Shelter for All: Access, Affordability and Quality of Life

Financing Nation-wide Low-income Housing in Urban Areas of Bangladesh

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Background

The urban housing stock by type of structures of the nation and that of Dhaka city is shown below with a comparison of 2001 and 2011 BBS data.

<table>
<thead>
<tr>
<th></th>
<th>Pucca</th>
<th>Semi-pucca</th>
<th>Kutcha</th>
<th>Jhupri</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>2001</td>
<td>21.70</td>
<td>23.10</td>
<td>47.70</td>
</tr>
<tr>
<td><strong>2011 Urban</strong></td>
<td></td>
<td>34.66</td>
<td>32.32</td>
<td>30.47</td>
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<tr>
<td><strong>Dhaka 2011</strong></td>
<td></td>
<td>41.87</td>
<td>32.94</td>
<td>23.08</td>
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</tbody>
</table>

Source: BBS, 2011

- The above table gives a dismal picture of all urban areas.
- More than 65 percent of the urban people are living in semi-permanent and temporary shelters.
- For Dhaka city 58 percent are living in temporary structures.
The overall urban housing scenario has the following deficiencies;

- Gross shortage of adequate or standard housing.
- More than 60 percent people live in semi-permanent and temporary shelters.
- As many as 40 percent of the urban population live in slum and squatter settlements.
- Public formal housing supply is very low and does not exceed even one percent.

**Housing in urban areas consist of the following types**

- Public housing constructed on government lands (housing of government employees).
- Private housing on government allotted / leased lands.
- Private housing on privately owned lands.
- Private real estate development on privately owned land/Public land leased to private persons.
- Slum or squatter settlements on public/Private lands.
Housing Delivery System: Consists of the following subsystems;

1. Public Housing Subsystem
2. Autonomous Bodies
3. Cooperative Housing Subsystem
4. Private Formal Subsystem
5. Formal Individual Household Subsystem
6. Private Informal Subsystem
7. Slum Subsystem
8. Squatter Housing Subsystem
9. Informal Accommodation in Non-Residential Spaces
10. Homeless or Pavement Dwellers
Institutions conducting housing related functions (public & private) are:

1. Ministry of Housing & Public Works (MOHPW)
2. National Housing Authority (NHA)
3. House Building Research Institute (HBRI)
4. Real Estate & Housing Association of Bangladesh (REHAB)
5. House Building Finance Corporation (HBFC)
6. Delta Brac Housing Finance Corporation Ltd. (DBH)

**Note:** Other than HBFC & DBH many commercial banks provide housing loans to individuals and developer companies.
Slum Upgrading/ Improvement Programs

Slum upgrading / practice has been very slow and very little has been done compared to the need.

Components of Slum upgrading / improvement

a) Physical upgrading/ improvement,
b) Economic and Social improvement, including political empowerment.
c) Physical improvement components do not include housing upgrading/improvement

- Housing Policy Awaiting Approval Since 1993
- Urban Sector Policy Awaiting Approval Since 2006
Gaps in Finance & Delivery of Urban Low Housing

Existing Financial System: Lacks the following:

- Access of households to formal credit for housing
- Mobilization of Funds (National, International, Local)
- Separate financing policy targeting LIG
- Accessibility to Commercial Banks
- HBFC loan policies are above the limit of LIG
- Govt./Private schemes for LIG housing
- Incentives for LIG households to save for housing
- Infrastructure development with housing improvement
- Innovative projects for shelter delivery to LIG
Delivery System
Both formal and informal sector are active in delivery of housing. They have the following deficiencies;

Formal sector:
• Responds only to the needs of HIG and MIG.
• Contribution to LIG is very inadequate compared to the demand/ need
• Low cost housing is limited to govt. staff quarters and few donor funded pilot projects
• Slum improvement projects do not provide permanent tenure/ offer tenure security

Informal Sector:
• Lacks quality, provides below standard shelters, deficient in services
• For squatters and slum tenements there is no security of tenure and rent control
• Security of tenure hinders incremental improvement
• Except for a few pilot projects in Dhaka the government has not taken up any projects to upgrade/improve LIG housing
Ministry of Finance (MOF)

Corporate Sectors

Funds Flow

Bangladesh Bank
(Source of Funds)

Funds Flow

Other Banks
Life Insurance
Bonds, Loans etc.

Ministry of Housing and Public Works draws funds and repays loans through its agencies

PWD

RAJUK, CDA, KDA, RTDA, ETC

- Construction of Rental Public Housing
- Regulate and control
- Allowed only to act as facilitator of land and housing development

NHA/HSD & UDD + HBRI

- Assist Local govt. agencies towns to plan and develop low income settlements.
- Provide technical know-how to participants (GO, NGO, Private and Peoples Groups).

Slum Improvement Board

- Newly formed body under the ministry to deal with upgrading and resettlement of slums and squatter settlements (on Govt. lands).
- Power to borrow and finance LIG schemes.
- Accountable to a very high powered coordinating body.
Proposal for LIG Housing Program

- NGO’s will be intermediary organizations involved in housing activities by linking housing to their micro credit programs
- For housing finance, NGO’s and CBO’s have to initiate small regular savings from their members for housing with matching funds loaned from FI’s. For LIG housing schemes, members can draw small loans for housing. Such loans will be smaller than those given by conventional institutions.
- NGO organized credit groups may take group loans in the cooperative system
- NGO’s and CBO’s have to arrange for land purchase, prepare plans and get approvals.
To induce private sector into LIG shelter delivery process, following issues have to addressed;

a) Administrative Issues - Policies, procedures for land issues i.e. title/tenure etc. and taxation policies related to land and housing needs to be revised

a) Financial Issues - Interest rates, facilitation process for funds mobilization, Reduction of taxation on profit of developers. Incentives to those involved in LIG housing

a) Social Issues - Advocacy programs for creating social and political pressure for shelter needs of LIG

a) Land Issues - Incentives and availability of land for LIG housing. Land as a resource to generate funds through cross subsidy

Conclusion

• HBFC functions only as a retailer for housing finance. It can take up the role of wholesaler to supply loans to housing cooperatives, NGO groups, and Local Government for fund allocation. Reorganization of HBFC is recommended.
• Cooperative Housing Banks created out of urban poor credit savings. Incentives for housing will accelerate savings. The operation of such a bank would be similar to Grameen Bank where major portion of the share capital belong to members of cooperatives. Borrowers for housing will be members of NGO’s and CBO’s who contribute to funding of the Bank or are shareholders.
• Housing should be a compulsory component of Infrastructure development programs of GoB and Donors.
Recommendations

- Finance policies of banks and finance institutions adjusted to suit LIG needs.
- Land to be made available through government policies and land development techniques to allow for large scale low-cost housing.
- Fiscal incentives to be given to agencies and private developers, NGO's and CBO’s to take up low-cost housing development.
- Research and demonstration projects for improvement of low-cost housing technology.
- Nationwide program to encourage savings for housing. Savings for housing can be made compulsory like pension schemes. To make such schemes successful the housing delivery program must gain confidence of the people.
- The intent to save for shelter must be inducted in all sectors of economic activity.
- The informal sector as provider of the poor must be recognized and their shelter efforts addressed rightly.
Present Status of Informal Slum and Squatter Development

View of Rayer Bazar

Plan
Mess Housing Rayer Bazar

Site Plan
Govt. Staff Development on Public Land

Korail Bastee

Site Plan
Housing Conditions

Very poor condition of shelter

Tong/stilt house over swamp and polluted land

NGO provided community toilets and kitchen
Growth of informal development and ensure rights of the landless to address:

- All government and semi-government agencies should hand over their unused lands to the MOL
- Assessment of the informal housing stock in all urban areas is an immediate need. It will help devise means and ways for formalizing the informal development.
- Plans and programs for rebuilding, redistribution, rehabilitation of existing public housing.
- Eviction activities should be stopped and Anti Eviction Bill should be approved.

Devastation left by a fire in densely-located shanties in the capital's Kamrangirchar left 3 persons dead.

Daily Star 15th February 2013
ARBAN, an NGO working for the poor in Bangladesh has built an apartment complex for 40 member households in Mirpur Section-2 with their members micro-credit savings deposit and ARBAN loan assistance.

**Number of Stories:** six storeys, Land Area: 430 sqm.

**Construction period:** 4 years (2008–2012).

**Construction cost:** Tk. 2.16 Million

**Estimated average cost of housing units:** Tk. 0.6 Million – 0.9 Million.

**Down payment for land purchase:** Tk. 25000/per family.

**Estimated cost price per apartment:** Tk. 1000/sft.

**No. of Apartment:** 8 (Eight)/Per Floor [40 in Total]

**Size of Apartments:** 385, 450, 500 sft. (38.5, 45.0, 50. Sqm.)
Typical Floor Plan

- Area: 491 sq ft (A)
- Area: 440 sq ft (C)
- Area: 474 sq ft (B)
- Area: 374 sq ft (D)
- Area: 488.75 sq ft (E)
- Area: 392.75 sq ft (F)
- Area: 491.75 sq ft (G)
- Area: 431.75 sq ft (H)
Comment
Feasible for replication in new and existing urban areas though cooperative system. Only land should be provided at subsidized cost.
THANK YOU