

Achieving Affordable Housing for All: Strategy and Practice

Challenges

- Urban population is exploding, and by 2030, nearly 60 percent of the world's projected 8.3 billion people will live in cities. This translates into a need for 300 million new homes.¹
- Currently, 828 million slum dwellers are highly exposed to climate change and natural disasters, due partly to substandard housing but also to segregation and inequality.²
- Worldwide, 93 percent of people have no access to formal housing finance products.³

Delivering affordable housing at global scale requires tackling three parts of the value chain: housing supply, housing finance, and institutional frameworks.

Key Strategies for Housing Supply

1. Incentivize developers to build large-scale affordable housing. Address obstacles that prevent developers from participating in low-cost housing projects by increasing access to affordable land, simplifying title registration and construction permitting, and ensuring sufficient financial returns. Empower and build capacity of local governments to partner with private developers, and create incentives that address market gaps.
2. Promote and support self-construction. Develop self-construction tool kits, and offer technical assistance



Global
Platform for
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Cities



What is GPSC?

Led by the World Bank and supported by multilateral development banks, UN organizations, think tanks and various city networks, the GPSC is a knowledge sharing platform that will provide access to cutting-edge tools and promote an integrated approach to sustainable urban planning and financing.

and incentives to ensure construction completion and to crowd in micro-housing finance schemes. Up to 70 percent of households in developing cities build or upgrade their own housing incrementally, so construction standards and codes should include nonformal housing typologies.

3. Make rental a vital, affordable option in cities, where high housing costs make rental a necessity. Create appropriate subsidies (supply and/or demand side) with effective eligibility scales and proper targeting; balance the rights of landlords and tenants; and ensure that eviction laws are fair and transparent.

Singapore offers an example of good practice in affordable housing. In 1960, hundreds of thousands of Singaporeans were living in slums and squatter settlements. To address this problem, the Housing and Development Board built 21,000 flats over the next three years; more than 50 years later, over 1 million units have been built, and they now house more than 80 percent of Singapore's population.⁴

Singapore's Sustainable Public Housing Program: Four Formulas That Drive Excellence

1. Government Commitment

- Enacted the Land Acquisition Act to allow land acquisition at low cost for public use
- Established the government as the token national mortgage lender for public housing

2. Affordable Housing Schemes

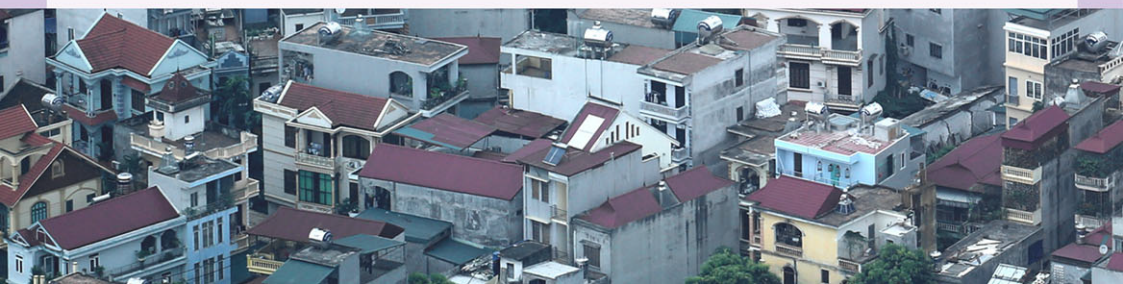
- Include rental and rent-to-own schemes for different needs
- Establish transparent rules to prevent abuse
- Set affordable prices and provide subsidies for eligible consumers

3. Integrated planning for new town developments

- Design townships for seamless development integration and “livability”
- Establish technical support and manpower to build better-quality housing effectively
- Standardize building components while driving innovation
- Manage critical building resources

4. Estate Management

- Require owners to pay services and conservancy
- Have government provide partial funding for maintenance
- Leverage technology-based monitoring and management systems



Key Strategies for Housing Finance

Four key strategies help governments ensure that housing finance is available:

1. **Engage financial institutions that are willing and able to go down-market.** The right lenders have the servicing network and underwriting capacity to serve informal workers, who constitute 50–75 percent of all nonagricultural employment in developing countries.⁵
2. **Develop innovative lending instruments for higher-risk segments.**
3. **Support market expansion** through subsidy products, credit default instruments, and other methods.
4. **Build strong housing finance infrastructure,** including systems for title registration, foreclosure, and consumer protection.

Egypt: Inclusive Housing Finance Program

The government of Egypt's Inclusive Housing Finance Program addresses housing shortfalls and helps households buy or rent homes. Its multi-prong rental program makes rent affordable to low- and middle-income households (targeting those with a rent-to-income ratio of 25 percent).

The program includes

- Public rental subsidy program for lowest income decile. Because construction is fully paid for by the government, rents can go toward maintenance and management. Subsidy is equal to the gap between the tenant's maximum rental payment capacity (25 percent of rent-to-income) and the rental obligations.
- Private rental subsidy programs for investors. To attract investors to rental housing for moderate-income households, subsidies are based on the risk-adjusted rate of return on the maximum rent charged over an agreed fixed time period.
- Private rental subsidy programs for low-income tenants. The subsidy uses the same mechanism as the public rental subsidy.
- Technical assistance. Technical assistance ensures a management support system that includes governance, program-eligibility targeting, rent collection, and maintenance.



Key Strategies for Institutional Frameworks

Governments can use three key strategies to develop institutional frameworks that support affordable housing:

1. **Establish and build the capacity of implementing agencies.** These must be able to deliver upon their mission-driven objectives and should include among them a national housing board or committee that has both a long-term vision and practical experience.
2. **Ensure that affordable housing** is part of national development strategies and urban planning programs.
3. **Identify gaps and build solutions** quickly.

In Thailand, a number of public-based entities with strong business models have the ability to implement national affordable housing policies:

- **Supply side.** The Community Organization Development Institute handles community-based slum upgrade and developments; the National Housing Authority handles mass affordable housing supply (for purchase or rental).
- **Demand side.** The Government Housing Bank and the Government Savings Bank serve low- and middle-income consumers through lending programs for first-time homeowners, savings programs, and energy-efficiency programs.
- **Key supporting entities.** The Thai Real Estate Information Center is a central depository of housing and real estate data and indicators that help inform both public sector policy development and private sector investment decisions; the Secondary Mortgage Corporation provides liquidity to the housing finance market through securitization.
- **Overarching entity.** The National Housing Policy Committee oversees the formulation of a comprehensive long-term national housing policy and monitors the implementation of policies and programs.

Notes

1. World Bank calculations using United Nations population data.
2. UN-Habitat, *Planning Sustainable Cities: Global Report on Human Settlements* (Routledge, 2009; updated 2010).
3. World Bank, *Global Findex Financial Inclusion Survey*, <http://datatopics.worldbank.org/financialinclusion/>.
4. Housing and Development Board website, <http://www.hdb.gov.sg/cs/infoweb/homepage>.
5. International Labour Organization.

Author : Dao H Harrison, dharrison1@worldbank.org, World Bank

INTERESTED IN BEING A PARTNER?

CONTACT US

Xueman Wang
GPSC Program Manager
Email : xwang5@worldbank.org

Adeline Choy
GPSC Program Coordinator
Email : adelinechoy@worldbank.org

Qiyang Xu
GPSC Program Coordinator
Email : qxu1@worldbank.org