

# Low Income Housing & Land Research

**Deniz Baharoglu**

**TUDUR**

**World Bank**

# Presentation Outline

- 1. Objectives of the research**
- 2. Research plan and budget**
- 3. Work done so far**

# Objectives

- Mainstreaming housing issues into the Poverty Reduction framework.
- Assisting professionals (both at the Bank and in client countries) in improving pro-poor housing policies and programs.
- Launching a systematic knowledge management on low income housing and land strategies.

# Research Plan & Budget

## Phase I

- Reviewing the Bank's housing projects of the last decade.
- Support recently started and ongoing housing projects of the Bank – which provide input for the research.
- Output will be a “Housing Report” pointing out pressing questions, and directions for further analyses to be carried out in the second phase.
- Current funding: \$550.000 from the Bank Netherlands Partnership Program.
- Duration: 24 months – June 2003.

## Phase II – Follow up work

- Further detailed analyses on the issues defined at the first phase.
- Output will be a “Housing Sourcebook”.

# What have we done so far?

- Bank's housing projects of the last decade were reviewed.
- Five projects from different regions were selected for research support:
  - ✍ Peru Urban Rights Property Project
  - ✍ Vietnam Low Income Housing Upgrading project – microfinance component
  - ✍ Indonesia Self Support Housing Project – microfinance component
  - ✍ Iran Housing Sector Note – Housing Sector Subsidies
  - ✍ Latvia LIL – credit enhancements
- A seminar (BBL) series has started on different aspects of land and housing.

# Project Review Objectives

- **Understand the extent to which low income groups have been reached.**
- **Define most pressing questions.**
- **Stimulate discussions and ideas as a basis for the research.**

# Framework of the Review

	Capacity building	Regulatory changes	Rationalizing subsidies	Access to low income groups
Housing Finance				
Land tenure				
Housing production Site & Serv.				

# Results of the Review

# Housing Finance Projects

- **Capacity building**: “*eye opening efforts*”
  - several countries committed to market based lending;
  - financial organizations have progressed in applying new tools and strategies (e.g. *Ghana HFC; and India HDFC*)
- **Regulatory reforms**: to support private sector participation could be partially applied (e.g. *Mexico Housing Finance and Mexico Housing Market Projects*). Implementation is a problem in several countries (e.g. *India, Mexico*).
- **Rationalizing subsidies**: some progress was made (e.g. *Korea Housing Project; Chile Housing Project*). But heavily subsidized financing and resource mobilization and untargeted subsidies are still the most pressing questions in many client countries.
- **Reaching the poor**:
  - bottom 30% have not been reached. Mortgage tools are not convenient to support low income housing.
  - Lending tools need to be diversified – e.g. microfinance for housing

# Land Tenure Projects

- **Capacity building**: establishment of new registration methods and land management concepts. *E.g. land administration and registration projects in Thailand, Indonesia, Ghana, Cote de Ivoire, Armenia and in several other transition countries.*
- **Regulatory reforms**: successful interventions in implementing regulations. *E.g. Peru Land Titling and Russia Land Reforms Projects.*
- **Land market development**: contributions through decreasing backlogs in untitled land; increases in property values (*e.g. Thailand, Indonesia and Peru*). But there are not much detailed analyses about the impacts of titling programs.
- **Rationalizing subsidies**: provision or granting tenure is a form of subsidy, which is supposed to be progressive, and tending to focus on the poor.
- **Reaching the poor**: most of the tenure regularization programs are self targeting, and reach the poor.

# Land Tenure: Pressing Issues

## Diversified approach to tenure security

- Titles are not the only way of addressing tenure security.
- The Bank does not have experience in other forms of addressing tenure security (except for *addressage* used in 15 countries Africa, e.g. *Guinea, Senegal, Mozambique*).
- Existing continuum of tenure forms need to be understood.

## Scaling up

It is necessary to integrate innovative solutions into regulatory frameworks.

## Market impacts of titling and other forms of tenure security

Impacts on property prices, rents as well as on transactions need to be better understood. Little known about regressive as well as progressive impacts of title provision.

# Sites & Services

- **Progress:** A lot has been learned. It has been incorporated in the housing agendas of local authorities, and private sector has become a legitimate provider – *e.g. Argoz in El Salvador.*
- **Pressing issues in public programs:**
  - Standards
  - Targeting
  - Scaling them up at city and national level – *E.g. Mauritania Upgrading Project started recently.*

# **Projects Selected**

**Descriptions & Objectives**

# Each project addresses a question

	<b>Housing Finance: Innovative tools to support the poor</b>	<b>Rationalizing subsidies</b>	<b>Impacts of titling and other forms of tenure on property markets</b>
<b>Indonesia Housing Microfinance</b>			
<b>Vietnam Housing Microfinance</b>			
<b>Latvia Reverse mortgages</b>			
<b>Iran Housing Subsidies</b>			
<b>Peru Property Titling</b>			

# Projects Selected

- **Peru Urban Rights Property Project**: it is the only urban land titling project at national scale financed by the Bank.

## The project and the studies produce knowledge on:

- How have the titles affected individual and collective behavior?
- What are the impacts on property markets such as home improvements, access to credit and on property prices?

## Preliminary results (from the previous studies):

- Titles do not explain the access to credit significantly.
- However they have led to some increases in property prices.
- Households with some property documents have a better housing quality.

- **Iran Housing Sector Subsidies**: the study assesses the housing subsidies and make recommendations on how to rationalize housing subsidies.

## Preliminary results

- Housing subsidies relative to GDP (2-2,5%) are larger than those in developed and developing countries; and they are non transparent.
- Despite large subsidies, housing is still costly for young households.
- Iran's housing problem is more a matter of badly allocated resources, rather than limited resources.

# Projects Selected (cont.)

## Indonesia and Vietnam Housing Microfinance Projects

- Microfinance is becoming increasingly important, because the need for housing finance for the poor increases.
- They will be the Bank's first experiences on housing microfinance.

### These projects/studies will produce knowledge on:

- Mechanisms to integrate housing microfinance into market systems at a scale: wholesale finance to micro finance institutions which will in turn, lend housing micro-loans to households.
- Alternative collateral structure other than land title, e.g. credit risk insurance mechanisms.

# Projects Selected (cont.)

**Latvia (and other transition countries) Reverse Mortgages LIL**

The studies will produce knowledge on:

**Credit enhancement mechanisms so that elderly people can withdraw some equity they have in their housing.**

**Therefore, elderly households will have the opportunity to improve their living standards.**