

The Roles of Housing Finance In Achieving Adequate Shelter For All

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1. Introduction

There are so many lessons learnt from the past twenty years of Housing Finance operations experiences in Thailand and some Asian countries to be able to build up as understandings for the realization of adequate shelter for all at present and in future. The experiences gathered are so much sufficient that they should not lead the modern society to the same old mistakes again. On the contrary, those assessment and learning, should be able to build up new powerful development direction to achieve huge housing needs and demand of people accumulated from the past and to be growing in the new millenium.

The roles play by Housing Finance and the manner in which it operates are the very key factors in the task of promoting housing development at a large scale. Furthermore, the right kind of desirable process in which people are the center in achieving large scale housing development will also bring about significant change and development in urban poverty issues, improvement of quality of life and human equality. It can also directly affect better governance and management of the city as a whole.

Therefore, it is important to understand the scope of housing development far beyond a mere product delivery orientation as in the past. When there is a good understanding of the political relationships which exist between different actors in the housing process, the understanding of the strengths and weakness of each, it is possible to design interventions which can help balance such relationships, allow various positive potentials to developed and promote people participation at large scale. But most importantly, people who have housing problems need to become active actors of their housing development process not only passive recipients or beneficiaries or mere consumers as in the past. This approach will change the meaning of housing development from product oriented or commodity approach into development approach that can trigger many other development activities involving wider ranges of people and organizations at the same time.

The design and management of housing finance to facilitate housing development for all need to be much more flexible and creative with a clearer view to lead this new development direction rather than those too conservatives or those too paranoid about the market oriented approach. While more fiscally conservative factions in housing finance have tended to be overly strict in their procedures and control over *who* gets access to *what*, more market-oriented factions have channeled housing finance through the market, with faith that the private sector and commercial market mechanisms will eventually reach everyone, up and down the economic ladder. It's no great surprise that both these approaches have fallen far short of achieving large-scale housing development for all in the past several decades, especially among the most needy groups. As a result, we see the same paradoxical housing situation in cities all across Asia: on the one hand hundreds of thousands of housing units for the rich and the non-needy groups lie vacant, while on the other hand we see increasing evictions of informal settlements, exploding numbers of slum and squatter settlements where people with no other housing options are forced to live in squalor and insecurity, without access to basic services. This imbalance - and the lop-sided development approach which causes it - has been one of the major causes of Asia's economic crisis, and will take many years and huge local resources to improve.

Since housing finance is the key elements providing ways for housing development and since Finance can be very flexible elements and could be designed in so many different ways and process therefore more creative thinking should be developed to help lead new ways of housing development by people at large scale. Some crucial questions should be addressed.

How to develop sustainable way to finance housing development that easily accessible and affordable by people at large scale in order to eradicate housing problems in as short time as possible ?

How housing finance can also be generated among poor needy people and the generating process in the form of active saving activities can also lead to the linking up of people to work together ?.

How some needy finance for needy development can generate much more non-financial contributions from people in order to keep the amount of real finance spent as low and as minimum as possible ?

How housing finance can be viewed and managed as a part of larger hollistic development context by communities and the city ?

2. Some lessons learnt from problems in the past

2.1 The poor cannot enter most formal housing development produced from both by the government or those market real estate sectors

It is mainly because the poor people still live and work in informal economy or earning system while most formal housing arrangements have compelled people to follow the formal system. Besides their unsteady and lower than market income earnings cannot allow the poor to be able to enter the formal arrangement system. Some subsidized schemes may allow people the ability to pay but people still have to face with regular formal payment against the fragile irregular informal earnings system.

Most of the time, to reduce the investment cost, housing projects always have to be located too far away from the city making it much more difficult for the poor to live and work. For the poor people, it is learned that their community is much more than just a place to live. There are elements of social cohesion that help absorb their subsistence in the city. Most formal housing projects in Asia do not take this social element into their consideration. Therefore individual physical housing provision produced by the formal system both from government and private sectors are not the possible solutions for the poor.

2.2 Misdirected government housing delivery systems:

In the past, various government programmes have sought to deliver subsidized or welfare-based housing mainly through government budgetting mechanism operated and constructed by government system but this systems of delivery always ran into problems. These centralized systems create their own bureaucracies, have too many steps, take too much time, are too costly, badly maintained and often lead to corruption. But most importantly, these systems end up missing the target group, and deliver housing to groups who are not so poor. Many of the poorest actually cannot afford to stay in conventional welfare-based housing projects, where they find themselves isolated, cut off from the vital support systems of their original communities which underpin their survival.

Most such direct construction government organizations in many countries in Asia has come to serious stage of reviewed and frustrations since the costly development and its existence cannot keep pace with fast changing reality of housing development in overall context.

2.3 Market housing development of private real estate sectors not only cannot reach the needy poor but also create excessive supply as commodity subject only for the rich and non-poor

Economists have general believes that housing development activities can immensely generate economic growth, no matter that they will be properly utilized or not. In the past decades, country like Thailand, for instance, have used housing finance development mechanism through various market windows such as government banks, commercial banks, Finance company, etc., to channel significant amount of finance for housing development by private sectors. Therefore, too many housing projects of various sizes and forms have developed using so much amount of easily access short term loans from abroad. During economic crisis, it is roughly reported that about 500,000 housing units in Bangkok and vicinity alone have not been occupied. Ironically, many of the poor are unable to afford these housing units as well. During the crisis, the prices of most of these houses have been considerably reduced. Some auction has to reduced the prices more than 50% the former prices but they are still too high for the poor who actually need them. It is mainly sold to foreign buyers or speculators.

It is lessons learnt from many countries in Asia that housing products from private real estate sectors with mainly profit oriented incentives are not able to match the housing needs of the poor. Is the blind supply of limited national finance and resources to support such excessive and non-utilized housing production for commodity purposes are the right approach in modern housing development or a suicidal approach to be corrected. Is it the right housing finance approach to regard housing as just a kind of commodities and to allow the free market development to take full control in producing housing not any more for needs.

3 Some new trends and directions

With a view in assessing fast changing situation and urban context, the direction of key elements emerged can be as following :

- City as a part of localization will become more and more important development strategy in Asia.
- Urban governance for better urban participatory management process in city development have been emphasized
- Urban poor organizations and networking will still be developed more and stronger throughout Asia
- Community savings and credit activities will be more and more developed and become key development activities of urban poor community development mechanism
- Most existing conventional government agencies who concentrate on direct construction alone will have more complex problems of their own, while the new kind of finance development organizations that concentrate on supporting or facilitating finance or loans for housing development will play more and more roles in development activities.

From such trends, it may be possible to look into a more flexible and appropriate roles of housing finance in addressing housing development for all as following :

1. Setting up of Housing and City Development Fund

The direction is to be main financial resource base to support housing and other related city development activities at a city level. The management of this Fund should be in a form of partnership which have certain independency from the existing government administrative system. The management should come from participation of all the key development roles

especially the poor in the city. The financial support should be in the form of low interest loans to be administered and decided by actors involved.

2. *The need to promote and support community savings and credit activities of all urban poor and low income groups in a city wide scale.*

Community savings and credit activities will bring all needy people to be a part of development process in which they can become active development actors. If savings and credit activities will not only concentrate on housing alone but can become community basic resource base to help each other under various needs and circumstances by community people themselves. This will not only become financial mobilization process from people themselves but it will also become training of management mechanism by people themselves. Most of all, the way that they link people to work together will bring poor people to learn from each other the common problems and possible solutions.

When communities understand financial management through this process, it will be rather simpler to understand the relationship of their finance and actual affordability with external finance that they have to repay and manage.

3. *It is important to link urban poor to work together as city network in order to plan and to help each other in housing development activities*

Many times, it is found that by learning and working with each other, it may not be necessary to make use of too much financial resources for development. The linking together in the form of network will also provide the needy groups with stronger negotiation power to be able to bargain for the non-financial elements to support and contribute to their housing development process. Development elements like land, infrastructure, technical assistance, etc., can always possibly come from the community stronger negotiation power as a group. Otherwise poor community people will have to pay for all those elements.

4. *Linking the private sectors and their capabilities to be a part of housing development in the city*

Private sectors should not be able to operate in isolation aiming for profits alone. There should be city participatory development mechanism to bring the private sectors to help in the housing and city development process with better clearer relationship with others in the transparent development process. There is a need to make a forum in which all key development actors can participate and plan together and private sectors and a part of it. If there is a need the City or related agencies can also help in financing process in the direction agreed by all key actors.

4. *Management of urban land for housing*

Land is the most key element in housing development and it is always not so properly managed costing significant amount of investment for its purchase, travelling, development etc.,. If the question of urban land in the city can be properly addressed and sought out, it will reduce housing development cost immensely. They will also allow better planning and relationship in the location of various elements in city development.