

1987 – a year of intense housing finance activity

IUBSSA was founded in 1914 to "promote and extend home ownership throughout the world." What combinations of philosophy, techniques, institutional structure and resources are now appropriate and viable for fostering this objective? In the industrial countries, the scenario for specialised institutions for housing finance is a changing one, while in the developing countries there is apparently a strong case for continuing to promote and strengthen such organisations.

Remarkably, a very recent chart produced by the International Monetary Fund, entitled *The World Economy in Transition Between 1972 and 1984*, reveals that in the pattern of central government outlays and expenditure by function, "Housing and Community Amenities" is a constant 2% within this time span and is also a constant 2% for both industrial countries and developing countries.

A main question therefore seems to be how this 2% of central government expenditure for housing and community amenities is applied to facilitate performance in the housing field, to assist in mobilising savings and investment, while strengthening the stability, management and growth of institutions concerned with housing finance.

I will highlight briefly some of the salient developments on the international scene over the past year.

United Nations

The UN Commission on Human Settlements held its Tenth (Commemorative) Session in Nairobi, Kenya, from 6 to 16 April, at which 100 governments were represented plus more than 500 delegates, observers and others. However, there was little participation from the construc-

At IUBSSA's annual meeting in Hong Kong in October 1987, the chairman of the Housing Finance Development Committee, Deepak Parekh of India, gave a report on developments in international aid institutions concerned with housing finance. This article sets out extracts from his report.

tion industry, professional groupings, or housing finance institutions. A specific proposal for the creation of a Global Housing and Shelter Bank was made by the Prime Minister of Sri Lanka in his keynote address, but was not taken up for further consideration.

The Commission did receive reports from governments about their projects in connection with the International Year of Shelter for the Homeless. As a result, the Commission adopted a draft resolution to be considered by the UN General Assembly during its present session on "Global Strategy for Shelter to the Year 2000." All governments are requested to commit themselves to the objectives of such a global strategy and one of the guidelines stresses the role of "developing housing finance institutions that will mobilise household savings and are responsive to the needs of low-income groups."

In a statement to the Commission, IUBSSA's senior consultant, Eric Carlson, recalled the long-standing supportive posture of IUBSSA for international work in housing finance. He also pointed to the new possibilities for future financing of housing and human settlements going far beyond that possible through public sector budgeting for this sector.

The Commission was also amply

informed about the results of the Second International Shelter Conference and the Vienna Recommendations on Shelter and Urban Development. This conference, co-sponsored by IUBSSA, was convened as a private-sector effort in support of the International Year of Shelter for the Homeless, and held in Vienna immediately before IUBSSA's Triennial Congress.

The Commission subsequently adopted a recommendation on "National Shelter Coalitions for Human Settlements Development." This urges governments to enlist, in the implementation of their programmes, the participation of the formal and informal private sector, non-governmental organisations, co-operatives and community groups in the provision of shelter. It also "calls upon all countries to develop housing finance policies and institutions that stimulate development of capital markets by mobilising institutional funds and corporate and household savings from all income groups, and to provide loan opportunities for all such groups." The Commission's next session will be held in New Delhi, 6-12 April, 1988.

Present thinking concerning a Third International Shelter Conference is that it will be held in a developing country, Colombia, in 1988. IUBSSA expects to participate again as a co-sponsor in co-operation with the International Real Estate Federation (FIABCI) and the US National Association of Realtors.

The World Bank

Late in May 1987, the World Bank began to implement its first institution-wide internal reorganisation since 1972, the early period of Robert McNamara's presidency. By August 1987, more than 2,000 posts had been

reclassified and a major realignment of the Bank's structure had taken place under the current president, Barber Conable. The Bank's functions have been rearranged into four broad groups, each headed by a senior vice-president: one for operations, one for finance, one for administration, and one for policy, planning and research (PPR).

The PPR is a new complex which combines the inter-related activities of research, policy formulation, strategic planning and institutional budgeting. The number of regions within the operations complex has been reduced from six to four, each headed by a vice-president. The new regions are Africa, Asia, Europe, the Middle East and North Africa (EMENA), and Latin America and the Caribbean (LAC). Each region is organised into country departments that combine the operational management functions previously divided between programmes and projects departments. In addition, each region has a technical department that is organised into five functional divisions: trade and finance, agriculture, industry and energy, infrastructure operations and environment.

Country department directors have been delegated broad authority in an effort to reduce management layers and promote efficiency. Each country department is composed of an operations division chief, division chiefs for each of the major sectors and resident representatives.

Urban Development Department has now disappeared and in its place there is a small water supply and urban development division in the Infrastructure Department, which is one of five under the new PPR complex. This seems to imply a major downgrading of the Bank's concern with the urban sector which first emerged with specific projects for lending for housing and sites and services projects in 1972. The Bank has financed, since that time, 130 urban projects in 60 countries for a total World Bank assistance of US\$5 billion. More recently, an increasing number of bank loans and projects



Chairman of the Housing Finance Development Committee, Deepak Parekh (India), and vice-chairman, Victor Likaku (Malawi).

had a significant housing finance component, adding up to a loan list for some 18 countries of about \$2 billion for the period between 1983 and 1989.

As of April this year larger amounts for at least two of the loans were under consideration, and a number of operations had been identified and are at various stages of preparation in Latin America, Africa and Asia. Sector work on housing finance issues was also in progress or in preparation in seven other countries. In India the World Bank is actively considering a housing finance lending programme initiated through my own institution, Housing Development Finance Corporation Limited, after a comprehensive review of the present status of housing finance in our economy. The Bank has also initiated a housing finance sector review in neighbouring Bangladesh.

In the past, the World Bank, in its urban lending programme, has responded largely to urban policy makers' concerns in developing countries which focused attention mainly on the problems posed by *urban poverty*. The emphasis seems to have shifted more recently to include urban poverty under a broader issue characterised by *urban efficiency*, thus placing urban sector issues in a broader, macro-economic context. This shift will have important

implications for developing countries in the formulation of policies which contain within them underlying operational strategies.

I mention this because operational strategies will in turn depend on the nature and design of institutions that fit into policy frameworks and which also are structured to be dynamic, evolving entities that grow and adapt with sector development. Perhaps the weakest component of World Bank strategies has been insufficient attention to institutional development issues from a conceptual level, visualising institutional networks for urban and housing finance which interface smoothly with the prevalent environment.

World Commission on Environment and Development

In the United Nations General Assembly this year there is likely to be considerable debate and action on the major report of the World Commission on Environment and Development headed by the Prime Minister of Norway, Gro Harlem Brundtland. The report, which has been published worldwide under the title *Our Common Future*, is the result of inputs and public hearings involving thousands of people over the past three years and was designed to formulate "a global agenda for

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change." It includes a substantial chapter on the "Urban Challenge" which points to the need for a greater and more specifically directed flow of international resources to support the efforts of developing countries to deal with their unfolding urban crisis.

AID

The Office of Housing and Urban Programs of the US Agency for International Development in 1986 continued with its work in 37 countries, authorised eight new housing guaranty programmes and amended three, totalling \$145 million. Its report includes details of the operations in each of the seven regional offices, and also includes the full text of the authorising Foreign Assistance Act of 1961, as amended in 1986. USAID could perhaps harmonise its own lending with World Bank programmes so that USAID could focus its attention on a particular area of activity, for example lending to enhance public private partnerships in housing sector development.

Regional institutions

In the past, the Asian Development Bank has made urban development loans to Indonesia (five), Republic of Korea (two), Malaysia (three) and Thailand (two). But in 1986 the Bank's lending for social infrastructure dropped to half that of 1985, and only one urban development and housing loan was made, for the Karachi Urban Development Project in Pakistan, amounting to \$55 million. The Bank's loans for housing and other facilities are reported to have benefited over 3.7 million people.

As the World Bank is in the process of strategising its approach to housing finance and urban sector loans, perhaps it would be useful if the Asian Development Bank were similarly to develop its approach for the housing finance sector. This, in turn, would enable member countries to develop appropriate proposals for assistance in this sector.

For the Americas, the Inter-American Development Bank in 1986

authorised a total of \$289 million in loans for urban development. Two loans, totalling \$122 million, are helping to finance a programme of urban development works in medium and small cities in Argentina; a loan for \$40.5 million is enabling Chile to improve housing and sanitary conditions in communities of more than 3,000 inhabitants. Two loans amounting to \$22.1 million will help to stimulate a variety of improvements in West Kingston, Jamaica. A loan of \$26,750,000 will be used to carry out a sites and services urban development programme in Panama. The Bank's 87 loans amounting to \$1,443 million are helping to finance urban development projects whose total cost is \$3,012 million. These loans have helped to build 408,416 housing units along with urban and community facilities; also 26,557 sites and services in 139 communities have been provided for home construction.

Though lending for few housing and urban development projects itself, the African Development Bank in Abidjan, Ivory Coast, has helped provide initial capital and support for Shelter-Afrique, the Company for Habitat and Housing, with headquarters in Nairobi, Kenya. The Company is now in full operation and has already reached a stage of loan disbursement for several projects. In total, the board of directors has approved nine projects at an estimated cost of US\$20.44 million. Of this amount, Shelter-Afrique will finance US\$7.51 million or 36.74% of the total. Nearly 7,500 lower income families or about 45,000 people will benefit from these projects.

The first four projects approved were for Gambia, Kenya and Uganda, plus a regional local building materials project. The five approved in May 1987 were for Zambia, Rwanda, Gabon, Morocco and Djibouti. Shelter-Afrique, through its managing director E. O. Lufadeju, is a member of IUBSSA, as well as of the

African Union of Building Societies and Housing Finance Institutions.

As for BIAPE, the Inter-American Bank for Savings and Loans, a turnaround was reported at its annual general meeting held in May in Cartagena, Colombia, and BIAPE has entered a stage of using its limited capital for equity investment in certain housing banks and institutions. Further reports on these developments are awaited.

In Central America, a programme is under way to re-establish the Central American Bank for Economic Integration (CABEI), located in Tegucigalpa, Honduras, as a major regional source of finance for private sector shelter finance institutions. In 1986, a USAID Housing Guaranty loan was authorised for CABEI to increase the availability of shelter and basic services for low income Central American families, and to strengthen the existing capacity of CABEI and national public and private sector agencies to provide these services. As for the Caribbean Development Bank located in Barbados, it has shown little interest in providing support for housing improvement efforts in the island countries that it serves.

Habitat International Coalition (HIC)

The HIC was transformed from a council to a coalition in 1987, and remains as the major grouping of non-governmental organisations which deal with housing and human settlement affairs, with headquarters in The Hague. This year the HIC sponsored several events in Nairobi in conjunction with the Tenth Session of the UN Commission on Human Settlements, including an International Seminar on the role of NGOs which brought together participants from 45 Third World-based NGOs and 16 multilateral, bilateral or private donor agencies. They issued a Declaration asserting the right of all people to adequate shelter and opposition to forced eviction as well as the role of low income people as city builders and governments as enablers.

IUBSSA REPORT

A subsequent Global Conference of NGOs featured reports of many case studies from different countries. The HIC will now become a representative body and take on a more active lobbying role on behalf of international action for housing and shelter. IUBSSA senior consultant Eric Carlson serves as HIC's representative to the United Nations and is also chairman-emeritus of the UN-NGO Committee on the International Year for Shelter which carries on an active programme of educational activities, conferences and meetings for NGOs affiliated to the UN. IUBSSA continues as a duly registered NGO in consultative status, Category II, with the UN Economic and Social Council.

Co-operation with People's Republic of China

It was at the 1984 session of this Committee in Washington, DC, that the tentative proposal was suggested for a IUBSSA meeting to be held in Hong Kong and to be followed by a China tour and discussions in different cities with Chinese professionals and officials concerned with housing and urban development. From 8-10 October in the special economic zone new city of Shenzhen, adjacent to Hong Kong, there was held a workshop on housing policy in China, producing important new information and papers on this subject by senior experts and staff on the Ministry of Urban and Rural Construction and Environmental Protection (MURCEP).

IUBSSA senior consultant Eric Carlson served as co-director of this workshop, the documentation of which will form the basis of a major book on housing in China. IUBSSA provided the initial grant to make this project possible. Home ownership is now being promoted extensively as official policy in China, together with other urban reform efforts. The whole question of housing finance is receiving high level consideration, and the expectation is that a specialised institutional system in this field will be developed.

Conclusion

There is no doubt but that 1987 has been a year of exceptional movement and activity regarding housing finance in many countries of the world. How can one describe in a few words, for example, the developments in the United States in their field or the remarkable progress with respect to building society development in the UK since the new legislation took effect? We can note the demise of the giant National Housing Bank of Brazil; at the same time we record the establishment of the new innovative Mortgage Bank for Housing in Costa Rica.

I would like to make a brief mention of some of the major developments taking place in India and our neighbourhood which is now known as the SAARC (South Asian Association for Regional Co-operation) group of countries.

While in India the urban and housing sector has received increasing attention by policy makers, strategies have yet to emerge. The Ministry of Urban Development is in the process of issuing a housing policy statement which will make clear the guiding principles which will govern emerging strategies. With respect to the housing sector, the Government of India has introduced a National Housing Bank Bill 1987, which seeks to establish a National Housing Bank as a subsidiary of the Reserve Bank of India (the country's central bank) with a paid-in capital of Rs1,000 million (US\$77 million). While its object clause is wide and all-encompassing, its primary function will be one that seeks to promote an orderly development of the institutional growth within the housing sector and the systematic development of financial flows to the sector.

HDFC has been a participant in all major housing finance sector developments. Over the past year HDFC has been supportive of three major institutional developments, namely the setting up of the Housing

Finance and Promotion Corporation Limited to be based in Calcutta jointly promoted by the State Bank of India, other institutions and HDFC; the creation of the Infrastructure Leasing and Financial Services Limited jointly with the Central Bank of India and the Unit Trust of India; and the Gujarat Rural Housing Finance Corporation Limited jointly with IFC and His Royal Highness The Aga Khan. HDFC will also participate in the promotion of another housing finance company for the southern region jointly with Canara Bank.

The pattern that would seem to emerge as a result of these efforts, therefore, would suggest a network of regionally based mortgage banks serving predominantly those regions. The National Housing Bank would be supportive of the emerging environment in terms of institutional development, the flow of funds and the legal and fiscal framework within which these institutions would operate.

These developments have triggered interest in neighbouring countries for their own housing development policies. Nepal has been the subject of extensive housing surveys by both USAID and IFC. More recently, a feasibility study of a housing finance entity was undertaken by International Finance Corporation and it is proposed to set up a company on similar lines to HDFC, promoted by local institutions jointly with IFC and HDFC.

In Bhutan, HDFC has assisted the United Nations Centre for Human Settlements (UNCHS) to conduct a preliminary assessment for the possibility of establishing a housing sector framework which could meet the Royal Government's housing development objectives. While Bhutan's housing requirements of 11,000 units over a 15-year period might seem minuscule in contrast to India's present housing needs of 25 million units, the policies, strategies and methodologies share common principles. It is to these that national and international efforts ought to focus attention. ■