivity and human development. Good shelter policy can be an important contributor to social equity and overall development, and a source of financial stability and economic resilience.

Globally, over a billion people—about one out of every seven persons—have no access to decent quality housing, and some 3 billion people will need housing by 2030.<sup>8</sup> Of the 1,033 million people living in slums and informal settlements, nearly 600 million, or 60%, live in Asia; some 370 million (36%) in East Asia and Southeast Asia, and 227 million (22%) in Central Asia and South Asia (footnote 8). The number is

<sup>8</sup> UN Statistics Division. 2019 Report on Sustainable Development Goal 11: Sustainable Cities and Communities. <https://unstats.un.org/sdgs/report/2019/goal-11/>.



on the increase as about 127,000 individuals move to Asia's cities daily.<sup>9</sup> The gap is greatest in lower- and middle-income countries where urbanization and population growth are outpacing the formal housing supply. Some cities are growing so fast that the formal delivery channels of housing and infrastructure cannot cope with the demand.

The COVID-19 pandemic further exposed the housing inequities in Asia and globally. It highlighted the fragile relationship between people's living environment and their social, physical, and economic well-being, and, in particular, between housing and public health outcomes. The pandemic has had a negative impact on nearly everyone but, *all else being equal, those without safe, sanitary, affordable, and secure housing have suffered the most.*

As is often the case during times of crises, the housing policy debate has once again come to the fore, and many questions are being asked about past actions of governments and development institutions that may have fueled the housing problem. With an ever-growing number of people who are either housing-cost-burdened or living in inadequate shelter, there is now a growing debate about the different approaches and instruments used by governments and development agencies in the housing sector.

ADB supported successful housing and urban sector projects with its DMCs until an institutional reorganization in the early 2000s. The new structure did not include the housing sector as a distinct group and, as a result, became one of many sub-themes and lost much of its institutional weight starting in the early 2000s.<sup>10</sup> Since then, the limited housing-related lending that has occurred was not founded on a conscious approach by ADB but rather a response to disparate demands from DMCs. Now, however, as ADB prepares to reengage in the housing sector, this report provides a synopsis of the housing portfolio over the past 2 decades against a backdrop of broader global practices and lessons to guide ADB's future operations.

Over the past few years, many professionals in housing circles have revisited the idea of a more active role of the public sector in securing housing for the poor and disadvantaged to address the deep-seated inequities and market inefficiencies and as a path to broader economic recovery. There have been discussions among policymakers and practitioners about going back to fundamental principles, for example, increasing the inventory of social rental housing and public housing,<sup>11</sup> shoring up public land for social purposes,<sup>12</sup> and creating a broader range of facilities such as resident-owned co-op buildings and mutual housing associations built and managed by nonprofits and community land trusts rather than private developers.<sup>13</sup> Now is a timely moment for international development agencies to review and re-examine policies, trends, and experiences of the past decades to inform future policy and action.

<sup>9</sup> E. Madarcos. 2019. Opinion: Realizing the right to housing amid urban challenges. *Devex*. 8 August. <https://www.devex.com/news/sponsored/opinion-realizing-the-right-to-housing-amid-urban-challenges-95439>.

<sup>10</sup> Urban development projects became classified as multisector projects, a disparate group that includes rural development, environment, and a variety of other types of projects. Source: Operations Evaluation Department. 2006. *Evaluation Study: Urban Sector Strategy and Operations*. Manila: ADB.

<sup>11</sup> *The Economist*. 2020. Governments Are Rethinking the Provision of Public Housing. 16 January. <https://www.economist.com/special-report/2020/01/16/governments-are-rethinking-the-provision-of-public-housing>.

<sup>12</sup> B. Lander. 2020. How to Avoid a Post-Recession Feeding Frenzy by Private Developers. *The New York Times*. 2 August. <https://www.nytimes.com/2020/09/02/opinion/new-york-housing-stores-land-banks.html?referringSource=articleShare>.

<sup>13</sup> S. Holder. 2021. Staking New York City's Future on Social Housing. *Bloomberg CityLab*.

## **B. This Study**

### **1. Objective**

This study provides an overview of ADB's housing sector assistance over the past 2 decades and provides guidance for a sector strategy.

### **2. Limitations**

Due to budget limitations, a compressed time frame, and travel constraints imposed by COVID-19, this work is based entirely on desk reviews and secondary data. The scope did not include field-based city- or country-level housing sector analyses. Instead, the authors relied on existing data, reports, journal articles, and scholarly papers publicly available online or provided by ADB.

This study is *not* a comprehensive analysis of Asia's housing sector, but rather a first step toward developing a housing sector strategy for ADB. This report serves as a starting point for ADB to review its past efforts to determine what worked well and what did not, and what types of approaches might be effective in better tackling the housing challenge moving forward.

### **3. Structure of the Report**

Chapter 2 provides an overview of the trends in ADB housing-related projects from 2000 to 2020. Chapter 3 presents two country examples to illustrate ADB's complex and variable operational environment. Chapter 4 provides a short historical perspective of how the housing debate got to where it currently is and the implications of these changing paradigms in today's context. Chapter 5 sums up with the key takeaways to inform future direction, some guidance on "demystifying" the housing sector, and on prioritizing assistance in the current—and very challenging—environment. Finally, Chapter 6 provides some guidance on the types of assistance ADB can provide in the housing sector.

## II. ADB'S ASSISTANCE IN THE HOUSING SECTOR (2000–2020)

Significant changes have taken place in the composition of ADB's housing sector assistance over the past 50 years. This included conventional sites-and-services and slum upgrading projects targeted to the poorest in the 1980s and 1990s, integrated urban development and housing finance projects in the 2000s and 2010s, and more recently, stand-alone operations to expand housing finance.

This chapter provides a macro-level picture of the trends in ADB lending and technical assistance in the housing sector from 2000 to 2020, the shifts in thematic focus, and the performance of projects.



**Calcutta Environmental Improvement Project in India.** Children of the beneficiaries of a resettlement program playing in the garden of their housing complex (photo by ADB).

### A. Methodology

#### 1. Project Identification and Selection

The housing-related projects, both lending operations and technical assistance (TA), included in this study were identified on ADB project portal through a keyword search.<sup>14</sup> Additional projects were later added based on inputs from peer reviewers. The following are the main considerations for this study:

<sup>14</sup> Projects and Tenders / Asian Development Bank and Board Documents System (adb.org).



- (i) The analysis relies heavily on ex-post project evaluation documents obtained online. All available project completion reports, project performance evaluation reports (PPERs), independent evaluation reports by the Independent Evaluation Department, and the reports and recommendations of the President (RRPs) to the Board of Directors for ongoing projects and other relevant documents for these operations were collated and reviewed.
- (ii) Projects in preparation were excluded from some sections of the analysis because it was too early to gauge performance.<sup>15</sup>
- (iii) Both sovereign and nonsovereign projects were included in the review. Because these two types of projects differ in how they support the development objective, they were analyzed in two separate groups. In addition, they were analyzed together to understand the trends for housing-related projects for ADB as a whole.
- (iv) The TA projects referred to are limited to technical work conducted as part of lending project preparation or implementation and also other stand-alone technical analyses. They do not include “soft” technical assistance or support provided as part of a project, for example, in capacity building, dissemination, equipment purchase, or other similar support. These are assumed to accompany all projects and difficult to assess project-by-project in a review such as this.
- (v) The analysis focused more on lending projects than TA projects because the ex-post evaluation reports of lending projects provide valuable lessons, and also because completion or evaluation reports were not available for many of the TA projects.

## 2. Project Categorization and Analysis

Lending and TA projects were categorized into five groups depending on their underlying objectives, components, and outputs.

1. **Mortgage and housing finance.** This category included projects that achieve their development objectives through the expansion of mortgage lending and other forms of secured housing-related lending with some policy or institutional support.<sup>16</sup> This also includes housing finance subcomponents of projects that may otherwise fall into other categories.
2. **Integrated infrastructure, slum upgrading, basic services, and microfinance.** This included projects primarily focusing on the upgrading of infrastructure and services, such as in integrated urban projects and slum upgrading initiatives. Many of these projects also include a small

<sup>15</sup> This includes 26 housing-related lending projects and 31 TA projects that were approved or became effective and closed between 2000 and 2020. It also includes projects that were approved before 2000 but closed in the early 2000s, and projects that started in 2020 that will close after 2020. It does not include projects and TA projects that started after 2020.

<sup>16</sup> It is important to distinguish “mortgage finance” from “housing finance,” with the latter including other forms of finance beyond mortgages. For readers unfamiliar with the terminology, the following are some definitions for clarification: A mortgage loan is a long-term secured loan used to finance the purchase of real estate. With a secured loan, the borrower promises collateral to the lender in the event that the borrower is unable to make loan repayments. In the case of a home mortgage, the collateral is the home. In case of non-payment or default, the lender can take possession of the collateralized home. This is called foreclosure. A mortgage liquidity facility or a mortgage refinancing facility is a financial institution designed to support long-term lending activities by primary mortgage Lenders. A mortgage loan is one type of housing finance. Other forms of housing finance include housing microfinance and home improvement loans, which are more suited to low-income beneficiaries. These are typically smaller in size, with shorter tenures, and relatively higher interest rates compared to mortgage loans. Housing finance also includes housing construction loans to individuals, savings and loans schemes, etc. (e.g., Bauspar in Germany), which may be more suited to lower- and middle-income households. All housing finance instruments may be subsidized or at market rate for reasons that vary dramatically from country to country.

housing finance component, including mortgages but also other forms of lending for housing, neighborhood improvement, or housing microfinance aimed at lower-income communities. The mortgage and construction finance portion of these projects, where applicable, was attributed to Category 1. Any microfinance portion was retained in category 2.

3. **Housing policy, housing supply, and construction finance.** This included projects focusing on broader housing policy and housing supply (e.g., through loans to contractors, developers, and other partners to construct housing), or elements of the housing value chain (e.g., land titling, registration, permitting process, and legal or institutional reform).
4. **Disaster risk mitigation, management, and reconstruction.** This included projects focused on reconstruction activity or resilience building, but without a specific focus on the housing sector.
5. **Other urban.** Projects centered on aspects of the urban sector outside housing specifically.

Categories 1, 2 and 3 were deemed “housing-related” for this study and thus included in the review. Projects in Categories 4 and 5 were deemed outside the housing sector as they either had a small housing component or did not aim for strategic impact on the housing sector specifically; these were excluded from the review.

If a project spanned more than one category, it was split equally across the two most relevant or dominant categories. For example, several of the earlier housing finance projects in India, Mongolia, and Viet Nam in the 2000s had components on mortgage loans and upgrading. These were accordingly split equally across Categories 1 and 2. Similarly, the ongoing Uzbekistan Affordable Rural Housing Program provided construction finance to developers, contractors, and also mortgage lending support to potential homeowners. These were split across Categories 1 and 3. The two ongoing Mongolia projects were split across Categories 1 and 3.

Of the 29 lending operations identified, 23 were in housing-related Categories 1, 2 and 3 (Table 2). Six projects were in Categories 4 and 5. These focused on either disaster risk management, reconstruction, or on a nonhousing aspect of the urban sector. These were excluded from the analysis. Detailed descriptions of each project can be provided on request.

Of the 23 housing-related lending operations that were reviewed (16 sovereign and 7 nonsovereign):

- eight projects were in Category 1 (three sovereign and five nonsovereign);
- six projects were in Category 2, integrated infrastructure and upgrading, all sovereign and all completed;
- two projects under Category 3, housing policy and supply, both nonsovereign with one ongoing and one completed;
- four projects were split between Categories 1 and 2, both sovereign and both completed;
- one project was split between Categories 1 and 3, sovereign and ongoing; and
- two projects were split between Categories 2 and 3, both sovereign and ongoing.

Of the 16 sovereign 2000–2020 projects, five are ongoing (three in CWRD and two in EARD).<sup>17</sup> Of the seven nonsovereign projects, four are ongoing (three in SARD and one in CWRD).

<sup>17</sup> This includes housing-related projects that were approved or became effective and closed between 2000 and 2020. It also includes projects that were approved before 2000 but closed in the early 2000s, and projects that started in 2020 that will close after 2020. It does not include projects and TA projects that started after 2020.

**Table 2: List of Housing-Related Projects Reviewed**

Country	Project	Category Assigned	Project		Amount (\$ million)
			Start	End	
<b>2000–2010</b>					
India	Housing Finance I Project	1 and 2	1997*	2000	300
India	India: Karnataka Urban Infrastructure Development Project	2	1996*	2004	105
India	Housing Finance II Project*	1 and 2	2002	2007	88
India	Loan to Dewan Housing Finance Project	1	2004	2005	20
Maldives	Loan and Equity Investment in Housing Development Finance Corporation (HDFC) the Maldives. This is an ongoing project.	1	2008	2015	12
Sri Lanka	Housing Finance comp   Urban Dev. and Low-Income Housing	2	1998*	2005	103
Mongolia	Housing Finance (Sector) Project	1 and 2	2002	2008	16
Mongolia	Urban Development Sector Project	2	2008	2015	35
Indonesia	Neighborhood Upgrading and Shelter Sector Project	2	2005	2011	88
Philippines	Development of Poor Urban Communities Sector Project	2	2004	2008	30
Viet Nam	Housing Finance Project	1 and 2	2004	2012	30
<b>2000–2010 subtotal</b>					<b>827</b>
<b>2011–2020</b>					
Uzbekistan	Housing for Integrated Rural Development Investment Program	1	2012	2017	500
Uzbekistan	Affordable Rural Housing Program	1	2017*	2021	500
Uzbekistan	Mortgage Market Sector Development Program	1	2019*	2023	200
Kazakhstan	Promoting Gender Equality in Housing Finance Project	1	2020*	2022	100
India	Loan to Pune Nirvana Hills Slum Rehabilitation Project	3	2012	-	35
India	Loan to Shapoorji Affordable Housing Project	3	2015	2023	36
India	Loan to PNB Housing Finance for Affordable Housing	1	2016	2016	150
India	Loan to Aavas Housing Finance for Women in LIGs and in Lagging States	1	2019*	2028	60

Continued on next page

Table 2: continued

Country	Project	Category Assigned	Project		Amount (\$ million)
			Start	End	
<b>Georgia</b>	Loan to Credo Bank JSC Low-income Housing Finance and TBC Bank JSC Affordable Mortgage Finance	1	2018*	2023	125
<b>Mongolia</b>	Ulaanbaatar Urban Services and Ger Areas Dev. Investment Program	2 and 3	2013	2023	160
<b>Mongolia</b>	Ulaanbaatar Green Affordable Housing and Resilient Urban Renewal	2 and 3	2018*	2026	80
<b>Indonesia</b>	Urban Sanitation and Rural Infrastructure. Support to PNPM Mandiri	2	2011	2016	100
<b>2011–2020 subtotal</b>					<b>2046.0</b>

JSC = joint stock company, LIG = lower-income group, PNB = Punjab National Bank, PNPM = Indonesia's Programme for Community Empowerment.

Notes: \* denotes housing-related projects that started before 2000 but were completed in the 2000s, and also projects that started close to 2020 and will close after 2020. Highlighted projects in green color are non sovereign projects and the others are sovereign projects. The Uzbekistan Housing for Integrated Rural Development Investment Program multi-tranche facility is counted here as one project.

Source: Authors elaboration.

Legend: ■ Sovereign projects ■ Nonsovereign projects.

Of the 32 TA reports identified, 26 were housing-related, totaling \$19.5 million (Table 3). Of these, 9 were in Category 1, 3 in Category 2, and 10 in Category 3. The remaining four spanned two categories. Three TA projects were nonsovereign, totaling \$2.8 million.

**Table 3: List of Housing-Related Technical Assistance Projects Reviewed**

Country	Project	Category Assigned	Project		Amount (\$ million)
			Start	End	
<b>Regional.</b>	Housing Finance Capacity Development in South and Southeast Asia (CDTA)	1	2009	-	1.3
<b>India</b>	Restructuring State-Level Housing Institutions	1	1999	2001	0.5
<b>India</b>	Study on Agency for Residential Mortgage-Backed Securities	1	2004	2005	0.25
<b>India</b>	SSTA-Developing a Strategic Framework for a Slum-free Delhi (PATA)	3	2010	2013	0.2
<b>India</b>	Enabling Ecosystem to Improve Access to Green Affordable Housing for Women	3	2020	2022	1.0
<b>Bhutan</b>	Housing Sector Reform (PPTA)	3	2003	2004	0.5
<b>Mongolia</b>	Housing Sector Policy	3	1997	-	0.2
<b>Mongolia</b>	Institutional strengthening of the Housing Sector	3	1999	2001	0.8
<b>Mongolia</b>	Housing Sector Finance	1 and 2	-	2000	0.6
<b>Mongolia</b>	Developing an Urban Dev. and Housing Sector Strategy	3	2004	2005	0.35
<b>Mongolia</b>	Preparing the Urban Dev. and Housing Project	3	2005	-	0.6
<b>Mongolia</b>	Ulaanbaatar Urban Planning Improvement	3	2014	2016	1.5

Continued on next page

Table 3: continued

Country	Project	Category Assigned	Project		Amount (\$ million)
			Start	End	
Mongolia	Ulaanbaatar Affordable Housing and Urban Renewal Project: (PPTA)	2 and 3	2016	2018	1.0
Indonesia	Secondary Mortgage Facility	1	2005	2009	0.6
Indonesia	Preparing the Financing Integrated Settlements Dev. Project	2	2004	2006	1.0
Philippines	Capacity Building for Housing Microfinance (ADTA)	2	2003	2008	1.4
Philippines	Metro Manila Urban Services for the Poor	2	2005	2009	1.0
Viet Nam	Low-Income Housing and Secondary Towns Dev. Needs Assessment	3	2001	2003	0.5
Viet Nam	Preparing the Housing Finance Project	1	2002	2002	0.4
Georgia	Enhancing Rural Financial Inclusion for Women-Credo Bank JSC (CDTA)*	1	2019	2023	0.5
Regional	Financial Sector Development in Central and West Asia	1	2010	2013	1.5
Uzbekistan	Enhancing Efficiency in Rural Infrastructure (CDTA)	1 and 3	2015	2020	0.6
Uzbekistan	Affordable Rural Housing Program (PPTA)*	3	2017	2022	1.5
Uzbekistan	Mortgage Market Sector Development Program (RDTA)	1 and 3	2017	2020	0.6
Uzbekistan	Operationalization of the UZB Mortgage Refinancing Comp (CDTA)	1	2019	2020	0.5
Kazakhstan	Promoting Gender Equality in Housing Finance Project (CDTA)*	1	2019	2021	0.6

ADTA = advisory technical assistance, CDTA = capacity development technical assistance, PATA = policy and advisory technical assistance, PPTA = project preparation technical assistance. RDTA = research and development technical assistance.

Notes: \* denotes housing-related projects that started before 2000 but were completed in the 2000s, and also projects that started close to 2020 and will be closed after 2020. Highlighted projects in green color are non sovereign projects and the others are sovereign projects.

Source: Authors' elaboration.

Legend: ■ Sovereign projects ■ Nonsovereign projects.

## B. Macro-Level Analysis: Project Trends

### 1. By Category (1-3)

Considering sovereign and nonsovereign projects, Category 1 constituted 46% of the total number of projects and 57% of the dollar value of all housing-related lending (\$1,634 million). The average loan amount across projects attributed to Category 1 was \$126 million, which is over double Category 2 at \$61 million (Table 4).

In terms of sovereign projects only, Category 1 projects constitute about a third (34%) of the projects and more than half (52%) of the total dollar value of housing-related projects. The average loan amount attributed to Category 1 was \$158 million, which is over double that in Category 2 at \$61 million.

In terms of nonsovereign projects only, over two-thirds (71%) of the total are in Category 1, accounting for over four-fifths (84%) of their total dollar value. The average loan amount attributed to Category 1 was \$61 million, about double that of Category 3 (\$35 million). There were no nonsovereign projects in Category 2.

**Table 4: Housing-Related Lending Operations Reviewed by Category**

Item	# of Projects (weighted*)	% of Projects in #	Total Lending/ Grants (\$ million)	% of projects in \$	Average Loan Amount (\$ million)*
<b>Total projects reviewed</b>	29	-	3,888	-	-
<b>Total housing-related (sovereign + nonsovereign)</b>	23	100%	2,873	100%	125
1. Mortgage / housing finance	10.5	46%	1,634	57%	126
2. Integrated infra / upgrading / microfinance	9	39%	798	28%	61
3. Housing policy / supply / construction finance	3.5	15%	441	15%	101
<b>Total housing-related (sovereign only)</b>	16	100%	2,435	100%	152
1. Mortgage / housing finance	5.5	34%	1,267	52%	158
2. Integrated infra / upgrading / microfinance	9	56%	798	33%	61
3. Housing policy / supply / construction finance	1.5	9%	370	15%	123
<b>Total housing-related (nonsovereign only)</b>	7	100%	438	100%	63
1. Mortgage / housing finance	5	71%	367	84%	61
2. Integrated infra / upgrading / microfinance	0	0%	0	0%	0
3. Housing policy / supply / construction finance	2	29%	71	16%	35

Note: \* Indicates the average is based on the actual number of occurrences, not the weighted value of the number of projects. For example, if two projects are split across two categories, their weighted value will be 0.5 each, which gives a total weighted value of 1. However, the loan average is calculated by dividing the total investment by 2, i.e., the number of project occurrences. This explains what may otherwise look like a discrepancy in the last column. This same rule applies to all tables in this section.

Source: Authors' calculations.

There are five ongoing housing-related sovereign ADB projects, amounting to \$1,040 million, of which two are in Mongolia. The other three are in the CWRD (two in Uzbekistan and one in Kazakhstan) amounting to \$800 million, of which \$550 million can be attributed to Category 1.

Notably, with Uzbekistan being an outlier, it is useful to see the overall trends without it. If the three Uzbekistan projects are excluded from the analysis, the picture is dramatically different and closer to what one might normally expect (Table 5). Category 1 projects constitute 23% in terms of the number, and 26% in terms of the dollar amount. Similarly, Category 2 projects constitute 69% of the total in terms of the number, and 65% in terms of the dollar amount. The average amount contributed per loan is comparable across all three categories. For Categories 1, 2, and 3 the amounts were \$63 million, \$61 million, and \$120 million, respectively.

**Table 5: Sovereign Housing-Related Lending Operations Excluding Uzbekistan by Category**

Item	Number of Projects (weighted*)	% of Projects in #	Total Lending/ Grants (\$ million)	% of Projects in \$	Average Loan Amount (\$ million)*
<b>Total housing-related (sovereign, excluding Uzbekistan)</b>	13	100%	1,235	100%	95
1. Mortgage / housing finance	3	23%	317	26%	63
2. Integrated infra / upgrading / microfinance	9	69%	798	65%	61
3. Housing policy / supply / construction finance	1	8%	120	10%	60

Note: (\*) See Table 4 for explanation.

Source: Authors' calculations.

## Technical Assistance Projects

The proportion of (external) TA projects across the three categories is as follows: Category 1 constituted 40% of all housing-related TA projects in number and 39% in terms of dollar value. Category 3 TA projects constituted 44% of all housing-related TA projects and 41% of the dollar value (Table 6).

**Table 6: Housing-Related Technical Assistance Projects Reviewed by Category**

Item	Number of TA Projects (weighted*)	% of TA projects in #	Total TA Projects (\$ million)	% of TA projects in \$	Average TA Amount (\$ million)*
<b>Total TA projects reviewed</b>	32.0	-	23.7	-	-
<b>Total housing-related TA projects</b>	26.0	100%	20.3	100%	0.75
1. Mortgage / housing finance	10.5	40%	7.9	39%	0.59
2. Integrated infra / upgrading / microfinance	4.0	15%	4.2	21%	0.93
3. Housing policy / supply / construction finance	11.5	44%	8.3	41%	0.63

TA = technical assistance

Note (\*): See Table 4 for explanation.

Source: Authors' calculations.

## 2. By Region

Below is a regional list of ADB's DMCs that have benefited from housing-related projects over the past 2 decades.

- CWRD (Central and West Asia Department): Georgia, Kazakhstan, Pakistan, and Uzbekistan
- SARD (South Asia Department): Bhutan, India, Maldives, and Sri Lanka
- SERD (Southeast Asia Department): Indonesia, the Philippines, and Viet Nam
- EARD (East Asia Department): the People's Republic of China and Mongolia
- PARD (Pacific Department): None

The CWRD is the largest recipient of ADB funding in the housing sector, with much of it being used to expand access to housing finance. The EARD has also seen its funding increase significantly in the last decade, but only in Mongolia. SERD has seen housing-related lending decrease from \$148 million in 2000–2010 to \$100 million in 2011–2020. SARD saw a drop from \$616 million (of which sovereign loans amounted to \$596 million) in 2000–2010 to \$281 million in 2011–2020, all of which was under nonsovereign operations. PARD has not received any ADB lending in the housing sector in the past 2 decades (Table 7).



**Table 7: Housing-Related ADB Lending Projects by Region and Decade (2000–2010 and 2011–2020)**

Region	All Housing-Related Lending (\$ million)		Sovereign Housing-Related Lending (\$ million)		Nonsovereign Housing-Related Lending (\$ million)	
	2000–2010	2011–2020	2000–2010	2011–2020	2000–2010	2011–2020
CWRD	0.0	1425.0	0.0	1300.0	0.0	125
SARD	628.0	281.0	596.0	0.0	32.0	281.0
SERD	148.0	100.0	148.0	100.0	0.0	0.0
EARD	51.4	240.0	51.4	240.0	0.0	0.0
PARD	0.0	0.0	0.0	0.0	0.0	0.0

CWRD = Central and West Asia Department, EARD = East Asia Department, PARD = Pacific Department, SARD = South Asia Department, SERD = Southeast Asia Department.

Source: Authors' calculations.

### 3. By Timeline: 2000–2010 and 2011–2020

The last 2 decades present a striking contrast in terms of ADB lending trends. A review of all housing-related projects (sovereign and nonsovereign) shows that

- Category 1 projects have more than doubled in terms of the share of the number of housing-related projects, from 30% in 2000–2010 to 68% in 2011–2020. The corresponding dollar value increased more than fivefold in the same period, from \$249 million to \$1,385 million (Table 8).
- Category 2 witnessed a sharp decline across the two decades, both in terms of the share of the number of housing-related projects (from 70% to 11%) and the actual dollar value from \$578 million to \$220 million.
- Category 3 showed an upward trend, from zero investment in 2000–2010 to constituting about a fifth of all housing-related investment in 2011–2020. This is attributed to more projects supporting supply-side interventions (e.g., housing construction and construction finance). This trend holds in the review of the full housing-related portfolio as well as that for only sovereign projects, and also when Uzbekistan is excluded from the calculations.

**Table 8: ADB Lending by Category and Decade (2000–2010 and 2011–2020)**

All Housing-Related Projects	Number of Projects (weighted*)	% of Projects in #	Total Lending/ Grants (\$ million)	Percent of Projects in \$	Average Loan Amount (\$ million)*
<b>2000–2010 total</b>	11.0	-	827	100%	75
1. Mortgage / housing finance	4.0	36%	249	30%	42
2. Integrated infra / upgrading / microfinance	7.0	64%	578	70%	64
3. Housing policy / supply / construction finance	0.0	0%	0	0%	0
<b>2011–2020 total</b>	12.0	-	2,046	100%	171
1. Mortgage / housing finance	6.5	54%	1,385	68%	198
2. Integrated infra / upgrading / microfinance	2.0	17%	220	11%	73
3. Housing policy / supply / construction finance	3.5	29%	441	22%	88

ADB = Asian Development Bank.

Note (\*): See Table 4 for explanation.

Source: Authors' calculations.



Among all sovereign housing-related projects, the spike is even higher, from 27% (\$217 million) in 2000–2010 to 64% (\$1,050 million) in 2011–2020 (Table 9). Overall sovereign lending doubled from \$795 million in 2000–2010 to \$1,640 million in 2011–2020. Much of it is attributed to the CWRD.

**Table 9: ADB Sovereign Lending by Category and Decade (2000–2010 and 2011–2020)**

Sovereign Housing-Related Projects	Number of Projects (weighted*)	% of projects in #	Total Lending/ Grants (\$ million)	% of Projects in \$	Average Loan Amount (\$ million)*
<b>2000–2010 total</b>	9.0	-	795	100%	88
1. Mortgage / housing finance	2.0	22%	217	27%	54
2. Integrated infra / upgrading / microfinance	7.0	78%	578	73%	64
3. Housing policy / supply / construction finance	0.0	0%	0	0%	0
<b>2011–2020 total</b>	7.0	-	1640	100%	234
1. Mortgage / housing finance	3.5	50%	1050	64%	263
2. Integrated infra / upgrading / microfinance	2.0	29%	220	13%	73
3. Housing policy / supply / construction finance	1.5	21%	370	23%	123

ADB = Asian Development Bank.

Note (\*): See Table 4 for explanation.

Source: Authors' calculations.

If Uzbekistan is taken out of the calculations, the trend is less dramatic. Overall sovereign housing-related lending (excluding Uzbekistan) decreased from \$795 million in 2000–2010 to \$440 million in 2011–2020. Similarly, Category 1 projects showed a decline in their dollar value from \$217 million to \$100 million, as did Category 2 projects from \$578 million to \$220 million (Table 10).

**Table 10: ADB Sovereign Lending Excluding Uzbekistan by Category and Decade (2000–2010 and 2011–2020)**

Sovereign housing-related projects, excluding Uzbekistan	Number of Projects (weighted*)	% of Projects in #	Total Lending/ Grants (\$ million)	% of Projects in \$	Average Loan Amount (\$ million)*
<b>2000–2010 total</b>	9.0	-	795	100%	88
1. Mortgage / housing finance	2.0	22%	217	27%	54
2. Integrated infra / upgrading / microfinance finance	7.0	78%	578	73%	64
3. Housing policy / supply / construction finance	0.0	0%	0	0%	0
<b>2011–2020 total</b>	4.0	-	440	100%	110
1. Mortgage / housing finance	1.0	25%	100	23%	100
2. Integrated infra / upgrading / microfinance finance	2.0	50%	220	50%	73
3. Housing policy / supply / construction finance	1.0	25%	120	27%	60

ADB = Asian Development Bank.

Note (\*): See Table 4 for explanation.

Source: Authors' calculations.

Nonsovereign lending by ADB's Private Sector Operations Department (PSOD) increased significantly between 2000–2010 and 2011–2020 from \$32 million to \$406 million. Although the majority of housing-related projects are geared to lending, they are also venturing into Category 3 projects (e.g., affordable housing supply (Table 11)).

**Table 11: ADB Nonsovereign Investments by Category and Decade (2000–2010 and 2011–2020)**

Nonsovereign Housing-Related Projects	Number of Projects (weighted*)	% of Projects in #	Total Lending (\$ million)	% of Projects in \$	Average Loan Amount (\$ million)*
<b>2000–2010 total</b>	2.0	-	32	100%	16
1. Mortgage / housing finance	2.0	100%	32	100%	16
2. Integrated infra / upgrading / microfinance finance	0.0	0%	0	0%	0
3. Housing policy / supply / construction finance	0.0	0%	0	0%	0
<b>2011–2020 total</b>	5.0	-	406	100%	81
1. Mortgage / housing finance	3.0	60%	335	83%	112
2. Integrated infra / upgrading / microfinance finance	0.0	0%	0	0%	0
3. Housing policy / supply / construction finance	2.0	40%	71	17%	36

ADB = Asian Development Bank.

Note (\*): See Table 4 for explanation.

Source: Authors' calculations.

#### 4. By Performance across Project Categories

Of all the projects reviewed, 14 are completed and closed (11 sovereign and 3 nonsovereign). Among these, nine (64%) received a performance rating of *successful*, and five (36%) were rated *partly successful*. In terms of the dollar amount, \$826 million of \$1,577 million (52% of lending) was rated *successful*. In Category 1, 38% lending was rated *successful* compared to 72% in Category 2 (Table 12).

**Table 12: Performance across Project Categories (Completed Sovereign and Nonsovereign Projects)**

2000–2020 Projects	# Projects*	Total Lending (\$ million)	S#	PS#	S# %	PS# %	S\$	PS\$	S\$ %	PS\$ %
<b>Completed housing-related</b>	14	1,577	9	5	64%	36%	826	751	52%	48%
1. Mortgage / housing finance	6	899	5	1	83%	17%	340	559	38%	62%
2. Integrated infra / upgrading / microfinance	8	678	5	3	63%	38%	486	192	72%	28%
3. Housing policy / supply / construction finance	-	-	-	-	-	-	-	-	-	-

S# = Number of projects rated successful; PS# = Number of projects rated partly successful or less than successful; S#% = Number of successful projects as a percentage of total in each category; PS#% = Number of partly successful projects as a percentage of total in each category; S\$ = Dollar value of projects rated successful; PS\$ = Dollar value of projects rated partly successful or less than successful; S\$% = Dollar value of successful projects as a percentage of total lending in each category; PS\$% = Dollar value of partly successful projects as a percentage of total lending in each category.

Note (\*): See Table 4 for explanation.

Source: Authors' calculations.

Among the sovereign projects reviewed, 11 are completed and closed. Among these, six (55%) received a performance rating of *successful*, and five (45%) were rated *partly successful*. Among Category 1 projects (\$158 million of \$717 million), 22% of Category 1 lending was rated *successful* and 78% was rated *less than successful*. Of the total lending under Category 2 (\$486 million of \$678 million), 72% was rated *successful* and 28% was rated *less than successful* (Table 13).

**Table 13: Sovereign Projects Performance**

2000–2020 Sovereign Projects	# Projects*	Total Lending (\$ million)	S#	PS#	S# %	PS# %	S\$	PS\$	S\$ %	PS\$ %
<b>Completed housing-related</b>	11	1,395	6	5	55%	45%	644	751	46%	54%
1. Mortgage / housing finance	3	717	2	2	67%	50%	158	559	22%	78%
2. Integrated infra / upgrading / microfinance	8	678	5	3	63%	38%	486	192	72%	28%
3. Housing policy / supply / construction finance	-	-	-	-	-	-	-	-	-	-

Notes:

(\*): See Table 4 for explanation.

See Table 12 for definition of abbreviations used in in column headings.

Source: Authors' calculations.

If Uzbekistan is excluded from this analysis, the results are markedly different. The success rate in terms of dollar value is more or less equal across Categories 1 and 2 at 72% and 73%, respectively (Table 14).

**Table 14: Sovereign Projects Performance Excluding Uzbekistan**

2000–2020 Sovereign Projects (excluding Uzbekistan)	# Projects*	Total Lending (\$ million)	S#	PS#	S# %	PS# %	S\$	PS\$	S\$ %	PS\$ %
<b>Completed housing-related</b>	10	895	6	4	60%	40%	644	251	72%	28%
1. Mortgage / housing finance	2	217	1	1	50%	50%	158	59	73%	27%
2. Integrated infra / upgrading / microfinance	8	678	5	3	63%	38%	486	192	72%	28%
3. Housing policy / supply / construction finance	-	-	-	-	-	-	-	-	-	-

Notes:

(\*): See Table 4 for explanation.

See Table 12 for definition of abbreviations used in column headings.

Source: Authors' calculations.

Of the seven nonsovereign projects reviewed, three are completed with a dollar value of \$182 million. All three projects were rated *successful* (Table 15).

**Table 15: Nonsovereign Projects Performance**

2000–2020 Nonsovereign Projects	# Projects*	Total Lending (\$ million)	S#	PS#	S# %	PS# %	S\$	PS\$	S\$ %	PS\$ %
<b>Completed housing-related</b>	3	182	3	0	100	0%	182	0	10	0%
1. Mortgage / housing finance	3	182	4	0	100	0%	182	0	10	0%
2. Integrated infra / upgrading / microfinance	-	-	-	-	-	-	-	-	-	-
3. Housing policy / supply / construction finance	-	-	-	-	-	-	-	-	-	-

Notes:

(\*): See Table 4 for explanation.

See Table 12 for definition of abbreviations used in column headings.

Source: Authors' calculations.

### III. TWO DEVELOPING MEMBER COUNTRIES, TWO TRAJECTORIES

ADB's projects over the last 2 decades present important lessons to inform future directions in the housing sector. While there are common threads in the numerous approaches and the lessons learned, there are also notable differences across ADB's DMCs. In this chapter, two examples are used to illustrate ADB's complex and variable operational environment: Uzbekistan and Mongolia.

Uzbekistan and Mongolia are the two “extremes” in ADB spectrum of housing assistance. Although both are lower middle-income countries, they are distinctly different in terms of their historical context, scale and specificity of housing need, socioeconomic conditions, maturity of their housing and financial sectors, and their partnership with ADB in the housing sector.

- Uzbekistan is a relatively new partner in the housing sector, but one that developed rapidly over the past 7 years. This partnership appears to be a response largely to the government's demand for support centered on the provision of publicly subsidized housing through the expansion of mortgage finance and construction finance.
- Mongolia's partnership with ADB has matured over the past 2 decades and appears to be more strategic and programmatic. It began with the foundations of legal and policy reform, followed by identifying priority areas for intervention, gradually introducing and expanding housing finance, and is now applying lessons from previous experiences to scale up efforts across the country.
- Mongolia's housing-related projects were largely designed by the Urban Sector Division, and have a more comprehensive planning approach. The Uzbekistan projects were processed through the Public Finance division at the request of the government for mortgage financing and hence have a narrower, finance-based approach.

Uzbekistan and Mongolia are the leading countries in their respective regions of CWRD and EARD in terms of partnership with ADB on housing and account for a significant share of ongoing lending operations in the housing sector in 2000–2020.

#### A. Uzbekistan



**Rural housing project in Uzbekistan.** ADB has been supporting a series of programs for rural housing in Uzbekistan since the 2010s to improve the quality of life in rural area (photo by Ashna Singh).

Like many former Soviet Union (FSU) countries, Uzbekistan has a legacy of multifamily buildings built before 1991 that account for a significant share of its housing stock, and is characterized by inadequate maintenance and management.<sup>18</sup> While such buildings are prevalent throughout the country, the problem is more prevalent in urban areas that are more densely populated. For example, over 60% of the population of Tashkent reside in pre-2000 multifamily residential buildings. Tackling the old and dilapidated housing stock is a complex issue, and one facing most FSU countries today. While some FSU countries have tried to address this challenge, others shifted their focus to rural areas and housing construction programs of the sort Uzbekistan has been implementing.

Uzbekistan has been the fastest-growing and largest beneficiary of ADB funding in the housing sector over the past 20 years. It received about \$1.2 billion between 2012 and 2019 under three projects: the Housing for Integrated Rural Development Investment Program (HIRDIP), the Affordable Rural Housing Program (ARHP), and the Mortgage Market Sector Development Project (MMSDP). Project details are as follows:

- In 2011, ADB approved a \$500 million multi-tranche financing facility for HIRDIP, which had three components: (i) provision of housing loans through participating commercial banks to targeted creditworthy borrowers for the purchase of new houses in rural areas, (ii) capacity building of local governments to pursue integrated rural development plans and investment promotion strategies, and (iii) improvement of the enabling environment for micro and small enterprises to expand or establish new businesses and create jobs in rural areas. Under the multi-tranche financing facility, ADB provided the government with loans to support Component 1 and the government financed and implemented Components 2 and 3.
- In 2017, another \$500 million results-based loan and TA was approved for the ARHP. The ARHP builds on HIRDIP and supports a portion of Uzbekistan's State Affordable Rural Housing Program, which supports inclusive growth and rural job creation, housing affordability, and improved rural well-being. The State Affordable Rural Housing Program aims to improve the quality of life in rural areas of Uzbekistan through rural housing construction, employment generation, and private sector development. The ARHP focuses on rural housing financing and on leveraging institutional improvements in the associated sectors. Under the ARHP, three state-owned banks will provide loans to construct at least 29,000 housing units in nine regions of the country. The construction will be undertaken by private contractors and supervised by a state-owned engineering company, State Design Institute, and the State Committee for Architecture and Construction.
- The MMSDP was approved in 2019 with an aim to establish a new institutional framework and financing mechanism to promote market-based mortgage finance in Uzbekistan, expand the availability of residential mortgage products, and bring product innovation to the banking sector. The funding includes (i) a policy-based loan to support reforms in the housing policy and subsidy framework, and strengthen the institutional framework, and (ii) a financial intermediation loan to enable banks to access long-term funding through the establishment of the Uzbekistan Mortgage Refinancing Company (UMRC).

Only post-implementation project evaluation documents for the HIRDIP were reviewed as the other two projects (ARHP and MMSDP) are ongoing.

---

<sup>18</sup> World Bank. 2020. Earthquake Risk in Multifamily Residential Buildings, Europe and Central Asia Region. Washington, DC; and A. Mathema and A. Simpson. 2018. On Shaky Ground: Housing in Europe and Central Asia. *World Bank Blogs*. 23 August. <https://blogs.worldbank.org/europeandcentralasia/shaky-ground-housing-europe-and-central-asia>.

## 1. Prioritization, Policy, and Sector Context

The 2018 project performance evaluation report (PPER) for HIRDIP rated the project as *less than relevant, less than effective, less than likely sustainable, and having less than satisfactory development impact*, while the 2019 project completion report (PCR) for HIRDIP rated the project as *successful*. The PPER raised several valid concerns regarding the design and targeting of the project, the distortionary effect of the rural housing subsidies on the mortgage financing market, the inability of low-income households to afford these houses, and on the program's assumption that support for the moderate-income group would automatically help to improve living conditions and livelihood opportunities for the poor.<sup>19</sup>

Based on the explanations provided in the project documents, it is clear that the HIRDIP, and soon after, the AHRP, was designed in response to the government's request for support. Yet, the justification for providing such large-scale support (\$1 billion) to the government's very costly rural housing program is not self-evident. It was while preparing the third consecutive housing finance project (MMSDP) in 8 years that the following was stated in the MMSDP report and recommendation of the President (RRP):

*Uzbekistan needs to produce 145,000 new housing units per year until 2040 to keep up with new household formation and replace old housing stock, with most new housing needed in urban areas. This figure is well above current production figures; the housing shortfall is therefore increasing annually despite the government's involvement to address it. In the past, the government initiated a number of housing subsidy programs mostly administered by state-owned commercial banks to improve the housing conditions in the country. However, the inefficiently structured and targeted subsidies are costly for the government and are not conducive to the development of market-based solutions by focusing solely on a limited number of households and products. ....*

*...Most programs focus on housing construction, with interest rate-based subsidies, while no options are provided for small renovations or purchase of existing housing units.*

*...The government acknowledges that it lacks a comprehensive housing policy and subsidies framework. The existing housing finance programs are not effectively coordinated in terms of design, targeting, and use of subsidies, resulting in inefficient use of limited fiscal resources....*

*The MMSDP is a logical continuation of ADB's work to reform the mortgage sector (and an acknowledgement of the limitations of the prior subsidized approach to market development). The design of the program incorporates the two main recommendations from the HIRDIP PPR (Project Performance Report) (2018): (i) promote a competitive mortgage finance sector, and (ii) develop a unified database system of beneficiaries and applicants to assess beneficiary selection.*

<sup>19</sup> The 2019 PCR that followed the PPER questions the latter's performance ratings, stating that it contains "numerous errors and reaches the wrong conclusions." Notwithstanding, the authors of this analysis lean toward the PPER's findings.



The MMSDP was designed as a sector development program with a policy component and a financial intermediation loan (\$162 million of \$200 million) for the UMRC. A refinancing facility can serve as a useful tool to support the development of the mortgage market and the broader financial sector. For example, it can help enhance mortgage lending by providing long-term financing to banks, creating competition, and streamlining the operating environment. However, in a context where the mortgage sector is dominated by government subsidies, and where commercial mortgage loans are being offered at 25% interest, it is not clear how much the UMRC, through its long-term money, will stimulate the demand for market-priced mortgages in the short term.<sup>20</sup> Although wider reforms are underway, the fact remains that \$1 billion has been spent or committed to housing projects in rural areas that are now deemed poorly targeted, and very costly to the government.<sup>21</sup>

## 2. House Design and Beneficiary Targeting

According to the HIRDIP PCR, the same three basic house designs were available in 2012–2015, although minor details changed from year to year and varied between locations. Some 34% of home buyers selected a three-room house (floor area of 134 square meters (m<sup>2</sup>)), 64% selected a four-room house (143 m<sup>2</sup>), and 1.6% selected a five-room house (182 m<sup>2</sup>).

The houses cost a weighted average of \$77,272. A three-room house cost \$74,863, a four-room house cost \$78,363, and a five-room house cost \$89,445.<sup>22</sup> Most houses were on plots of 600 m<sup>2</sup> provided free of cost to homeowners by local governments. These are rather expensive houses on large plots of land which raise questions about whether the plot layouts, house designs, and costs were thought through adequately in terms of efficient and equitable use of government resources.

Furthermore, under the HIRDIP, the incomes of the beneficiary households, the underlying eligibility criteria, and the subsidy amount were not clearly stated in the project documents. Inefficiencies in the project design and implementation are self-evident. The HIRDIP PCR (2019) states that the bottom three quartiles received 89% of the assistance with 8% in the first income quartile (bottom 25% in the income distribution), 21% in the second quartile, and 60% in the third quartile, and that this met the objectives and targets of the project. Another way to read this is that 71% of the funds went to the top two quartiles, i.e., people earning higher than the median income, which brings into question the effectiveness of the project's targeting mechanism to serve those in most need.

<sup>20</sup> Since 2007, most state housing programs have been delivered by public banks. Six public banks issued 92% of all mortgage loans under the government's rural and urban housing programs (at subsidized rates). As a result, of the 39,556 mortgage loans issued in 2018, 75% by number and 72% by volume were issued under the various state housing programs. Source: MMSDP RRP.

<sup>21</sup> ADB Knowledge and Innovation. Peter Narro on the Uzbekistan MMSDP. YouTube. <https://www.youtube.com/watch?v=7qLo51cmqOM&list=PLEefmO3ndU3ql9D5VjuXv2Q20K9R-OWjX&index=5>.

<sup>22</sup> \$1 = ~SUM2,200 (2013 conversion rate). The houses cost a weighted average of \$77,272 (SUM170 million). A three-room house costs \$74,863 (SUM164.7 million); a four-room house cost \$78,363 (SUM172.4 million); and a five-room house cost \$89,445 (SUM196.78 million).



## B. Mongolia



**Ger is a round tent serving as home to Mongolians.** ADB has been supporting comprehensive housing programs for Mongolia since the early 2000s (photo by ADB).

Mongolia is an example of a country that used a step-by-step process to grow its housing capacity in the public and private sectors. Mongolia's program with ADB has grown steadily since the 1990s with the urban development and finance aspects of housing supported by lending and TA projects. Below are the lending and TA projects supported by ADB in Mongolia over the past 2 decades.

### Lending Operations

- 2002–2008, Mongolia Housing Finance Project (\$16 million)
- 2008–2015, Mongolia: Urban Development Sector Project (\$41 million)
- 2013–2023, Ulaanbaatar Urban Services and Ger Areas Development Investment Program (\$160 million)
- 2018–2026, Ulaanbaatar: Green Affordable Housing and Resilient Urban Renewal Sector Project (\$80 million)

### Technical Assistance

- 1999–2001, Mongolia: Institutional Strengthening of the Housing Sector (\$800,000)
- 2004–2005, Mongolia: Developing an Urban Development and Housing Sector Strategy (\$350,000)
- 2005, Preparing the Urban Development and Housing Project (\$600,000)
- 2008, Mongolia: Urban Development Sector (Rapid Sector Assessment) (\$100,000)
- 2014–2016, Ulaanbaatar Urban Planning Improvement (\$1.5 million)

## 1. Strategic and Sustained Engagement

The urban development sector was first included as a distinct ADB sector in 1992 with the Mongolia country strategy. The 2005–2006 Country Strategy and Program Update strengthened the strategic link between the urban sector and the overall country strategy by reorienting the former toward the provision of services vital to the achievement of Millennium Development Goal targets.<sup>23</sup> Between 1997 and 1999, with ADB's assistance, the Government of Mongolia prepared and approved the Housing Law and the National Housing Strategy, and made market-oriented amendments to the Housing Privatization Law and the Condominium Law. ADB's follow-on TA project helped develop the institutional capacity to implement the housing strategy and established the foundation for a long-term housing finance system through the Mongolia Housing Finance Project (HFP).

The expansion of housing finance, previously available in Mongolia, was one of the tools used to increase access to good housing and services for low- and middle-income households. The Housing Finance Sector Project was built on previous ADB TA grants in 1997 and 1998 that helped to develop a sound legal, regulatory, and policy framework for the housing sector. The HFP was a logical step in developing the housing sector and establishing a sustainable housing finance system. The project was intended to meet the immediate shortage of adequate housing in Mongolia and helped move finance down-market while building and strengthening low-income communities.<sup>24</sup> According to the Independent Evaluation Department's HFP Validation Report (2010):

- The HFP helped establish a sustainable long-term housing finance system in Mongolia. Sub-loans enabled low- and middle-income households to obtain new housing or renovate existing housing, due to the new Land Privatization Law and Condominium Law assisted by an ADB TA. A small amount of sub-loans provided to condominium associations assisted upgrading of apartment blocks.
- Nine Housing Area Action Plan (HAAP) subprojects were implemented, which improved living conditions in *ger* (yurt) communities where hardly any housing was available before, and helped to reduce poverty to that extent. These subprojects served as models for future private sector investment in housing development in *ger* areas, including various poverty reduction effects.

## 2. Bottom-Up Community-Based Upgrading and Financing

The Mongolia HFP promoted the bottom-up HAAP approach to planning based on extensive consultations with the communities which resulted in new planning procedures and standards for residential development. The HAAP subprojects were able to successfully accomplish poverty and economic goals, while addressing social and environmental impacts. The more comprehensive *ger* area upgrading activity in Ulaanbaatar has produced even greater benefits in terms of land values. Most urban projects in Mongolia have adopted this approach and incorporated the HAAP model into their design. The HAAP model should be further studied to evaluate the potential for its adaptation and replication in other ADB DMCs.

<sup>23</sup> ADB. 2004. *Mongolia: Country Strategy and Program Update (2005–2006)*. Manila. <https://www.adb.org/documents/mongolia-country-strategy-and-program-update-2005-2006>.

<sup>24</sup> ADB. 2009. *Completion Report: Housing Finance (Sector) Project in Mongolia*. Manila. <https://www.adb.org/sites/default/files/project-document/65107/32017-mon-pcr.pdf>; Independent Evaluation Department. 2009. *Validation Report: Housing Finance (Sector) Project in Mongolia*. Manila. <https://www.adb.org/sites/default/files/evaluation-document/35612/files/32017-mon-validation.pdf>.

### **3. Advisory Services and Technical Assistance**

Mongolia recognized that the housing sector is complex and needs reform and regulation in several areas (infrastructure, finance, and poverty reduction programs). ADB continues to be one of Mongolia's largest supporters and its current country program builds on the work of the past decades. One of the main lessons learned in Mongolia is that developing the housing sector can be best achieved through a two-stage process whereby ADB provides TA to establish the legal, regulatory, and policy frameworks and then provides a follow-up loan to assist housing development. With all the TA and assistance provided in the lending projects in Mongolia, the local knowledge of housing and mortgage finance as well as total staff capacity have greatly increased, through both external and internal training as well as simply learning by doing over the duration of the projects.

## IV. HOW DID WE GET HERE?

This chapter presents a brief narrative on the trends and evolution of housing policy in recent history and some of its unintended outcomes.



**Sha Tin Urban Development (Housing) Project in Hong Kong, China.** The project is ADB's first in the urban development (housing) sector (photo by ADB).

### A. The Global Trajectory of Housing Policy

#### 1. From Housing Production to Infrastructure Provision

The shelter agenda in developing countries in the 1970s and 1980s shifted from low-cost housing production to sites-and-services, and later to slum upgrading. These efforts were led by national governments with support from development assistance agencies. These models were piloted in many places with an aim to convert them into longer-term programs, which did not happen.<sup>25</sup> The complexity of administering and supervising these projects, together with the unwillingness of governments to allocate public land, eventually brought into question many aspects of these models, including standards and costs, ownership and sustainability, scalability and impact, and cost recovery and financial viability. Even as many of these issues began to be addressed, the inability to take the pilot projects to scale

<sup>25</sup> G. Gattoni. 2009. A Case for the Incremental Housing Process in Sites-and-Services Programs And Comments on a New Initiative in Guyana. 7 July. <http://web.mit.edu/incrementalhousing/articlesPhotographs/guyanaGeorgeGattoni.html>.

caused them to be regarded as failures. They were largely abandoned by the late 1990s, even though some later came to be recognized as rather successful.<sup>26</sup>

## 2. The “Enabling Markets” Paradigm

There was another major shift in the late 1990s. This shift pitched the government’s role as an enabler that embraced the private sector through a policy governing the overall sector, not just the needs of the poor. This was spelled out in the World Bank’s seminal policy paper, *Housing: Enabling Markets to Work*.<sup>27</sup>

*Housing policymaking must thus move away from its previously narrow focus on a limited engagement of government in the direct production of low-cost housing. It must now guide the performance of the housing sector as a whole, including that of the formal and informal private sector, with a stronger emphasis on its overall role in national economic development.*

*Governments should be encouraged to adopt policies that enable housing markets to work. They have at their disposal seven major enabling instruments (i.e. pillars)*

*The three demand-side instruments are:*

- i) *developing property rights;*
- ii) *developing mortgage finance; and*
- iii) *rationalizing subsidies.*

*The three supply-side instruments are:*

- iv) *providing infrastructure for residential land development;*
- v) *regulating land and housing development; and*
- vi) *organizing the building industry.*

*These instruments are to be supported and guided by (the seventh pillar, i.e.) developing the institutional framework for managing the housing sector:*

- vii) *continue strengthening institutions, and bringing together all the major public agencies, private sector, and representatives of nongovernmental organizations (NGOs) and community-based organizations; and engaging beneficiary communities.*

This was a major departure from the piecemeal project-by-project approach to a more programmatic and policy-driven approach. Although initiated by the World Bank, it was quickly adopted by other donors and housing practitioners around the world, including ADB. It provided a signal for governments to shift away from being uncompetitive and inefficient producers of housing for the poor to facilitating and improving the private sector’s performance in the delivery of housing through well-targeted and transparent public resources and a reformed legal and regulatory environment.

<sup>26</sup> For example, 20 years after their completion, four World Bank sites-and-services projects in India were reviewed by a team of experts with a starkly different perspective from the failure they were once associated with. “Twenty years after completing our last sites and services projects, we found bustling and thriving neighborhoods ... (Sites-and-services is) a tool for better managing urban expansion and creating affordable housing. First, city governments can use the sites and services approach and planning norms to shape future urban growth. They can move beyond ‘putting stakes in the ground’ and use it to earmark future neighborhoods.” Source: S. Gulyani. 2016. Success when we deemed it failure? Revisiting sites and services 20 years later. *World Bank Blogs*. 23 June. <https://blogs.worldbank.org/sustainablecities/success-when-we-deemed-it-failure-revisiting-sites-and-services-20-years-later>.

<sup>27</sup> World Bank. 1993. *Housing: Enabling Markets to Work*.



In pursuit of this mandate, and possibly unintentionally, a slow move began away from the conventional projects aimed at the poorest. For example, the traditional sites-and-services approach was largely abandoned starting in the late 1990s when the “enabling” approach began to be adopted at scale.<sup>28</sup> Many traditional slum upgrading projects suffered the same fate.

The early 2000s witnessed two encouraging trends in the housing sector.

- Market-oriented perspectives of housing policy became more widely adopted by client countries and donors.
- Market-based housing finance spread throughout the world at a remarkable speed. Since about 2000, the world changed from one in which most of the world’s population did not have access to mortgage finance to one in which most of the world’s population now lives in countries with a market-based mortgage finance system with generally affordable terms (footnote 28).

For ADB, the 2000s also saw conventional slum upgrading projects evolve into more comprehensive integrated urban infrastructure projects. In parallel, a new genre of housing finance projects was introduced that targeted lower-income households, which included:

- **Integrated urban development projects (IUDPs):** Focusing on infrastructure upgrading and typically supplemented with one or another financing component, such as mortgage finance and microfinance, among others.
- **Housing finance projects (HFPs):** Aiming to expand mortgage lending but also a range of other financing instruments that were better-suited to low-income households, including microfinance, home improvement loans, neighborhood improvement loans, and partnerships with nonbanking financial institutions and community-based financial institutions.

The IUDPs and HFPs were well-designed and well-targeted for the most part and generally successful in terms of their impact on the beneficiary communities. Over the past decade, the above two project types appear to have evolved further, as evident from ADB’s lending portfolio. On the one hand, some projects appear to be an IUDP–HFP blend with added components of resilience, sustainability, and “green” elements to reflect the need to proactively address climate change and disaster risk. On the other hand, there are some big-ticket projects focused on mortgage or construction finance (as in Uzbekistan and Kazakhstan) that appear to be more of an exception than the norm but are large enough to significantly skew ADB’s aggregate lending statistics, as discussed in chapter 2 of this report.

In addition, there has been a small but steady stream of nonsovereign loans undertaken by ADB’s PSOD. These nonsovereign loans are aimed at boosting the private sector’s role in the supply of housing, housing finance, and microfinance. Since 2020, there have been more innovative collaborations in the housing sector, for example, PSOD’s collaboration with Habitat for Humanity to help microfinance institutions deliver housing loans to low-income families in rural and peri-urban areas of Bangladesh, India, Indonesia, and the Philippines.<sup>29</sup>

<sup>28</sup> R. M. Buckley and J. Kalarickal, eds. 2006. *Thirty Years of World Bank Shelter Lending: What Have We Learned?* Washington, DC: World Bank. <https://openknowledge.worldbank.org/handle/10986/7061>.

<sup>29</sup> ADB. 2021. ADB, Habitat for Humanity to Support Housing Microloans for Vulnerable Communities. News release. 19 April. <https://www.adb.org/news/adb-habitat-humanity-support-housing-microloans-vulnerable-communities>.

### 3. ADB's Structural Transformation

ADB supported successful housing and urban sector projects with its DMCs until a major institutional reorganization in the early 2000s when the Regional and Sustainable Development Department (RSDD) was established. The RSDD did not include housing and urban development as a distinct group since its focus was on the water sector rather than the urban sector. Housing thus became one of many sub-themes and lost much of its institutional weight.<sup>30</sup> This is discussed in a 2006 report by ADB's Operations Evaluation Department.<sup>31</sup>

*...During its initial years of operation, the agriculture sector accounted for a large part of ADB's operations. In the late 1980s, ADB began paying more attention to urban issues.*

*(In the early 2000s,) ADB underwent a reorganization and introduced new business processes. ADB's professional expertise in the urban sector was dissipated. The two urban sector divisions (i.e., water supply and housing divisions) were dissolved and staff were scattered over five new departments and four newly created regional social sector divisions...*

*The new system did not include the urban development and housing sector as a distinct group, leading to fewer options for monitoring the urban sector portfolio. Urban development projects are now classified as multisector projects, a disparate group that includes rural development projects, environment projects, and a variety of other types of projects.*

*Within the new list of seven ADB thematic clusters, there is no urban development cluster. Instead, there is an urban development theme under the sustainable economic growth theme cluster, and an urban environment theme under the environmental sustainability theme cluster.*

The same report goes on to say that, as a result, ADB's institutional focus on the urban sector has been lost, and the complex classification of projects has made tracking ADB's urban sector and housing work more difficult.

In 2008, there was another reorganization of the RSDD along sector and thematic lines to strengthen capacity to serve priorities under the inclusive livable cities in the Urban Operational Plan 2012–2020.<sup>32</sup> In 2015, the RSDD was renamed the Sustainable Development and Climate Change Department (SDCC) with the urban sector as one of the sector groups. Yet, except for a few nonsovereign projects, housing was not on ADB lending agenda until recently. It is only since 2019–2020 that there has been a renewed interest in the housing sector by ADB. Affordable housing is now one of the core objectives under ADB's Strategy 2030 Operational Priority 4: *Making cities more livable*. It supports pro-poor and inclusive cities with social services and safe and healthy urban environments, including affordable housing.

<sup>30</sup> Urban development projects became classified as multisector projects, a disparate group that includes rural development, environment, and a variety of other types of projects. Source: Operations Evaluation Department. 2006. *Evaluation Study: Urban Sector Strategy and Operations*. Manila: ADB.

<sup>31</sup> This section is excerpted from Operations Evaluation Department. 2006. *Evaluation Study: Urban Sector Strategy and Operations*. Manila: ADB.

<sup>32</sup> ADB. 2013. Urban Operational Plan 2012–2020. Manila. <https://www.adb.org/documents/urban-operational-plan-2012-2020>.



## B. Unintended Consequences: Did the Pendulum Swing Too Far?

Is it possible that the quest of governments and donors for an enabling policy environment in the housing sector, and moving government away from direct housing production may have gone too far? It appears that while many governments steered away from the traditional housing production role, they never truly took on the role of “enabler” that had been envisioned, and in effect, passed the responsibility for housing provision to the markets. As a result, is it possible that both housing policy and international development programs unintentionally steered away from segments of society most in need of assistance, and whom the private sector is unlikely to serve? Further, the emphasis on homeownership and housing finance—more specifically, mortgage finance—in recent decades appears to have come at the cost of other aspects of the housing ecosystem, including rental housing.

### 1. Overemphasis on Homeownership

Homeownership is a way to encourage responsible citizenship and wealth-building. Governments use subsidies to encourage homeownership (e.g., interest deductions, down payment assistance, interest rate subsidies, first-time home buyer deductions).

*The returns on homeownership are not just financial... Homeownership provides a stable place to live and an inflation hedge because mortgage costs are generally fixed while rents tend to rise with inflation.*<sup>33</sup>

In an ideal market, the increase in housing demand would lead both public and private sector suppliers to respond. However, in reality, in most cities, including many in developed countries, the supply of housing is inelastic: when demand for housing rises, extra supply does not necessarily follow, causing price hikes and market volatility.

It is thus not surprising that this aspirational goal of universal homeownership has been unable to deliver on that promise and may be exacerbating the problems in terms of general lack of housing affordability for middle-income households and creating deep disparities in living conditions for the poorest who cannot compete in the market for decent quality housing.

Too much homeownership can also impede the responsiveness of housing supply. Gated communities and NIMBYs<sup>34</sup> that resist densification, up-zoning, or lower-income housing development in their neighborhoods, especially in urban areas, may force people into less-than-ideal, quasi-formal, and informal housing and slums.<sup>35</sup> This also partly explains why homelessness and housing informality is growing unabated in so many cities across the world.

### 2. Neglect of the Rental Sector

Housing shortages in many developing countries exist largely in the low- and middle-income segment, many of whom live in rental housing. Many households may not want to own a home in the place where they currently live as it may be a temporary arrangement (e.g., young professionals, students, starter-family households, and migrant laborers). Rental housing provides greater labor mobility, i.e., the flexibility of moving to locations of better employment. Factors such as suppressed rental yield, high cost of homeownership relative to income, and low tax benefits of homeownership, all point to rental being

<sup>33</sup> L. Goodnam and C. Mayar. 2018. *Homeownership is still financially better than renting*. Urban Institute. 21 February. <https://www.urban.org/urban-wire/homeownership-still-financially-better-renting>.

<sup>34</sup> NIMBY = Not In My Backyard

<sup>35</sup> There is often a political economy aspect to people choosing to live in urban slums which cannot be ignored. However, that is a longer discussion, and beyond the scope of this paper.

a more practical alternative in many parts of Asia. In other cases, particularly in poor and low-income households, a housing loan may be beyond their means, or they may not qualify in the underwriting procedures. In yet other cases, interest rates on loans might be too high. All these factors suggest that, for some, rental housing may be a preferred or most viable housing option for many.

Yet, programs focusing on improving access to decent housing solely through ownership often fail to address the needs of renters, who may constitute a large proportion of the population and an even larger proportion of the more vulnerable population. Low-income renters face some of the worst and most severe housing challenges and they need to be prioritized in terms of government funding through both demand- and supply-side interventions.

Further, policies in the rental sector are often limited to rent control and eviction laws, which discourages rental activity or pushes it underground. Rental laws in many DMCs continue to be outdated or inappropriate, and large segments of the rental market are informal and without protection for landlords or tenants. This is despite everyone being a renter at some time in their lifespan.<sup>36</sup>

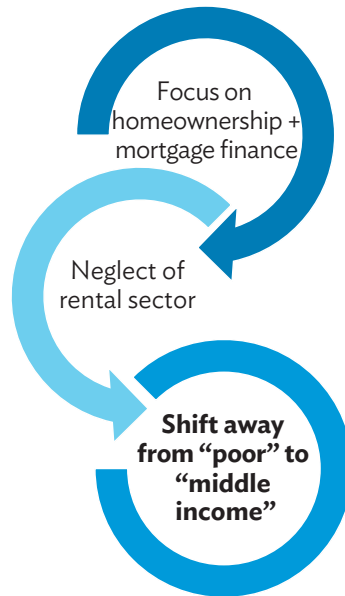
Informal settlements in developing countries typically constitute a significant stock of rental housing that is underserved and often well located, often in prime locations within cities. Official counts do not always include them because of their informal nature. The majority of residents of slums and informal settlements in many large cities around the globe are renters (50%–60%, and sometimes higher). This dynamic of demand and supply in terms of design, space, location, and price is what makes the arrangement work for the “user” and the “supplier,” yet it is seldom given due consideration in the design of programs intended to assist these populations.

### **3. Shift Away from Poor to Middle-Income**

Much of the recent housing policy debate is about how cities have become expensive for everyone and the lack of affordability for middle-income working families, and how the problem could be solved by streamlining the policy and regulatory environment or by offering incentives to the private sector to build more affordable housing. While this is important and relevant to middle-income housing, it is not so simply transferrable to the lowest income groups. There are segments of the population that the market will never be inclined to serve, and the government has an important role to play to help them.

As mentioned earlier, over the last 2 decades, housing policy has shifted toward finance, markets, and middle-income groups, and away from well-targeted subsidies or programs for the poor and most vulnerable. Trends that seem to outright favor housing finance projects over urban sector projects, and demand-side subsidies over supply-side interventions, may explain the somewhat skewed outcome where homeownership comes at the cost of not just the rental sector but also some of the most vulnerable households for whom owning a house may not be a viable option (Figure 6).

<sup>36</sup> A. Gilbert. 2003. Rental Housing: An essential option for the urban poor in developing countries. Nairobi: UN-Habitat. <https://scarp.ubc.ca/sites/scarp.ubc.ca/files/Rental%20Housing%20-%20An%20Essential%20Option%20for%20the%20Urban%20Poor.pdf>.

**Figure 6: Imbalances Resulting from a Distorted View of Finance and Skewed Policies**

Source: A. Singh. Forthcoming. *Understanding Housing Poverty: Segmenting the Market*.

## V. WHAT HAVE WE LEARNED?



**Calcutta Environmental Improvement Project in India.** Slum dwellers were relocated to a new housing complex in Kolkata under the resettlement program (photo by ADB).

### A. Lessons from ADB Projects (2000–2020)

This section presents 10 lessons drawn from ADB's housing-related projects over the two decades discussed in this report. It draws from project completion reports (PCRs), project performance evaluation reports (PPERs), and reports by the Independent Evaluation Department on ADB projects between 2000 and 2020. This section uses ADB project cases to illustrate the lessons.

#### 1. Targeting subsidies for highest welfare gains.

The government needs to play an active role in supporting the housing needs of poor and low-income households through a wide range of instruments, including subsidies, infrastructure support, and direct housing provision (public housing or social rental housing). The preferred options to help the poorest households improve their housing conditions are sites-and-services, slum upgrading, integrated urban development projects, direct housing provision (for rent or for ownership), and private low-cost rentals. Revisiting earlier initiatives and fine-tuning them to make them more effective in today's context would be an effective way to expand the pro-poor housing agenda.

There is also a need to improve the analysis and design of housing and housing finance projects for better targeting and greater welfare impacts. Targeting poorer households could make project welfare impacts more robust. Improving the analysis and design of low-income housing projects could lead to better targeting and greater welfare impacts.<sup>37</sup>

<sup>37</sup> ADB. 2012. Learning Curves, Does Low-Income Housing Finance Help the Poor? *Think-Asia*. <https://think-asia.org/handle/11540/3442>.

Example:

- Under the Urban Development and Low-Income Housing Project (UDLHP), households benefited from improved access to affordable housing loans that enabled them to improve their housing and living conditions. However, the benefit-monitoring evaluation showed no significant improved health conditions.<sup>38</sup> According to the Independent Evaluation Department's evaluation, targeting middle-income households whose labor force participation, school enrollment, and health conditions are already high leads to weak impacts on household welfare measures (e.g., education and health). It is, therefore, also unlikely that relatively modest loans for home improvement targeted to middle-income households would have any substantial effect on higher-order welfare outcomes such as education and health compared with the support to low-income households.

## 2. Upgrading projects can have a high socioeconomic impact.

The ripple effects of site-and-services and slum upgrading extend beyond improvements in shelter and infrastructure conditions to broader disaster resilience, economic growth, and improvements in health equity and broader human development.<sup>39</sup> It should be viewed as a major strategy to promote health and equitable development and reduce vulnerabilities to climate change and disasters.

Examples:

- The Housing Area Action Plan (HAAP) upgrading schemes under the Mongolia Housing Finance Project had significant poverty, economic, social, and environmental impacts.<sup>40</sup> Most urban projects in Mongolia have adopted the HAAP approach into their design.
- The Indonesia Neighborhood Upgrading and Shelter Sector Project (NUSSP) successfully contributed to improving the livelihoods and welfare of over 3 million people in 800 poor neighborhoods in 32 cities.<sup>41</sup> By reducing poverty and improving hygiene, the project contributed to establishing a healthier environment in slum areas. Access roads were improved, and better drainage resulted in reduced flooding. The project created significant short-term jobs for the community by promoting civil works and building-related infrastructure. Improved neighborhoods contributed positively to family lives, particularly of women and children. The validation report points to a significant economic, social, environmental, and institutional impact.

## 3. Conventional mortgage loans are ill-suited to poor and lower-income households.

Housing creates jobs and is a form of wealth-generation. However, poor and lower-income households are unlikely candidates for mortgage loans, especially in double-digit interest rate environments. This is due to the fact that they need to spend a large proportion of their income on non-housing expenses and have unsteady incomes. The mortgage market in the majority of developing countries thus often targets the top-income segments. ADB project experiences suggest that introducing large-scale assistance

<sup>38</sup> ADB. 2010. *Housing Finance Impact Evaluation Loan 1632-SRI: Urban Development and Low-Income Housing Project*. <https://www.adb.org/sites/default/files/evaluation-document/35045/files/ies-sri-eap.pdf>.

<sup>39</sup> J. Corburn and A. Sverdluk. 2017. Slum Upgrading and Health Equity. *International Journal of Environmental Research and Public Health*. 14 (4): pp. 342. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5409543/>.

<sup>40</sup> ADB Mongolia Housing Finance Project. *Validation Report 2010; Project Completion Report 2009*.

<sup>41</sup> Independent Evaluation Department. 2013. *Validation Report: Indonesia Neighborhood Upgrading and Shelter Sector Project*. Manila: ADB. <https://www.adb.org/sites/default/files/evaluation-document/36189/files/pvr-280.pdf>.

in the mortgage markets without any assistance targeted specifically to poor households deserves consideration and scrutiny.

Examples:

- Under the India Karnataka Urban Infrastructure Development Project (KUIDP), a \$20 million housing finance component was included to give mortgage loans to middle- and low-income families.<sup>42</sup> These were assumed to be “poor households in the informal sector.” Based on the lending terms, however, less than 10% of the beneficiaries in the project sites qualified for the loans and eventually the loans ended up going to lower-income households in formal employment (e.g., government employees, the police service, and in state-owned corporations outside the project sites).
- Similarly, under the India Housing Finance Project, a small percentage of families qualified for mortgage loans due to the stringent income and employment requirements. Most recipients were formal sector workers, even though the initial design called for targeting people working in the informal sector.
- Under the finance component of Sri Lanka’s Urban Development and Low-Income Housing Project, most beneficiaries were near middle-income levels, whose labor force participation, school enrollment, and health conditions were already relatively high. The evidence provided by loan records showed that only about 1% of the project beneficiaries were from the lowest 10% income group, while about 60% were from the 30th to 40th percentile of income distribution and about 25% were from the middle-income group (up to the 55th percentile).
- Under the Uzbekistan Housing for Integrated Rural Development Investment Program (HIRDIP), 71% of the loans went to the top two quartiles, (people earning higher than the median income), many of whom can neither be considered low-income or moderate-income in Uzbekistan’s context.

#### **4. Finance can be brought downstream effectively through community-based financial institutions.**

An effective way to bring housing finance downstream to low-income households is by increasing and broadening the finance channels beyond formal banks and housing finance institutions to include community-based financial institutions that offer microfinance for home improvement and construction and have the advantage of being close to their communities. However, most community-based financial institutions in informal settlements lack lending and loan recovery expertise, so projects must focus on building their capacity for long-lasting impact.

Examples:

- One of the less successful components of the India Housing Finance Project was sub-borrower inadequacies in professional financial management and accountability (e.g., community-based financial institutions and nongovernment organizations [NGOs]),<sup>43</sup> and high transaction costs made housing finance institutions unwilling to channel funding through these entities.
- Similarly, the Mongolia Housing Finance Project had issues with on-lending through other institutions (e.g., contractors, public and private enterprises) because they lacked lending

<sup>42</sup> Operations Evaluation Department. 2007. *Performance Evaluation Report: Karnataka Urban Infrastructure Development Project in India*. Manila: ADB. <https://www.adb.org/sites/default/files/evaluation-document/35103/files/27132-ind-pper-0.pdf>.

<sup>43</sup> ADB. 2003. *Completion Report: India Housing Finance Project*. Manila. <https://www.adb.org/sites/default/files/project-document/70465/pcr-ind-30011.pdf>.



and loan recovery expertise. It concluded that sub-lending should only be done through banking and financial institutions, particularly where community-based financial institutions and NGOs lack capacity. It would be prudent to consider ADB support to develop the capacity of these institutions, or tailor financial products to their requirements.

**5. Improving financial literacy among low-income borrowers, especially women, can have significant positive impact.**

Training programs aimed at improving financial literacy and forming savings groups can have a significant impact on the lives of low-income households.

Examples:

- The Mongolia Urban Development Sector Project training initiative to improve financial literacy for potential borrowers proved effective in increasing access to small loans, especially for women.<sup>44</sup>
- Under the India KUIDP, emphasis was on creating self-help groups in the project towns mainly comprised of women from low-income families residing in slums. Membership in a self-help group has contributed to positive changes including financial literacy in the lives of about 12,000 women and their families. Of the groups formed, less than 5% failed to continue.

**6. Projects with focused geographic coverage and holistic service packages are more effective.**

Rather than covering a large number of cities spread over an entire country, a focused geographic approach is more effective in maximizing resource use. Urban projects should consider a holistic approach that develops a complete social and urban services infrastructure in a few select locations with greater in-built flexibility to move funds across project components to ensure greater loan utilization.

This is based on the experience of several integrated urban infrastructure projects with multiple components spanning multiple locations and multiple sectors, including the India KUIDP, the Indonesia NUSSP, and the Mongolia Urban Development Project.

**7. Technical assistance and institutional capacity building go hand in hand with lending operations.**

Institutional development and training deserve the same priority as developing physical components of lending projects. Lending operations need to be accompanied by advisory and consultancy services to strengthen institutional capacity.

Examples:

- As the case in Mongolia shows, developing its housing sector is best implemented in two stages. ADB provides technical assistance to establish the legal, regulatory, and policy frameworks, then provides a follow-up loan to assist housing development.

<sup>44</sup> ADB. 2016. *Completion Report: Mongolia Urban Development (Sector) Project*. Manila. <https://www.adb.org/sites/default/files/project-document/192086/37697-013-pcr.pdf>.



- Based largely on its experience in the India KUIDP, the Karnataka Urban Infrastructure Development and Finance Corporation (the implementing agency) gradually evolved into an independent organization with staff and authority to eventually establish itself as an important agency for all externally aided projects in Karnataka State.

## **8. Community-centered projects can ensure better operation and maintenance.**

Active community participation when preparing infrastructure and investment plans can help strengthen local capacity for community planning, development, and good governance. It is essential that adequate budgeting and resources be allocated for infrastructure operation and maintenance (O&M) and development after the project is completed.

Examples:

- One lesson learned from the India KUIDP was that local governments and their clientele need to be involved in the design of project components. Design and implementation to meet beneficiaries' needs generally leads to better post-project cost recovery and O&M. Involvement of NGOs also leads to effective results, particularly in identifying local needs.
- Insufficient community involvement was one reason for the underachievement of targets under the urban sanitation component of the Indonesia NUSSP. This limited the community's awareness regarding the importance of hygiene and limited community resources to fund property connections. Often, considerable time is required during project preparation to build awareness about the importance of good sanitation and to create greater willingness to and pay for the O&M of these systems.

## **9. Local government commitment and buy-in is critical.**

Local government-driven projects are important and strategic for targeting the urban poor. Local governments play a crucial role in the provision of land and services, and in forging cooperation with private developers, and their commitment to these objectives is critical for success. Good governance is crucial. Without it, a policy can have unintended consequences. Public institutions need to take an active role in the housing sector, and this requires institutional capacity; transparent decision-making; good data; sufficient O&M; and budgets for community participation, consistency, and accountability.

Examples:

- The success of the Mongolia Housing Finance Project can be attributed to the central government and its cooperation with local governments, ADB, and other donors to provide the needed infrastructure facilities and urban services.
- Similarly, one of the lessons of the Indonesia Urban Sanitation Project was that the role of local government and institutions in the planning process should be increased. The reason the Metro Manila Urban Services for the Poor project was unsuccessful is attributed to the non-committal stance of the government and the lack of political will to improve the situation of informal settlements.<sup>45</sup>

<sup>45</sup> ADB. 2010. *Technical Assistance Completion Report: Metro Manila Urban Services for the Poor Project in the Philippines*. Manila. <https://www.adb.org/sites/default/files/project-document/63257/38398-01-phi-tcr.pdf>.

## 10. Planning and regulations are determinants of housing affordability.

Sound land-use planning, zoning regulations, and infrastructure planning are major determinants of land and housing supply, and therefore the price and affordability of housing. Many cities need to reform their land-use planning practices that constrain the supply of land and drive prices higher than they otherwise would be (e.g., strict floor area ratio guidelines in areas of high demand and that are well serviced by other infrastructure, or a tax policy that encourages property speculation).

### B. How to Think About Housing: A Broader Perspective

Housing is a complex multifaceted sector with economic, social, cultural, environmental, physical, and financial ramifications. It is a fixed long-term asset with a relatively inelastic supply in many countries. A successful housing ecosystem requires the supply- and demand-side housing value chains to operate effectively and at scale. The demand-side value chain converts a household into a successful home occupant (owner or renter) with the financing or the financing support necessary to do so. The supply-side value chain results in the production of housing that meet people's needs and preferences (in terms of space, unit design, location, and price), through five major elements: (i) land; (ii) infrastructure; (iii) construction; (iv) policy, legal, and regulatory processes; and (v) building operation, maintenance, and management.<sup>46</sup> Both chains are equally important.

Housing needs differ not just across countries but also between cities and neighborhoods within cities. A house means different things to different people. It can be a permanent home for some, a temporary accommodation for others, a roof over one's head for the poorest, and a long-term financial investment for the wealthy. Housing solutions for these people are different, and a good housing policy needs to recognize and reflect these nuances. Assessing housing needs goes beyond a merely quantitative exercise of the number of households versus housing units. It requires a deeper qualitative understanding of the user and the house in terms of price, location, unit design, and size that would be suitable. This adds another layer of complexity.

COVID-19 created a public health crisis that has directly or indirectly affected every person in the world. Yet, its disproportionate impact on the lives of the poor, particularly those living in poverty and poor-quality housing, is abundantly clear. Furthermore, climate change and disaster risk are of particular concern for lower-income segments of the population who often live in non-engineered, temporary, or self-built housing that does not meet mandated safety standards and is often on dangerous land.

One thing is evident: there is no silver bullet to solve the housing challenge. However, a simplified way to view it would be to strive for a balance between (i) providing assistance to the poor and vulnerable, and (ii) making the markets work better for the nonpoor. This is not an either-or situation. These two goals are complementary and mutually reinforcing in the complex underpinnings of the housing sector. In other words, a well-functioning housing ecosystem requires a well-targeted subsidy system for the poor and low-income households, and a system of housing finance and housing supply for the middle-income households so they can pay their way without subsidies.

<sup>46</sup> World Bank. 2017. *Turkey: A Review of Social Housing and Housing Indicators*. Cited from Affordable Housing Institute.

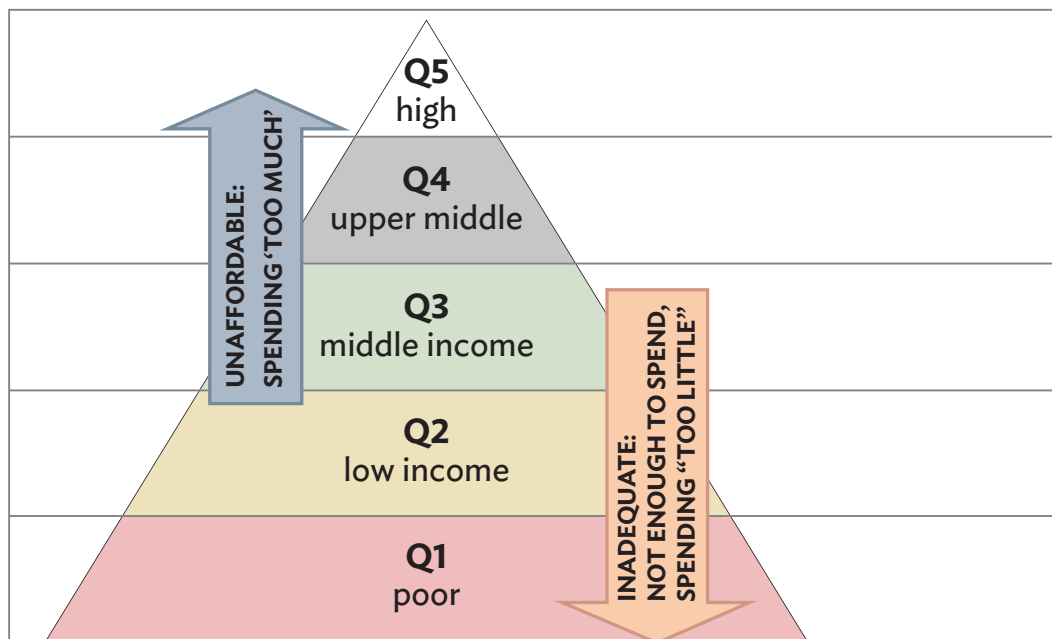
## 1. Segmenting the Users: Paying Too Little or Too Much?

A shortcoming in the way housing problems are addressed is the way they are understood. To propose the right solution, it is important to understand the problem correctly. At a basic level, there are two broad groups of people who typically have a housing problem: those who pay too little for housing and those who pay too much (Figure 7).

**Those who spend too little on housing: A problem of housing inadequacy (quality issue).** These are the poor and low-income households in the bottom-two quintiles of income distribution who must apportion a large share of their income to nonhousing essentials (e.g., food and fuel), and hence have too little left to spend on housing (Q1 and Q2 in Figure 7). This should not be confused with underspending, which implies spending less than one can afford to spend. As a result, they live in poor-quality or substandard housing, often in unsafe locations, without access to adequate social services or physical infrastructure. They may include, for example, migrant laborers, domestic workers, unemployed or underemployed persons, and low-wage government or private sector employees who may rent or own, squat, or share poor-quality housing in an informal settlement. For what they can pay, they can only find poor-quality or inadequate housing. For this group, “rent eats last.”

**Those who spend too much on housing: A problem of housing affordability (economic issue).** These households can be presumed to be overstretching their budgets due to high housing expenses. They are likely to be in the 30th to 60th income percentile, living predominantly in formal housing (Q2 and Q3 in Figure 7). They may include, for example, median wage employees, government officials, young families, youth, or retired people. They are typically “too rich” to be eligible for government subsidies and “too poor” to be of interest to private developers and builders. For this group, “rent eats first.”

**Figure 7: Segmenting the Users: Paying Too Little or Too Much for Housing?**



Q = quintile.

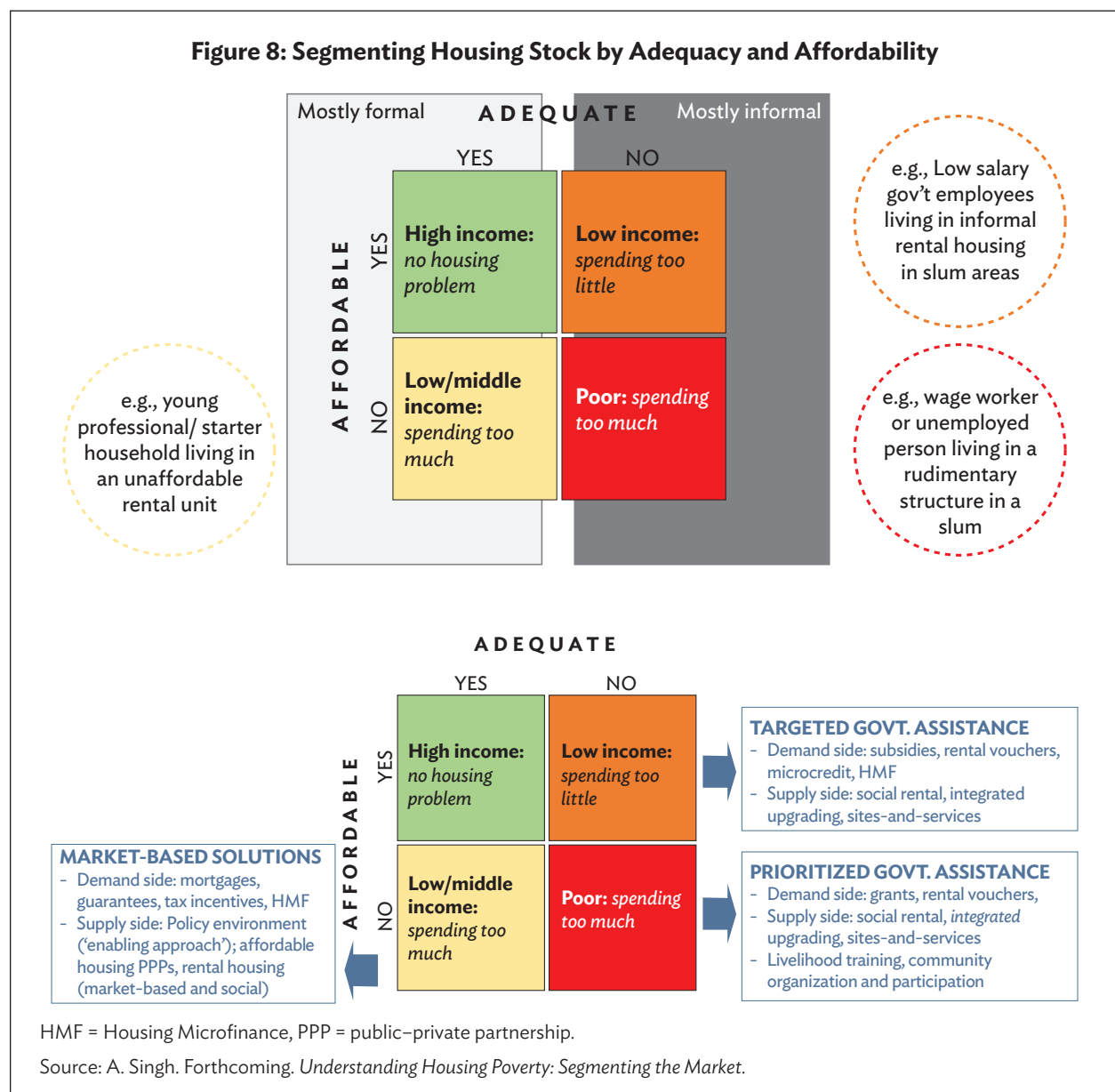
Note: This is illustrative. Housing conditions and income percentiles will vary across countries and regions.

Source: A. Singh. Forthcoming. *Understanding Housing Poverty: Segmenting the Market*.

## 2. Segmenting the Housing Stock

Two defining characteristics of housing (adequacy and affordability) can help illustrate the spectrum of housing challenges and accordingly inform the design of policy and prioritization of interventions. The matrix in Figure 8 illustrates how different levels of “adequacy” and “affordability” require different types of interventions. For example, people with housing conditions that are neither “affordable” nor “adequate” (bottom right square) are likely to be the poorest of the poor (Q1 in Figure 7) who do not have enough money to spend on housing. They should be prioritized for direct government assistance (e.g., on-site upgrading, public or social rental housing, and grants).

In contrast, those living in “adequate” housing which is “unaffordable” (bottom left square) are likely to be people higher up on the income distribution—say, Q3 in Figure 7—and may be better-suited to the market-enabling approaches (e.g., provision of finance, affordable housing supply, market-based rental options).



### 3. Understanding Affordability

**Housing affordability versus affordable housing.** The term “affordable housing” has gained broad traction globally over the past few decades. However, the looseness of the term makes it challenging to address from a policy perspective. Intuitively, one could imagine the term to imply housing that is affordable to the lower- and middle-income groups (those in the 30th to 60th percentile of income distribution). In reality, however, it is rather broad and encompasses varying segments of the income distribution depending on the country and the context. In some countries, affordable housing is indeed aimed at lower-middle and moderate-income households, but in many others, it falls only a notch below luxury housing.

In some countries, the term “affordable housing” is substituted with or is analogous to “social housing” that may be publicly subsidized. In other countries, it is used for lower-priced market-based (unsubsidized) housing developed by the private sector. One of the most widely used definitions of housing affordability is the following:

*“Affordability is concerned with securing some given standard of housing (or different standards) at a price or rent which does not impose, in the eye of some third party (usually government) an unreasonable burden on household incomes (Maclennan and Williams, 1990).”<sup>47</sup>*

In reality, however, affordability (or lack of affordability) is a relationship between the house and the person using it, not an inherent characteristic of a housing unit.

*“For some people, all housing is affordable, no matter how expensive; for others, no housing is affordable unless it is free (Stone et al. 2011).”<sup>48</sup>*

Based on this logic, it is recommended that the term “affordable” be used for housing that is affordable to someone based on an objective measure of affordability, i.e., a defining adjective, not as an inherent typology of the housing unit.

**Housing affordability for the poor.** There are different ways to calculate affordability, the most prominent being the housing expenditure-to-income ratio (EIR) method, and another being the residual income method (RIM), both of which come with their advantages and limitations and can sometimes provide distinctly different results.

The EIR is a ratio of housing expenditure to household income and is the most commonly used approach for measuring housing affordability. For homeowners, the housing expenditure typically includes mortgage loan repayments, real estate taxes, utilities, and maintenance. For renters, it is primarily limited to the periodic rental payment and could include utilities, rental insurance, and commissions associated with the rental contract. The affordability standard of this ratio typically ranges between 20% and 40% of one’s monthly income in different countries (Box 1). Normatively, this approach recognizes that if a household pays more for housing than a certain portion of its income, it will not have enough left for other essential expenses.

<sup>47</sup> M. Gabriel et al. 2005. Conceptualising and Measuring the Housing Affordability Problem. *Australian Housing and Urban Research Institute (AHURI) Research Paper No. NRV3-1*. Melbourne: Australian Housing and Urban Research Institute Limited.

<sup>48</sup> M. Stone, T. Burke, and L. Ralston. 2011. *The Residual Income Method: A New Lens on Housing Affordability and Market Behaviour. AHURI Final Report No.176*. Melbourne: Australian Housing and Urban Research Institute Limited.

### Box 1: Evolution of the 30% Housing Expenditure-to-Income Ratio

The 30% measure was first a 25% measure, derived from an old aphorism that one should devote “a week’s wages to a month’s rent,” which, in turn, was based on studies that go back to at least the late 1800s of what typical families spent on housing. The rule of thumb began to find its way into housing policy beginning in the 1930s both as a measure of need and a guide for how much tenants should be expected to pay for housing (Herbert, Hermann, and McCue 2017).

In the United States (US), the Brooke Amendment to the Housing and Urban Development Act of 1969 codified 25% as the payment standard for public housing. In the 1980s, Congress increased this figure to 30% for most programs as a budget-cutting measure (Herbert, Hermann, and McCue 2017). This rule of thumb has been constant since 1981, and because the Department of Housing and Urban Development (HUD) has used this standard, it has dominated the field in terms of how affordability is determined in the US (Valdez 2009). According to HUD, a household paying more than 30% but less than 50% of its income on housing is considered housing cost-burdened, and a household paying more than 50% of its income on housing is considered severely housing cost-burdened.

The official Eurostat affordability indicator, called housing cost overburden, applies a total housing cost-to-income ratio of 40% (Heylen 2018).

Australia uses what is called the “30/40 rule.” The rule defines a lack of affordability as a situation in which households in the lowest two quintiles of the equivalent disposable income distribution are spending at least 30% of their gross income in meeting their housing costs (Gabriel et al. 2005).

Sources: H. Christopher, A. Hermann, and D. McCue. 2018. *Measuring Housing Affordability: Assessing the 30-Percent of Income Standard*. Cambridge: Joint Center for Housing Studies, Harvard University; K. Heylen. 2018. *Measuring Housing Affordability in Flanders. Toward a New Approach?* Institute for Work and Society (HIVA); R. Valdez. 2009. *Toward A New Measure of Housing Affordability: Residual Income Approach Offers Advantages for Policy Makers*. Sightline Institute; M. Gabriel et al. 2005. *Conceptualising and Measuring the Housing Affordability Problem. Australian Housing and Urban Research Institute (AHURI) Research Paper No. NRV3-1*. Melbourne: Australian Housing and Urban Research Institute Limited.

Note: Box excerpted from: A. Mathema. 2020 *Affordable Housing or Housing Affordably? Towards more practical and scalable measures of Housing Affordability*. Research paper prepared for the World Bank

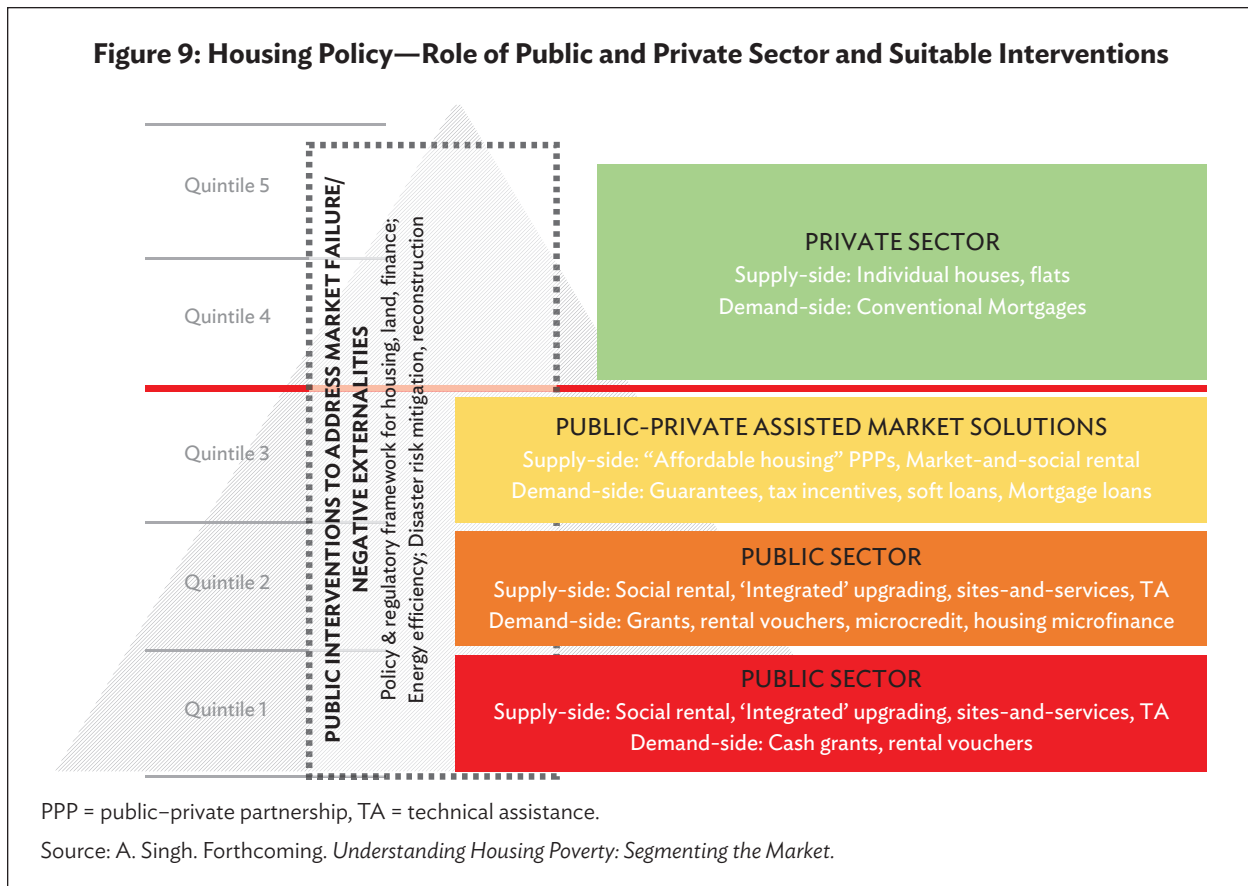
It is, however, increasingly recognized that standard rules of thumb for affordability (i.e., 30% EIR) are not suited to poor and low-income households. This is because the poor often have larger households and typically spend a larger percentage of their income on essentials like food and fuel, therefore, can allocate a smaller share to housing. One simple, although imperfect, way to adjust for this is to calibrate the affordability ratio threshold by income segment, i.e., using a progressive housing EIR ratio, for example, 10% threshold for the first income quintile (the poorest), 20% for the second, and 30% for the remaining quintiles.<sup>49</sup>

The RIM is a better and more nuanced way to assess affordability.<sup>51</sup> It measures how much money is available for housing expenses *after* other essential expenditures have been considered (as measured by a defined nonhousing budget standard or its proxy).<sup>50</sup> If there is an insufficient amount of money left for housing expenses after meeting this budget standard, a household has an affordability problem. The RIM recognizes that shelter is the largest and least flexible claim on income for most households;

<sup>49</sup> A more detailed discussion of housing affordability is provided in A. Mathema. 2020. *Affordable Housing or Housing Affordably? Towards more practical and scalable measures of Housing Affordability*. Research paper prepared for the World Bank.

<sup>50</sup> A budget standard is a list of goods and services that a family of a specified size and composition would need to live at a designated level of well-being, together with the costs of those goods and services.





nonhousing expenditures are therefore limited by how much income is left after paying for housing. The term “shelter poverty” characterizes households for whom the squeeze between income and housing cost leaves them unable to meet their non-shelter needs.<sup>51</sup> The RIM is essentially a sliding scale of housing affordability with the maximum affordable monetary amount and percentage of income varying with household size, type, and income. It implies that some households can afford nothing for housing, while others can afford more than any established ratio. The RIM thus provides a more precise and nuanced instrument for assessing housing affordability problems.<sup>52</sup>

#### 4. Allocating Responsibility: Public and Private Sector

Figure 9 illustrates the role of the public sector and the private sectors in the delivery of housing, whereby

- (i) The public sector plays a key role in targeting housing assistance to the poorest and most vulnerable groups, for example, through informal settlement upgrading, cash transfers, and technical assistance to construct or improve housing.
- (ii) The public sector intervenes directly or indirectly in areas facing market failure or negative externalities, for example, provision of water and sanitation, solid waste management, disaster risk, and energy efficiency where the private sector lacks incentives to participate.
- (iii) The public sector creates policy and incentives to change behavior and leverage private investments for housing solutions, including but not limited to affordable housing through

<sup>51</sup> Stone, M., T. Burke, and L. Ralston. 2011. *The Residual Income Method: A New Lens on Housing Affordability and Market Behaviour. AHURI Final Report No.176*. Melbourne: Australian Housing and Urban Research Institute Limited.

<sup>52</sup> Valdez, Roger. 2009. “Toward A New Measure of Housing Affordability: Residual Income Approach Offers Advantages for Policy Makers.” Sightline Institute.



- “assisted market solutions,” for example, public–private partnerships, development agreements, and tax incentives.
- (iv) The public sector enables the private sector to deliver housing for middle- and upper-income groups by addressing constraints in the housing value chain, including streamlining land-use planning; zoning (e.g., inclusive zoning); building permits; building code; hazard mitigation; and risk reduction.

## 5. Building Resilience to Climate Change and Disasters

Disasters and climate change-related impacts exacerbate housing problems in the Asia and Pacific region, especially for the urban poor who are disproportionately affected by earthquakes, flooding, extreme heat, tropical cyclones, storm surges, landslides, sea-level rise, and coastal erosion. For example, the 2015 Nepal earthquake resulted in the widespread destruction of housing and human settlements. The housing sector was severely affected and accounted for about 50% of the damage and loss.

Climate change-related risk to low-income populations at the household and community level deserves more attention. Many climate change mitigation or adaptation efforts do not adequately address disaster risk at the household or neighborhood level. This leaves a gap in terms of more affordable and practical solutions in the short and medium term for lower-income populations who are typically the most vulnerable. Poor communities in informal settlements usually lack basic services and an important factor is their exclusion from urban planning and decision-making processes. Tenure insecurity also discourages the urban poor from investing in upgrading or improving their housing conditions due to the constant threat of eviction.

## 6. Learning from COVID-19

The housing problem did not begin with the COVID-19 pandemic and will not end when the crisis is over. However, the pandemic has highlighted that the housing sector warrants more attention and more resources than it typically receives. According to the UN Special Rapporteur on Adequate Housing,

*“Housing has become the front line defence [sic] against the coronavirus. Home has rarely been more of a life-or-death situation. There is deep concern about two specific population groups: those living in emergency shelters, homelessness, and informal settlements, and those facing job loss and economic hardship which could result in mortgage and rental arrears and evictions.”<sup>53</sup>*

The pandemic made clear the role that safe, secure, and adequate housing plays in the health and well-being of every person. It caused major economic contractions in countries and affected a broad range of economic sectors including housing. However, the housing sector has substantial potential to be a driver for economic and social recovery following the pandemic. A housing recovery will need to be about houses, but also about the recovery of other sectors that promote economic development.<sup>54</sup>

From the development perspective, the following subgroups are recommended be prioritized in any immediate and medium-term response to the pandemic:

<sup>53</sup> UN. 2018. China: UN experts concerned about health of jailed rights lawyer Jiang Tianyong. News release. 23 March. <https://www.ohchr.org/EN/NewsEvents/Pages/DisplayNews.aspx?NewsID=25727&LangID=E>.

<sup>54</sup> M. Hoek-Smit and A. Acolin. 2020. Cornerstone of Recovery: How housing can help emerging market economies rebound from COVID-19. Habitat for Humanity.

- (i) **Residents of slums and informal settlements.** Slums and informal settlements in developing economies are characterized by overcrowded living conditions; shared toilets; and the lack of access to safe water, sanitation, and hygiene facilities, which make it difficult, even impossible to comply with social distancing or hand-washing measures. Because of higher exposure, they are disproportionately affected by the coronavirus, both in terms of the spread and the fatalities. Putting context to the scale of the problem, some 60% of Mumbai's 20 million population live in slums, and in the early months of the outbreak, it was estimated that more than half the residents of slums in three areas in Mumbai tested positive for coronavirus antibodies.<sup>55</sup>
- (ii) **Low-income renters.** Rental housing for low-income households is among the most neglected aspects of housing and represents one of the largest gaps in the housing policies of most countries.<sup>56</sup> An increase in ADB's focus on rental markets can contribute to rebalancing the housing policy debate. The urban housing conditions of low-wage formal sector workers, informal workers, and migrant laborers (e.g., in construction, manufacturing industries, and domestic workers) have come under scrutiny during the pandemic. They typically rent housing ranging from informal rental housing in slums and unauthorized colonies to formal rentals that may offer little tenure security. This includes, for example, the dormitory accommodation for foreign workers or factory workers living in employer-provided housing where tenancy is tied to their employment.<sup>57</sup>

With many countries having faced, and still facing, job losses and business closures as a result of the pandemic, low-income renters are likely to be among the most vulnerable to housing insecurity. This was the case in India in 2020 when millions of informal renters and “invisible” migrants who, unable to keep their jobs and unable to pay rent, had no choice but to return to their places of origin in villages and small towns.<sup>58</sup> They were unable to benefit from government-issued moratoriums on tenant evictions or rent increases because of informal and un-enforceable tenancy arrangements, and hence unable to shelter in place as their communities became coronavirus hot spots.<sup>59</sup> This sparked an overdue policy debate on the importance of rental markets, the need for a balanced and sound rental housing policy, and publicly-funded low-cost rental solutions targeted to lower-income households.

- (iii) **Lower-income homeowners and small-scale landlords.** To mitigate the negative economic impact of the pandemic, some countries adopted measures and allocated significant resources to measures such as lowering interest rates for housing finance. This could have an unintended impact on the way housing is produced and managed by putting too much of it into the hands of institutional investors.<sup>60</sup> Instead, it would be prudent to extend support to small-scale landlords who typically provide the largest supply of small and mid-sized

<sup>55</sup> S. Biwas. 2020. India coronavirus: More than half of Mumbai slum-dwellers had COVID-19. *BBC*. 29 July. <https://www.bbc.com/news/world-asia-india-53576653>.

<sup>56</sup> A. Gilbert. 2003. Rental Housing: An essential option for the urban poor in developing countries. UN-Habitat.

<sup>57</sup> R. Chandran. 2020. India plans rental homes to entice migrant workers back to cities. *Reuters*. 9 July. <https://www.reuters.com/article/us-health-coronavirus-housing-trfn-idUSKBN24A1EW>.

<sup>58</sup> J. Suraiya. 2020. Invisible Indians: The mass exodus of migrant workers has brought into focus a forgotten population of the country. *Times of India*. 4 June. <https://timesofindia.indiatimes.com/blogs/jugglebandhi/invisible-indians-the-mass-exodus-of-migrant-workers-has-brought-into-focus-a-forgotten-population-of-the-country/>.

<sup>59</sup> Not only was this mass exodus difficult to manage and execute but it was also disruptive in terms of the public health protocol. Worse, in many cases it is feared that this return of migrants to their homes might have lasting and damaging effects on a labor supply that was taken for granted and on the broader economy.

<sup>60</sup> M. Francesca. 2020. What's Between 30 million Americans and an Eviction Tsunami? *The New York Times*.

housing in many cities that is affordable to low-income households.<sup>61</sup> These “invisible”—and mostly informal—small-scale landlords both formal and informal, who have loans or other obligations, and continuing maintenance costs, could face severe losses and risk foreclosure and negative economic consequences.<sup>62</sup> Exploring ways to support and stimulate this market segment could maintain and improve the supply of cheap rental housing, while also helping formalize them where needed through improved service provision.

## 7. Addressing Gender Disparities in Housing

Women and young girls are an especially vulnerable group regarding housing. Because of discrimination and inequality in housing, many women and girls live in insecure, undignified, and unsafe conditions, at increased risk of homelessness and violence. Discriminatory inheritance laws, customs, and traditions lead to a lack of tenure security and equal rights to land and property. Women’s access to housing, land, and property, including through access to credit frequently depends on a relationship with a male family member and hence may be jeopardized upon the dissolution of their marriage or the death of their spouse. Evictions too have a disproportionate impact on women, who are often on the front lines defending their homes and dealing with the aftermath of eviction. Finally, domestic violence is one of the leading causes of women’s homelessness. Often, the woman experiencing violence rather than the male perpetrator must leave the home. Lack of alternative housing options for women places their security and lives at risk. Because women avoid living on the streets, particularly if they are caring for children, they are more likely to be found among the “hidden homeless” and denied the benefit of programs directed at persons in more visible forms of homelessness.<sup>63</sup>

These vulnerabilities were exacerbated during the pandemic, in particular, gender-based violence and elevated stress due to living in small, confined spaces during the enforced stay-at-home period.<sup>64</sup> All ADB programs in the housing sector should strive toward (i) tenure security for women irrespective of their family or relationship status; (ii) access to credit, mortgages, homeownership, and rental housing by women, including through subsidies; (iii) immediate access to emergency shelters for women in a situation of household violence, regardless of title, formal ownership, or tenancy rights; and (iv) active participation by women in all aspects of housing-related policymaking, including housing design and construction, community development and planning, and transportation and infrastructure.

---

<sup>61</sup> UN. 2020. “Housing, the front line defence against the COVID-19 outbreak,” says UN expert. News release. 18 March. <https://www.ohchr.org/EN/NewsEvents/Pages/DisplayNews.aspx?NewsID=25727&LangID=E>.

<sup>62</sup> As was the experience in many countries during the 2008–2010 global financial crisis, millions of low- and middle-income households had their homes foreclosed. In the US, some of this is clearly attributed to the predatory lending practices of banks and loans given to unqualified subprime borrowers. However, many creditworthy borrowers also saw their property values plummet. Source: A. Vesoulis. 2020. How Eviction Moratoriums Are Hurting Small Landlords—and Why That’s Bad for the Future of Affordable Housing. *Time*. 11 June. <https://time.com/5846383/coronavirus-small-landlords/>.

<sup>63</sup> UN Women. 2020. *The First 100 Days of the COVID-19 Outbreak in Asia and the Pacific: A Gender Lens*. Bangkok. <https://asiapacific.unwomen.org/en/digital-library/publications/2020/04/the-first-100-days-of-the-covid-19-outbreak-in-asia-and-the-pacific>.

<sup>64</sup> ADB. 2020. *Guidance Note: COVID-19 and Livable Cities in Asia and the Pacific*. Manila. <https://www.adb.org/documents/covid-19-livable-cities-asia-pacific-guidance-note>.

## VI. POTENTIAL ADB HOUSING ASSISTANCE



**Bishan-Ang Mo Koo Park with Housing Development Board (HDB) Housing in Singapore.** The HDB was developed from the 1970s as part of new town residential development with park and public transportation (photo by Ramboll and Ramboll Studio Dreiseitl).

### A. Basic Principles

Housing is a complex, multifaceted sector. It must be considered a basic social good as it provides shelter, privacy, dignity, and health. It is fundamental to welfare and is an important determinant of productivity.

Housing accounts for most of the capital stock in a given country, and therefore has macroeconomic consequences. Countries where the urban share of the population is still increasing need to accommodate urban growth by providing housing and urban services.

For subsidies to be effective, there needs to be an enabling policy environment so distortions that reduce access to housing do not continue. Smaller subsidies, targeted to lower-income families, are not only more equitable but they are more efficient and can greatly expand the numbers assisted. An enabling environment is also needed to help the middle class access affordable housing and finance. Without it, they will capture subsidies aimed at the poor.

Housing finance plays a fundamental role in financial systems and can be a determinant of productivity and growth in an urbanizing economy, but it requires a sound regulatory and legal foundation.

### B. Sovereign versus Nonsovereign Funds

The critical relationship between the public and private sector in housing lending operations lends itself naturally to ADB's its sovereign and nonsovereign arms. Sovereign funds, by their nature, are best suited for public sector interventions by enhancing the enabler role of governments (e.g., housing, finance policy, legal and regulatory reforms, titling and registration), and on providing assistance to the most vulnerable groups (e.g., for infrastructure upgrading, rental and cash subsidies, and rental housing). By the same token, nonsovereign funds should focus on supporting market players (e.g., small- and medium-sized developers, banks, and housing finance companies) to bring housing delivery more downstream. Moreover, the

complementarities in the housing sector between the public and private sector, and between the finance and urban sector teams make a strong case for joint housing sector work in ADB.

Regarding ADB’s active and planned involvement in the housing sector, it is recommended that the institution focus on four overlapping groups: lower-income countries; urban areas; the bottom-two income quintiles of the income distribution; and specifically lower-income women, girls, and other vulnerable groups.

- **Lower-income countries of Asia and the Pacific.** The Asia and Pacific region includes countries with different contexts and needs. Hence, ADB should consider focusing on countries facing serious housing issues, particularly those related to informal settlements.
- **Urban areas.** Because the most extreme issues are prevalent in dense urban areas and because rural housing operates in a distinctly different way, ADB should strengthen its focus on urban housing.
- **Bottom-two income quintiles of income distribution.** ADB should focus on the housing issues faced by these income segments, and devise approaches using a combination of urban development sector and financial sector tools, supply- and demand-side interventions, and maximizing the role of the government as the facilitator of markets. They should also consider direct delivery (e.g., through public–private partnerships and infrastructure).<sup>65</sup>
- **Women, ethnic minorities, migrants, elderly, disabled, and other vulnerable groups.** Within the above income segments, priority should go to projects that target the most vulnerable groups.

Below are proposed interventions by thematic area that ADB may consider as part of its housing strategy (Table 16). These should be viewed as “big picture” ideas that will need to be vetted, fine-tuned, and detailed based on the local context.

**Table 16: Potential ADB Interventions in the Housing Sector by Funding Type and Target Income Quintile**

Thematic Area	Intervention	Assistance Type	ADB Funding Type	Target Group (Income Quintile)
<b>Housing Policy and Institutions</b>	Housing assessment, policy development	TA	Primarily Sovereign	N/A
	Institutional capacity building	TA	Sovereign	N/A
	Policy, regulatory and legal reform	TA		
<b>Low-Income and Informal Communities</b>	Tenure regularization	TA	Sovereign	Q1, Q2, Q3
	In-situ upgrading	TA / Loan	Sovereign	Q1, Q2
	Sites-and-services	TA / Loan	Sovereign	Q1, Q2
	Densification of existing settlements	TA / Loan	Sovereign	Q2, Q3
	Resettlement from hazardous zones	TA / Loan	Sovereign	Q1, Q2, Q3
	Resilience to climate change	TA / Loan / Investment	Sovereign / nonsovereign	Q1, Q2, Q3

*Continued on next page*

<sup>65</sup> Urban and finance sectors refer to the thematic groups and departments within development agencies like the World Bank and ADB.



Table 16: continued

Thematic Area	Intervention	Assistance Type	ADB Funding Type	Target Group (Income Quintile)
<b>Housing Finance</b>	Legal and regulatory reform	TA	Primarily Sovereign	N/A
	Conventional mortgage market expansion	TA / Loan / Investment	Primarily nonsovereign	Q2, Q3
	Small-mortgage finance	TA / Loan / Investment	Sovereign / nonsovereign	Q2, Q3
	Housing microfinance (for home improvement)	TA / Loan / Investment	Sovereign / nonsovereign	Q2, Q3
<b>Housing Supply</b>	Development of affordable housing (including PPP)	TA / Loan / Investment	Sovereign / nonsovereign	Q2, Q3, Q4
	social housing	TA / Loan / Investment	Sovereign / nonsovereign	Q2, Q3

ADB = Asian Development Bank, N/A = not applicable, PPP = public-private partnership, Q = quintile, TA = technical assistance.  
Source: Authors' elaboration.

## C. Housing Policy and Institutions

### 1. Housing Sector Assessment and Policy Development

*Type of assistance: Direct charge and TA*

*Type of funding: Primarily sovereign funds*

It is recommended that before undertaking any housing-related lending operations, a national- or city-level assessment be carried out on all facets of the housing sector. At a minimum, such a housing assessment should involve desk research and qualitative interviews with stakeholders, including government agencies and the private sector (e.g., developers, builders, rental housing organizations, planners, engineers, banks, civil society, housing microfinance institutions). In the absence of good quantitative data (e.g., especially on income levels, prices, household characteristics), the assessment can provide a broad sector overview by identifying the bottlenecks and specific issues flagged (Box 2).

The assessment should provide clear direction on (i) policy interventions addressing the housing needs of different segments of the income distribution; (ii) housing indicators, data collection, and information management in housing; (iii) encouraging the private sector to deliver housing that is more affordable to more people; (iv) making rental markets more robust including by expanding the pool of inexpensive rental housing; (v) assistance for low-income renters; (vi) efficient and equitable subsidies targeted to vulnerable groups; and (vii) lessons learned and good practices from other countries.

The assessment can function as the foundation for a national- or city-level housing policy or strategy and provide direction for future lending operations. If sufficient financial and technical resources are available, in-depth household surveys could supplement the sector assessment. Such surveys should be tailored to capture specific issues identified in the assessment.

### Box 2: Content of a Housing Sector Assessment

**Country context:** Topography, population and demographics, including gender assessment, urbanization pace, household formation rates, density, income levels, employment, poverty, and vulnerability

**Institutional framework:** Relevant government institutions and agencies, national and municipal level housing budgets, and relevant nongovernmental institutions and agencies

**Government housing programs:** Public sector housing programs, social housing, urban upgrading and regularization programs, and housing subsidies (for rental and ownership)

**Formal (market-based) housing stock and supply:** Quality and quantity of existing housing stock, housing typologies, house size, new housing completions, multifamily building management (e.g., homeowner associations and management companies), and formal and informal rental housing

**Social rental housing (public and private):** Management and institutional arrangement, targeting and eligibility criteria, and subvention and subsidy (for operation and maintenance)

**Informal settlements:** Population, number and types of settlements, quality of housing and infrastructure, housing typologies, housing prices, and household incomes

**House prices:** Price per square meter for house purchase or rental by geographic location, real estate agencies, transaction cost, and tax and value-added tax component

**Household income and cost of living:** Household income by decile and quintile, cost of living (minimum non-housing expenses) by household type and size

**Housing finance:** Product offerings, terms (e.g., interest, tenure, loan-to-value ratio, debt-to-income ratio, minimum income requirements) and target groups for mortgage loans, home improvement loans, housing micro-finance, developer and construction finance

**Land:** Land prices, government and private owned land, property titling, tenure security, vacant or reserved land tax, and speculative holdings

**Building construction industry:** cost and pricing (e.g., building, infrastructure, land, profit margin, financing), taxes, process, and cost to obtain building permit

**Regulations and procedures:** Permitting process; building code; maximum allowable lot size; Floor Area Ratio restrictions; property tax; hazard insurance; prevalence of district-level plans and master plans to determine, monitor, and respond to changing housing demand over time

**Infrastructure and services:** Delivery of infrastructure (e.g., roads, water, sanitation, electricity, and public amenities, schools, hospitals, parks, and public spaces) by municipality and associated costs, and cost of utilities

**Housing affordability:** Analysis based on house prices (for sale and rental) for different house types in different locations, and income of different household by type and size

**Housing demand assessment:** Analysis of existing and future housing need based on urbanization and population projections, and current housing stock (for quantity and quality)

**Climate resilience:** Identifying the potential to improve climate resilience and adaptation in the housing sector

Source: Authors' elaboration.



## 2. Institutional Capacity Building (Technical Assistance)

*Type of assistance: Direct charge, TA and/or loan*

*Type of funding: Primarily sovereign funds*

Training and study tours may be carried out for government officials of member countries to increase their technical knowledge in the housing sector. Topics can include (i) housing policy and best practices; (ii) impact of urban planning and regulation on housing affordability; (iii) upgrading and redevelopment of housing in-situ upgrading, sites-and services; (iv) resettlement from hazardous lands, potentially using land readjustment and ownership approaches; (v) housing information management; (vi) social housing policy (budgeting and O&M); (vii) support to the housing construction industry; (viii) affordable rental housing; (ix) housing for the poor using participatory approaches, and (x) master planning and urban design.

## 3. Policy, Regulatory, and Legal Reform

Housing supply inelasticity is generally caused by restrictive housing regulations and standards. Changing these regulations is likely to be more effective than financing the construction of new housing or loans. Housing finance needs to build on a sound regulatory and legal foundation and augment demand-side rather than supply-side housing.

### D. Low-Income and Informal Communities

Diverse interventions will be necessary to address the wide-ranging problems faced by low-income earners living in informal settlements. Interventions include in-situ upgrading, sites-and-service projects, regularization, and densification of existing settlements. Under extreme circumstances, community resettlement may have to be considered.

#### 1. Tenure Regularization

*Type of assistance: Direct charge, TA and loans*

*Type of funding: Primarily sovereign funds*

To close the tenure security gap, a continuum approach is proposed. The continuum approach to land rights is gaining traction globally as a metaphor to guide policies and strategies to improve equity in land tenure and land transactions, and to increase official recognition of different tenure types that provide various levels of security. The continuum offers an alternative approach to the dominant focus on titling individually held private property as the ultimate form of tenure security. The belief is that the continuum improves tenure security by using a progression of tenure types in an incremental approach. This includes community tenure, for example, community land trust,<sup>66</sup> until landholders acquire a form that best suits their needs in the long term. This approach is more likely to succeed than an across-the-board titling program and has a better chance of improving the lives of the poor and other vulnerable groups.<sup>67</sup>

<sup>66</sup> E. M. Bassett and H.M. Jacobs. 1997. Community-based Tenure Reform in Urban Africa: The Community Land Trust Experiment in Voi, Kenya. *Land Use Policy*. 14 (3). pp. 215–229.

<sup>67</sup> M. Barry and C. Augustinus. 2016. *Framework For Evaluating Continuum of Land Rights Scenarios*. United Nations Human Settlements Programme (UN-Habitat).

## 2. In-Situ Informal Settlement Upgrading

*Type of assistance: Primarily loans*

*Type of funding: Primarily sovereign funds*

Infrastructure upgrading, similar to ADB's past integrated urban development projects, deserves to be revisited. Although such projects are complex to design and implement, they have proven to bring long-term social and economic benefits to local communities.

## 3. Sites-and-Services

*Type of assistance: Primarily loans*

*Type of funding: Primarily sovereign funds*

Sites-and-service projects should be considered in secondary cities where land is available. The objective should be to retain the social fabric of the communities while providing the physical and social infrastructure along with employment opportunities that create thriving communities.

## 4. Densification of Existing Settlements

*Type of assistance: Primarily loans*

*Type of funding: Sovereign or nonsovereign funds*

With land availability a widespread constraint, consideration could be given to increasing the density of existing settlements by rezoning and upgrading infrastructure. In particular, assistance to existing homeowners (e.g., through direct cash transfers, TA, microfinance) to improve their homes and build additional units for rent or sale (e.g., direct charge, TA, and microfinance) could be a creative way of increasing housing supply and densifying existing settlements.

## 5. Resettlement

*Type of assistance: Primarily loans*

*Type of funding: Sovereign or nonsovereign funds*

When in-situ upgrading is not possible because of risk hazards or environmental factors, ADB may consider financing resettlement housing. Resettlement should be only considered under extreme circumstances.

## 6. Improving Resilience to Climate Change

*Type of assistance: TA and loans*

*Type of funding: Sovereign or nonsovereign funds*

Climate change-related risks to low-income populations at the household and community level deserve more attention. Informal settlements provide a valuable entry point for rapid, scalable initiatives that can have an impact. While in-situ upgrading is the preferred option to improve living conditions and climate resilience, such projects are too few and far between. For the majority of the poor, informal

housing continues to be the only option available in the foreseeable future. This all-or-nothing approach essentially benefits a few “lottery-winners,” leaving the rest to fend for themselves.

This vulnerability can be mitigated by simple, low-cost retrofits that are practical and scalable to make more people more resilient, with the emphasis on “more” that, even if not perfect in terms of global standards, will move the most vulnerable groups up a notch on the scale of resilience.<sup>68</sup> Recognizing there are limits to how much can be done to make these houses safer, this is a middle ground between doing nothing and full-scale upgrading. One is far from perfect but can provide low-cost, low-tech construction improvements for incrementally built informal housing that make it both more climate-resilient and climate-responsive relatively quickly.

This approach offers good value-for-money and complements project-oriented slum improvement or resettlement projects. It is based on simple-to-implement housing improvements that can be undertaken by individuals, and therefore more sustainable in terms of vulnerability and risk reduction.

The lower-income housing sector has a high potential for reducing greenhouse gases and climate change. Housing constitutes a large share of the built-up area and has enormous potential for positive social and economic impact. Incorporating better practices into retrofitting and upgrading existing formal housing and constructing new affordable housing, can have a strong impact on the trends of global warming and climate change.<sup>69</sup>

## E. Housing Finance

It is important that beneficiary identification and targeting be clarified in projects related to housing finance, particularly those pertaining to the expansion of mortgage lending using ADB funds.<sup>70</sup> It is strongly recommended that a comprehensive housing assessment be undertaken as part of designing and preparing housing and housing finance projects to ensure housing reforms are sequenced and resources prioritized. Housing finance can be an effective tool for improving housing affordability and for the development of financial markets; however, it should be seen as one of many arrows in the policy quiver.

### 1. Legal and Regulatory Reform

*Type of assistance: Direct charge and TA*

*Type of funding: Primarily sovereign funds*

A sound legal and regulatory framework is the bedrock of housing finance. This is where ADB’s sovereign funds can play an important role in assisting DMCs.

<sup>68</sup> A. Mathema et al. 2011. Informal Housing and Disaster Vulnerability: Moving towards Safer Houses and Stronger Communities. World Bank.

<sup>69</sup> A. Mathema. 2009. Where green equals affordable. *World Bank Blogs*.

<sup>70</sup> One of the widely accepted global income thresholds for a daily per capita income is \$2 as poor, \$2 to \$10 as low-income, and \$10 to \$20 as middle income. Source: R. Kochhar. 2015. A Global Middle Class Is More Promise than Reality. *Pew Research Center*. 8 July. <https://www.pewresearch.org/global/2015/07/08/a-global-middle-class-is-more-promise-than-reality/>.

## 2. Conventional Market Expansion

*Type of assistance: Primarily loans*

*Type of funding: Primarily nonsovereign funds*

An expanded ADB role in conventional mortgage can be helpful in two ways. One, it can bring mortgages down-market and two, it can help create more competition in the private mortgage market. The performance of most past projects on the first aspect has been weak. On the second aspect, ADB's nonsovereign loans to private housing finance companies are relevant and could be considered for replication more broadly.

To reiterate an earlier point, sovereign lending is well-suited for legal and regulatory reform while nonsovereign is better at addressing mortgage market expansion in the private sector, including creating refinancing entities when they are deemed a priority.

## 3. Expansion of Small-Mortgage Finance

*Type of assistance: TA and loans*

*Type of funding: Sovereign or nonsovereign funds'*

Other than conventional mortgage finance discussed above, two specific areas most likely to benefit from ADB funding are small-mortgages for lower-middle-income earners in the informal sector and developing tailored underwriting criteria for creditworthy informal sector borrowers to increase their access to mortgage finance.

## 4. Housing Microfinance

*Type of assistance: TA and loans*

*Type of funding: Sovereign or nonsovereign funds*

Housing microfinance loans, which are typically larger than microfinance loans, can be a helpful resource for lower-income households for home improvement or construction. It is recommended that assistance is provided to (i) support the expansion of housing microfinance loans using low-interest and flexible terms to creditworthy clients of microfinance institutions and community-based financial institutions to increase penetration, (ii) support nonbanking financial institutions to offer housing microfinance to their customers with a good credit history, and (iii) support small-scale landlords to build additional rental units or accessory dwelling units as legally permitted.<sup>71</sup>

These initiatives can increase the supply of inexpensive rental housing which is more accessible to lower-income households, particularly those with informal incomes, who may not qualify for a mortgage loan.<sup>72</sup>

<sup>71</sup> An accessory dwelling unit (ADU) is a simple and old idea: having a second small dwelling on the same grounds (or attached to) a regular single-family house, such as an apartment over the garage, a tiny house (on a foundation) in the backyard, or a basement apartment. Regardless of its physical form, legally an ADU is part of the same property as the main home. It cannot be bought or sold separately like a condominium or a dwelling on wheels might be. The owner of the ADU is the owner of the main home. Source: Accessory Dwellings. Accessory dwelling units: what they are and why people build them. <https://accessorydwellings.org/what-adus-are-and-why-people-build-them/>.

<sup>72</sup> D. Herriges. 2018. If You're Going to Allow ADUs, Don't Make It So Hard to Build One. *Small Towns*. 11 September. <https://www.strongtowns.org/journal/2018/9/11/if-youre-going-to-allow-adus-dont-make-it-so-hard-to-build-one>.

## F. Housing Supply

### 1. Rental Housing Policy Framework

In many DMCs, policies in the rental sector are outdated or limited to rent control and eviction laws. This has largely discouraged rental activity or pushed it underground. A review and reform of such policies is the starting point for addressing constraints in the rental markets. Low-income renters face some of the worst and most severe housing challenges and should be prioritized in terms of government funding through both demand- and supply-side interventions.

As previously discussed, informal settlements constitute a significant stock of rental housing that is underserved but relatively well located. Finding creative ways to regularize these rentals and incentivize communities to build additional affordable rental units could provide relief to rental market bottlenecks.

### 2. Social Rental Housing

*Type of assistance: TA and loans*

*Type of funding: Sovereign or nonsovereign funds*

There is a growing debate about the importance of public and social housing with some form of government ownership or administrative oversight, especially in housing markets becoming increasingly unaffordable. Questions are being raised about the effectiveness of cash assistance for housing (housing vouchers), especially where housing is expensive, unaffordable, or in short supply. The logic is that when there is too much housing in the market sector and too little in the public sector, the supply-and-demand imbalance bids up housing prices. As a result, the government is forced to provide higher subsidies to fewer people.<sup>73</sup> This is true whether the form of public subsidy is tax breaks, direct subsidies, vouchers, or arrangements with developers to set aside some units as affordable housing.

There is no clear direction of what works best in a developing country context in terms of public rental housing because of capacity limitations as well as lack of data (e.g., on incomes, housing supply and demand). Different models of public and social rental housing are being studied to determine how they can be adapted for different contexts and population groups. Hence, this topic would need to be considered with some level of caution, with a lot of up-front learning, followed potentially by pilot lending operations to finance the construction of social housing.<sup>74</sup>

<sup>73</sup> Dreier, P. 2018. Why America Needs More Social Housing. *American Prospect*. <https://prospect.org/infrastructure/america-needs-social-housing/>.

<sup>74</sup> Another issue is the confusion in the terminology of social housing. Some governments build social housing to sell to their employees at heavily subsidized rates. That is different from the social rental discussed above, and is a less preferred option. In principle, if any housing is being paid for by the government, it is recommended that the government retain ownership (while outsourcing day-to-day management) and rent it to their employees at cost, which is likely to be cheaper than the market. This helps ensure that future employees also benefit from this investment. The maintenance costs of these assets will need to be budgeted for by the government. Source: V. Garg and A. Singh. (2022).

### **3. Development of Housing for Lower-Income Groups**

*Type of assistance: Primarily loans*

*Type of funding: Sovereign or nonsovereign funds*

As has been done successfully in the past, ADB's nonsovereign lending can finance the private sector through public–private partnerships for the construction of low-income housing and social housing. The preference should be to build rental housing that stays under the oversight of the public or nonprofit sector rather than housing for ownership. This way, the benefits of the subsidy can be extended to more needy beneficiaries. It is imperative that adequate technical assistance be associated with such projects to help identify bottlenecks in the supply chain, for example, the permitting process, titling, registration, and delivery of serviced land. Furthermore, any ADB-funded project on the supply side should factor in climate risk mitigation and adaptation. Green certification of builders, properties, and projects may also be considered.



## REFERENCES

### Bibliography

ADB. 2012. *Learning Curves: Does Low-Income Housing Finance Help the Poor?* <https://think-asia.org/handle/11540/3442>.

ADB. 2013. *Urban Operational Plan 2012–2020*. <https://www.adb.org/documents/urban-operational-plan-2012-2020>.

ADB. 2016. *The Housing Challenge in Emerging Asia: Options and Solutions*. Tokyo: Asian Development Bank Institute. <https://www.adb.org/sites/default/files/publication/190060/adbi-housing-challenge-emerging-asia-options-solutions.pdf>.

ADB. 2017. *Through the Decades. ADB's Fifth Decade (2007–2016)*. Manila. <http://dx.doi.org/10.22617/TCS178966-2>.

ADB. 2019. *Strategy 2030 Operational Plan for Priority 4: Making Cities More Livable, 2019–2024*. <https://www.adb.org/sites/default/files/institutional-document/495966/strategy-2030-op4-livable-cities.pdf>. DOI : <http://dx.doi.org/10.22617/SPR200020>.

Barry, M. and C. Augustinus. 2016. *Framework For Evaluating Continuum of Land Rights Scenarios*. Nairobi, Kenya: United Nations Human Settlements Programme (UN-Habitat). [https://unhabitat.org/sites/default/files/download-manager-files/Framework%20for%20Evaluating%20Continuum%20of%20Land%20Rights%20Scenarios\\_English\\_2016.pdf](https://unhabitat.org/sites/default/files/download-manager-files/Framework%20for%20Evaluating%20Continuum%20of%20Land%20Rights%20Scenarios_English_2016.pdf).

Bassett, E.M. and H.M. Jacobs. 1997. Community-based tenure reform in urban Africa: The community land trust experiment in Voi, Kenya. *Land Use Policy*. 14 (3), pp. 215–229.

Buckley, R.M. and J. Kalarickal, eds. 2006. *Thirty Years of World Bank Shelter Lending: What Have We Learned?* Washington, DC: World Bank. <https://openknowledge.worldbank.org/handle/10986/7061>.

Corburn, J. and A. Sverdlik. 2017. Slum Upgrading and Health Equity. *International Journal of Environmental Research and Public Health*. 14 (4), pp. 342. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5409543/>.

Dreier, P. 2018. Why America Needs More Social Housing. *The American Prospect*. <https://prospect.org/infrastructure/america-needs-social-housing/>.

Gabriel, M., K. Jacobs, K. Arthurson, and T. Burke with J. Yates. 2005. Conceptualising and Measuring the Housing Affordability Problem. *Australian Housing and Urban Research Institute (AHURI) Research Paper No. NRV3-1*. Melbourne: Australian Housing and Urban Research Institute Limited. [https://www.ahuri.edu.au/sites/default/files/migration/documents/NRV3\\_Research\\_Paper\\_1.pdf](https://www.ahuri.edu.au/sites/default/files/migration/documents/NRV3_Research_Paper_1.pdf).

Garg, V. and A. Singh. (2022). *Revisiting Social Housing*, World Bank.

Gilbert, A. 2003. Rental Housing: An essential option for the urban poor in developing countries. UN-Habitat. Draft manuscript of the book by the same title. <https://scarp.ubc.ca/sites/scarp.ubc.ca/files/Rental%20Housing%20-%20An%20Essential%20Option%20for%20the%20Urban%20Poor.pdf>.

Goodnam, L. and C. Mayar. 2018. *Homeownership is still financially better than renting*. Urban Wire, Urban Institute. <https://www.urban.org/urban-wire/homeownership-still-financially-better-renting>.

Hoek-Smit, M. and A. Acolin. 2020. *Cornerstone of Recovery: How housing can help emerging market economies rebound from COVID-19*. Habitat for Humanity.

Holder, S. 2021. *Staking New York City's Future on Social Housing*. *Bloomberg CityLab*. <https://www.adb.org/news/adb-habitat-humanity-support-housing-microloans-vulnerable-communities>.

Lander, B. 2020. *How to Avoid a Post-Recession Feeding Frenzy by Private Developers*. *The New York Times*. <https://www.nytimes.com/2020/09/02/opinion/new-york-housing-stores-land-banks.html?referrerSource=articleShare>.

Madarcos, E. 2019. *Opinion: Realizing the right to housing amid urban challenges*. <https://www.devex.com/news/sponsored/opinion-realizing-the-right-to-housing-amid-urban-challenges-95439>.

Mathema, A. 2020. *Affordable Housing or Housing Affordably? Towards more practical and scalable measures of housing affordability*. Research paper prepared for the World Bank.

Mathema A., P. Salvi, P. Shetty, and R. Gupte. 2011. *Informal Housing and Disaster Vulnerability: Moving towards safer houses and stronger communities*. World Bank.

Stone, M., T. Burke, and L. Ralston. 2011. *The Residual Income Method: A New Lens on Housing Affordability and Market Behaviour*. *AHURI Final Report No.176*. Melbourne: Australian Housing and Urban Research Institute Limited.

World Bank. 1993. *Housing: Enabling Markets to Work*. <https://doi.org/10.1596/0-8213-2434-9>.

World Bank. 2020. *Earthquake Risk in Multifamily Residential Buildings, Europe and Central Asia Region*. Washington, DC: World Bank Group. <https://documents1.worldbank.org/curated/en/401931598952181261/pdf/Earthquake-Risk-in-Multifamily-Residential-Buildings-Europe-and-Central-Asia-Region.pdf>.

## Online Sources

AccessoryDwellings.org. *Accessory dwelling units: what they are and why people build them*. <https://accessorydwellings.org/what-adus-are-and-why-people-build-them/>. (accessed 30 April 2022).

ADB. 2003. *Completion Report: India Housing Finance Project*. <https://www.adb.org/sites/default/files/project-document/70465/pcr-ind-30011.pdf>. (accessed 1 May 2022).

ADB. 2004. *Mongolia: Country Strategy and Program Update (2005–2006)*. <https://www.adb.org/sites/default/files/institutional-document/32343/files/csp-mon-2004.pdf>. (accessed 1 May 2022).

ADB. 2006. *Urban Sector Strategy and Operations*. <https://www.adb.org/sites/default/files/evaluation-document/35444/files/ses-usso.pdf>. (accessed 1 May 2022).

ADB. 2007. *Karnataka Urban Infrastructure Development Project*. <https://www.adb.org/sites/default/files/evaluation-document/35103/files/27132-ind-pper-0.pdf>. (accessed 1 May 2022).

- ADB. 2009. *Completion Report: Mongolia: Housing Finance (Sector) Project*. <https://www.adb.org/sites/default/files/project-document/65107/32017-mon-pcr.pdf>. (accessed 1 May 2022).
- ADB. 2009. *Validation Report: Mongolia: Housing Finance (Sector) Project*. <https://www.adb.org/sites/default/files/evaluation-document/35612/files/32017-mon-validation.pdf>. (accessed 1 May 2022).
- ADB. 2010. *Housing Finance Impact Evaluation Loan 1632-SRI: Urban Development and Low-Income Housing Project*. <https://www.adb.org/sites/default/files/evaluation-document/35045/files/ies-sri-eap.pdf>. (accessed 30 April 2022).
- ADB. 2010. *Technical Assistance Completion Report: Metro Manila Urban Services for the Poor Project*. <https://www.adb.org/sites/default/files/project-document/63257/38398-01-phi-tcr.pdf>. (accessed 1 May 2022).
- ADB. 2011. *Impact Evaluation Study on ADB's Assistance for Low-Income Housing Finance in Sri Lanka. Management Response and Development Effectiveness and Committee Chair's Summary*. <https://www.adb.org/sites/default/files/evaluation-document/35045/files/ies-sri-housing.pdf>. (accessed 1 May 2022).
- ADB. 2013. *Validation Report: Indonesia Neighborhood Upgrading and Shelter Sector Project*. <https://www.adb.org/sites/default/files/evaluation-document/36189/files/pvr-280.pdf>. (accessed 1 May 2022).
- ADB. 2016. *Completion Report: Mongolia: Urban Development Sector Project*. <https://www.adb.org/sites/default/files/project-document/192086/37697-013-pcr.pdf>. (accessed 1 May 2022).
- ADB. 2020. *Guidance Note: COVID-19 and Livable Cities in Asia and the Pacific*. <https://www.adb.org/documents/covid-19-livable-cities-asia-pacific-guidance-note>. <http://dx.doi.org/10.22617/TIM200416-2>. (accessed 1 May 2022).
- ADB Knowledge and Innovation. 2020. Peter Narro on the Uzbekistan MMDSP. YouTube. <https://www.youtube.com/watch?v=7qLo51cmqOM&list=PLEefmO3ndU3ql9D5VjuXv2Q20K9R-OWjX&index=5>. (accessed 1 May 2022).
- Biswas, S. 2020. BBC News. *India coronavirus: "More than half of Mumbai slum-dwellers had Covid-19"*. <https://www.bbc.com/news/world-asia-india-53576653>. (accessed 1 May 2022).
- The Economist*, 16 January, 2020. *Governments Are Rethinking the Provision of Public Housing*. <https://www.economist.com/special-report/2020/01/16/governments-are-rethinking-the-provision-of-public-housing>. (accessed 5 May 2022)
- Gattoni, G. 2009. *A Case for the Incremental Housing Process in Sites-and-Services Programs and Comments on a New Initiative in Guyana*. <http://web.mit.edu/incrementalhousing/articlesPhotographs/guyanaGeorgeGattoni.html>. (accessed 1 May 2022).
- Gulyani, S. 2016. World Bank Blogs. *Success when we deemed it failure? Revisiting sites and services 20 years later*. <https://blogs.worldbank.org/sustainablecities/success-when-we-deemed-it-failure-revisiting-sites-and-services-20-years-later>. (accessed 1 May 2022).
- Herriges, D. 2018. *If You're Going to Allow ADUs, Don't Make It So Hard to Build One. Strong Towns*. <https://www.strongtowns.org/journal/2018/9/11/if-youre-going-to-allow-adus-dont-make-it-so-hard-to-build-one>. (accessed 30 April 2022).

Kochhar, R. 2015. Pew Research Center. *A Global Middle Class Is More Promise than Reality*. <https://www.pewresearch.org/global/2015/07/08/a-global-middle-class-is-more-promise-than-reality/>. (accessed 30 April 2022).

Mari, F. 2020. The New York Times. *What's Between 30 million Americans and an Eviction Tsunami?* <https://www.nytimes.com/2020/12/02/opinion/eviction-moratorium-ending.html>. (accessed 1 May 2022).

Mathema, A and A. Simpson. 2018. World Bank Blogs. *On Shaky Ground: Housing in Europe and Central Asia*. <https://blogs.worldbank.org/europeandcentralasia/shaky-ground-housing-europe-and-central-asia>. (accessed 1 May 2022).

OHCHR (Office of the High Commissioner for Human Rights). 2020. *Housing, the front line defence against the COVID-19 outbreak*. <https://www.ohchr.org/EN/NewsEvents/Pages/DisplayNews.aspx?NewsID=25727&LangID=E>. (accessed 1 May 2022).

Suraiya, J. 2020. The Times of India. *Invisible Indians: The mass exodus of migrant workers has brought into focus a forgotten population of the country*. <https://timesofindia.indiatimes.com/blogs/jugglebandhi/invisible-indians-the-mass-exodus-of-migrant-workers-has-brought-into-focus-a-forgotten-population-of-the-country/>. (accessed 30 April 2022).

Thomson Reuters Foundation. 2020. Deccan Herald. *India plans rental homes to entice migrant workers back to cities*. <https://www.deccanherald.com/national/national-politics/india-plans-rental-homes-to-entice-migrant-workers-back-to-cities-858990.html>. (accessed 30 April 2022).

UN Committee on the Rights of the Child. 2015. UN child rights body to review 12 countries: Cambodia, Dominican Republic, Turkmenistan, Sweden, Gambia, Mauritius, Tanzania, Jamaica, Uruguay, Colombia, Iraq, Switzerland. <https://www.ohchr.org/EN/NewsEvents/Pages/DisplayNews.aspx?NewsID=25727&LangID=E>. (accessed 30 April 2022).

UN Statistics Division. 2019. <https://unstats.un.org/sdgs/report/2019/goal-11/>. (accessed 1 May 2022).

UN Women. 2020. *The First 100 Days of the COVID-19 Outbreak in Asia and the Pacific: A Gender Lens*. <https://asiapacific.unwomen.org/en/digital-library/publications/2020/04/the-first-100-days-of-the-covid-19-outbreak-in-asia-and-the-pacific>. Bangkok, Thailand: UN Women. (accessed 1 May 2022).

Valdez, Roger. 2009. "Toward A New Measure of Housing Affordability: Residual Income Approach Offers Advantages for Policy Makers." Sightline Institute.

Vesoulis, A. 2020. Time. *How Eviction Moratoriums Are Hurting Small Landlords—and Why That's Bad for the Future of Affordable Housing*. <https://time.com/5846383/coronavirus-small-landlords/>. (accessed 1 May 2022).

World Bank. 2017. *Turkey: A Review of Social Housing and Housing Indicators*. Cited from Affordable Housing Institute. <https://www.affordablehousinginstitute.org/>. (accessed 6 May 2022).



## **Adequate and Affordable Housing**

*Enhancing ADB's Support to Developing Member Countries*

The pandemic has highlighted the importance of sanitary, affordable, and secure housing. This publication shares lessons from Asian Development Bank (ADB) assistance in the housing sector between 2000 and 2020. It notes the need to balance supporting the poor and vulnerable with making markets work better. The authors identify two essential components of an effective housing ecosystem: (i) well-targeted subsidies for low-income households, and (ii) housing finance and supply for middle-income households that enables them to pay their own way.

### **About the Asian Development Bank**

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. Established in 1966, it is owned by 68 members—49 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.



**ASIAN DEVELOPMENT BANK**

6 ADB Avenue, Mandaluyong City

1550 Metro Manila, Philippines

[www.adb.org](http://www.adb.org)