

Some Conclusions From the ECO-HAB International Forum

by Eric Carlson

On March 27 and 28, more than 100 international housing and finance professionals met in New York for a conference sponsored by ECO-HAB International. This conference, "Habitat and Housing Finance for Millennium III," was a preparatory event for "Habitat II—The City Summit" to be held in Istanbul, Turkey, in June 1996. Over 40 speakers and panelists from banking, building, philanthropy, academia, and non-governmental and community-based organizations shared their accumulated experience in housing and housing finance. Their viewpoints and analysis were summarized in a series of recommendations for housing finance and integrated community development for Habitat II. The following conclusions were generated by the forum.

1. Issues of shelter and housing finance should be approached holistically. Shelter and shelter finance must be

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looked at in a broad context. Housing is an integral part of neighborhood and community development, which in turn takes place in cities in a globalizing world economy. The issues of governance, civic engagement and participation of various stakeholders condition the operation of the housing sector. Clear definition of property rights and land title is a prerequisite in development of an effective housing finance system.

2. Low-income housing finance can be provided by the private sector, but financial institutions must design means for accommodating the economic profiles and financial needs of borrowers. Experience shows that low-income households can have exceptionally high repayment rates when given proper incentives. Borrowers should be educated about financial instruments and payback requirements. The growth of private savings by individuals is the most important source of future capital formation.
3. The housing needs of low-income households can be met in part through community-based credit and community-guaranteed repayments, using private sector partnerships. Such partnerships involving nonprofit organizations make possible multi-layer financial institutions. Borrower accountability to locally focused financial intermediaries

must be a key component in financial arrangements.

4. Pension and insurance funds should increase their commitments for long-term financing of shelter and urban development. New sources can be tapped from both domestic and international capital markets. However, new arrangements and mechanisms are needed to exploit these new sources, and securitization is one of them. A set of preconditions should be fulfilled, including laws governing land title, foreclosure and repossession, in order for securitization to be effective.
5. A crucial ingredient in making housing more affordable to all income groups is an efficient and equitable housing delivery system. Constraints caused by outmoded or excessive regulatory measures should be removed to make housing supply more responsive to demand, especially in addressing needs of low-income groups.
6. Intermediary organizations such as The Enterprise Foundation, the Local Initiatives Support Corporation, the New York City Housing Partnership and others in the U.S. provide important technical assistance networks, training, information, resources and seed capital to help people help themselves. They provide access to sources of capital and financ-

ing, and the organizational skills to put together projects and programs involving partnerships between public and private sector entities.

7. There should be increased emphasis on women's participation in shelter programs. The commitment to gender equity should include access to land, credit and ownership rights. As women have predominance in creating and sustaining homes and communities, their education and training in the building process should be encouraged.
8. Those who are planned for must participate in decision making that affects their communities. Local culture and preferences must be taken into account when addressing a community's shelter needs. Spatial forms can influence human behavior, and the role of architects in the future will be to evolve new design concepts to accompany rapid technological changes. But design should be part of a participatory process involving those to be served.
9. Housing policy must be consistent with the population dynamics of nations and regions, reflecting migration and resettlement trends, natural and man-made disasters, and other major causes of economic, social and environmental dislocation.
10. Housing should be viewed as a contributor to economic growth. At a very basic level, shelter and housing finance are also sources of livelihood and a very important source of self-esteem for lower income borrowers.
11. An effective form of government support is the provision of seed capital made available through various public and private sector partnerships. Seed capital can come in the form of direct grants, tax exemptions, and full or partial loan guarantees. Government participation and supportive measures can help guarantee development and leverage large investments by the private sector and NGOs for housing and community development.
12. Cooperative approaches offer great expansion potential for affordable housing in many countries and can be instrumental in reducing the costs of housing programs. They are also vehicles for promotion and development of democracy. Cross-sector cooperation is often needed to bridge gaps between local needs and more traditional financial intermediaries. As illustrated in the U.S., a national cooperative bank can be a useful instrument for project development and for securing public-sector funding. The independent Cooperative Housing Foundation has an outstanding track record of providing international assistance and service to many countries for innovative housing, financing, and community development infrastructure and facilities.
13. In addition to central government assistance, local government initiatives and programs are essential for progress in habitat and housing finance. Examples abound of how local governments have provided special incentives for new community development and housing. This includes giving help with land acquisition and infrastructure provision, and training and technical cooperation, including tax exemptions and loan guarantees. These incentives often provide the means of leveraging private sector capital. The development of rental properties, financial assistance for renters and the improvement on existing housing stock should not be neglected.
14. For housing implementation there is need for development of local financing institutions, the encouragement of participatory planning and the strengthening of municipal management, including revenue raising capability. There is no one model for the "role of the state as facilitator" nor as a provider of services. Various combinations, including privatization, are possible and can be successful.
15. Financial priorities should be directed to cooperative and communal sustainable land development and secure tenure. Infrastructure expansion and improvement — for water supply, waste management and energy distribution — should also be given priority. Intelligent infrastructure planning and operations must be integrated into housing planning and construction efficiencies and conservation of resources.
16. Increased support and funding should be given to international efforts to assist in urban management programs to strengthen local governments. This must include capacity building and public accountability for government expenditure and must go beyond dealing only with central governments, as local governments have a crucial role to play in capital development.
17. To help promote self-help construction, there should be access to credit to facilitate acquisition of building materials, tools, equipment and technical assistance to facilitate achievement of economical, energy-conserving results.
18. Action should be taken on smaller, short-term projects that can have immediate impact, rather than awaiting approval of "global strategies." Much can be done immediately by direct action in cooperation with non-governmental organizations, state and metropolitan governments. ECO-HAB International Inc. could act as liaison to facilitate the

development of such projects in response to requesting entities. The focus should be on projects that can be catalysts to self-sustaining ventures.

19. Given the diversity of available approaches, the housing finance sector needs to document known global successes for local replication. ECO-HAB International Inc. could become an international clearinghouse for information

on housing finance projects and approaches that have been successfully deployed in various countries to achieve sustainable, balanced, community development. It will be a contribution to the "Best Practices" project being prepared for Habitat II.

20. ECO-HAB International and the International Rural Housing Association could work together to develop a plan

and program to promote funding for community programs in both rural and urban areas in developing countries by national and international foundations. Funding from philanthropic institutions has been an important factor in initiating and demonstrating sustainable development efforts in the United States.