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Housing Solutions: Global Experience in the Housing Sector

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Housing plays a significant role in achieving the Sustainable Development Goals (SDGs)



Better housing conditions increase quality of life

Healthy housing is shelter that supports a state of complete physical, mental and social well-being. It does so by providing shelter from the elements and facilitating comfortable temperatures, adequate sanitation and illumination, sufficient space, safe fuel or connection to electricity, and protection from pollutants, injury hazards, mold and pests.

Sustainable buildings improve the resilience of cities

Making cities safe and sustainable means ensuring access to safe and affordable housing, and upgrading slum settlements. Sustainable building design, climatic and cultural adequacy of housing can improve the impact of housing in the urban environment, on climate change, and on city resilience.

Housing provides significant benefits to households, society, and the economy



Shelter & Safety

- Provides **shelter which is a basic need** required for humans to have a decent life
- Provides **safety, stability, community belonging, self esteem and social status** that often influence quality of life



Job Creation, Job Mobility & Income Generation

- Creates **both direct and indirect jobs** throughout the value chain from construction to maintenance of the house
- Leads to training and skills development especially at entry level/unskilled work force
- Housing represents dual use opportunities for shelter and income generation



Wealth Creation, Savings & Access to Credit

- Home ownership creates immediate capital which **unlocks access to credit** for families to borrow
- Unlocked credit can then be used for **small businesses**, especially in developing countries
- Home ownership **protects and conserves assets and wealth creation**, especially during old age



Economic Growth

- Apart from adding jobs, housing leads to growth of **construction materials and services** industries
- **Significant tax income** from the Housing Sector
- **Consumer spending** e.g. rent, utilities, repairs etc.



Better Health Outcomes

- Due to enhanced sanitation and less congestion, properly planned housing has been shown to **reduce gastrointestinal infections, respiratory diseases, and improve skin conditions**²



Improved Education Outcomes

- Housing creates a safe environment at home to study and also leads to improved school attendance due to a less stressful environment for students



Improved Gender Outcomes

- Rights in, access to and control over land and housing are essential to women, especially in rural economies, to ensure their families' daily survival, economic security and physical safety

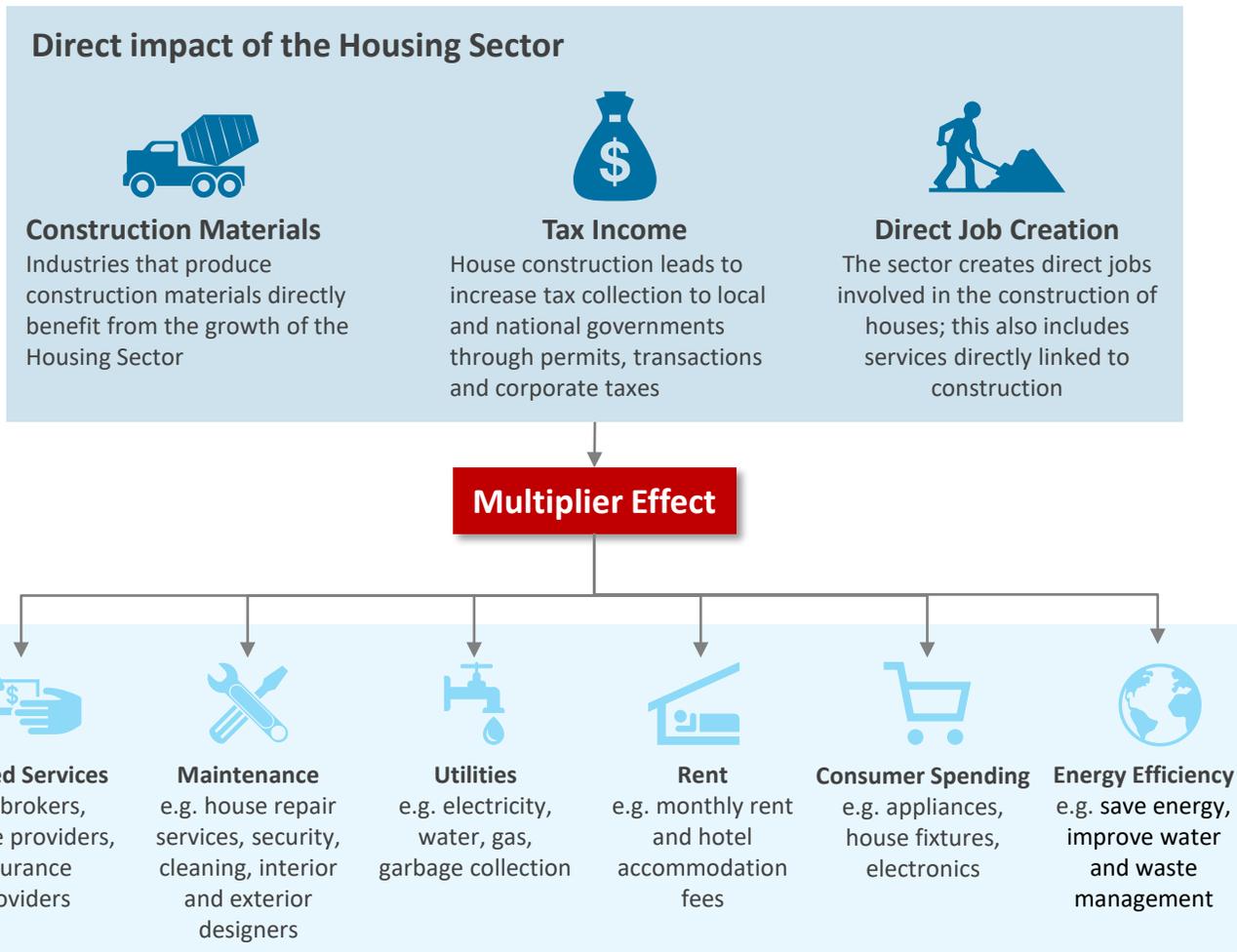


Energy Efficiency & Environment

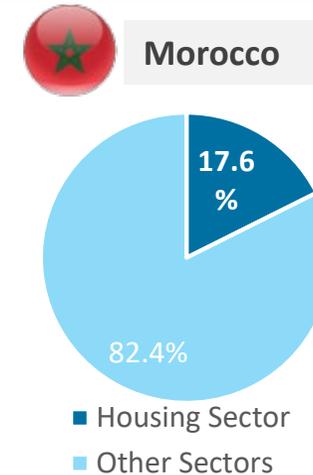
- Using efficient and environmentally friendly designs and models can help save energy, improve water and waste management, reduce carbon emissions and better space utilization

Housing is important for economic growth and job creation

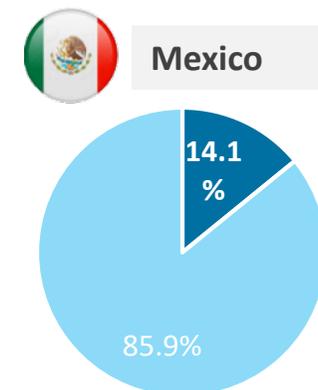
The Housing Sector has both Direct and Multiplier Impacts



Contribution to GDP



In Morocco the Housing Sector contributed to **17.6%¹** of GDP from 2004 to 2014...

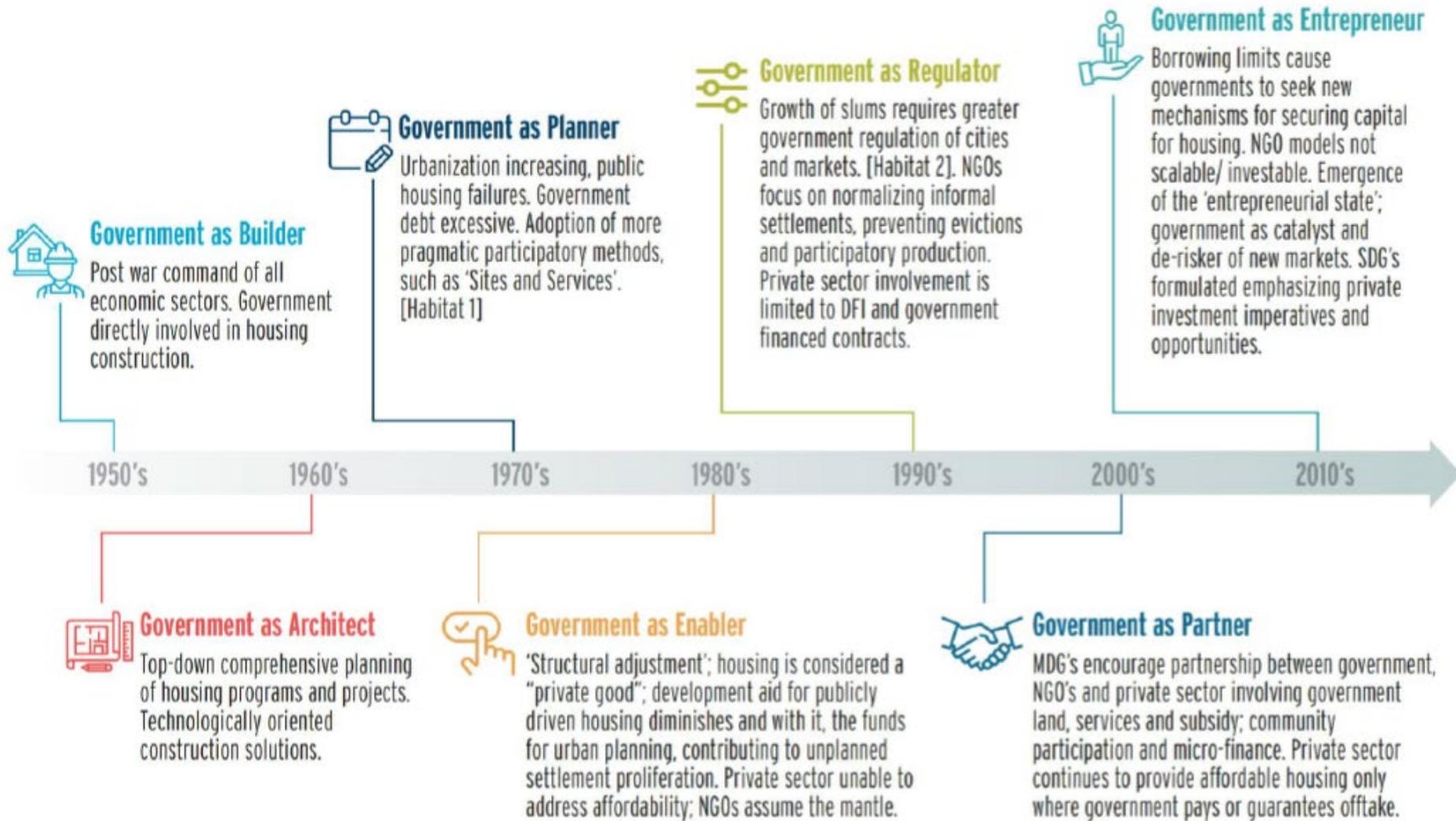


..while in Mexico it contributed to **14.1%²** of GDP in 2016

There are a few **key trends** that will continue to shape the Housing Sector

	TREND	IMPACT
1	 Growing Cities (Urbanization and Demographics)	<ul style="list-style-type: none">• The projected growth of the world's urban population will be 60% by 2030 which will increase to an estimated 70% by 2050. South Asia, East Asia and SSA will continue to urbanize; slums will continue to grow especially in SSA.• Families are becoming smaller, more mobile, and are living separate from their extended families which will lead to more housing demand. Aging and student populations will drive demand for elderly, rental, and student housing.
2	 Compact and Efficient Cities	<ul style="list-style-type: none">• Densification has been the trend as more people move to urban areas. Due to the need for better connect jobs and housing, the trend will now be linking land use, transport and housing systems. Given the lack of space, buildings are becoming more efficient (smaller) and high-rise buildings are becoming more common.
3	 Technology	<ul style="list-style-type: none">• The application of innovative construction methods coupled with the use of affordable materials will make housing more affordable and accessible to lower income earners. Innovations like block chain may significantly transform how property is transacted.
4	 Green and Disaster Resilient Buildings	<ul style="list-style-type: none">• Given the change in climate and increase in frequency of disasters there is need to construct disaster resilient housing going forward. 19% of world's GHG emissions are from buildings. Green construction offers a chance to secure emission cuts at a low cost and lock in energy and water savings for decades.
5	 Fintech	<ul style="list-style-type: none">• In mortgage distribution, Fintech companies are making the process more efficient and changing the reach of, and manner in which consumers access mortgage financing. This includes informally employed consumers and those with weak documentation. Innovations like block chain may significantly transform how property is transacted. This potentially has wider implications through transparent pricing of property from money laundering to higher tax revenues.

Evolution of government approaches to affordable housing



Emerging market countries face numerous challenges in developing their housing sectors

Demand

Supply

Access to Land, Urban Planning and Building Codes.

Unclear and contested land tenure, slow and costly title and lien registration. Restrictive land use and zoning regulations, unrealistic and costly building code requirements

Lack of Infrastructure Services and Standards.

Road, water and sanitation, electricity, solid waste management due to inadequate financing, unrealistic and costly standard requirements and lack of climate resilient building standards

Developers Lack Financial and Technical Capacity and Cost of Building Materials are High

Developers often lack the financial and technical ability to manage large scale projects. At the same time, the cost of building material is high in EMs due to high import content, limited adoption of new technology and lack of competition – factors which raise costs of building materials



Low purchasing power

Most people in low income countries survive on US \$2 or less per day, making housing unaffordable. Banks are also unwilling to lend to informally employed people, which make up the majority of the workforce in many countries

Inaccessible mortgage financing

This is due to lack of long- term local currency financing, inability to save for down payments and low household purchasing power. Lack of adequate land administrations systems that facilitate registration of mortgages and liens is also a major hinderance

Lack of an adequate rental housing market

Though renting is the most common way to secure shelter in most developing countries, this has remained a neglected area by governments and by DFIs. This has led to unregulated and unstructured rental markets.

To develop a well functioning and efficient housing sector the following **building blocks** are essential



Adequate income levels

Demand

i.e. How to improve access to affordable housing

Strong Financial Institutions
(mortgage origination capacity and risk appetite)

Effective and Affordable **Mortgage products**

Efficient **Capital Markets**
(long-term local currency financing)

Affordable and structured **Rental Market**

Supply

i.e. How to improve efficient delivery of affordable housing

Professional and Quality **Developers**

Affordable **building materials** and efficient markets

Efficient **land administration** system

Adequate **basic infrastructure** and services

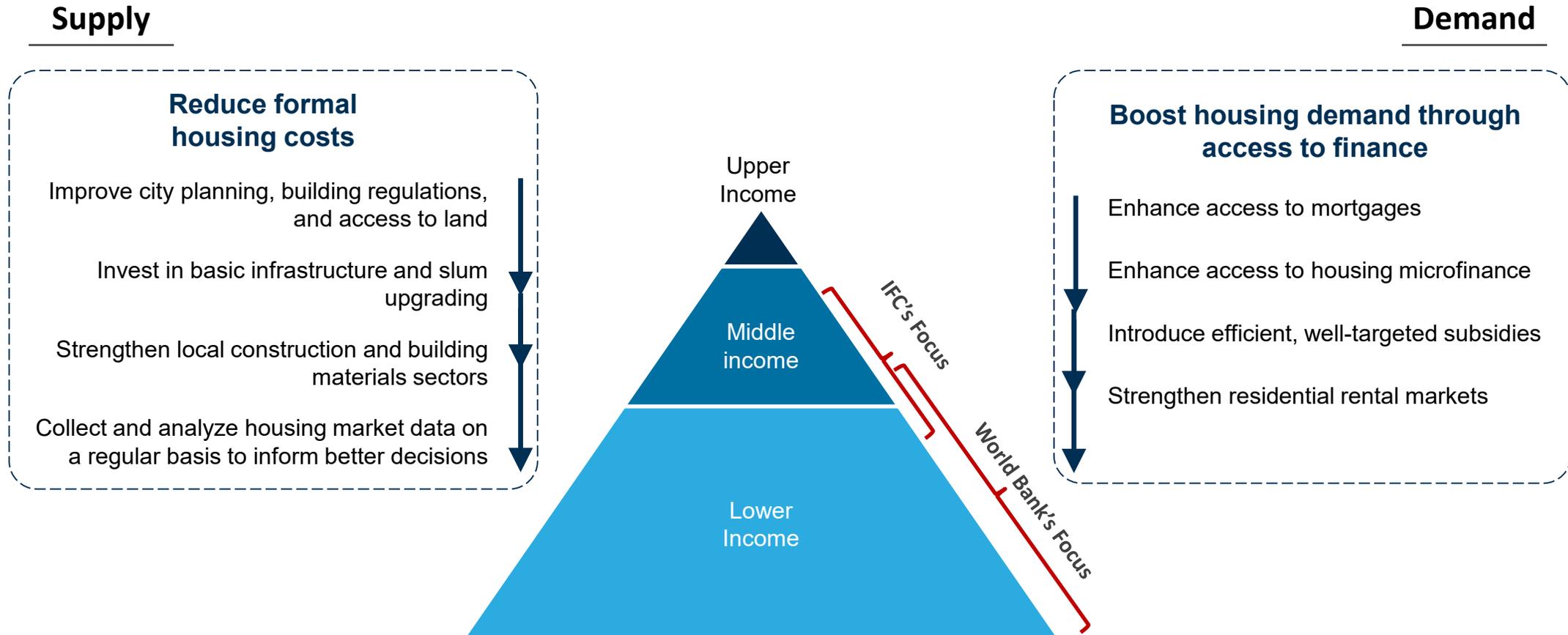
Flexible **planning** and sustainable building codes

Enabling Environment

Enabling Environment (Upstream)

- Stable Macro Economic Environment, Housing Data/analytics
- Regulation and Government support (Smart Subsidies, Guarantees, etc.)

The World Bank's objective is to push developers down the pyramid





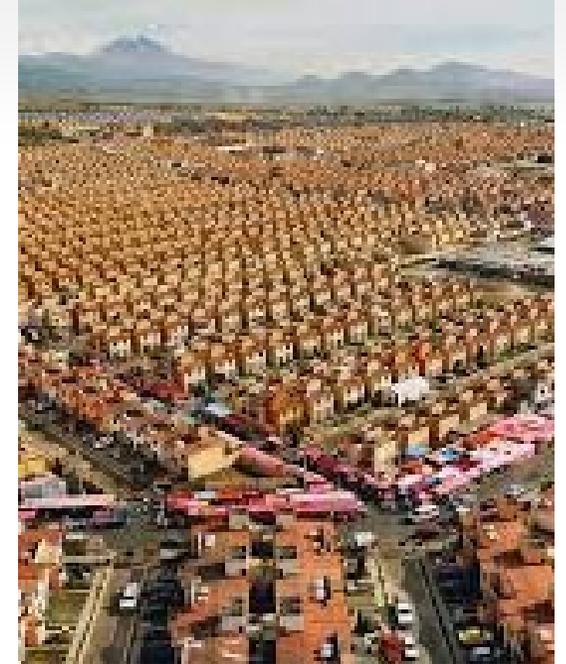
Indonesia



Egypt



Morocco



Mexico

A Quick Global Tour



INDONESIA: NATIONAL AFFORDABLE HOUSING PROGRAM

KEY INFO

Project Development Objective: To improve access to quality and affordable housing for lower-income households

USD 450 million World Bank loan

Supports the Government of Indonesia's "**One Million Homes**" initiative

CONTEXT

- **Urbanization is driving up demand for housing.** At least 780,000 new households formed in urban areas every year over the next decade.
- **Around a third of Indonesia's population live in housing with at least one substandard feature** (22 million households).
- **Affordability is a key constraint.** Only the wealthiest 20 percent of households can afford housing in the formal commercial market.
- **Access to housing finance is limited.** At 3.1% of GDP, Indonesia's housing finance market is small by regional standards.

CHALLENGES

- Current Gol subsidy programs are crowding out the private sector, preventing mortgage market growth and innovation.
- 57% of Gol-subsidized homes are being built in rural areas, even though housing need is most urgent in urban areas.
- Poor enforcement of construction quality standards, including within Gol programs.

APPROACH

- World Bank-supported BP2BT down-payment subsidy design crowds in private banks.
- Supporting Gol to establish the systems and processes needed to ensure construction quality standards are enforced.
- Technical assistance to develop new delivery mechanisms for affordable housing in urban areas (such as PPPs), and a Housing and Real Estate Information System to support more evidence-based policy-making and unlock private investment.

EXPECTED IMPACT

USD 1.6 billion of private capital to be leveraged for affordable home-ownership in Indonesia*

Baseline construction quality standards **doubled** for new homes and **tripled** for upgraded homes

Improved homeownership subsidy targeting: **from max 90th percentile to max 60th percentile**

PROGRAM ACTIVITIES

COMPONENT 1

Mortgage-Linked Down-Payment Assistance (BP2BT)

Down-payment assistance provided by the Gol, combined with household savings and a loan provided by a financial institution at market interest rates

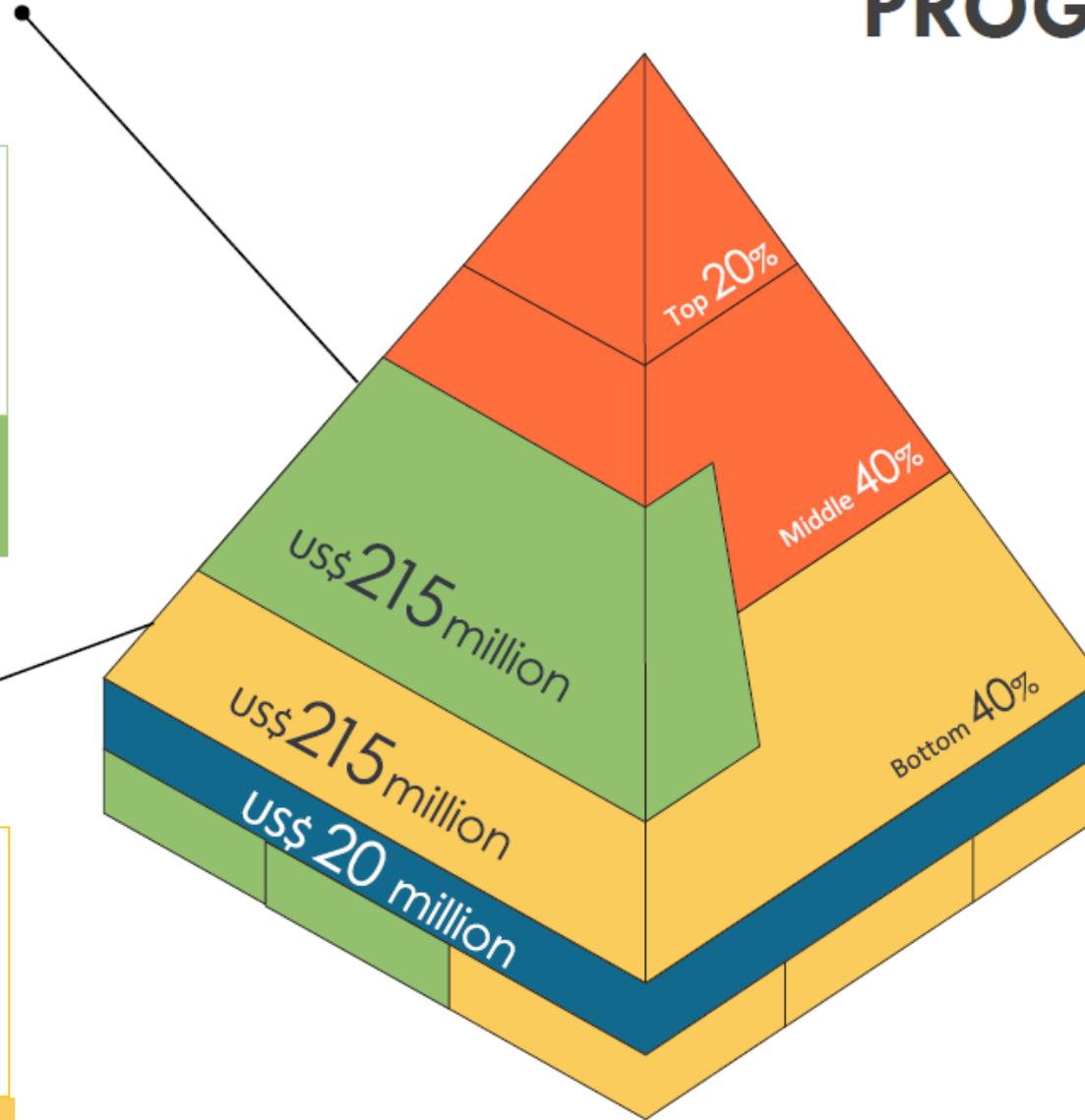
New home ownership 102,500 units
People served 410,000 persons

COMPONENT 2

Home Improvement Assistance (BSPS)

Support to expand and strengthen the Gol's existing program for self-help housing (BSPS), enabling the improvement of ~140,000 additional housing units

Home Improvement HHS 140,000 units
People served 560,000 persons



COMPONENT 3

Technical Assistance for Housing Policy Reform

- Housing and Real Estate Information System
- Public Private Partnerships for Affordable Housing
- Secondary Mortgage Facility Capacity Development and Regulatory Reform
- Policy Advisory on Housing Supply
- Strengthening the capacity of the National Housing Development Corporation
- Local Government Capacity Building for Housing Development



EGYPT: INCLUSIVE HOUSING FINANCE PROGRAM

KEY INFO

Project Development Objective: To improve the affordability of formal housing for low-income households in the Arab Republic of Egypt and to strengthen the Social Housing Fund's capacity to design policies and coordinate programs in the social housing sector.

USD 1 billion: Two World Bank loans (2015 and 2020)

Supported through **Program-for-Results** financing instrument. Technical assistance starting in 2007

CONTEXT

- Housing deficit of more than 3 million units, while an estimated 3 million units sit vacant or unfinished.
- Almost half of housing production is informal, mostly on the fringes of existing urban areas.
- Government housing programs and policies implemented by multiple uncoordinated authorities and levels of government, resulting in gaps in programs for underserved groups.
- Lack of well-located serviced land for residential development resulting in construction in distant areas.
- No private sector participation in the development of affordable housing.

CHALLENGES

- In the wake of the January 25th Revolution, government established a goal of providing one million homes for low-income households.
- Distortions in the housing market impact affordability – rent control, vacant units, informal development, and geographical mismatch between housing, jobs, and services.
- Major constraints in housing finance market, with mortgage debt at less than 1% of GDP.

MULTI-YEAR APPROACH

- Mortgage market liquidity facility promotes lending standards and facilitates access to long term funds in local currency
- Series of lending operations for housing finance and institutional strengthening
- Technical Assistance on public land management and housing subsidy reform
- Introduction of results-based lending with incentives for demand-side subsidy program, rental subsidy program, implementation of PPPs, housing location, and program efficiency, among others

EXPECTED IMPACT

950,000 subsidies for **homeownership** by 2024

100,000 subsidies for **rental housing** by 2024

50% of beneficiaries living within a **1-hour commute** to employment center



MOROCCO: HOUSING SECTOR DEVELOPMENT

KEY INFO

Project Development Objective: To strengthen the institutional, regulatory and fiscal environment for a well - functioning housing market and increase the access of low-income and severely disadvantaged households to more affordable and higher quality housing.

USD 150 million:
World Bank loan
(2005)

Supported the government's reform agenda for the housing sector

CONTEXT

- **Rapid urbanization:** urban population increase 3-4% per year, reaching 18 million people in 2000.
- **Dysfunctional housing market:** 700,000 vacant units; growing informal sector; mismatch between supply and demand.
- **Affordability challenge:** cheapest formal housing units exceeds household affordability (average cost = 9.2 average annual household income in Rabat).
- **Rapid informal growth:** 50% of housing production; 1/3 of urban population lived in substandard housing (2003).
- **Public subsidy burden:** Annual subsidies to the housing sector estimated at 1.9% of GDP (2002) including: tax incentives, interest rate subsidies, direct investment, and land.

CHALLENGES

- New Reform Program initiated in 2001 by H.E. The King - goal of producing 100,000 social housing units annually.
- Mortgage interest rate subsidies distortionary, regressive and poorly targeted (increasing with price of the unit, and de facto excluding the informal sector ~40% of households).
- Only 24% of land subsidies benefited households in the three lowest deciles of the income distribution.

APPROACH

- Rationalization of on-budget vs. off-budget subsidies, including elimination of distortionary subsidies, esp. below-market mortgage interest rates
- Released public land
- Unified building code, relaxed planning regulations
- Modernized rental law (to reduce vacancies)
- Incentivized private developers into affordable housing
- Boosted retail mortgage markets: competitive, affordable
- Public guarantee fund (FOGARIM): >125,000 informal income households have accessed residential mortgage finance (as of 2016)
- Micro-finance institutions authorized to lend for housing
- Slum upgrading program (VSB), financed with a tax on cement, including cost sharing and city contracts

Morocco's **integrated** housing reform agenda

POLICY AREAS	OBJECTIVES	REFORM ACTIONS/ OUTCOMES
Housing Subsidies and Finance	<ul style="list-style-type: none"> • Rationalize housing subsidies • Improve targeting of subsidies • Increase access to housing finance for low income and households employed in the informal sector 	<ul style="list-style-type: none"> • Termination of interest rate subsidies • Introduce targeted subsidies (VSB and FOGARIM) • Strong upper/middle income mortgage market • FOGARIM (informal sector) • FOGALOGUE Public (civil servants) • FOGALOGUE Prive (formal, private sector) • Micro-finance institutions (MFI) to lend for housing • Contractual savings program
Rental Housing	<ul style="list-style-type: none"> • Stimulate rental market • Increase vacant unit occupancy 	<ul style="list-style-type: none"> • Draft rental law under review • Fiscal and financial reforms
Urban Planning Standards and Regulations	<ul style="list-style-type: none"> • Establishing land development control mechanisms and simplification of approval processes 	<ul style="list-style-type: none"> • Reduce delays in plan approvals process • Reduce land allocation standards for public facilities • Adapted construction standards on social housing • Unified urban planning code
Institutional Setting	<ul style="list-style-type: none"> • Increase private participation in land and housing development • Restructure institutional framework 	<ul style="list-style-type: none"> • Parastatals transformed in economic authorities • Creation of HAO merging three parastatals • Recapitalization of 4 regional OPH in debt • Reimbursement of the OPH debt to the CIH
Urban slum upgrading	<ul style="list-style-type: none"> • Improve living conditions for 212,000 households • Prevent the establishment of new informal settlements 	<ul style="list-style-type: none"> • Endow FSH with substantial long-term resources • Flagship slum upgrading program <i>VSB → 2010</i> • Release large tracts of public land for residential development and slum upgrading and prevention



MEXICO: IMPROVING ACCESS TO AFFORDABLE HOUSING

KEY INFO

Project Development Objective: To increase access to affordable housing for low-income beneficiaries.

USD 100 million
World Bank loan

Supports Government's policy priorities in the housing sector to **expand support provided for self-production processes and low-income households not affiliated with housing provident funds.**

CONTEXT

- **Inequality in Mexico is high** across the rural-urban divide, between states and population groups (indigenous communities, female-headed households, and other vulnerable groups).
- **Mexico's housing deficit is concentrated among the poor and vulnerable population** and reflects systemic inequalities and regional imbalances in the country.
- **Housing deficit** range from between 9.1 million to 14 million, affecting **between 28% and 45% of Mexican households.**
- **One in five Mexican homes still lacks access to basic services**, such as water and sanitation. **One in four Mexican homes is built with inadequate materials**, including dirt floors and tenuous walls and roofs.
- Only 10.5% of dwellings in inadequate conditions need to be replaced by new units, while **89.5% of the deficit can be addressed through actions for improvement, expansion, self-production on their own land, and infrastructure provision.**

CHALLENGES

- **Most well-established housing finance schemes in Mexico are designed to serve the population with formal employment and enough income to obtain a mortgage, largely excluding the poor and vulnerable populations from receiving assistance.** 57 % of the population need direct government support to acquire a new home in the formal housing market; 60% depend on irregular incomes and are ineligible to receive loans from commercial banks or other entities.
- **Most Mexican households, especially among the poor, rely on self-production to fulfil their housing needs.** 63.8 percent of the Mexican housing stock is self-produced.
- **Due to the informal nature of construction, most of these homes reveal severe deficits related to the quality of their construction, the use of inadequate materials and the lack of sufficient living space.** Among the bottom-40 of income earners, 58% of homes require substantial upgrades, expansions, or a complete replacement.
- **Government's housing direct support allocated to support home improvement and assisted self-production has traditionally been very small.** Between 2012 and 2019, only 10.3% of CONAVI's direct support allocated to low-income families went toward self-production and only 19.1% of direct support went to support home improvement.

APPROACH

- Subsidies granted for the acquisition of a new or used housing unit.
- Direct support for self-production of housing units (vulnerable groups, indigenous people, single mothers, informal workers without access to credit formal market).
- Technical assistance to develop resilient housing, promote sustainability and energy efficiency construction techniques and support urban planning instruments at the local level.

PROGRAM ACTIVITIES

COMPONENT 1: Acquisition of Housing Units.

94% of beneficiaries under this component earn below 2.6 UMAs.

COMPONENT 2: Self-production of Housing Units.

Beneficiaries under this component are among the most vulnerable groups in Mexico. All housing solutions must comply with ambitious set of energy, resource efficiency and emissions standards.

COMPONENT 3: Strengthening Urban Management.

On April 2020, a restructuring reallocated remaining funds from Components 1 and 3 to Component 2.

IMPACT

- **The project has already benefitted 21,200 beneficiaries** (74% of total estimated beneficiaries) of which **50% are female-headed households.**
- Of these beneficiaries, **10,394 households purchased a new or used housing unit, and 10,818 households opted for self-production of housing.**
- **51% of beneficiaries are from the informal sector.**
- The project was restructured to reflect the institutional realignment and the **Government's new policy priorities in the housing sector and to expand support provided for self-production processes and low-income households not affiliated with housing provident funds.**



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